



PHOENIXIDA

Item 4



MEMORANDUM

DATE: January 18, 2024
TO: Members, Board of Directors
FROM: Murray Boess, Chief Financial Officer
SUBJECT: Goodwill of Central and Northern Arizona

BACKGROUND

First Fidelity Bank (FFB) is seeking participation from the Phoenix IDA for a new loan related to the acquisition of an existing commercial building which currently houses Goodwill's adult education courses. FFB is contemplating providing a short-term loan to the borrower for this endeavor.

Goodwill of Central and Northern Arizona is a 501(c)(3) non-profit organization working as a catalyst for improved change and is dedicated to ending poverty through the power of work. The organization is deeply rooted in the local community and positively impacts Arizonans every day. Donations and purchases through its various locations make it possible for Goodwill to provide no-cost career development, training, and education services to community members across Arizona who require assistance connecting to jobs and landing meaningful employment. Each year, the non-profit organization serves residents of local communities by providing them with the knowledge, skills, and confidence they need to achieve self-sufficiency, including their families.

Goodwill industries was founded in 1902 by Reverend Edgar Helms with the mission to give people hope, dignity, and independence. Goodwill started with Helms walking door-to-door in Boston's wealthiest districts, carrying burlap bags and asking for donations of clothing and household items. From day one, the Goodwill mission differed from many charities at the time. Helms emphasized that donated goods would be sold for profit and that the money would be used to pay workers who helped refurbish items. The original concept was so visionary that is just as relevant today as it was 100 years ago.

THE PROJECT

The subject property is an existing school facility totaling 26,254 square feet on a 2.45-acre site. The building is located at 4837 E. McDowell Road in Phoenix, Arizona along the south side of McDowell Road and east of 48th street. It was originally constructed in 1981 and refurbished in 2022.

FFB plans to lend Goodwill up to \$3,290,000 and is seeking a partner to participate in \$500,000 of that amount. In addition to collecting all payments and paying the Phoenix IDA accordingly, FFB would manage the lending relationship, monitor annual covenants, including analysis of financial statement activity during the loan period. The Phoenix IDA would have access to loan information and files.

PLAN OF FINANCING

This would be a new loan with a fixed rate of 7.75%, with no loan servicing fee. The Phoenix IDA interest rate would be equal to that charged by First Fidelity Bank, the lead lender in this financing

opportunity. The loan would be for 24 months, with monthly principal and interest payments amortized over 25 years, with a 12-month extension option provided the subject loan is not in default. The short-term nature of the project is to give borrower ample time to structure and complete a sale / leaseback arrangement. The Phoenix IDA would also collect a \$2,432 fee on its loan commitment at close of the loan.

RECOMMENDATION

Daniel J. Holwerda Esq. as legal advisor to Phoenix IDA and I, recommend approval be granted subject to the terms and conditions contained in the Board approval resolution, as reviewed by same.

RESOLUTION NO. 2024-03

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA GRANTING APPROVAL OF THE ACQUISITION OF THE PARTICIPATION LOAN IN THE AMOUNT EQUAL TO \$500,000; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ASSIGNMENT OF A PARTICIPATION AGREEMENT AND OTHER DOCUMENTS REQUIRED IN CONNECTION WITH THE TRANSFER OF THE PARTICIPATION LOAN; RATIFYING CERTAIN ACTIONS HERETOFORE TAKEN IN CONNECTION WITH THE PARTICIPATION LOAN; AND AUTHORIZING OTHER ACTIONS NECESSARY IN CONNECTION WITH COMPLETING THE ACQUISITION OF THE PARTICIPATION LOAN.

WHEREAS, The Industrial Development Authority of the City of Phoenix, Arizona (the “Authority”), is an Arizona nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”), incorporated with the approval of the City of Phoenix, Arizona (the “City”), pursuant to the provisions of the Constitution and laws of the State and Title 35, Chapter 5, Section 35-701 et seq., Arizona Revised Statutes, as amended (the “Act”); and

WHEREAS, the Act provides that the Authority may make secured or unsecured loans for the purpose of financing or refinancing the acquisition, construction, improvement, equipping or operating of a “project” (as defined in the Act) whenever the Board of Directors of the Authority (the “Board of Directors”) finds the loans to further advance the interest of the Authority or the public; and

WHEREAS, under the Act the term “[p]roject” includes within its meaning any land, any building or any other improvement and all real and personal properties, including machinery and equipment whether or not now in existence or under construction and whether located within or without this state or the municipality or county approving the formation of the corporation, that are suitable for any educational institution that is operated by a nonprofit educational organization that is exempt from taxation under section 501(c)(3) of the United States internal revenue code; and

WHEREAS, in early January, 2024, First Fidelity Bank (“FFB”) made a \$3,290,000 term loan (the “Loan”) to Goodwill of Central and Northern Arizona, an Arizona non-profit corporation exempt from taxation under section 501(c)(3) of the United States internal revenue code (the “Borrower”), for the acquisition of a commercial property located at 4837 E. McDowell Road, Phoenix, AZ 85008 (the “Property”) which the Borrower previously used and currently uses for its adult education courses; and

WHEREAS, the Loan is at 70.88% loan-to-cost and remains in place for up to 36 months, featuring monthly principal and interest payments amortized over 25 years. The Loan is secured

by a first-priority lien on the Property. FFB sold a \$500,000 participation (the “Participation Loan”) in the Loan to the Phoenix Community Development and Investment Corporation (“PCDIC”); and

WHEREAS, in furtherance of its purposes, the Authority is considering the purchase of PCDIC’s entire interest in the Participation Loan in an amount equal to \$500,000. The Board of Directors believes it is in the Authority’s best interest for the Authority to purchase the Participation Loan; and

WHEREAS, the Authority has reviewed the Participation Agreement (the “Contract”) between PCDIC and FFB. Upon approval of the Participation Loan by the Authority, PCDIC will provide to the Authority a draft assignment and all other documents required in connection with the assignment and transfer of the Participation Loan (collectively, the “Participation Documents”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of The Industrial Development Authority of the City of Phoenix, Arizona that:

Section 1. Conditional Consent to Participation Loan. Subject to Section 2 below, the Authority hereby consents to the acquisition of the Participation Loan from PCDIC.

Section 2. Conditions. The Authority’s consent to the Participation Loan is subject to (1) the approval of the final version of the Participation Documents by the Authority’s chief executive officer (the “CEO”) and legal counsel to the Authority; (2) the Authority’s receipt of the Contract and the Participation Documents and any other instruments which the CEO and legal counsel to the Authority reasonably deem to be necessary or appropriate under the circumstances; and (4) the approval of the final underwriting of the Participation Loan by the CEO and his designated staff.

Section 3. Approval of Contract. The CEO and the other duly elected officers of the Authority are hereby authorized and directed, for and on behalf of the Corporation, to:

(a) engage in the negotiation of the Participation Documents and any other agreements and documents that will be required to memorialize and consummate the acquisition of the Participation Loan as the CEO, or any other duly elected officer of the Authority determines to be necessary or desirable and in the best interests of the Authority, which determination will conclusively be evidenced by his or his designee’s approval thereof; and

(b) execute and deliver on behalf of and in the name of the Authority, the Participation Documents and any other related agreements, documents and instruments to give effect to the foregoing resolution as those persons determine to be necessary or desirable and in the best interests of the Authority, and any things performed or to be performed, and any instruments executed and delivered, by those persons shall be conclusive evidence that those things and instruments have been determined by those persons to be necessary or desirable and in the best interests of the Authority.

Section 4. Ratification of Actions. All actions (not inconsistent with the provisions of this Resolution) heretofore taken by or at the direction of the Authority and its directors, officers, counsel, advisors, agents or its CEO, including but not limited to the engagement of legal counsel, directed toward the completion of the acquisition of the Participation Loan, are hereby approved and ratified.

Section 5. Further Actions. The CEO, upon satisfaction of the conditions set forth in Section 2 hereof, shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated hereby, including without limitation, the execution and delivery of the Participation Documents required to be delivered in connection with the acquisition of the Participation Loan.

Section 6. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 7. Waiver. Any provision of any bylaws, orders, procedures and resolutions of the Authority inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any bylaw, order, procedure or resolution or any part thereof.

Section 8. Liability. The CEO and any director, officer, official, employee, advisor or agent of the Authority shall not be subject to any personal liability or accountability by reason of the completion of the acquisition of the Participation Loan. The liability of the Authority with respect to any document executed in connection with the transactions contemplated hereby, including the Participation Documents, shall be limited as provided in such documents.

Section 9. Headings. Subject headings included in this Resolution are included for purpose of convenience only and shall not affect the construction or interpretation of any of its provisions.

Section 10. Effectiveness. This Resolution shall take effect immediately.

[Signature page follows]

Adopted and approved this 18th day of January, 2024.

**THE INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE CITY OF PHOENIX,
ARIZONA**

By: _____
Juan Salgado, Chief Executive Officer

Credit Summary – Goodwill Loan Participation

Date: 1/18/2024

Borrower: Goodwill of Central and Northern Arizona - 501 (c)(3) Nonprofit Entity	Project to be financed: Purchase of existing property (26,254 sq. ft. building on 2.45-acre site) which currently houses borrower's adult education courses.	Relationship Manager: Robert Avalos First Fidelity Bank
Borrower Address: 2626 W. Beryl Avenue Phoenix, AZ 85021	Project Address: 4837 E. McDowell Road Phoenix, AZ 85008 Eligible NMTC Site. Census Tract: #04013111202 \$1,351,389 Borrower Equity \$2,790,000 FFB Loan \$ 500,000 Phoenix IDA Loan \$4,641,389 Total Project Cost	Type of Business: Adult Education
Principal Contact(s): Susan Barnes	Website: N/A	Tax ID: 86-0104415

Loan Amount	\$3,290,000 (Total term loan to Borrower – 70.88% LTC)
Lead Lender	\$2,790,000 – First Fidelity Bank (FFB)
Phoenix IDA / PCDIC Participation	\$500,000 – (11% of \$4,641,389 total project cost) The Phoenix IDA will purchase \$500,000 of FFB's term loan, which will reduce FFB's exposure down to \$2,790,000.
Loan Term	2 years of P&I payments, amortized over 25 years, with 12-month extension based on the same terms upon written request, provided borrower is not in default. The short-term nature of the project is to give the borrower ample time to complete a sale / leaseback.
Prepayment Penalty	None
Interest Rate	Phoenix IDA loan – 7.75% fixed.
Monthly Payment	\$24,850 / month
Servicing Fee	n/a
Loan Servicer	FFB – First Fidelity Bank
Origination Fee	\$16,000 with prorated share due the Phoenix IDA based on percentage of loan participation.
All Other Fees	None
Use of Funds	Acquisition of existing property
Collateral	Recorded, ALTA-insured, First Deed of Trust, and Assignment of Rents on the property (subject property was constructed in 1981 and refurbished in 2022).
Loan to Value	70% per KS Appraisal on 9/12/23 for \$4,700,000 – Acquisition Cost.
Repayment Source(s)	Primary: Cash flow from operations (proforma Fixed Charge Coverage Ratio of 1.26x) Secondary: Liquidation of collateral
Guarantors	n/a
Financial Covenants	<ul style="list-style-type: none"> • Minimum Fixed Charge Coverage Ratio of 1.05:1.00 to be tested annually with receipt of CPA audited financial statements. • Borrower required to open a deposit relationship with FFB with minimum balance of no less than \$2,500,000.

	<ul style="list-style-type: none">• No later than 150 days after end of each fiscal year, Borrower to provide company balance sheet and income statement for the year ended, audited by CPA satisfactory to Lender.• No later than 45 days after the end of each fiscal quarter, Borrower to provide company balance sheet and profit and loss statement for the period ended, prepared by Borrower.• Annual borrower prepared projections due within 30 days from fiscal year end.
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