Meeting Minutes

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING

Location: In-Person Meeting at Regus
2025 N. 3rd Street, Suite B300, Room 363, Phoenix, Arizona 85004

Date and Time: Thursday, October 17, 2024
3:00 p.m.

Board Members Present (Appearing in Person):
Ken Burns
David Castillo*
Robin Romano

Board Members Present (Appearing via Zoom):
Andre Whittington

Board Members Absent:
Marcel Dabdoub (with prior notice)

Staff Present (Appearing in Person):
Dan Dialessi, Chief Financial Officer
Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

Meeting Facilitator (Appearing in Person):
Kelly McGuire, Kutak Rock LLP

Presenters (Appearing via Zoom/Telephonically):
Sally Schwenn, Gorman & Company
Mirza Kafedzic, Mizuho Capital Markets
Connor Mattoon, Lincoln Avenue Capital
Cole Froemming, Lincoln Avenue Capital
Steve Hicks, Provident Resources Group
Jaimee Boyd, Provident Resources Group
Louie Quinn, Fishman Haygood, L.L.P.

Presenters (Appearing in Person):
Rodrigo Dorador, Dominium Inc.

* Mr. Castillo joined the meeting via telephone at 3:14 p.m. and then appeared in person at 3:18 p.m.

Actions:

1. **Call to Order:**

The meeting was called to order by Robin Romano, President of the Board of the Arizona Industrial Development Authority (AZIDA), at 3:00 p.m. Board members Ken Burns and Robin Romano attended in person. Andre Whittington attended via Zoom. Roll was called by Kelly McGuire, as meeting facilitator. Mr. Dabdoub was noted as absent, having previously informed Ms. Romano that he would be unable to attend. Mr. Castillo was also noted as absent but had informed Ms. Romano that he would be late. A quorum was declared present. Ms. Romano asked the Board members if they had any conflicts related to the items on the agenda. None declared a conflict. Mr. Castillo joined the meeting telephonically at 3:14 p.m. and in person at 3:18 p.m.

2. **Agenda Items Considered:**

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-46 – Authorizing the issuance of Multifamily Housing Revenue Bonds (Fort Whipple Veterans Apartments Project), in an aggregate principal amount not to exceed $20,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of Fort Whipple Veterans Housing, LLC.

Sally Schwenn, the Arizona market president of Gorman & Company LLC ("Gorman"), informed the Board that Gorman is working in conjunction with U.S. VETS Housing Corporation ("U.S. VETS"), a nationally based nonprofit in Prescott, Arizona, on the Fort Whipple Apartments Project. The project will include the construction of 80 new units and the rehabilitation of 23 units in the existing historic Officer's Quarters buildings located on the Fort Whipple Veterans Campus, otherwise known as the Northern Arizona VA Health Care System in Prescott. The campus itself provides healthcare services to veterans throughout Northern Arizona. U.S. VETS will provide wrap around services to the Fort Whipple residents, including workforce development, case management, counseling and therapeutic services, as well as healthcare both onsite and through U.S. VETS' other campus in Prescott.

Gorman has finalized a ground lease with the U.S. Department of Veterans Affairs ("VA"), the first VA project using a ground lease on a veteran's campus in Arizona. The ground lease requires congressional approval, and it is anticipated that approval will occur on November 11, 2024. Ms. Schwenn noted that Gorman has received all building permits which resulted in a lot of political attention. The project has been toured numerous times by representatives from Senators Kelly's and Sinema's offices.

The project has been awarded approximately $2.4 million in state appropriations funding and the Arizona Department of Housing is also providing national housing trust funds of $3 million.

Ms. Romano said she is thrilled to have the project brought forward for approval and she encouraged everyone to visit the area as the entire complex and grounds are beautiful.

Mr. Whittington echoed Ms. Romano's sentiments. He also expressed appreciation that the officer's living quarters are being repurposed.

Ms. Romano congratulated Gorman on the project's approval and expressed interest in visiting the project. Ms. Schwenn said that Gorman looks forward to inviting the Board to the groundbreaking and the grand opening.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-46, as presented. Board member **Andre Whittington** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-47 – Authorizing the issuance of Charter School Taxable Revenue Bonds (RM Charter Holdings LLC), Series 2024, in an aggregate principal amount not-to-exceed $80,000,000, to be issued in one or more taxable series, for the benefit of RM Charter Holdings LLC.

Mirza Kafedzic of Mizuho Capital Markets LLC ("Mizuho") explained that AZIDA originally issued the bonds in 2019 (the "Series 2019 Bonds"), which were directly purchased by Mizuho. Mizuho is the sole bondholder of the remaining Series 2019 Bonds and will be the sole lender with respect to the 2024 bonds. Mr. Kafedzic clarified that Mizuho is the principal on this transaction and not an underwriter or placement agent.

Mr. Kafedzic explained that the taxable Series 2019 Bonds were issued at just under a half a billion dollars and financed the acquisition of a portfolio of over 40 charter schools nationwide. He noted that everything has worked according to plan and the current outstanding balance on the Series 2019 Bonds is significantly less than the collateral. Since there is still a lot of remaining collateral in the bond transaction, RM Charter Holdings LLC ("RM") approached Mizuho to increase the transaction size. Mizuho is seeking approval to repay the Series 2019 Bonds in full and issue bonds up to $80 million in 2024. The 2019 Bonds paid down as intended – when schools purchased their properties and left the financing, excess proceeds were used to retire bonds. There are currently 12 pieces of collateral left in the portfolio, with three being notes and the others physical charter schools. The current appraised value of the remaining collateral is about $100 million and Mizuho is asking for $80 million of additional bonds. Mizuho is also asking for an extension of the term and a change in the interest rate from a fixed to a floating rate. One of the remaining schools is located in Arizona, ACD Champion/Fit Kids in Chandler. Approximately 70% of the students in the remaining schools are economically disadvantaged.

Mr. Romano noted this was a very good summary and thanked Mr. Kafedzic for sharing that the students in the schools were disadvantaged.

Board member **Andre Whittington** then motioned to approve Resolution No. 2024-47, as presented. Board member **Ken Burns** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-48 – Authorizing preliminary approval of not-to-exceed $73,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to finance a multifamily qualified residential rental project in Goodyear, Arizona, for the benefit of Lincoln Avenue Communities, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

<u>and</u>

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-49 – Authorizing preliminary approval of not-to-exceed $52,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to finance a multifamily qualified residential rental project in Goodyear, Arizona, for the benefit of Lincoln Avenue Communities, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Agenda items 3 and 4 (considering Resolution Nos. 2024-48 and 2024-49) are related projects and were considered together.

Connor Mattoon of Lincoln Avenue Communities, LLC ("LAC") presented the projects. He shared that together they will be located on 30 acres at the southwest corner of South Bullard Avenue and Yuma Road in Goodyear, Arizona, and will provide approximately 494 units of affordable workforce housing. The primary financing for these projects will consist of tax-exempt bonds with 4% low-income housing tax credits from the Arizona Department of Housing. The projects will include robust amenity packages offering a mix of one-, two-, three-, and four-bedroom units restricted to families earning 60% of AMI. The amenities will include a leasing facility, clubhouse and fitness center, yoga studio, community pools, outdoor eating area, shade structures, dog run, walking path and other active and passive open spaces throughout the community. LAC plans to close the projects and begin construction in the fourth quarter of 2025, with the first phase of the units and the clubhouse expected to be delivered in the fourth quarter of 2026, and 100% completion in the first quarter of 2028.

Ms. Romano stated that 60% AMI is wonderful and asked if LAC anticipated any problem leasing up. She noted it looks like the properties are located in a very industrial area and near the Goodyear Airport and asked if she was looking at the right properties.

Mr. Mattoon confirmed that was the right location and that LAC had done some preliminary market studies on the site, which considered the eligibility of households at the 60% AMI level as well as the surrounding properties in the area. LAC's capture rates, which consider how many available eligible households there are at that level, as well as the surrounding product, give them confidence the properties will lease up quickly as there is a demand for 60% AMI units within a three- to five-mile radius of the site.

Ms. Romano then asked for the approximate rental rates at these properties.

Mr. Mattoon responded the rents would range from approximately $1,200 for a one-bedroom unit to approximately $1,750 for a four-bedroom unit.

Board member **Ken Burns** then motioned to approve Resolution Nos. 2024-48 and 2024-49, as presented. Board member **Andre Whittington** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-50 – Authorizing preliminary approval of not-to-exceed $78,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to finance a multifamily qualified residential rental project in Phoenix, Arizona, for the benefit of Lincoln Avenue Communities, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Cole Froemming of LAC presented to the Board. The proposed project will be located at the southeast corner of 107th Avenue and West Broadway in southwest Phoenix, near the border of Tolleson in the Estrella neighborhood. The project is intended to be the new construction of 289 units of affordable housing at the 60% AMI level, similar to the two previous projects presented by Mr. Mattoon. The project will also have a robust amenity package with a clubhouse, pool, leasing facilities, fitness centers, walking trails and will also utilize solar carports to help offset 60% to 70% of the projected electrical usage at the property. He noted the proposed project is similar to a previously approved project, Gunsmoke Ranch located in Maricopa, that closed and began construction in August 2024. Mr. Froemming explained the project is more of a build-to-rent product that looks like little villas as opposed to a more traditional garden-style buildings. LAC intends to close in the second quarter of 2025 with a targeted completion date in May 2027.

Ms. Romano said that she liked the idea of the villas.

Mr. Burns added he loved the use of solar power.

Mr. Whittington echoed Mr. Burns sentiments.

Mr. Froemming noted the solar works great, especially in the Valley of the Sun, and LAC intends to take advantage of that.

Board member **Andre Whittington** then motioned to approve Resolution No. 2024-50, as presented. Board member **Ken Burns** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-51 – Authorizing preliminary approval of not-to-exceed $20,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to finance a multifamily qualified residential rental project in Buckeye, Arizona, for the benefit of Buckeye Leased Housing Associates III, LLLP.

Rodrigo Dorador of Dominium, Inc. ("Dominium") explained to the Board that Dominium recently acquired the existing affordable housing project located in Buckeye, Arizona, known as Cholla Ranch. The project was originally built in 2001 through the 9% low-income housing tax credit program and provides 124 units ranging from 30% to 80% AMI and56 market rate units. Dominium plans to partner with the Arizona Department of Housing ("ADOH") to re-syndicate and complete $30,000 per unit of rehabilitation, totaling approximately $7.2 million. Dominium plans to close on the transaction in 2025. At that point, Dominium will transition the market rate units to 70% and 80% AMI units so the entire property will be made affordable which will be helpful considering the shortage of approximately 240,000 affordable units in the State of Arizona. He noted that the project serves as a good reminder that while new construction is one way to help with the supply issue, developers can also preserve existing projects coming out of their affordability periods.

Ms. Romano asked if Dominium would be taking advantage of some of the tax credits coming available for energy efficient rehabilitation projects.

Mr. Dorador responded that, outside of looking at doing solar in the clubhouse, Dominium hasn't yet built out a full scope for the rehabilitation, but the ADOH Qualified Allocation Plan encourages developers to increase the energy efficiency of the units by around 10% to 15%. He said that will be the target and Dominium will work with an energy efficiency consultant to make sure that energy consumption on the units will decrease with the rehabilitation.

Ms. Romano praised Dominium for engaging an energy efficiency consultant and believes they will be surprised about the money available for rewiring, new electrical, new water heating, and other items that could help to lower costs. She added that she was thrilled to see a rehabilitation project and agreed with Mr. Dorador that not everything needs to be new build.

Mr. Burns agreed that it is great to see a project continue and expand affordability even after the affordability requirement period has ended.

Ms. Romano asked if Mr. Whittington had any questions.

Mr. Whittington agreed with Mr. Burns' sentiments and noted that it was great Dominium plans to take advantage of solar and energy tax credits.

Mr. Castillo thanked Mr. Dorador for maintaining the stock of affordable housing.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-51, as presented. Board member **David Castillo** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

3. **<u>Presentation and Discussion; No Board Action – Great Lakes Senior Living Facilities</u>**

Representatives from Great Lakes Senior Living Communities, LLC ("Great Lakes"), Steve Hicks (CEO and Chairman) and Jaimee Boyd (in-house counsel) of Provident

Resources Group, and Louis Quinn of Fishman Haygood, L.L.P. (outside counsel), presented information related to the proposed restructuring of the Authority's combined $380,185,000 Senior Living Revenue Bonds (Great Lakes Senior Living Communities LLC Project), Series 2019 Bonds.

Mr. Hicks explained that Great Lakes was formed in 2018 by Provident Resources Group as its sole member, whose purpose was to purchase eight senior living communities in Ohio and Michigan. Great Lakes purchased the properties from Welltower, Inc., an investment group headed up by Common Sale Investment Group. The Series 2019 Bonds were issued to finance the $365 million purchase price of the properties. At the time Great Lakes acquired the properties, they were managed by Senior Village Management, based in Michigan. The COVID-19 pandemic caused challenges for Great Lakes and the senior living industry in general. Great Lakes experienced occupancy weakness during COVID, expense inflation, and staffing shortages all of which led to sharp wage increases and reliance on expensive temporary agency staffing, as was common throughout the senior living sector during that time.

The gross revenue pledge and payment waterfall imposed by the 2019 bond documents made it difficult for Great Lakes to fund increases in operating expenses. Beginning in 2020, Senior Village Management began taking measures to address liquidity pressures. In June of 2021, Great Lakes borrowed $5.2 million of proceeds from two subordinated bond issuances and those proceeds were used to finance capital expenditures that were needed by some of the facilities, along with deferred repairs and maintenance. Despite these efforts, and due to continued revenue softness and expense increases, Great Lakes violated its debt service coverage ratio test both for the 2021 and 2022 fiscal year testing periods under the 2019 bond indenture.

In September of 2022, in collaboration with senior bondholders, Great Lakes engaged GLC Advisors and Company, as its financial advisor, to assist in negotiating a forbearance agreement with bondholders and pursue a restructuring of the 2019 bond.

UMB Bank ("UMB"), the trustee for the 2019 bonds, subsequently engaged RBC Capital Markets, who was later replaced by Raymond James and Mintz Levin out of Boston and New York, as its financial advisors and legal advisors, to work with Great Lakes in developing a restructuring plan.

Great Lakes executed a forbearance agreement with the bondholders in March of 2023 and has been operating under that forbearance agreement since that time.

The forbearance agreement provided a framework and a timeline for Great Lakes and its bondholders to negotiate a restructuring of the 2019 bonds. Great Lakes has been working with the bondholders along with its management company for two years in negotiating the proposed restructuring.

A trustee in possession ("TIP") proceeding petition relating to the 2019 and 2021 bonds, was filed in a Minneapolis court on October 11, 2024, after almost two years of discussions and collaboration with bondholders.

Mr. Hicks added he thinks it is important to note for the record that at all times the focus of Great Lakes has always been the safety and welfare of all residents in Ohio and Michigan. If the court does not grant the relief requested by the trustee bank in the TIP petition, the trustee and Great Lakes will commence a consensual Chapter 11 proceeding and prearranged plan of reorganization. Mr. Hicks has no reason to believe the court will not grant the TIP petition, but that is always a possibility. Great Lakes will continue to cooperate with UMB as its trustee bank throughout the proceedings.

Mr. Hicks then explained what went wrong since Great Lakes initiated the original transaction. The COVID pandemic's impact on occupancy, revenue and expenses was significant and was experienced nationwide in the senior living industry. Great Lakes' cash inflows were insufficient to fund total operating expenses, capital expenditures, debt service and management fees, and resulted in shortfalls in cash available to fund operations and capital expenditures. Great Lakes believes that after two years of efforts and working with the bondholders, it has a restructuring plan that will be successful.

The restructuring plan, which will be presented in more detail at the next AZIDA meeting, is supported by bondholders representing over 80% of all of the outstanding debt on the project. Operations have largely stabilized over the past several years since COVID and occupancy has continued to improve at all eight facilities.

The proposed restructuring is projected to meet cash debt service requirements over the life of the bonds. The business plan has been stress tested under multiple downside scenarios, and projections show Great Lakes maintaining adequate cash flows and covenant compliance under the stress tests. The restructuring will provide time for Great Lakes to continue to grow into its capital structure with debt service relief from interest on the junior debt for 5, 8 and 10 years for both the series C, D and E bonds.

The incremental $10 million of new money bonds that Great Lakes will be requesting as part of the restructuring is fully backed and guaranteed by an ad hoc group of its existing bondholders. The amount represents only 2.5% of its total pro forma debt, and it is the minimum estimated amount necessary to effectuate the restructuring process and leave Great Lakes with sufficient liquidity to deal with any unexpected issues.

Mr. Hicks said he hopes that this presentation provided some background on the original transaction and also what Great Lakes believes went wrong, but more importantly, how it believes this restructuring will bring it back to successful operations in the years to come. He thanked the Board and offered to answer questions.

Ms. Romano noted that she appreciated the explanation because the materials did not present any information describing how Great Lakes got into trouble or why it anticipates the new issuance of bonds would allow Great Lakes to turn things around. She noted that Great Lakes failed to meet the debt to service ratios and liquidity ratios for 2021 and 2022 and asked if they were able to meet them for 2023.

Mr. Hicks replied that Great Lakes was under a forbearance agreement during that time but did not know if they actually met the ratios in 2023. He then called on Ms. Boyd and Mr. Quinn for that information.

Mr. Quinn added that he didn't believe Great Lakes met the ratios and noted that the forbearance agreement was amended ten times to get to this point in the process.

Mr. Hicks then pointed out that Great Lakes has materials prepared by its financial advisor, GLC Advisors in New York, which will be submitted to the Board with the final plan of restructuring in advance of the November meeting. GLC Advisors was engaged to assist with the restructuring plan at the recommendation of the major bondholders.

Ms. Boyd then explained that the written presentation had not yet been provided because Great Lakes intended to include the answers to the Board's questions in the materials submitted before the matter comes for a vote. She added that while the coverage ratios were not met, the revised budget that was prepared post COVID has been achieved for the past two years.

Ms. Romano noted that the forbearance agreement being amended ten times doesn't seem to suggest the Board should have any confidence that Great Lakes can meet obligations under the restructuring. She also expressed concern that the additional $10 million would be used for the main purposes of liquidity for Great Lakes to be able to continue operations.

Mr. Hicks explained that the forbearance agreement was extended ten times because each forbearance period is intentionally very short to encourage the bondholders, the management company of the subordinate bondholders and Provident to all continue to work together and collaborate to a successful resolution. Each forbearance agreement was for two or three months each throughout the two-year period. The short forbearance periods were not indicative of contentious negotiations, it is the way complex transactions are typically worked out – through repeated short renewals.

Ms. Romano thanked Mr. Hicks for sharing that important information and indicated the Board would definitely want a thorough explanation of the restructuring and how Great Lakes will ensure the project will not go back into default. She added that the presentation should focus on an explanation of current operations, why Great Lakes believes the restructuring will be successful, and specifically, what the additional $10 million will be used for. Ms. Romano also expected deferred maintenance, liquidity issues, and challenges meeting operational expenses should be addressed in the presentation.

Ms. Boyd confirmed the presentation will address all of those matters. She also highlighted that under the current bond waterfall, debt service is at the top and triggers a lot of the liquidity issues, including the inability to address capital expenditures. The restructuring will rearrange the waterfall to alleviate that stress and will be spelled out clearly in the November materials.

Ms. McGuire asked about the timing on the TIP court's determination.

Hicks responded that the TIP petition was filed in September and asked Mr. Quinn when a ruling from the court is expected.

Mr. Quinn explained that the attorneys who filed the petition on behalf of the trustee in Minnesota could not provide a firm date, but Great Lakes will inform AZIDA when a hearing date has been selected. The goal of all the parties is to try and effectuate the restructuring by the end of 2024. The expectation is that either the TIP proceeding will be favorable and Great Lakes will proceed with the restructuring before the end of the year, but if for some reason it's not, then Great Lakes has a plan to go ahead and effectuate the restructure presented to the TIP court in a Chapter 11 restructuring. They can pivot very quickly, if necessary, but the anticipated goal is to have it restructured by the end of the year.

Mr. Burns noted that Mr. Hicks mentioned that Great Lakes' net operating income had stabilized and asked whether Great Lakes is profitable today and whether the Great Lakes team expects more positive movement in profitability.

Mr. Quinn replied that the materials to be presented in November will include a schedule prepared for the life of the bond issue to show, based on the assumptions in that schedule, that Great Lakes will be able to pay operating expenses, capitalized interest expenses, as well as the bonds by their final maturity. He added that Great Lakes has been operating under 13-week budgets during the forbearance periods and has been able to meet those budgets. The management company is currently estimating an increase in occupancy and expense efficiency. There will have to be continued growth in the occupancy of the facilities, but that will all be reflected in the pro forma that will be provided. The management company has increased occupancy from approximately 82% to 92% over the period after COVID to now, so there is a reasonable expectation that such a growth curve, absent another catastrophic event, will continue.

Mr. Hicks added that the projections are not only those prepared by Great Lakes or the management company. The projections have been developed through the collaborative work of the bondholders, Provident, as the sole member, as well as the management company, the combined effort of all three of the major parties to the restructuring.

Mr. Castillo requested that the presentation in November provide information to help the Board understand where the industry stands today, given what Great Lakes has been through with regard to the COVID pandemic, and what the industry forecast looks like going forward. Mr. Castillo emphasized that AZIDA wants to be a good partner to Great Lakes, but needs to understand how extreme conditions are affecting the senior living market and what work is being done to prevent future defaults in anticipation of the next pandemic. Great Lakes should provide a forward look at the industry and where the Great Lakes projects fit within it.

Mr. Hicks replied that the requested information will be presented in the coming month.

Ms. Romano thanked the representatives of Great Lakes coming before the Board a month in advance to explain the situation. She added that none of the current members were on the Board when the original transaction was approved, and the Board appreciates their time and energy in doing so.

4. **Discussion; No Board Action – Chief Financial Officer's Report**

Dan Dialessi reported that the statutorily required annual report was delivered to the senate, house, the Governor's Office of Strategic Planning and Budget and the Arizona Department of Administration on September 27, 2024, and included an outline of results for fiscal year 2024 and a rough draft of the financials. He explained the report is pretty straightforward and outlines the results of the homebuyer down payment assistance program, the huge production from the conduit revenue bonds program, and the amounts transferred to the Arizona Housing Trust Fund and Arizona Office of Economic Development.

Mr. Dialessi informed the Board that the audit is in the final stages. He is working on the management discussion and analysis now.

Mr. Dialessi shared that the catalyst for the first real audit is that AZIDA has now issued single family mortgage revenue bonds ("MRB") that are on the balance sheet and for which AZIDA is responsible. Mr. Dialessi explained that it is a Municipal Securities Rulemaking Board mandate in the disclosure requirements to put forward the financials, and it has been a heavy lift to convert from sparse cash reporting to accrual. Mr. Dialessi noted that capturing gross instead of net transactions requires significantly more work and AZIDA will need to consider hiring an in-house accounting person. With the number of transactions going through the books now that AZIDA has an MRB program, and the fact that we need to capture the down payment assistance ("DPA") program a little bit better, AZIDA needs to have somebody get all that detail entered for the future.

Mr. Dialessi explained that audit findings are expected with the transition to full reporting. AZIDA's new audit firm was engaged to perform the audit and assist AZIDA in the transition. While findings are expected this year and maybe next, Mr. Dialessi noted findings five years from now would be unacceptable.

Ms. Romano agreed that moving from cash to accrual is always a one- to two-year challenge to correct. She added that the Board is in full support of making sure AZIDA's accounting is proper and balanced and that AZIDA has clean audits.

Mr. Dialessi then provided some quick year-to-date figures. For Q1, three conduit bond projects totaling about $150 million in volume with about $1 million in revenue have been issued. On the single family side, through the end of Q1, 187 loans with $51 million in volume under the MRB program have closed. As of the next settlement, there will be another 26 loans to add to that total. He noted he doesn't have a number for the DPA program. For the Series 2024A MRBs, $28 million remains of the $60 million issued. Mr. Dialessi noted that AZIDA has invested the funds it has borrowed within the requirements of the tax code to avoid the risk of arbitrage. For the Series 2024C&D MRBs, a portion of which refunded the Series 2024B Bonds, there is also about $28 million remaining. Homebuyer eligibility under the Series 2024C&D MRBs were expanded eligibility from the 80% AMI under the 2024A program up to 100% AMI.

Ms. Romano added that 100% AMI still includes dual income households.

Mr. Dialessi noted that in the new year, AZIDA will request available volume cap to continue its single family mortgage loan program.

Ms. Romano asked if the first quarter financials would be available at the next meeting.

Mr. Dialessi said they would.

Ms. Romano added that Mr. Dialessi can present first quarter financials at the November meeting.

5. **Adoption of Minutes of the August 18 and August 19, 2024 AZIDA Special Board Meetings and the Minutes of the September 19, 2024 AZIDA Regular Board Meeting**

Ms. Romano noted there was email discussion regarding changes to some of the minutes.

Ms. McGuire indicated there was just one change to correct a nonsense sentence in the minutes of the August 18th special Board meeting.

Mr. Castillo asked for a discussion regarding the minutes and noted the August 18th minutes looked a little more like a transcription and was wondering if a discussion has already been had with the Board to change how we use the minutes and the level of detail.

Ms. McGuire responded that the minutes were intended to be summary-style minutes, but there had been significant issues with the recordings, in particular during the Strategic Planning Session. She believes summaries of the big ideas and all of the topics are captured. She added that a lot of the recording from Sunday's planning session came back as inaudible. Monday's session was not recorded but both Ms. McGuire and Ms. Belisle took notes, which were used to prepare the minutes.

Mr. Castillo said the minutes were organized well but noted that they contain a lot of detail, some of which may be extraneous. The minutes should offer transparency for the public but the minutes should also be useful to the Board as to directions and action items. Mr. Castillo intended to move forward with approval and he appreciated the diligence put forth in providing the detail in the Board packet and the minutes, however, the minutes are at times so lengthy, they may not be useful to the Board. He suggested the minutes be a quick reference to the topics discussed as opposed to the detail of every thought discussed.

Ms. Romano noted that there have not been many special meetings or strategic planning sessions. She appreciated Mr. Castillo's comments and agreed the recent Strategic Planning Session special meeting minutes were a lot more detailed than necessary.

Mr. Castillo thanked Ms. McGuire for going above and beyond, and Ms. Romano agreed.

Mr. Burns added that he had never seen similar minutes prepared for a strategic planning session.

Ms. McGuire explained that she didn't know how much detail the Board might want and asked her team to err on the side of caution by providing more rather than fewer details of the discussions.

Ms. Romano said that transparency is good, particularly for the first Strategic Planning Session, but it was a lot of information. She plans to work with AZIDA staff to improve recording to ensure all speakers are heard.

Mr. Castillo added that his expectation would be that the facilitator would collect what was discussed and issue a report of the planning session that would provide recommendations for moving forward.

Ms. Romano shared that Mr. Swift is gathering the information from the sessions, which should include a report that will be presented at a later meeting. She added that the Strategic Planning Session minutes were presented in a format to comply with the public meeting law requirements.

Board member **David Castillo** moved to adopt the minutes of the August 18 and August 19, 2024 AZIDA special Board meetings and the September 19, 2024 AZIDA regular board meeting. Board member **Ken Burns** seconded the motion.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

6. **Call to the Public**

Ms. McGuire announced a call to the public for comments.

Pat Ray from Cathedral Rock Issuer Services addressed the Board. He shared that the ESRF 2024 bond issue priced on October 16th and was oversubscribed 15-to-1, with $2.4 billion in orders for AZIDA's $175 million in bonds and had to be repriced twice to lower the yield. Mr. Ray added that ESRF will definitely be back seeking to partner with AZIDA in the future.

Mr. Ray added that it is one of 12 financing to be closing in the next eight weeks and the fourth quarter will be very busy.

Ms. Romano offered a gentle reminder that, remembering last year, the last two months of the year were wonderful but the meetings are likely to be longer with lengthy agendas.

Ms. Romano confirmed the November meeting will be the 21st and the December meeting was moved to the 12th to accommodate volume cap deadlines, which should be added to Board members' calendars.

7. **Announcements**

Ms. Romano announced that the next regular meeting of the Arizona Industrial Development Authority is scheduled to be held in person on Thursday, November 14, 2024, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

Ms. Romano then gave a big shout out and congratulations to Mr. Whittington because Growth Partners Arizona was awarded Community Development Financial Institution funding.

Ms. McGuire noted there was a typo in the motion script and the November meeting is, in fact, the 21^{st} and not the 14^{th}.

Ms. Romano corrected the record.

8. **Adjournment**

Board member **Ken Burns** motioned for adjournment of the AZIDA Board meeting at 4:15 p.m. Board member **Andre Whittington** seconded.

By a vote of 4 ayes, 0 opposed and 0 abstentions, the motion passed.

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Approval: The undersigned hereby certifies that the Board of Directors of the Arizona Industrial Development Authority formally adopted these Minutes on the date shown below.

______________________________	November 21, 2024
Robin Romano, President	Date of Board Action