Meeting Minutes

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING

Location: In-Person Meeting at Regus
2025 N. 3rd Street, Suite B300, Room 336, Phoenix, Arizona 85004

Date and Time: Thursday, November 21, 2024
3:00 p.m.

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

Board Members Present (Appearing via Zoom):
Marcel Dabdoub

Board Members Absent:
David Castillo (with prior notice)
Andre Whittington (with prior notice)

Staff Present (Appearing in Person):
Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Deaun Hampton, Operations and Administrative Coordinator
Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

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

Presenters (Appearing via Zoom/Telephonically):
Rodrigo Dorador, Dominium, Inc.
Ian Schwickert, Real Estate Equities
Nick Asta, Roers Companies LLC
Kevin Sturgeon, Roers Companies LLC
Eric Grodahl, DBG Properties LLC
Will Huebner, Lincoln Avenue Communities LLC
Chandler Gee, Lincoln Avenue Communities LLC
Cameron Chubbuck, Horizon ELOM Holdings, LLC
Mirza Kafedzic, Mizuho Capital Markets

Presenters (Appearing in Person):
Jacob Berger, Dominium, Inc.
Austin Kates, NRP Holdings LLC
Michael Awadis, Hilltop Securities

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. Board member Marcel Dabdoub appeared via Zoom. Board members David Castillo and Andre Whittington were noted as absent, both having previously informed Ms. Romano that they would be unable to attend. 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.

2. **Agenda Items Considered:**

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-52 – Authorizing the issuance of Multifamily Mortgage Revenue Notes (Arterra Project), Series 2024 and Multifamily Housing Revenue Bonds (Arterra Project), Series 2024, in an aggregate principal amount not-to-exceed $115,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of Surprise Leased Housing Associates I, LLLP.

and

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-53 – Authorizing the issuance of Multifamily Mortgage Revenue Notes (Orchard Springs Project), Series 2024 and Multifamily Housing Revenue Bonds (Orchard Springs Project), Series 2024, in an aggregate principal amount not-to-exceed $65,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of Surprise Leased Housing Associates II, LLLP.

Agenda items 1 and 2 (considering Resolution Nos. 2024-52 and 2024-53) are related projects and were considered together.

Rodrigo Dorador of Dominium, Inc. ("Dominium") presented the Arterra and Orchard Springs projects to the Board. They are two low-income tax credit communities located in Surprise, Arizona, comprising a total of 599 units. The Arterra project consists of 388 general occupancy apartments serving families earning at or below 60% of the area median income ("AMI"), and the Orchard Springs project consists of 211 apartments serving seniors earning at or below 60% of AMI. Amenities at both communities will include clubhouses, pools, ramadas with generous open spaces, and energy efficient features such as solar carports and high efficiency LED lighting. Dominium expects to close the bond transaction in early December.

Mr. Dabdoub noted a general concern with the average cost of these units, at almost half a million dollars, and how unfortunate it is to still see costs increasing in terms of being able to support other projects going forward. He commended Dominium's ability to make it work and thanked them for their efforts.

Mr. Dorador agreed and indicated Dominium shares Mr. Dabdoub's concern that it is expensive to build these communities. It is a high interest rate environment, but Dominium has seen construction costs leveling out. He added that Dominium continues to reduce costs for these projects while still providing a dignified living environment for residents.

Ms. Romano added it is nice to see three-bedroom units in the general occupancy community. Ms. Romano then asked if Dominium is still seeing a need for these types of units in Surprise and if Dominium has any concerns with the ability to lease them.

Mr. Rodrigo responded that Dominium is not concerned with the ability to lease the units at the projects as a third-party market study supports the development. He explained there is a lot of industrial growth along the Loop 303 industrial corridor, from Goodyear to the semiconductor factory in North Phoenix. Dominium feels these projects will be well positioned and welcomed by the surrounding communities.

Board member **Marcel Dabdoub** then motioned to approve Resolution Nos. 2024-52 and 2024-53, as presented. Board member **Ken Burns** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-54 – Authorizing the issuance of Multifamily Housing Revenue Notes (Saddleback Village at Stonegate Project), in an aggregate principal amount not-to-exceed $54,800,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of Maricopa Leased Housing Associates I, LLLP.

Rodrigo Dorador of Dominium presented the Saddleback Village at Stonegate project, a 215-apartment home community located in Maricopa, Arizona, an approximately 45-minute drive south of the Phoenix Metropolitan Area. He explained this development is Dominium's first build-to-rent style community. The City of Maricopa, as well as neighboring Casa Grande, are seeing a lot of industrial growth due to the semiconductor suppliers moving to that area and there is a lot of demand for this type of development.

Ms. Romano noted the bond application shows Dominium is actively trying to work Section 8 housing into this community and asked Mr. Dorador if that is the case.

Mr. Dorador responded it is and noted Dominium wants to develop partnerships with the local housing authority as well as Pima and Pinal counties to welcome housing choice voucher residents.

Ms. Romano agreed it was a great idea given that Section 8 housing in both Maricopa and Pinal counties has been diminishing.

Ms. Romano also noted a concept she had never seen before, that all residents will be eligible for an Opportunity's Front Door Scholarship (the "Scholarship") of $5,000 which is awarded to residents pursuing higher education or trade school. Ms. Romano then asked why Dominium is instituting such a program.

Mr. Dorador explained that Dominium appreciates the Section 42 low-income housing tax credit program, and while individuals must income qualify as earning at or below 60% AMI when they initially lease an apartment, once they are income qualified, their income can grow up to 140% of AMI. Dominium believes that socioeconomic mobility is a great opportunity for residents and the Scholarship would provide that opportunity to all residents across all of Dominium's communities, including the two projects previously presented to the Board. Dominium believes that as residents receive education and obtain better jobs with better wages, they become better stewards of their communities.

Ms. Romano agreed and thought the Scholarship was fantastic.

Mr. Dabdoub noted his same concern with the costs per unit.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-54, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-55 – Authorizing the issuance of Multifamily Housing Revenue Bonds (Tecoma Square Project), in an aggregate principal amount not-to-exceed $55,000,000, to be issued in one or more tax-exempt and/or taxable series, senior and/or subordinate series, for the benefit of San Tan Valley AH I, LLLP.

Ian Schwickert of Real Estate Equities ("REE") presented the project to the Board. Tecoma Square will be located on approximately 18 acres at the southeast corner of East Bella Vista Road and North Gantzel Road in San Tan Valley. The project will be constructed on 13 acres of the overall site, with the remaining acreage to be developed for commercial use by a third party. The project will consist of 252 units of multifamily affordable housing, with 247 units serving residents at 60% AMI and five units serving residents at 50% AMI. The unit mix will consist of one, two, three, and four bedrooms. REE is partnering with a nonprofit known as Rainbow Housing, which will provide a multitude of social services to residents. Every unit will feature modern amenities, such as solid surface countertops, kitchen islands, an in-unit washer and dryer, and luxury vinyl plank flooring. The site will be secured by gate access and will include covered parking via solar panels as well as surface parking. Community amenities will include a pool, picnic and grilling areas, playground and dog run.

Mr. Dabdoub again noted his general concerns regarding the cost per unit.

Ms. Romano noted these units are even pricier than the others at $533,000.

Mr. Schwickert acknowledged the pricing was high and added that REE is hoping costs come down so they can continue doing this work.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-55, as presented. Board member **Ken Burns** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-56 – Authorizing an amendment to Resolution 2023-45, which granted preliminary approval to the issuance of not to exceed $51,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series, to assist in financing a qualified residential rental facility to be located in Phoenix, Arizona, to grant an extension of preliminary approval for the benefit of Roers Companies LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Nick Asta of Roers Companies LLC ("Roers") explained to the Board that Roers will be developing, building and managing the proposed West Dobbins project inhouse, which is a new process for them. Roers believes this will help to contain construction costs. The project is located on West Dobbins Road in Phoenix and is part of a master development that will also include retail, public parking, and other housing options. Roers just completed the final review process with the City of Phoenix. The project will include approximately 208 units and will include a clubhouse and carports with solar panels incorporated to support electrical usage.

Ms. Romano noted this project definitely has a lower cost per unit than the other projects and congratulated Roers on being able to contain costs.

Mr. Dabdoub added this gives him hope that costs may decrease or can be managed.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-56, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-57 – Authorizing an amendment to Resolution 2024-22, which granted preliminary approval to the issuance of not to exceed $77,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued to finance a multifamily qualified residential rental project, preliminarily referred to as "Laveen Village I," in Phoenix, Arizona, to grant an extension of preliminary approval for the benefit of IH Phoenix Apartments Owner I LLC.

and

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-58 – Authorizing an amendment to Resolution 2024-23, which granted preliminary approval to the issuance of not to exceed $62,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued to finance a multifamily qualified residential rental project, preliminarily referred to as "Laveen

Village II," in Phoenix, Arizona, to grant an extension of preliminary approval for the benefit of IH Phoenix Ap7rtments Owner II LLC.

Agenda items 6 and 7 (considering Resolution Nos. 2024-57 and 2024-58) are related projects and were considered together.

Kevin Sturgeon of Roers informed the Board that Roers is requesting extensions of preliminary approval for two projects located in the Laveen Village area of Phoenix, generally south of West Baseline Road and west of the Loop 202. These new construction, general occupancy projects will consist of 218 and 180 units, respectively. Roers expects to close the bond transactions in 2025.

Ms. Romano noted that both of these projects are considerably more per unit than Roers' previous project and asked if Roers was not building these projects, possibly leading to the increased costs.

Mr. Sturgeon explained that Roers is building these projects but it is a bit earlier in the design stage than the project presented by Mr. Asta. This site contains more acreage, therefore, more improvements need to be worked through, both on site and off site, leading to the increased costs in the preliminary stage of financing and development.

Ms. Romano asked if this was "the ditch" property.

Mr. Sturgeon confirmed it was.

Board member **Marcel Dabdoub** then motioned to approve Resolution Nos. 2024-57 and 2024-58, as presented. Board member **Ken Burns** seconded the motion.

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

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-59 – Authorizing an amendment to Resolution 2024-12, which granted preliminary approval to the issuance of not to exceed $45,000,000 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 Maricopa, Arizona, to grant an extension of preliminary approval for the benefit of Butterfield Commons Apartments, LLC.

Eric Grodahl of DBG Properties LLC ("DBG") explained that DBG is requesting an extension of preliminary approval for this project located in the City of Maricopa. It is the third phase of a development which includes Overland Flats and Waterman Senior, two projects previously financed with AZIDA bonds. This phase will consist of 174 units, all reserved for residents earning at or below 60% AMI. Mr. Grodahl further explained this project is part of a larger 66-acre master planned development anchored by Lowe's, which is expected to open in May 2025. The first two phases are well under way as construction of Overland Flats is approximately 50% complete and Waterman Senior is approximately 35% complete. DBG anticipates delivering those phases within the next 12 to 18 months. For this project, DBG is currently working on its application for low-income housing tax credits, which are allocated by the Arizona Department of Housing ("ADOH"). DBG has also secured subordinate financing in the amount of $2.5 million and intends to close the bond transaction in summer 2025. DBG owns the land and all entitlements are in place, and is currently working through the permitting process with the City of Maricopa.

Ms. Romano asked if construction would start immediately after the bond transaction closes.

Mr. Grodahl stated DBG plans to close and begin construction in summer 2025 but they are hoping to accelerate that timeline.

Ms. Romano then asked if any problems are anticipated with leasing.

Mr. Grodahl explained there is a lot of activity in Maricopa, but all indications are there will be no problem with leasing. The existing properties in the area, Copa Flats being the project closest to Butterfield Commons, have full wait lists. DBG's market study indicated that while there is a lot of supply in that area, there has been tremendous growth and DBG is very optimistic.

Mr. Dabdoub stated he is a fan of this project.

Ms. Romano added he loved it particularly because of its low cost.

Mr. Dabdoub agreed, with costs at approximately $322,000 per unit.

Mr. Grodahl added that costs are lower with this third phase since a lot of the infrastructure was completed in connection with the other two phases of the project.

Mr. Dabdoub added that is what is being seen in other affordable housing projects. The lack of immediately available infrastructure in growing markets makes it more expensive for developers to keep costs down because they have to include these items in the budget.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-59, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-60 – Authorizing preliminary approval of not-to-exceed $51,000,000 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 with certain units set aside for occupancy by low- to moderate-income tenants in Buckeye, Arizona, for the benefit of Buckeye Leased Housing Associates IV, LLLP.

Jacob Berger of Dominium shared that the proposed project will be located on approximately 20 acres in Buckeye, Arizona, and will consist of 200 units with three- and four-bedroom units, serving residents at 60% AMI. The project amenities will include a clubhouse, fitness center, pool, and generous amounts of open space. Mr. Berger added that Dominium is contemplating solar carports and noted that the property is already zoned for multifamily residential use.

Ms. Romano expressed excitement to see an entire complex consisting of three- and four-bedroom apartments and that Buckeye is a good location for the project.

Mr. Dabdoub agreed.

Ms. Romano added this is definitely a family project with the four-bedroom units, which is one of the reasons the cost per unit is a bit more, but certainly well in line with some of the other projects coming before the Board.

Mr. Dabdoub asked if this was the first time Dominium has included the solar carports as an amenity in an affordable housing project.

Mr. Berger responded that Dominium has done solar carports at other projects.

Mr. Dabdoub said it's good to see solar carports becoming more of an affordable amenity and asked if all parking spaces would be solar carports or just a portion of them.

Mr. Berger said Dominium has not yet completed the design phase, but some past projects have included solar panels on all covered spaces and some have included solar panels on only a portion of the covered spaces. An exact number for this project has not yet been determined.

Mr. Dabdoub thought that was great.

Ms. Romano added there are tax benefits for providing energy efficiency, especially if it is a low-income project, and the benefits of being able to offset the costs are pretty good.

Mr. Burns asked if the solar generates excess power or only offsets some of the power usage.

Mr. Berger said the solar will offset the power usage.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-60, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-61 – Authorizing preliminary approval of not-to-exceed $40,000,000 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 Surprise, Arizona, for the benefit of Surprise AH I, LLLP.

Ian Schwickert of REE presented the proposed project as an affordable multifamily housing community at the southeast corner of 163rd Avenue and Jomax Road in Surprise. The project is part of the Desert Oasis planned area development and aims to address the growing need for high quality rental housing in Surprise. The development will transform a currently vacant 12.98-acre site into a vibrant community featuring 180 residential units, all of which will be set aside for residents earning 60% AMI. The unit mix will include a variety of floor plans with one, two, three and four bedrooms, ideal for larger households and families. Each unit will feature modern amenities including solid surface countertops, kitchen islands, in-unit washers and dryers, and luxury vinyl plan flooring. The site will provide secure gated access, solar panel carports and surface parking, as well as a multitude of outdoor amenities such as a pool area, picnic and grilling areas, dog run and playground. The project is currently under site plan review with the City of Surprise and REE expects to close in fall 2025. Mr. Schwickert thanked the Board for their consideration and shared that REE looks forward to another successful partnership with AZIDA.

Ms. Romano noted this project is a bit different from REE's other projects in that REE plans to partner with a 501(c)(3) for educational services. She asked why on this particular property or is this something REE will be doing at other properties.

Mr. Schwickert explained that REE has done that on every project thus far, even if it hadn't been noted. The 501(c)(3) provides a multitude of educational services to all residents at no cost. The residents have the ability to access those services either in person or via the internet on a smartphone or computer. REE will be providing residents with access to a computer area to utilize those services at their convenience.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-61, as presented. Board member **Ken Burns** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-62 – preliminary approval of not-to-exceed $50,500,000 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 with certain units set aside for occupancy by low- to moderate-income tenants in Flagstaff, Arizona, for the benefit of Lincoln Avenue Communities, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Will Huebner of Lincoln Avenue Communities, LLC ("LAC") presented the project to the Board and noted that LAC is excited to be partnering with AZIDA again. This proposed project is located on approximately 8.5 acres on the northeast corner of Lone Tree Road and Pine Knoll Drive in Flagstaff, Arizona. The project will provide 170 units of affordable workforce housing in compliance with Section 42 of the IRS Code. Primary financing for the project will include tax-exempt bonds with 4% low-income housing tax credits from ADOH. The project will include a robust amenity package while offering a mix of two-, three- and four-bedroom units restricted to families earning 60% AMI. Property amenities will include a leasing facility, clubhouse, fitness center, community pool, outdoor eating area, shade structures, dog run, and walking path, with other active and passive open spaces throughout the community. The community will also feature a broad solar carport system similar to LAC's other projects currently being completed in Arizona. LAC will target 50% to 60% total electrical offset with the carport and rooftop solar panel systems. LAC hopes to close the project and begin construction in the fourth quarter of 2025, with the first phase of units and the clubhouse to be delivered in the fourth quarter of 2026, and 100% completion in the fourth quarter of 2027.

Ms. Romano noted the location of this project is very nice.

Mr. Huebner said LAC is excited about this project as Flagstaff is in need of affordable housing.

Ms. Romano agreed and added that she is sure there will be no problems with leasing, noting however the cost per unit is high.

Mr. Dabdoub said the cost doesn't surprise him for Flagstaff.

Ms. Romano agreed and said she was glad to see affordable housing with solar in Flagstaff.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-62, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-63 – Authorizing preliminary approval of not-to-exceed $105,000,000 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 with certain units set aside for occupancy by low- to moderate-income tenants 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.

Chandler Gee of LAC presented the project to the Board. The proposed project is located on approximately 19 acres off of I-17, just north of the Anthem Outlets. It will provide approximately 386 units of affordable workforce housing and will comply with Section 42 of the IRS Code. The primary financing for the project will include tax-exempt bonds and 4% low-income housing tax credits from ADOH. The project will consist of a mix of two-, three- and four-bedroom units, restricted for families earning at or below 60% AMI. Property amenities will include a leasing office, clubhouse, fitness center, yoga studio, community pool, outdoor eating areas, shade structures, dog run, and walking paths, with active and passive open spaces throughout the community. The project will feature a broad solar carport system similar to projects LAC currently has under construction in Arizona. LAC is looking to offset 50% to 60% of the total electrical usage at the site. LAC anticipates closing and beginning construction in the fourth quarter of 2025 with the first phase and the clubhouse to be delivered in the fourth quarter of 2026, and 100% completion in the first quarter of 2028.

Mr. Burns noted that the solar system would be installed on the rooftops rather than the carports like the other communities.

Mr. Gee apologized and said LAC is still in the initial design of this project but believes the solar will be installed on the carports like the other communities.

Mr. Burns said it is great to see that option.

Ms. Romano noted this community is located so far north and asked if LAC anticipates any problems with leasing.

Mr. Gee responded LAC does not, with the semiconductor chip plant located south of the community.

Mr. Dabdoub expressed doubt that the bulk of those residents would come from chip plant employment, because those wages are generally higher. He also noted that the per-unit cost continues to be a concern. He added that facilitating affordable housing is AZIDA's mission and he is glad that developers are finding a way to make it work at these costs. He then thanked LAC for their partnership.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-63, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption
Approval of Resolution No. 2024-64 – Authorizing preliminary approval of not-to-exceed $7,000,000 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 with certain units set aside for occupancy by low- to moderate-income senior tenants in Scottsdale, Arizona, for the benefit of ARHS II Housing Partners, L.P.

Cameron Chubbuck of Horizon ELOM Holdings, LLC ("Horizon") explained to the Board that this proposed project is a bit different than the rest of the items on the agenda in that it is an existing property in Scottsdale with 47 units currently serving seniors at or below 60% AMI. The bonds will be used to renovate the property, which was built approximately 30 years ago. Horizon plans to refresh the property and add solar carports with the goal of offsetting at least 50% of current electricity usage. Horizon anticipates closing in the second quarter of 2025 and completing renovations by the end of 2025.

Ms. Romano noted AZIDA loves renovation projects and keeping this project low income. She noted that there wasn't a letter of support from the municipality and highly recommended Horizon obtain such letter before coming back to the Board for final approval because the project is located in Scottsdale, which just voted in a new Mayor. Ms. Romano thinks this is a great project and is glad Horizon is doing a renovation.

Mr. Dabdoub asked if the $200,000 cost estimate per unit is just for the renovation, without taking into consideration the existing value of the structure.

Mr. Chubbuck said the cost of the planned renovation is somewhere between $40,000 and $60,000 per unit and that is separate from the acquisition costs.

Mr. Dabdoub confirmed that it is inclusive.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-64, as presented. Board member **Ken Burns** seconded the motion.

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

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-65 – Authorizing preliminary approval of not-to-exceed $51,000,000 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 with certain units set aside for occupancy by low- to moderate-income tenants in Casa Grande, Arizona, for the benefit of NRP Holdings LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Austin Kates of NRP Holdings LLC ("NRP") explained that NRP is a vertically integrated developer, builder and property manager of apartment housing nationwide, both on the affordable and market side. NRP has executed LIHTC transactions in the state of Arizona, but it has been approximately 10 years, and they are excited to be back in Arizona. The project will consist of approximately 336 units of affordable housing in Casa Grande, comprising one-, two-, three- and four-bedroom units, all serving families making 60% AMI or less. The property is situated along I-10 directly north of the Promenade at Casa Grande, which is the main outdoor mall in Casa Grande. The location will provide residents great walkability to amenities, including a movie theater and other commercial and dining options unique to the area. There currently is no housing directly adjacent to this project so NRP is providing a great offering for the community. With such close proximity to I-10, the project could serve the communities of Casa Grande, Maricopa and the larger Pinal County. Property amenities will include a clubhouse, fitness center, pool, playground, and in-unit washers and dryers. NRP is excited about this opportunity and appreciates AZIDA's consideration.

Ms. Romano agreed that it is a great location and perfect for walking. She welcomed NRP back to Arizona and asked why it took 10 years.

Mr. Kates stated the previous developer lead had retired and NRP didn't fill the position until he joined the company.

Ms. Romano addressed Mr. Dabdoub and said this project has good numbers.

Mr. Dabdoub agreed, and asked now that NRP is in Casa Grande, maybe they could look at the old outlet mall ghost town.

Mr. Swift added that the old Wendy's is now a Meals on Wheels location.

Ms. Romano agreed that something needs to be done with that site.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-65, as presented. Board member **Ken Burns** seconded the motion.

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

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2024-66 – Authorizing the execution and delivery of a Second Omnibus Amendment to Loan Documents related to $90,400,000 Healthcare Facilities Taxable Revenue Bonds (Rosewood Portfolio), Series 2020A, and $25,000,000 Healthcare Facilities Taxable Revenue Bonds (Rosewood Portfolio), Series 2020B, for the benefit of Northbrook RE LLC, on behalf of an obligated group.

Mirza Kafedzic of Mizuho Capital Markets ("Mizuho") addressed the Board. He explained they are requesting amendments related to taxable bonds issued by AZIDA in 2020 for the purchase of a portfolio of 13 skilled nursing home facilities in Illinois. A Greystone entity was the initial purchaser. Mizuho purchased the bonds and has been the sole bondholder. He clarified that he was there on behalf of Mizuho representing a principal lender and not as underwriter or broker. He explained that two series of bonds were issued in an aggregate principal amount of $150 million. Mr. Kafedzic informed the Board that Greystone is one of the largest mortgage agency lenders in the country and has been in business over 35 years, with $13 billion in loans, a $100 billion servicing portfolio, and over the years has owned and operated a number of skilled nursing facilities similar to this one. Greystone purchased this portfolio in 2020 out of HUD's receivership with a plan to turn it around. The first amendment to the bond documents was done in 2023, when AZIDA allowed the Greystone entity to sell the portfolio to a friendly nonprofit. Since then, Greystone has brought in an experienced operator in Illinois and portfolio performance has been improving. Debt service coverage is in the 110% range, proformas in the 140% range, and loan-to-value ratios in the 70% range. This requested second amendment would allow another Greystone entity to purchase the portfolio back as part of a Section 1031 exchange under the Internal Revenue Code. In addition, the Series 2020B Bonds, which were originally used for an accounts receivable line, would be paid in full. Mizuho, as the sole bondholder, is comfortable with this plan.

Ms. Romano said that basically one borrower is being exchanged for another borrower.

Mr. Kafedzic confirmed that was correct.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-66, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

<u>*Presentation, Discussion & Adoption*</u>
Approval of Resolution No. 2024-67 – Authorizing the replacement of the Authority's master servicer.

Mr. Swift introduced Michael Awadis, a senior managing director of Hilltop Securities ("Hilltop"), a partner to AZIDA for several years and with whom Mr. Swift has worked in the single family space for approximately 10 years. Mr. Swift proposed a change to the master servicer for AZIDA's single family down payment assistance programs ("DPA") from U.S. Bank National Association ("U.S. Bank") to The Money Source Inc. ("TMS"). He explained that there are a lot of master servicers but not many that work with housing finance authorities. TMS's philosophy is to keep current borrowers current, which is especially important with first time homebuyers, as there appears to be a spike in delinquency within the first 6 to 18 months. TMS has created technology to do just that by tracking the behaviors of each customer and learning on what date they typically make their payments, how they interact for information on their mortgages, etc. If a borrower does not make a mortgage payment on the due date, even though the payment is not late, TMS will reach out to that borrower immediately, rather than wait the traditional grace period, to ensure the borrower stays current. This creates sustainable homeownership and gives TMS the confidence and ability to expand the credit box. TMS is not afraid to buy a loan from a borrower with a credit score of 620, and they don't feel the need to add overlays or restrictions.

Mr. Swift shared that he is on the advisory council for U.S. Bank and AZIDA has been their top lender for five straight years. U.S. Bank has a lot of overlays and restrictions which limits the amount of loans AZIDA can issue. Moving to TMS would give AZIDA the opportunity to expand. He then asked Mr. Awadis for his thoughts.

Mr. Awadis explained that he was a mortgage banker with Bank of America for 20 years before joining Hilltop. In his time at Hilltop, Mr. Awadis has worked with all master servicers as a DPA provider. In 2011, there was only one master servicer – U.S. Bank. Mr. Awadis noted that while the U.S. Bank regional offices employ great people and the staff has tremendous experience, they are not empowered to make decisions on overlay or securitization. All decisions are made in the Minnesota corporate office making it difficult to operate customized programs. Mr. Awadis explained that securitization means that when a loan gets made and is purchased by the servicer, it has to be put into a Fannie Mae, Freddie Mac or Ginnie Mae mortgage-backed security before it can become an investable asset to an investor. All other servicers Hilltop works with allow multiple securitizations each month. U.S. Bank, however, only allows one securitization per month and charges a fee for each additional securitization. Basically, AZIDA has two weeks to sell a loan into a security. In this environment, where mortgage production is low, there could be one loan a month of a particular coupon that cannot be securitized on its own and it needs to be held to the following month and combined with other loans to create a sizable security. U.S. Bank is the only servicer that will not hold a loan over to the following month and it is handicapping AZIDA's programs. AZIDA has a tremendously successful program, but it is now suffering because of the economic conditions in the state. Arizona is a high home price appreciation state and it is difficult to make loans here because home prices have gone up so much and the mortgage rates are very high. Also, AZIDA is limited to production in the 13 counties in which it operates because it cannot expand into Maricopa and Pima counties with the mortgage revenue bond program.

Mr. Awadis shared that he was uncomfortable discussing the shortcomings of a partner that AZIDA and Hilltop have worked with for many years, but U.S. Bank has become detrimental to AZIDA's programs.

Mr. Swift wanted to make sure the Board understands that AZIDA is not running away from U.S. Bank but moving toward a better option. He noted that AZIDA is not chasing the expanded credit box, but rather partnering with a company with a different philosophy and robust technology to help AZIDA's borrowers, partners and even staff, as it relates to reporting. He explained that he has done a lot of research and visited TMS' facility to see the process firsthand.

Ms. Romano said there was no need to convince her. She is "tickled pink" just looking at the credit scores they will accept, with no limits on FHA or HUD 184 loans, and the possibility AZIDA could actually make HUD 184 loans.

Mr. Awadis said the expansion of the credit box, along with TMS' operations process, better reporting technology, and a better lending system that is more lender friendly, would help tremendously.

Mr. Swift added that he continues to be impressed with TMS' technology. TMS guarantees they will have a lender package reviewed within 24 hours or the funding fee will be waived.

Mr. Awadis added that there are a number of other large, prominent housing financing authorities that are making this change. The State of Texas just made the switch and is in the transition and implementation process. He noted that AZIDA is currently at a competitive disadvantage compared to the other state authorities by working with U.S. Bank and he thinks the time is right to make the change to TMS.

Mr. Swift indicated that TMS is local and noted that Tom Gillis and Mark Suderman were also in attendance via Zoom in case the Board had questions he and Mr. Awadis couldn't answer.

Ms. Romano said that she saw the mobile app and asked if it translates to Spanish.

Mr. Gillis said that it was his understanding the app does not translate to Spanish, but he would confirm. He explained that TMS' servicing technology is integrated with Google Translate so all languages represented within Google Translate are built into their software system, so the borrower can select a language to interact with the servicing system.

Ms. Romano then asked if TMS hires people that speak Spanish.

Mr. Gillis said TMS has fluent Spanish speakers on their servicing team.

Ms. Romano thought that was important in the Southwest and was happy to hear that.

Mr. Burns commended Mr. Swift for his efforts, as this is a big change for AZIDA.

Ms. Romano noted this will allow AZIDA flexibility to expand what can be offered in the next few years as she doesn't see prices coming down and options will be needed.

Mr. Dabdoub also thanked Mr. Swift for his efforts and agreed with Mr. Awadis in that transitions are not easy and it takes a lot of work to get through them. There is no question that this is a better option in terms of convenience, growth and success in financings. He then asked how U.S. Bank's and TMS' transactional costs compared for all parties.

Mr. Swift said the $400 funding fee is the same so that pass-through cost to the consumer would be the same. TMS is a large servicer, with an $86 billion portfolio, and they work with over half of the lenders in the country. He said he is not concerned about the servicer's back shop and their costs. The technology itself reduces costs and turn times.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-67, as presented. Board member **Ken Burns** seconded the motion.

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

3. **<u>Presentation and Discussion; No Board Action – Conduit Revenue Bond Program – Discussion of Challenges and Opportunities</u>**

Mr. Ray informed the Board that FY 2025 is off to a great start, with 12 bond issues closed aggregating $763 million through November 21st. By the end of the year, AZIDA will have issued as much as it did in FY 2024 and more than all of FY 2023. The good news is AZIDA is closing a lot of bond deals, however, the bad news is almost all of them are volume cap deals. In FY 2024, 18 of the 21 transactions closed were volume cap deals. For FY 2025, approximately three quarters of all transactions, and all of the closings in December are tax credit multifamily housing deals that will use volume cap.

Mr. Ray gave a refresher on the volume cap situation in the state of Arizona. Under the federal tax rules, every state gets $125 per head, increasing to $130 per head in 2025. Therefore, the volume cap allocation for 2025 would be approximately $966 million. By state statute, a large portion of the volume cap is reserved for qualified residential rental projects until April 1st. The bulk of the multifamily affordable housing projects with tax credits are under that portion of the cap, leaving a little less than $400 million to be set aside for multifamily until April 1st. It is unknown how much of the remaining cap, approximately $600 million, would be available for multifamily. Mr. Ray proposed that the question that needs to be answered is, "What does AZIDA do if there is no volume cap?"

Mr. Ray explained there are five categories of bonds that do not require Arizona volume cap. The first category is 501(c)(3) nonprofit revenue bonds, such as the Sage Memorial transaction expected to close this year. Another category is refunding bonds. Hopefully, interest rates will start to decline making many financings ripe for refunding. AZIDA can even refund bonds not originally issued by AZIDA. Volume cap would have been used on the original financing so anything that AZIDA would refund would not be subject to volume cap.

Ms. Romano asked, for instance, if an IDA in the State of Utah financed a big project here and they wanted to refinance it, AZIDA could refinance it at a lower interest rate and it wouldn't affect volume cap.

Mr. Ray said that is correct. AZIDA could refund the deal in Utah without using any volume cap. AZIDA could also refund a deal in Arizona without using volume cap, in both cases, as long as the maturity isn't extended or the principal amount increased.

Mr. Ray explained another category that does not require cap is governmental bonds. Most of the charter school financings around the country are technically governmental bonds because of a quirk in the federal tax code regarding the way they are treated. There is no volume cap involved in governmental bonds and they tend to be larger financings. Governmental bond financings also tend to be very high quality credit financings but they are hard to get because, by definition, the government can usually issue their own bonds. Another category is taxable municipal bonds which are used to finance projects that can't be financed on a tax-exempt basis under the federal tax code or to finance projects that need volume cap when there is none available. In that case, a project can be financed on a taxable basis, called a "Cinderella" bond, and then can be converted to a tax-exempt bond when volume cap becomes available. The final category overlaps the other categories, but by definition is any project financed out of state. An out-of-state project cannot use Arizona volume cap under any circumstances.

Ms. Romano then asked whether bonds issued for projects out of state require TEFRA.

Mr. Ray responded that it depends on what the project is. An out-of-state governmental bond, refunding or taxable bond do not require TEFRA, however, a new 501(c)(3) bond issue would.

Mr. Ray then described his action plan focusing on the five categories of bond issues that do not require an allocation of volume cap. He will attend public finance industry conventions locally and across the country, continue to monitor national industry news and information sources and reach out to industry participants when potential projects surface, visit potential clients to discuss specific financing opportunities, and then participate in his bi-annual informational road trip to visit investment bankers, bond lawyers, project developers and government officials across the country. Mr. Ray emphasized that, subject to cap constraints, AZIDA would continue to do as many Arizona multifamily deals as possible because they are its bread and butter and serve its mission of providing affordable housing in Arizona.

Ms. Romano thanked Mr. Ray for his presentation. She thought it would be good for the Board to look at the options. There are a lot of multifamily financings in the pipeline, but there will also be a change in administration at the federal level, causing uncertainty and concern.

Mr. Burns then asked for a macro level explanation of interest rates and the global bond market. He understands how the rates affect the DPA but is unsure how rates affect the demand for bonds.

Mr. Ray said that nobody does. When times are good, AZIDA does well. When times are bad, AZIDA does really well because of the low interest rates. However, low interest rates generally indicate a slow economy and that's not a good thing. You can have a raging economy where construction is high but interest rates are also high, or a slow economy where construction is slow but interest rates are low. The bond industry does well in both scenarios.

Ms. Romano noted there is still a slight inverse yield curve right now, because while the 10-year Treasury is above the 1-year, the 2- and 5-year Treasuries are still lower.

Mr. Ray said the tax-exempt market involves different needs because the only thing that really matters is the spread between tax-exempt rates and conventional rates. As long as the spread is there, it really doesn't matter where rates are. Capital projects have to be financed, but when the rates go down, you can refund multiple times without using volume cap.

Mr. Dabdoub added that the uncertainty going forward concerns him as well, since different people are more affected by that uncertainty than others.

4. **<u>Adoption of Minutes of the October 17, 2024 AZIDA Regular Board Meeting</u>**

Board member **Ken Burns** moved to adopt the minutes of the October 17, 2024 AZIDA regular board meeting. Board member **Marcel Dabdoub** seconded the motion.

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

5. **Call to the Public**

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

No members of the public appeared in person or by telephone to comment.

6. **Announcements**

Ms. Romano announced that the next regular meeting of the Arizona Industrial Development Authority is scheduled to be held in person on Thursday, December 12, 2024, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

7. **Adjournment**

Board member **Marcel Dabdoub** motioned for adjournment of the AZIDA Board meeting at 4:35 p.m. Board member **Ken Burns** seconded.

By a vote of 3 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.

Dirk Swift, Executive Director

December 12, 2024
Date of Board Action