

Meeting Minutes

**ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING**

Location: In-Person Meeting at
Sonesta Suites Scottsdale Gainey Ranch
7300 East Gainey Suites Drive, Scottsdale, Arizona 85258
In Gainey Ballroom A/B

Date and Time: Tuesday, July 25, 2023
3:01 p.m.

Board Members Present (Appearing in Person):
Robin Romano

Board Members Present (Appearing Telephonically):
Ken Burns
Marcel Dabdoub
Lea Márquez Peterson

Board Members Absent:
David Castillo

Staff Present (In Person):
Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

Meeting Facilitator:
Kelly McGuire – Kutak Rock LLP

Presenters:
Charlie Schuster – Lincoln Avenue Capital
Andrew Resler – Rehrig Pacific Company
Jason Grubbs – The Frazier Lanier Company, Inc.
Brett Southworth – Greystone Housing Impact Investors LP
Tim Nash – Kutak Rock LLP

Actions:

1. **Call to Order:**

The meeting was called to order by Ken Burns, Treasurer of the Board of the Arizona Industrial Development Authority (AZIDA) (acting as interim President), at 3:01 p.m.

Robin Romano participated in person. Participating telephonically were Board members Ken Burns, Marcel Dabdoub and Lea Márquez Peterson. Board member David Castillo was absent. A quorum was declared present.

2. **Adoption of Minutes of the June 15, 2023, AZIDA Board Meeting**

Board member **Lea Márquez Peterson** moved to adopt the minutes of the June 15, 2023, AZIDA Board Meeting. Board member **Robin Romano** seconded the motion.

The Board members were individually polled – Ken Burns (yes), Marcel Dabdoub (yes), Lea Márquez Peterson (yes), Robin Romano (yes), and by a vote of 4-0 the motion passed.

3. **Agenda Items Considered:**

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-23 – Authorizing an amendment of Resolution 2022-18, as amended, which granted preliminary approval to the issuance 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 qualified residential rental facility in Casa Grande, Arizona, to increase the authorized aggregate principal amount of such multifamily housing revenue bonds, notes or other obligations to an aggregate principal amount not-to-exceed \$75,000,000, for the benefit of Cottonwood Ranch Apartments, LP.

Charlie Schuster with Lincoln Avenue Capital gave a summary of the requested amendment and offered to entertain questions from the Board.

Mr. Schuster noted that the proceeds of the bonds would be used to finance a 300-unit affordable housing community in Casa Grande. Mr. Schuster added that the project was expected to break ground in the fourth quarter of this year.

Ms. Romano asked for a bit of history and reasoning for the increase in construction costs. Mr. Schuster explained that construction prices have increased exponentially, more than \$60,000 a unit. Ms. Romano further asked what the price of each rental unit given the project is targeting moderate income families. Mr. Schuster provided the range began at \$1200 for one-bedroom units up to \$1700 for 4-bedroom units. Mr. Dabdoub then asked how long ago the original not-to-exceed amount of \$65,000,000 was approved by the Board. Mr. Dabdoub also agreed that the increase makes sense given the increase in construction costs. Mr. Schuster responded preliminary approval was received last year in 2022. Ms. Romano asked Mr. Schuster if he was aware of the Area Median Income in Pinal County and he indicated he was.

Board member **Robin Romano** then motioned to approve Resolution No. 2023-23, as presented. Board member **Marcel Dabdoub** seconded the motion.

The Board members were individually polled – Ken Burns (yes), Marcel Dabdoub (yes), Lea Márquez Peterson (yes), Robin Romano (yes), and by a vote of 4-0 the motion passed.

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-24 – Authorizing final approval of the issuance of Solid Waste Disposal Revenue Bonds (Rehrig Pacific Company Project), Series 2023, in an aggregate principal amount not-to-exceed \$35,000,000, to be issued in one or more tax-exempt and/or taxable series for the benefit of Rehrig Pacific Company.

Andrew Resler with Rehrig Pacific Company gave a summary of the project and offered to entertain questions from the Board.

Mr. Resler noted that the proceeds of the bonds would be used to finance a 265,000 square foot plastics manufacturing facility in Buckeye. Mr. Resler added that the facility would employ 120-125 employees.

Mr. Burns began the discussion by stating how excited the Arizona Commerce Authority was to be working with Rehrig Pacific Company on this project. Ms. Romano asked Mr. Resler if the 120-125 new employment positions would be net new positions or relocated positions. Mr. Resler responded that there would be 120-125 positions created overall but 90-100 of those would be net new jobs to the community. Ms. Romano followed up by asking the average salary for the new employees. Mr. Resler explained that compensation varied depending on title and skill ranging from \$15-\$17 per hour for certain positions all the way to low- to mid-\$100,000 salary positions.

Mr. Dabdoub then asked staff what the process was between preliminary approval and final approval. Mr. Ray explained that preliminary approval is not required, although many applicants seek preliminary approval in order to apply for state volume cap allocation. Mr. Ray further explained that preliminary approval serves as the official action needed for the state volume cap application. Mr. Ray also added that during the time between preliminary approval and final approval the applicant and financing team work to get their financing documents in substantially final form to present to the Board when they seek final approval for their project. Ms. McGuire added that at the time of final approval, the terms of the financing documents will be final as between AZIDA and the applicant and the basic structure of the financing would not change after final approval, though business terms between the applicant and the true financial lender may still be revised.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2023-24, as presented. Board member **Lea Márquez Peterson** seconded the motion.

The Board members were individually polled – Ken Burns (yes), Marcel Dabdoub (yes), Lea Márquez Peterson (yes), Robin Romano (yes), and by a vote of 4-0 the motion passed.

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-25 – Authorizing final approval of the issuance of Variable Rate Demand Solid Waste Disposal Revenue Bonds (Riverview, LLP Project), Series 2023, in an aggregate principal amount not-to-exceed \$50,000,000, to be issued in one or more tax-exempt and/or taxable for the benefit of Riverview, LLP.

Jason Grubbs with The Frazier Lanier Company (Underwriter) gave a summary of the project and offered to entertain questions from the Board.

Mr. Grubbs noted that the project came before the Board back in December of 2022 for preliminary approval and now seeks final approval. Mr. Grubbs explained that the proceeds of the bonds would be used to finance a portion of solid waste disposal components at the company's dairy facility, specifically as relates to the recycling of "flush water" used to remove manure from the facility.

Ms. Romano first thanked Mr. Grubbs and the applicant team for bringing this project to Cochise County. Ms. Romano then asked if the recycling of water at the project would allow Riverview LLP to cut down on its groundwater usage. Mr. Grubbs responded that flush water would be used for irrigation so it would result in less groundwater being drawn for that purpose. Mr. Burns inquired whether the project would create new jobs in Cochise County. Mr. Grubbs replied that Riverview currently employed approximately 340 people at the facility and approximately 50 new jobs would be created.

Board member **Lea Márquez Peterson** then motioned to approve Resolution No. 2023-25, as presented. Board member **Robin Romano** seconded the motion.

The Board members were individually polled – Ken Burns (yes), Marcel Dabdoub (yes), Lea Márquez Peterson (yes), Robin Romano (yes), and by a vote of 4-0 the motion passed.

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-26 – Authorizing preliminary approval of the issuance of multifamily housing revenue bonds, notes or other obligations to be issued in one or more tax-exempt and/or taxable series in an aggregate principal amount not-to-exceed \$40,000,000 to assist in financing a qualified residential rental project for senior occupancy to be located in Maricopa, Arizona, for the benefit of a tax credit limited liability company or partnership to be formed by Shea Connelly Development LLC.

Brett Southworth with Greystone Housing Impact Investors LP (Developer) and Tim Nash with Kutak Rock LLP (Bond Counsel) gave a high-level summary of the proposed project and offered to entertain questions from the Board.

Mr. Nash noted that Shea Connelly Development is currently seeking preliminary approval in order to be eligible to request the Arizona Finance Authority for an allocation of state volume cap and would come back before the Board to seek final approval. Mr. Southworth explained that the project would have 152 units and 20% of those unit would be reserved for senior tenants earning less than or equal to 60% of the Area Median Income.

Ms. Romano informed the other members of the Board that she had the opportunity to research Shea Connelly Development and shared that they have developed projects like this one many times before.

Board member **Robin Romano** then motioned to approve Resolution No. 2023-26, as presented. Board member **Marcel Dabdoub** seconded the motion.

The Board members were individually polled – Ken Burns (yes), Marcel Dabdoub (yes), Lea Márquez Peterson (yes), Robin Romano (yes), and by a vote of 4-0 the motion passed.

4. **Executive Director’s, Chief Financial Officer’s and/or Program Manager’s Reports**

Mr. Swift introduced himself to the new board members and provided a status update on the Arizona Auditor General’s audit and offered to entertain questions from the Board. Mr. Swift ensured that the process is moving in the right direction despite minor response delays due to staffing issues in the Arizona Auditor General’s Office. Ms. Romano said she was glad to hear the audit process is heading in the right direction. Mr. Dabdoub agreed and said he is looking forward to moving on in the process.

Mr. Dialessi introduced himself to the new members of the Board and highlighted the progress AZIDA has made in response to the Arizona Auditor General’s audit such as hiring another employee, shifting managerial responsibilities, adopting various policies, and providing quarterly financial reporting to the Board. Mr. Dialessi noted that staff can cater future reports to matters that the Board members wish to see. Mr. Dialessi then presented AZIDA’s financial performance report for fiscal year 2022 and offered to entertain questions from the Board. There was some discussion as to the presentation of information and Ms. Romano requested that Mr. Dialessi speak to AZIDA’s auditor to ensure the second lien mortgages were shown as an asset instead of an expense. Once those changes are made, Mr. Dialessi will provide re-stated information to the Board.

Mr. Burns asked staff why the return on bond issuance deals has been lower this past fiscal year. Mr. Ray explained that since being in business beginning in December of 2016, AZIDA has issued 142 bond issuances. Ninety-two percent of those issuances have been affordable housing projects, nonprofit healthcare projects, and nonprofit education projects. Mr. Ray noted that most of the bond transactions within the past year have been smaller, local deals. Mr. Ray indicated that fiscal year 2024 should be up.

5. **Discussion of Meeting Format and Location**

With three new members recently added to the Board, Ms. Márquez Peterson suggested that a poll be created to gauge the best date and time for future meetings. Ms. Romano agreed that a poll would be appropriate. Ms. Romano also proposed using Zoom in future meetings as well as moving the meeting location to a more convenient location for the Board members. Staff was directed to poll members to determine the preferred date and time of future meetings as well as investigate a new potential meeting location and Zoom capabilities.

6. **Call to the Public**

Kelly McGuire announced a call to the public for comments.

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

7. **Announcements**

Ken Burns announced that the next meeting of the Arizona Industrial Development Authority was scheduled to be held on Thursday, August 17, 2023, at 3:00 p.m., but noted that people should consult the Arizona IDA website for any changes to meeting details.

8. **Adjournment**

Board member **Marcel Dadboub** motioned for adjournment of the AZIDA Board Meeting at 4:17 p.m. Board member **Lea Márquez Peterson** seconded.

The Board members were individually polled – Ken Burns (yes), Marcel Dadboub (yes), Lea Márquez Peterson (yes), Robin Romano (yes), and by a vote of 4-0 the motion passed.

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

August 17, 2023
Date of Board Action