

2024 | ANNUAL REPORT



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Presented to:

The City of Tucson
Mayor and Council

City Manager Thomure



In just two years, the Transform Tucson Initiative has resulted in generating \$145,000,000 in new capital investments for Tucson.

In November of 2022, the City of Tucson and the City of Tucson Industrial Development Authority co-created a vision for catalytic investment in the future of Tucson, in a partnership called the **Transform Tucson Initiative**.

This strategic program represents groundbreaking municipal fiscal innovation to build a lasting legacy. Seizing on a historic moment of federal funding, the City of Tucson and the Tucson IDA realized we had a unique opportunity to **meet the climate crisis head on, fully leverage new federal resources**, while vastly expanding **access to capital for the city's underserved entrepreneurs**, and create sustainable economic growth through local real estate ownership and **affordable housing for our residents**.

This initiative leveraged innovative financial products, blending private and public capital into strategic areas that would make the biggest **impact on the quality of life** for Tucsonans and position Tucson to be a **leader in major national investment areas**.



By the end of our first year, our initiative had generated **\$86,000,000 in economic impact for Tucson** and as we conclude our second year, that number has risen to **more than \$145,000,000** with **more than \$95,000,000 in pending capital requests opportunities** for FY25.

Together, the City of Tucson and the Tucson IDA have successfully seeded new opportunities in all five pillars of the initial strategic vision.



*Semillas Microloan's 1st borrower,
Francisca of Sushi Zuzu.*

In addition to financial wins, one major development this year was the launching of a 501(c)3 support organization for the Tucson IDA, Groundswell Capital.

Groundswell Capital is responsible for our organization's activities related to direct loan capital deployment, including small business loans and Arizona's first green bank. Launching a green bank for Arizona was a key priority for Transform Tucson, and a major opportunity for both the City of Tucson and the Tucson IDA.

As a public-serving municipal financial institution, we aim to align our funding initiatives with the community's priorities. We strive to bring creative, financial solutions that empower the audacious dreams Tucsonans envision for their city's future. The Transform Tucson Initiative embodies this vision.

Our role includes engaging diverse perspectives from neighborhoods, businesses, nonprofits, investors, developers, and regional stakeholders. Collaborative efforts like the HAST Plan, Image Greater Tucson, Plan Tucson, The Prosperity Initiative, Pima Prospers, CEDS, and Tucson Resilient Together guide our strategic investments.

Looking ahead, we will continue and deepen our successful programs and broaden our partnership's scope to tackle challenges such as affordable housing and land use. Our goals include promoting walkable, climate-resilient neighborhoods, combating generational poverty through workforce development and innovation, and attracting and retaining quality jobs. We will seek opportunities for funding together and leverage our unique relationship for the betterment of Tucson.

In Partnership,

Dre Thompson
CEO Tucson IDA
President Groundswell Capital



2023 - 24

IMPACT SNAPSHOT



National Awards

2023 National Emerging Development Finance Agency of Year

2023 National Housing Innovation Award
(Essential Workers Housing Fund)

2024 National Housing Innovation Award (LIGHTHOUSE)

Semillas

35

Companies

\$522,650

Total Amount Awarded

54%

Monolingual
Spanish-speakers

\$26,000

Total Amount Repaid

100%

On-time
repayment

AVANZA

18

Companies

\$1,300,000

Total Amount Awarded

35 HRS

Hours of coaching
and support each

\$65,000

Total Amount Repaid

98%

On-time
repayment

72% Minority-Owned Businesses



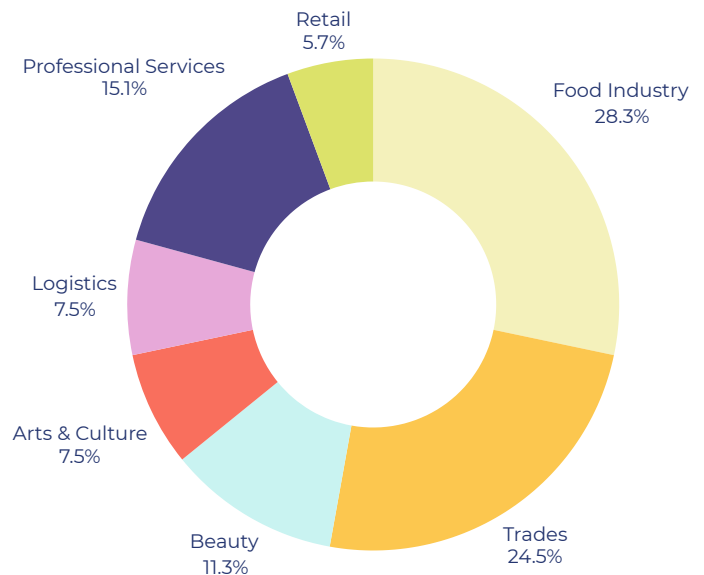
52% Women-Owned Businesses



\$1,275,000

New Capital Secured

Types of Businesses Served



380 FAMILIES

Served through Lighthouse

OVER \$4 MILLION

in downpayment assistance

\$10,000

average DPA per family

OUR YEAR IN REVIEW

Hosted Governor Hobbs (July, 2023)

Accepted to the G-50 coalition of 50 National Green Banks (July 2023)

Launched Lighthouse Housing Bond Program (Aug 2023)

Nominated to Governor's Infrastructure and Jobs Taskforce - Building Arizona's Economic Future (Aug 2023)

Financial Inclusion Award
(Aug 2023, United Way)

Selected for "**Supporting Equitable Recovery through Financial Wellness**" (September 2023, Wells Fargo & National Association of Latino Community Asset Builders)

Accelerating Community Investment Cohort (September 2023, Lincoln Institute of Land Policy)

BuildingBlocks **Affordable Housing Preservation Cohort** (September 2023, Accelerator for America)

Development Finance Agency of the Year
(Nov 2023, Council of Development Finance Agencies)

Launched Lighthouse 2 (Nov 2023)

Grand opening of the AVANZA Empowerment Center Beta (Dec 2023)

Presented AVANZA at the National Conference of Mayors (Jan 2024)

Launched Semillas (Jan 2024)

Launched Aliados (Jan 2024)

Launched Lighthouse 3 (Jan 2024)

Changemaker Grants Award Ceremony (March 2024)

Won National Housing Innovation Award for Lighthouse
(April 2024)

Won Equitable Clean Water Grant (April 2024)

Successful Solar for All Award (participant), Successful National Clean Investment Fund (subawardee), Successful Clean Communities Investment Accelerator (participant)

Launched Lighthouse 4 (April 2024)

Won Arizona Office of Economic Opportunity Microbusiness Grant

Won One AZ Grant (June 2024)



Financial Capital Leverage To Date

As a municipal finance agency, many of our programs work by blending public and private capital sources. These may occur through grants, the bond market, revenue generated through our real estate, and other partnerships.

Pima IDA is a partner on our housing programs, such as Lighthouse and Advantage, magnifying the impact of these program and expanding the capital.

	Project	Public Investment	Private Investment	Total
Affordable Housing	Essential Workers Housing Fund	\$500,000	\$668,586	\$1,168,586
	ADVANTAGE	\$1,182,281	\$1,182,281	\$2,364,562
	Lighthouse	\$5,800,000	\$134,000,000	\$261,600,000
Small Business	AVANZA Empowerment Fund	\$3,525,000	\$1,655,000	\$5,180,000
	Semillas	\$500,000		
	Changemakers	\$269,079		
	Firestarters	\$114,000	\$177,000	
Workforce Development	Arroyo	\$250,000		\$250,000
Equitable Urban Development	Project Pueblo		\$500,000	
				\$145,308,665



Small Business & Main Street Entrepreneurship

The **AVANZA Empowerment Fund**, launched in June 2023 in collaboration with the City of Tucson, aims to address the unique lending challenges of our small business community and unlock capital for underrepresented entrepreneurs.

The **AVANZA Empowerment Center** was designed to provide comprehensive support for small businesses. Initially, we planned to renovate an existing Tucson IDA building, but a cost assessment in Fall 2024 led to a new strategy. We proposed constructing a 10,000 sq foot center at Stone and Council, including four stories of affordable housing, supported by a 9% Low Income Housing Tax Credit (LIHTC) from the Arizona Department of Housing.

While the project was not selected for the LIHTC, we have proposed new solutions. In the meanwhile, we proceeded with the AVANZA Empowerment Center pilot in May 2023, co-locating with the City of Tucson Business Navigators.

The center now operates as a one-stop-shop, offering business classes, coaching, and education. **Over the past year, it has served an estimated 2,000 individuals with bilingual services.**



The Grand Opening in December 2023 showcased the City's commitment to supporting small businesses and enhancing economic vitality.

“ I am so honored and inspired by the work this team is doing to uplift the Tucson community, small business owners, and dreamers like me. ”

Rachel Marie Castillo, Rachel Marie Photography

In our first year, we accepted **18 businesses** into the program and deployed nearly **\$2,000,000** in low-barrier, character-based small business loans, **doubling our initial goal.**

Each small business receives six months of Executive Coaching, a custom-built Loan Success Playbook, and comprehensive wrap-around support, resulting in exceptional portfolio performance and strong participant feedback.

WHAT'S NEXT?

We are currently pausing new loan originations as we await results from ongoing applications and capitalization efforts. In the meantime, we continue to support the existing **18 businesses** with **two additional cohorts** of Executive Coaching in Spanish and English, and are conducting a comprehensive program evaluation.

We plan to shift from a rolling to a **periodic application basis**, starting with the **AVANZA Academy**. This free Loan Application Training Course will equip businesses with essential skills such as projections, cash flow analysis, budgeting, and loan-use planning. This new approach aims to improve:

- Customer experience
- Risk mitigation and capital preservation
- Knowledge acquisition and learning
- Long-term outcomes and economic impact
- Program operational efficiency



In Year 2, we will pilot this strategy and evaluate its effectiveness. We also aim to have additional loan funds, like **Semillas** (described in the next section) available year-round for small business needs when AVANZA is not accepting applications.

As part of our agreement with the City of Tucson, we are committed to matching their **\$1,500,000** investment and working toward a **\$10,000,000 Revolving Loan Fund** over the next 7 years. So far, we have secured an additional **\$1,275,000** and have **\$12,000,000** in pending requests, with announcements expected by Winter 2024.

Our goal is to launch **AVANZA Academy** by **Fall 2024**, begin funding companies by **Winter 2024**, and deploy nearly **\$2,500,000** in Year 2 to approximately **20 growth-stage companies**.

We are applying to become an SBA Microloan Intermediary, which will provide consistent access to deployable capital and enhance our sustainability. We are considering an application for CDFI Status in late 2025, aiming to further solidify our role as a stable resource for small businesses in Tucson.



Additional Small Business Support

Microloans

Grants

Education

Peer-to-Peer

The **Semillas Microloan Fund** was launched in January 2023 to address the high reliance on expensive and predatory capital among Tucson's small businesses. With support from the City of Tucson, Semillas offers a low rate of **2.95%** and eliminates barriers such as credit score requirements and collateral. From January to June 2023, over **\$500,000** was deployed to **35 companies**, with **70% of loans going to BIPOC-owned businesses** and **54% to monolingual Spanish-speakers**.

Notably, Semillas is Tucson's only micro-fund with a fully Spanish application and funding process.

Local businesses like Sushi Zuzu, Emanadas el Dominicano, Coctelería La Palma, and Desert Pearl Mushrooms **used Semillas to help grow their business**.



The **Changemakers Grant Program** funded **90 local small businesses** with grants ranging from **\$700 to \$10,000**, aimed at launching, upskilling, growing, “greening,” and celebrating businesses. Businesses applied in Spanish or English, with **over 300 small businesses** receiving **bilingual grant submission support**. We engaged with **1,500+ small businesses** and received **500+ applications**, with **70% from women and minority-owned businesses** and **20% in Spanish**.

Outreach efforts involved canvassing communities, markets, and districts, and supporting applications through bilingual workshops and local writers. **A rigorous review process**, including an expert and local committee, ensured **equitable and impactful selection**.

Winners included Rocio's Hair Salon, Guirado's Auto, Barrio Books, Luna y Sol Cafe, and **many more**. Non-recipients were offered **complimentary professional consulting services** and early access to **Firestarter Grants** and **HUUB**, a business resource platform providing **10+ hours of free, personalized consulting**.



Additional Small Business Support

Microloans

Grants

Education

Peer-to-Peer

The **Firestarters Program** expanded the impact of awarded funds by collaborating with **Startup Tucson, BLAX Friday, SERI, Startup Unidos, Local First Arizona, and Growth Partners Arizona**. This initiative supported an additional **142 small businesses**.



NAVIGATING THE FINANCIAL FRONTIER & ALIADOS

In partnership with NALCAB and the City of Tucson, we delivered a four-part **financial education series** in **Spanish and English, serving 34 businesses**. Courses included:

- Financial Administration
- Cash Flow Management
- Banking Services
- Building Strong Credit

Aliados is a grassroots financial empowerment group formed to build a network of community leaders and spread financial knowledge. Initially funded by NALCAB,

31 businesses participated in workshops and received stipends. Post-graduation, the group transitioned to self-facilitation with support from Groundswell Capital, continuing to meet bi-monthly for education and networking. This transition reflects a strong example of **community-led economic development**.





380 FAMILIES

Served through Lighthouse

OVER \$4 MILLION

in downpayment assistance

\$10,000

average DPA per family

In response to historic pressures on homebuyers—**high inflation, high interest rates, and low housing inventory**—the Tucson IDA and Pima IDA, in partnership with local government, issued a **\$25,000,000 Single Family Mortgage Revenue Bond** in May 2023.

This bond supported down payment assistance (DPA) and reduced interest rates for homebuyers, serving **95 families in less than 30 days**. The program's success led to the issuance of a **\$100,000,000** bond for continued support.

- **Lighthouse 1.0:** 95 families, \$25M in loans, \$1.0M in downpayment assistance
- **Lighthouse 2.0:** 96 families, \$25M in loans, \$1.0M in downpayment assistance
- **Lighthouse 3.0:** 95 families, \$25M in loans, \$1.03M in downpayment assistance
- **Lighthouse 4.0:** 94 families, \$25M in loans, \$1.0M in downpayment assistance

This initiative won a national Housing Innovation Award for its success and innovation.

PIMA TUCSON ADVANTAGE

The **PTHS ADVANTAGE Program** was developed to leverage IDA capital to **buy down interest rates** for homebuyers. Launched in September 2022, this program offers **30-year forgivable second liens** for down payment assistance. Since inception, **336 loans** have been reserved, totaling over **\$91.1M**. ADVANTAGE has maintained **most DPA options** even in turbulent markets.

PIMA TUCSON HOMEBUYERS SOLUTION (PTHS)

Established in 2012, the **PTHS Program** provides **30-year fixed rate mortgage loans** with or without DPA. If the homeowner stays for three years, the DPA is forgiven. Since inception, **7,366 loans** have been reserved, amounting to over **\$1.25B** in originations.

WHAT'S NEXT?

The Tucson IDA can no longer originate the Lighthouse program due to the high capital requirements. We are seeking **bond capitalization funding** through **0% or low interest loans** to support future rounds of Lighthouse. We have approached the Arizona Department of Housing, the Arizona Finance Authority, and a regional foundation, but have not yet secured the needed capital.

CATALYZING CLEAN ENERGY

To lead in clean energy market transformation, we launched Arizona's first Green Bank, **Groundswell Capital**. Groundswell Capital is a member of the Coalition for Green Capital, the American Green Bank Consortium, and the G-50, all collaborating on the **Greenhouse Gas Reduction Fund (GGRF)**, a \$27 billion national investment in clean energy.

Groundswell Capital was selected as one of six green banks for the **Equitable Clean Water Grant** by Quantified Ventures and the Robert Wood Johnson Foundation. This cohort develops innovative financial products for safer drinking water, improved stormwater management, nature-based climate resilience solutions, and drought management.

Arizona is experiencing a **19-year "megadrought"** along the Colorado River, which supplies nearly **40% of the state's water**. The investments in water and energy infrastructure over the next decade will significantly impact community viability, especially for **low-income, rural, tribal, and minority communities**.

The City of Tucson is recognized as a **newly emerging innovator** in water conservation (Lincoln Institute of Land Policy, Water in the West, 2020). In collaboration with Tucson Water, community organizations, and grassroots residents, we aim to develop financial strategies to enhance water resilience and scale up statewide.

With support from the Equitable Clean Water project, Groundswell Capital will leverage local, regional, and national resources like the GGRF to significantly impact Arizona's water future.

WHAT'S NEXT

We are collaborating with national and local funders to build new green capital products for Arizona and Tucson. These products will support sustainable upgrades for individuals and families (e.g., rain barrels, solar panels, and EV charging stations), small business green loans, and large-scale industrial debt capital. We anticipate launching several new products in the coming year targeting sustainable capital.



Additionally, we will continue to work on the implementation and disbursement of federal dollars through the programs **Solar for All**, **National Clean Investment Fund**, and **Clean Communities Investment Act**, representing a **\$27B** investment into our national clean energy future. Groundswell Capital is ensuring Arizona's representation, submitting **\$1.3B** in clean energy projects for financing review through the Coalition for Green Capital.

Equitable Urban Development

PROJECT PUEBLO



Tucson IDA and Groundswell Capital have secured **\$500,000 in funding** from the AZ Community Foundation to launch a new program supporting the City of Tucson's commitment to equitable economic development. The purpose of Project Pueblo is to empower underrepresented developers to engage with and shape the built environment of their communities and the affordable housing landscape, while also establishing ownership models for generational wealth building and combating the impacts of historical redlining.

Similar to AVANZA, Project Pueblo will provide **Knowledge Capital, Social Capital, and Financial Capital**. The program supports "missing middle" affordable housing projects initiated by underrepresented developers through knowledge, mentorship, and low-barrier access to capital.

Project Pueblo will offer curriculum and training on navigating City of Tucson programs and systems, including permitting, voucher programs, zoning, and resources.

This project is in its early formation stages and is anticipated to launch in late 2024, early 2025. We are currently seeking additional funding partners to support this program's development and launch.

WHAT'S NEXT

We are working in partnership with Rio Nuevo and the City of Tucson to develop a set of new innovative economic development financial instruments through an Intergovernmental Agreement between our entities.

Our leadership will participate in facilitated working sessions with a national financial entity to establish our greatest opportunities for mission and vision-aligned development and structure financial instruments to empower these strategies, leveraging the unique powers of Rio Nuevo, the Tucson IDA, and the City of Tucson.

We are also working closely with the Housing and Community Development team on a path forward for the Scattered Sites that are decommissioned HUD housing.

In these ways, the Tucson IDA is a proactive thought-partner on helping tackle the City of Tucson's affordable housing and development challenges.

A photograph of two men standing in a facility filled with large bags of substrate, likely for mushroom cultivation. The man on the left is wearing a blue t-shirt with a graphic of three mushrooms. The man on the right is wearing a dark polo shirt with a circular logo that says "Desert Pearl Mushrooms".

Inclusive Workforce Development

As an initial workforce project, we developed and launched a pilot program this year as part of our ARPA-funded Changemakers Grants, called **Upskilling Tucson**.

With the Upskilling Tucson grant, Tucson businesses could apply for **up to \$10,000** to invest in employee development. This grant acknowledges that workforce development empowers individuals, businesses, and communities for success.

Upskilling, from training sessions to certification programs, ensures both the small business and the business they support thrive. Through this program, we were able to award **eight companies** with the funds to accelerate their workforce development.

An example of an Upskilling Tucson company is **Desert Pearl Mushrooms**. Desert Pearl Mushrooms was able to secure the capital to ensure their employees are receiving the specialized growing certifications to propel their business development in this rapidly emerging business sector.

CONCLUSION

The City of Tucson and the Tucson IDA have leveraged their unique structures, forging a powerful partnership, and aligning around a shared vision for becoming a national leader in smart economic growth.

We are delighted to take action together around our shared values of **accessibility, environmental integrity, healthy communities, equitable prosperity, quality neighborhoods, affordable housing, and regional identity rooted in place and history**.

The smart growth that we are building towards ensures that all communities have a fair opportunity and also ensures that we do not put short-term gains ahead of long-term success.

Together we aim to **spur new ideas, attract visionary talent, and foster innovative solutions** to tackle our community's biggest challenges.