

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, December 12, 2024
3:00 p.m.

Board Members Present (Appearing in Person):

Ken Burns
Robin Romano

Board Members Present (Appearing via Zoom):

Marcel Dabdoub
Andre Whittington

Board Members Absent:

David Castillo (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):

John Andrews, North Country HealthCare, Inc.
Brigitte Finley Green, Squire Patton Boggs (US)
Matthew Shoemaker, HS Development Partners, LLC
Peter Schroeder, Roers Companies LLC
Philip Choi, Community Preservation Partners, LLC
Jackson Sheppard, Kamaka Affordable Housing, LLC
Juan Orvañanos, Otodis, LLC

Presenters (Appearing in Person):

Lisa Sorensen, Grand Peaks Housing Solutions, LLC

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). Though Ms. Romano began speaking at 2:59 p.m., the clock turned to 3:00 p.m. prior to roll being called. Board members Ken Burns and Robin Romano attended in person. Board members Marcel Dabdoub and Andre Whittington appeared via Zoom. Roll was called by Kelly McGuire, as meeting facilitator, and David Castillo was noted as absent. He had previously informed Ms. Romano that he 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. 2024-68 – Authorizing the issuance of Revenue Bonds (North Country HealthCare Project), in an aggregate principal amount not-to-exceed \$22,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of North Country HealthCare, Inc.

John Andrews, the CFO of North Country HealthCare, Inc. (“NCHC”), and Brigitte Finley Green of Squire Patton Boggs (US) (“Squire”), as bond counsel, addressed the Board. Mr. Andrews introduced Dr. Anne Newland, the CEO of NCHC. He shared Dr. Newland’s professional background and training with the Board including that she has been with NCHC for 13 years and previously worked with Indian Health Services in Kayenta, Arizona, for eight years. Mr. Andrews shared that he is the newest member of NCHC’s executive team, though he has more than 40 years’ experience in commercial business, serving nonprofit healthcare, nonprofit affordable housing, education, payments, business services, teleservices, technology and consumer products. He is very passionate about NCHC’s mission and the population it serves. He noted that the NCHC staff is very experienced, professional and engaged, with a culture fostering trust and being of service to the NCHC’s client population.

Mr. Andrews then explained the bond offering will underwrite an enhancement of NCHC’s financial condition and resilience to increase NCHC’s mission impact and support their five-year projected revenue growth to \$90,000,000, an anticipated 43% increase over that five-year period.

Mr. Andrews added NCHC is a federally qualified health center founded in 1991, with 15 locations in underserved communities across Northern Arizona. NCHC serves more than 55,000 unique patients. He referenced Appendix A to the offering memorandum which shows their competitive strengths can be leveraged and enhanced over the next period of growth. Mr. Andrews explained NCHC’s growth strategies support the five-year growth described in the projections.

Ms. Finley Green explained that this issue is a 501(c)(3), tax-exempt bond to assist NCHC in financing and refinancing working capital. NCHC needs working capital relief and Squire has been working with them to ensure it complies with the tax rules. The proceeds of the bonds will be used to pay off some interim working capital financing, some taxable debt, and then also provide relief going forward. Squire has been vetting the past and future expenditures to ensure they all comply with the tax-exempt bond rules.

Ms. Romano thanked Ms. Finley Green for the explanation and said it looks like the financials show expansion from year to year and that NCHC has increased its staff over the last couple of years as well. She is sure the need is growing and will not decrease over the next few years.

Mr. Dabdoub asked for confirmation that \$7 million of the \$22 million is going to refinance existing debt and the other \$15 million is going to be used between working capital and expansions to the facilities in Show Low.

Mr. Andrews indicated that is correct. It is basically providing working capital to support anticipated growth.

Ms. Finley Green clarified that the funds are not for expansions of the facility, just upgrades to an existing facility. The footprint of the organization will remain the same.

Mr. Dabdoub confirmed his understanding that it was an expansion.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-68, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-69 – Authorizing the issuance of Multifamily Housing Revenue Bonds (Villas on Shelby Project), in an aggregate principal amount not-to-exceed \$8,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of The Villas on Shelby, LLC.

Matthew Shoemaker of HS Development Partners, LLC (“HSDP”) thanked the Board for consideration of the project, which will be financed with 4% low-income housing tax credits (“LIHTC”) and bonds and be comprised of 30 units, 100% of which will serve residents earning 60% of area medium income (“AMI”). Mr. Shoemaker explained that the Villas on Shelby project is the first LIHTC project in the City of Sedona. HSDP is working diligently to finalize permits and close as soon as possible.

Mr. Romano said AZIDA is excited to be involved with the first LIHTC project in Sedona and added it is very innovative, very creative and very much needed in the City of Sedona.

Board member **Andre Whittington** then motioned to approve Resolution No. 2024-69, as presented. Board member **Ken Burns** seconded the motion.

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

The following three agenda items were extensions of preliminary approval and were motioned and voted on in a single action without presentation.

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-70 – Authorizing an amendment to Resolution 2023-47, which granted preliminary approval to the issuance of not-to-exceed \$106,000,000 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 for senior occupancy to be located in Chandler, Arizona, granting an extension of preliminary approval for the benefit of Chandler Leased Housing Associates II, Limited Partnership.

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-71 – Authorizing an amendment to Resolution 2023-55, which granted preliminary approval to the issuance of not-to-exceed \$60,000,000 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 Coolidge, Arizona, granting an extension of preliminary approval for the benefit of Coolidge AZ Apartments, LLC.

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-72 – Authorizing an amendment to Resolution 2024-13, which granted preliminary approval to the issuance of not-to-exceed \$15,000,000 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 scattered site multifamily qualified residential rental project in Pinal County, Arizona, granting an extension of preliminary approval for the benefit of SMDB LIH 1, LLC.

Board member **Ken Burns** motioned to approve Resolution Nos. 2024-70, 2024-71 and 2024-72, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Ms. Romano informed the applicants that AZIDA is familiar with all three projects, understands the requests for extension, and looks forward to seeing them next year.

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-73 – Authorizing preliminary approval of not-to-exceed \$43,000,000 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 Roers Companies LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Peter Schroeder of Roers Companies LLC (“Roers”) presented to the Board. He explained the proposed project is a 4% LIHTC project consisting of 147 units with a mix of two-, three- and four-bedroom units. All units will be restricted to tenants earning 60% AMI. The project will be located in North Phoenix near the northwest corner of

Deer Valley Road and 30th Avenue. The site currently includes a vacant commercial building. Mr. Schroeder added that the project amenity package will be similar to Roers' other Arizona projects with a playground, outdoor patio, fitness center and dog run.

Ms. Romano noted that the application shows the site is zoned correctly but Roers is working towards final site plan approval. She asked if the old commercial building would be torn down and replaced with new construction.

Mr. Schroeder said that is correct and Roers is working through the necessary entitlements.

Ms. Romano then asked about Roers' experience working with the City of Phoenix, as it appears Roers is early on in the process.

Mr. Schroeder responded the City of Phoenix has been good to work with. The site is a little challenging because there is a scatter wash near the northwest corner of the site, but good progress is being made and everything is on track.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-73, as presented. Board member **Andre Whittington** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-74 – Authorizing preliminary approval of not-to-exceed \$29,000,000 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 Glendale, Arizona, for the benefit of Community Preservation Partners, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Philip Choi of Community Preservation Partners, LLC ("CPP") addressed the Board. He explained CPP is requesting preliminary approval for tax-exempt bonds not-to-exceed \$29,000,000 in support of a 4% tax credit acquisition and rehabilitation of Tanner Terrace, a 156-unit senior community in Glendale, Arizona. CPP's approach is to effectively preserve long-term affordability for the seniors in the community and the overall area.

Ms. Romano said it is nice to see a rehabilitation project and expressed appreciation for the details included in the bond financing application, such as the before and after pictures of other projects CPP has done so the Board could get a good feel of what the intentions are for this project, even though pictures of this project are not available. She complimented CPP on submitting a very well-prepared application package.

Mr. Burns echoed those sentiments and added it's nice to see a rehabilitation project geared to maintaining affordable housing.

Mr. Dabdoub agreed and added he believes the more AZIDA can promote rehabilitation projects, the better. He noted the project costs seem to be lower based on other projects AZIDA has approved.

Ms. Romano believes costs are lower because of the rehabilitation but it looks like a fairly large complex and there is a lot of good work they can put into that.

Mr. Whittington agreed with the other Board members' statements.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-74, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-75 – preliminary approval of not-to-exceed \$25,000,000 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 Mesa, Arizona, for the benefit of Kamaka Affordable Housing, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Jackson Sheppard of Kamaka Responsible Development, Wasatch Affordable Housing (“Kamaka”), addressed the Board. The project is the acquisition and rehabilitation of an existing 148-unit market rate community in Mesa, Arizona, and will be converted to affordable housing. He explained the property has been well taken care of and is in great shape with great tenants, and Kamaka intends to use the same property management company. Based on demographic reports, Kamaka is hoping to lower rents for all eligible tenants who qualify for the program.

Mr. Sheppard explained that Kamaka is a subsidiary of the Wasatch Group. Principals of the Wasatch Group have developed and built more than 35,000 units of affordable housing across the United States, from Puerto Rico to Alaska. Kamaka has several construction groups, as well as in-house property management and currently manages a few properties across the Valley.

Ms. Romano noted Kamaka included a link to the City of Mesa’s affordable housing plan and asked if Kamaka had submitted the project for approval by the City of Mesa yet or whether it was too early in the process.

Mr. Sheppard responded that it was early in the process, but Kamaka has had informal conversations with the City of Mesa, and they are excited about the project. The property is located off Main Street, with a trailer park on one side and commercial use on the other. Both the City of Mesa and Kamaka are hoping to keep most of the existing tenants if they choose to stay and go through the income qualification process. Mr. Sheppard added that feedback thus far has been positive.

Ms. Romano said AZIDA hopes to see before and after renderings when the project seeks final approval.

Mr. Sheppard said Kamaka was unable to include pictures with the application but would be happy to provide them so the Board can see the great quality of the property now, which will only be enhanced by this financing.

Ms. Romano noted this is AZIDA’s first project with Kamaka.

Mr. Burns added he is happy to see the rehabilitation but also the conversion of market rate to affordable housing is great and that any relief provided to renters is important and, being a Mesa resident, he commended Kamaka for that.

Ms. Romano added she is also a Mesa resident and is familiar with the location.

Mr. Sheppard encouraged members to drive by the property and agreed that it is difficult to turn market rate into affordable given the high values of multifamily housing and Kamaka was fortunate to acquire this high-quality property.

Board member **Andre Whittington** then motioned to approve Resolution No. 2024-75, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-76 – 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 Glendale, Arizona, for the benefit of Grand Peaks Housing Solutions, LLC, on behalf of a yet-to-be-formed tax credit limited liability company or partnership.

Lisa Sorensen of Grand Peaks Housing Solutions, LLC (“Grand Peaks”) thanked the Board for considering the project and introduced her colleagues, Alan Simpson and Don Simpson. The proposed project will be located in Glendale, Arizona, just north of the Arizona Cardinals football stadium, and near the St. Joseph’s Westgate Medical Center. Ms. Sorensen explained that the project was brought to the Board earlier this year when she was with a different development company. Since joining Grand Peaks, the site came out of contract with her previous employer and Grand Peaks stepped in and gained site control approximately two weeks ago. She added that Grand Peaks is excited about the project and was able to increase the site from 4.4 acres to 7.7 acres and increase the number of units from 133 units to 182 units. Grand Peaks’ goal is to develop the site using the 4% LIHTC program to keep these units at 60% AMI, which is approximately 30% lower than the market rate rents in this area. Ms. Sorensen added that Grand Peaks was especially attracted to this location because of its vibrancy, the medical center, the schools, the stadium, the outlet malls, and the entertainment district. Grand Peaks hopes to develop the project so people working in the community can also live in the community and prevent it from going to a market rate property.

Ms. Romano said the prospect of having housing available for the people who work in the entertainment district so they can live close by is exciting and would be a game changer for the area. She then asked Ms. Sorensen if this was a normal transfer of her old employer not wanting to do the project anymore and her new employer wanting to do the project.

Ms. Sorensen said yes.

Mr. Burns said that it was because they didn’t have Ms. Sorensen anymore and added the project is in a great location.

Mr. Whittington added he loved the focus of making sure the project is affordable for those who live there. He said he has family living around that area and is sure they would appreciate the affordability as well.

Mr. Dabdoub agreed.

Ms. Romano noted that AZIDA liked the project the first time it was presented and continues to like it the second time. She joked that Grand Peaks may need to have a trolley service to go from one side of the highway to the other or even build a bridge.

Board member **Ken Burns** then motioned to approve Resolution No. 2024-76, as presented. Board member **Andre Whittington** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-77 – Authorizing preliminary approval of not-to-exceed \$20,000,000 of revenue bonds to be issued in one or more tax-exempt and/or taxable series, to finance or refinance a waste-to-energy oil conversion and manufacturing facility in Quartzsite, Arizona, for the benefit of Otodis LLC.

Juan Orvañanos, the CEO of Otodis, LLC (“Otodis”), presented the project to the Board. Otodis will be installing a re-refining facility that converts used motor oil into base oil and sustainable diesel using a closed-loop system. Otodis has been working with the Arizona Department of Environmental Quality Control (“ADEQ”) for over a year and ADEQ has pre-approved all of the engineering. The facility will produce almost no emissions. The water used for the cooling towers will be recycled and most of the power will be provided by solar panels. Mr. Orvañanos explained this technology has been used in more than 30 existing plants and he offered to provide information on the operations of the technology developer. He added that Blue World Construction, an Arizona construction company, is Otodis’ builder.

Mr. Orvañanos informed the Board that he was trained at ASARCO, the mining company, and then moved to the oil and gas division where he became aware of this technology. He added that, coincidentally, since he noticed that most of AZIDA’s projects seem to be affordable housing, he spent the first 20 years of his career in affordable housing throughout Mexico and the United States, producing approximately 60,000 homes per year. He noted Otodis focuses on projects that serve either the environment or the people that need them. Otodis has already entered into uptake contracts from ASARCO, and new manufacturers in the United States, and believes the project increases commerce and trade, as well as job creation by bringing highly skilled labor to Quartzsite. Mr. Orvañanos noted the project also meets eight United Nations environment-related goals and promotes community sustainability. He added that he was giving the short version of his presentation on the project. His colleagues urge him to be brief because he gets very emotional about the project and relays the story of holding his 8-month-old son in his arms while working in existing plants. The plants do not smell like a gas station, and they are very silent and extremely environmentally friendly.

Mr. Orvañanos indicated Otodis has debt offerings from different banks, as well as U.S. investors, and is ready to build because all engineering is completed with all bids basically in place.

Mr. Dabdoub said he is fascinated by this project as AZIDA doesn't get to see a lot of manufacturing projects. He thanked Otodis for bringing the project to AZIDA and creating approximately 100 part-time and full-time jobs.

Mr. Whittington said that he is also excited to see the project and loves the sustainability impact in the layout and how it is being provided.

Mr. Orvañanos added the chosen site has existing infrastructure and all EPA permits are in place. Otodis is working with an Arizona company that has been collecting used oil for over 20 years.

Mr. Burns said he is excited about this project for what it does for that region. It checks all the boxes in that it's recycling, it's manufacturing, it's rural Arizona, it's job creation and a significant project for Quartzsite.

Ms. Romano noted that Otodis needs to make sure that since it is creating these jobs out in Quartzsite, they are going to need housing, as no one wants to live in a trailer in the middle of the desert. She stated she was glad to hear there were existing plants doing this process because that information was missing from the application and asked for additional information for the future.

Mr. Orvañanos explained that more than 20 of these plants are located in the United States, with about 15 abroad.

Ms. Romano said that was good because she couldn't find the information on Otodis' website. She agreed with Mr. Burns that the project checks all the boxes and is a substantial investment in that particular area and added it is a very interesting and creative idea.

Board member **Andre Whittington** then motioned to approve Resolution No. 2024-77, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2024-78 – Authorizing preliminary approval of not-to-exceed \$150,000,000 of Single Family Mortgage Revenue Bonds, in one or more tax-exempt and/or taxable series, the proceeds of which will be used to fund a single family mortgage loan program.

Dirk Swift, Executive Director, addressed the Board. He explained the resolution was being requested in a proactive approach to prepare AZIDA for 2025, to obtain volume cap, and other things related to the financing mechanisms for the "Arizona Is Home" program that was launched last year in rural Arizona (the "Program"). Mr. Swift added that he and Mr. Dialessi have done the groundwork, and it looks like the Program will

apply for approximately \$98 million in volume cap in early 2025. AZIDA will ask for a little more than last year because last year the Program utilized a taxable/non-taxable blend in its first two issuances. In the second issuance, the taxable/non-taxable blend was split 50/50 and it did not provide the rate Mr. Swift believed was necessary to market. For the next issuance, if there is a taxable piece included it wouldn't be at the same 50/50 ratio. Mr. Swift said he has had conversations with the Governor's Office and the Arizona Department of Housing ("ADOH") regarding the continuation of the Program, its success, and its funding and all conversations seemed very favorable. Based on these conversations, Mr. Swift is moving forward with the Program by seeking preliminary approval for the next issuance in 2025. Since AZIDA needs to get volume cap early in January, today is the day to adopt the required resolution. Mr. Swift then asked if the Board members had any questions on the Program itself, its progress or if there was anything else he could add.

Ms. Romano said the Program was a big success in its first round of bond issuances and anticipates continuing success. She is very happy to hear the State of Arizona and ADOH are happy with the progress AZIDA has made and wants to continue the Program.

Mr. Swift added that AZIDA has demonstrated the ability to generate favorable Program numbers.

Mr. Dabdoub said he is excited about next year.

Mr. Swift said there was a question about rates potentially going down and if a mortgage revenue bond ("MRB") program would still be a fit in such a financial environment. The spread today, between what AZIDA has offered on MRB and non-MRB is over 200 basis points, a 2% difference in rates.

Ms. Romano noted that is a significant amount.

Mr. Swift added the Program is going to be beneficial for the next year and probably for the next three years.

Ms. Romano said the mortgage rate environment is still a little odd. The 10-year Treasury is still a little inverted, or actually it's the middle section that's inverted.

Mr. Swift agreed and said Governor's Office and ADOH had initially provided some extra funds to buy down the rate because these are really rate sensitive borrowers. Mr. Swift explained that when you're dealing with 80% AMI, the rate is really impactful, and AZIDA saw that in loan production when we did the second bond issuance without a rate buy down, and with the combination of taxable. The second issue did not move as fast. In fact, AZIDA moved the \$50 million first bond issue faster than the \$30 million second issue, evidence that rate matters in this space.

Ms. Romano agreed.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2024-78, as presented. Board member **Andre Whittington** seconded the motion.

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

3. **Adoption of Minutes of the November 21, 2024 AZIDA Regular Board Meeting**

Board member **Ken Burns** moved to adopt the minutes of the November 21, 2024 AZIDA regular board meeting. Board member **Marcel Dabdoub** seconded the motion.

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

4. **Call to the Public**

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

Ms. Romano then asked if there is a report from the Executive Director.

Mr. Swift explained that because this meeting's agenda was quite long, he would present his report in January.

Ms. Romano agreed and asked if Mr. Swift would be resending the questions on the strategic plan for the Board members' response.

Mr. Swift confirmed he would.

Ms. McGuire again announced a call to the public.

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

5. **Announcements**

Ms. Romano announced that the next regular meeting of the Arizona Industrial Development Authority is scheduled to be held in person on Thursday, January 16, 2025, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

Ms. Romano also announced she had received her technical assistance funds.

6. **Adjournment**

Board member **Marcel Dabdoub** motioned for adjournment of the AZIDA Board meeting at 3:50 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.



Dirk Swift, Executive Director

January 16, 2025

Date of Board Action