

RIO NEUVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona

March 29, 2016

REPORTED BY

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1 BOARD MEMBERS PRESENT:

2 Fletcher McCusker, Chairman

3 Chris Sheafe

4 Mark Irvin

5 Jannie Cox

6 Cody Ritchie

7 Edmund Marquez

8 ALSO PRESENT:

9 Mark Collins, Board Counsel

10 Michele Bettini, Operations Administrator

11

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15 BE IT REMEMBERED that the Meeting of the Board

16 of Directors of the Rio Nuevo Multipurpose Facilities

17 District was held on the 29th day of March 2016 at the

18 Arizona State Building in Room 222 commencing at the

19 hour of 1:00 PM.

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P R O C E E D I N G S

CHAIRMAN McCUSKER: We'll call this meeting to order. Edmund's here to lead the pledge. We do have a quorum.

(Pledge of Allegiance.)

CHAIRMAN McCUSKER: Michele, call the roll.

(Roll call.)

CHAIRMAN McCUSKER: We have a quorum. We're going to start the meeting. You have the transcripts from the February 2nd meeting.

By the way, congratulations, Mr. Collins. This whole schedule, February/March, was designed to accommodate your surgery and we're really happy you're doing so well.

MR. COLLINS: And I appreciate it, members of the Board. You can't imagine. Thank you.

CHAIRMAN McCUSKER: Mr. Irvin made a motion to approve the minutes. I need a second, please.

MS. COX: Second.

MR. SHEAFE: Mr. Chairman, I did make one change. I changed page 12.

1 CHAIRMAN McCUSKER: Hold on. Well then, you can't
2 approve the minutes.

3 MR. SHEAFE: I changed page 12 to correct a typo
4 and it's already been given to the stenographer.

5 CHAIRMAN McCUSKER: I don't know, you just mucked
6 up the whole thing.

7 MR. SHEAFE: I probably did.

8 CHAIRMAN McCUSKER: You can't approve the minutes
9 and then make a change in them, so make your change.

10 MR. SHEAFE: I move that we change on page 12 on
11 lines 18 and 19, the typo word is "breach," the correct
12 world is "reach," r-e-a-c-h.

13 That has been given to the stenographer.

14 CHAIRMAN McCUSKER: So move to approve as amended.

15 MR. IRVIN: Move to approve as amended.

16 MS. COX: Second.

17 CHAIRMAN McCUSKER: All in favor say "aye."

18

19 (Motion made and seconded to approve the minutes
20 as amended.)

21

22 (Motion carried.)

23

24 CHAIRMAN McCUSKER: There you go. That's how you
25 do the minutes.

1 All right. We have time reserved for Executive
2 Session. I need a motion.

3

4 (Motion made and seconded.)

5 (Motion carried.)

6

7 CHAIRMAN McCUSKER: We will be gone probably 45
8 minutes, for those folks in the audience.

9

10 (Executive Session between 1:10 PM 2:01 PM.)

11

12 CHAIRMAN McCUSKER: Okay. I need a motion to
13 reconvene.

14

15 (Motion made and seconded.)

16 (Motion carried.)

17

18 CHAIRMAN McCUSKER: Thank you. Thank you for your
19 patience. I'm going to do my remarks quickly as item
20 number 5 and then in deference to our friends from Compass,
21 we are going to move item 11 up to the front.

22 And we kind of teased the announcement here and
23 we'll discuss that a little more when we get to the agenda
24 item.

25 But, as can you can tell from our agenda, and just

1 the things that we talk about on a regular basis, Rio
2 Nuevo is very busy and very productive. I did a little
3 math this morning, Mr. Collins, I think you will all be
4 enthusiastic about it.

5 Since we began committing dollars under this
6 version of the Rio Nuevo Board, if you include two of the
7 projects we are currently looking at, which I expect will
8 advance, we will have committed \$19 million. It's a far
9 cry from the first version of this Board. However, those
10 commitments have generated or will generate \$175.1 million
11 of activities, nine times our investment. And that's
12 really the Rio Nuevo story.

13 We have all concluded that we are a lot better off
14 as partners working with other jurisdictions, working with
15 lenders, working with private developers to advance
16 downtown, and long-gone are the days when Rio Nuevo was the
17 be-all/end-all for everything where we were just a sugar
18 daddy fund and would do everything with our own cash. So
19 it's really a remarkable story and you will see as we go
20 through today's agenda where we're advancing projects.

21 But as it relates to item 11, we have previously
22 authorized the refinance of the City controlled 2008 bonds,
23 which as we now know were issued at the height of the
24 interest market. We have had our underwriters and
25 attorneys in several times to discuss a public issuance to

1 refinance those bonds and take advantage of the current
2 interest rates which are below three percent, and
3 authorized our attorneys and Piper Jaffray to issue those
4 bonds.

5 We are pleasantly surprised by our local led BBVA
6 Compass who has stepped up to take the entire issue, which
7 is just a remarkable event, not only in terms of the faith
8 they are placing with us but the economic value to the
9 District. We will no longer have to go through the rating
10 agencies, we save \$5 million, roughly, in interest costs
11 and we will be able to release some of the money that we
12 have had reserved from the original bonds.

13 So we think this package, plus all the hassles it
14 eliminates for Dan in dealing with the rating agencies,
15 will save the District about \$7 million.

16 So, Mark, you and your team are here and we just
17 wanted to say hi and thank you so much for what you're
18 doing for this community.

19 I don't know if you wanted to say anything to us,
20 you're certainly welcome to, but, again, you know, we are
21 incredibly grateful for the bank and what you've done in
22 this community, not only yourself but your whole team, and
23 to partner with us on moving downtown forward is a huge
24 commitment to this community.

25 MR. MISTLER: Yeah, Fletcher, we're very grateful

1 to --

2 CHAIRMAN McCUSKER: Come up and introduce
3 yourself. It's all on the record so don't say anything
4 stupid.

5 MR. MARK MISTLER: We just want to thank you for
6 the opportunity and appreciate you for the opportunity and
7 we just, you know, we're proud to support and help Rio
8 Nuevo because I think you guys are trying to, you know, the
9 whole purpose of this is to make this community better, and
10 that's what our goal is to help in that effort. So, thank
11 you for the opportunity.

12 CHAIRMAN McCUSKER: Do you want to introduce your
13 team?

14 MR. MARK MISTLER: Yes. This is Andrew Martin who
15 worked tirelessly to help put this together, and Izaro
16 Urreiztieta, who manages our commercial realty with the
17 bank. We're long-time Tucsonans and we're proud to help,
18 so thank you.

19 CHAIRMAN McCUSKER: This is a \$70 million
20 commitment, it is closing today or tomorrow.

21 Mark, what is the status of --

22 MR. COLLINS: Yeah, Mr. Chairman and members of
23 the Board, it will be closing before the end of the month.
24 My partner Tim Stratton, and Bill Davis of Piper Jaffray,
25 are on their way down and will be here to explain some more

1 of that to you, but it will close before the end of this
2 month, thanks to the folks from Compass Bank.

3 CHAIRMAN McCUSKER: So no reason for you guys to
4 hang around. Thank you very much.

5 Everybody move your accounts over to Compass.

6 We have a number of things to accomplish on the
7 Greyhound potential agreement. Mr. Collins, I'll try and
8 stay to the agenda, if you will walk us through, but -- oh,
9 yeah, we forgot Dan. Never mind, Mark. We are just giving
10 you some exercise.

11 MR. COLLINS: Yeah. Help me with my PT, your
12 Honor.

13 CHAIRMAN McCUSKER: Sorry, Dan.

14 MR. DAN MEYERS: Dan Meyers, CFO of Rio Nuevo.
15 So, to start off, we got a new account that I put in red
16 since we are now having the Greyhound Depot managed, we
17 have a small cash amount there that's held by our
18 management team. We have \$30,000 in there. That will
19 transfer to our operating accounts when it accumulates a
20 little bit.

21 Alliance Bank, our primary operating account is
22 \$4.4 million. Alliance Bank ICS is \$5 million. Bank of
23 Tucson operating account is approximately \$400,000. Bank
24 of Tucson ICS is approximately \$5 million, for a total of
25 about \$14.8 million.

1 Now coming out of this refinance of the bonds, we
2 expect to get about \$3.6 million that's going to go into
3 our accounts and be able to be wisely invested.

4 MR. MARQUEZ: Is that from our reserve?

5 MR. DAN MEYERS: Yeah, we have an \$8 million
6 reserve that's dropping to six, plus there's been some
7 money accumulating that, you know, we kind of keep there
8 and when it gets big we transfer it out, so --

9 MR. MARQUEZ: That's great.

10 MR. DAN MEYERS -- that will be a nice little shot
11 in the arm.

12 The December TIF increment was \$893,000. Our
13 budgeted each month is 825, so that put us about \$40,000
14 over budget year to date for the first six months, so
15 that's good news.

16 Commitments, we have \$8 million remaining on
17 commitments, a little over a million at Mission Gardens, AC
18 Marriott Hotel, which we anticipate opening about a year
19 from now, \$4.29 million. Greyhound bus terminal
20 approximately \$1.7 million. Streetscapes we have 750, and
21 remaining on Tucson Community Center, depending on what
22 happens and what does not, we have about 240,000. So with
23 the 3.6 we have coming in by the end of the month here plus
24 the 14.8, we have 18.4 in cash, and we've got about \$8
25 million in commitments, so we have over \$10 million that's

1 available.

2 CHAIRMAN McCUSKER: That's before your 3.6
3 million, right?

4 MR. DAN MEYERS: That's including the 3.6.

5 CHAIRMAN McCUSKER: That's including the 3.6,
6 okay.

7 MR. DAN MEYERS: Just a couple other quick notes.
8 We are now out of the parking lot business, which is a
9 relief for Michele and I, and we are searching for a
10 provider for a database. We have been giving it a lot of
11 thought and we believe that if we have a good solid
12 database, we'll be able to track our merchants better,
13 we'll be able to track our TIF revenue better, and I think
14 we quickly recognize any amount we spend on that in
15 increased TIF revenue. We have been fighting doing this
16 with Excel spread sheets and it just doesn't work. And I
17 think we've got an opportunity to really enhance what we do
18 and quickly enhance our revenue stream.

19 So I'm guessing by the next Board meeting we'll be
20 coming to you with some proposals and maybe asking you for
21 some cash to do this.

22 CHAIRMAN McCUSKER: Any questions for Dan?

23

24 (No questions asked.)

25

1 CHAIRMAN McCUSKER: Thank you very much.

2 Okay. No we're onto the Greyhound.

3 To set this up again for the Board and the public,
4 as part of the negotiations with Nor-Gen for the
5 acquisition of the Arena lot, Rio Nuevo agrees to take the
6 City of Tucson's position in relocating the Greyhound.
7 Cody is recusing himself.

8 MR. COLLINS: Yes.

9 CHAIRMAN McCUSKER: We've moved quickly in that
10 prospect and have showed Greyhound a number of sites. We
11 all honed in on a vacant piece of property at Euclid and
12 Broadway. We have had a purchase contract accepted on that
13 parcel about two months ago, and then we have engaged in
14 approximately 60 days of due diligence, which will allow us
15 if we see something we don't like or some reason we can't
16 develop there, we can walk away.

17 So, Mr. Collins, update us all on where we are
18 with the due diligence, et cetera.

19 MR. COLLINS: Mr. Chairman, members of the Board,
20 Mr. Chairman, as you've explained, the contract was entered
21 into on January 29th, it gave the Board a 60-day period to
22 free look, if you will. I will review the various due
23 diligence actions that have been taken, but that free-look
24 period ends on April 1st, April Fools Day.

25 If you elect to go forward with this, you don't

1 have to take any action because the contract by its terms
2 says you're going forward unless you elect to either extend
3 the time period or you decide not to take the property. So
4 we are on the cusp of this deadline.

5 After the agreement was entered into, the Board
6 commissioned an appraisal. The purchase price for the
7 property \$575,000. It's being paid, assuming it's
8 purchased, in cash. The appraisal came in at that number,
9 and the appraiser -- and I defer to Mr. Irvin who knows
10 this area better than I do, I consider myself a dirt
11 lawyer, but he's a high mucky-muck in the dirt area --
12 that number is very solid because of the location of the
13 property.

14 Competitively priced properties in the central
15 business district or proximity of the University of Arizona
16 have been sky-rocketing over the past five years and this
17 property, as you folks all know, is right on the edge of
18 the central business district and close to the U of A.

19 We also had a title commitment prepared. When you
20 close, you will have a title policy. I have been doing
21 title defense work for almost 35 years, this is one of the
22 cleanest policies I have ever seen. There's a CC&R in it,
23 Covenants Conditions & Restrictions. You folks, if you buy
24 this property, will be in charge of the common area.

25 This piece of property is part of four parcels of

1 property with Office Max and the taco place on the north
2 side, but other than that there is just nothing on the
3 schedule B. It's a very clean title report.

4 You folks had an ALTA survey done, it too is
5 clean. It ties in with the title report, it's a very clean
6 piece of property. There is one easement but based upon
7 the preliminary work done by Swaim's office, I don't see
8 any of that being a problem.

9 There was a seller's property disclosure statement
10 which indicated that part of the property had some flood
11 hazards, but I understand that the County is going to be
12 changing that here very shortly, so we won't have that as a
13 problem.

14 We had a Phase I environmental report done. The
15 environmental report indicated that the property was -- no
16 problems with the property, except a small area where there
17 had been a paint shop.

18 The Phase II you commissioned, it has been -- it
19 hasn't been printed yet, but it is clean, I can tell you
20 that. I spoke with the environmental engineers and there
21 is nothing further for you to do. By doing that Phase II,
22 you folks, the District, if you buy the property, you will
23 have the defenses that are available to people who have
24 done that kind of investigation.

25 So, Mr. Chairman, members of the Board, I think

1 you have done your due diligence on this.

2 CHAIRMAN McCUSKER: We should also mention we
3 heard from Development Services regarding the zoning and
4 appropriateness of the use. They have conceded that the
5 property, that the use is consistent with the commercial
6 code.

7 MR. COLLINS: Right.

8 CHAIRMAN McCUSKER: We have also had the City
9 Council approve and concur with this purchase, so it seems
10 like we have touched pretty much every base.

11 MR. COLLINS: Yes.

12 What is our current status with Greyhound? Well,
13 the current status with Greyhound is we have a deal in
14 principle but not in writing. Greyhound has indicated a
15 willingness to pay an amount that would give the District a
16 four percent return on the investment in this property.

17 I understand that Greyhound is working with Swaim
18 and the District, but we don't yet have a term sheet, if
19 you will, with Greyhound confirming that once the property
20 is improved that they will lease it from the District on
21 terms that are consistent with the District's desires.

22 CHAIRMAN McCUSKER: I think we are also
23 negotiating parking access to the lot. There are still
24 some conversations back and forth with the City and the
25 neighbors regarding how we get to this lot, how we exit the

1 lot, you know. Some of the things the neighbors have asked
2 are for, you know, screening of exhaust and some of those
3 other kinds of things.

4 Can you just update us on where you are with the
5 City and the neighborhood?

6 MR. SWAIM: We confirmed with the City that the
7 access does meet the language code requirements coming off
8 of 12th Street, so we are good with that.

9 We have actually been -- we switched the
10 circulation to go -- I think it goes counter clockwise
11 versus clockwise on the site, or vice-versa, but I think
12 we're good with Greyhound and the City from that
13 standpoint.

14 We have the property, we clarified the setback on
15 Euclid. We have talked about trying to be able to do a
16 landscape buffer to the north side to help mitigate any
17 issues towards it, but it's industrial property to the side
18 to the north.

19 CHAIRMAN McCUSKER: Give the reporter your name.

20 MR. SWAIM: I'm sorry. Phil Swaim, Swaim and
21 Associates, Architects.

22 CHAIRMAN McCUSKER: Any questions of Phil while
23 he's standing up here?

24 (No questions asked.)

25 CHAIRMAN McCUSKER: Any questions of Mr. Collins?

1 Mr. Irvin?

2 MR. IRVIN: So, first off, Mr. Collins, I want to
3 say great job on the due diligence. You know, it's always
4 a moving target from the title report to surveys to Phase
5 I's, you know, we've all been through it a lot, a few of
6 us, on other unrelated issues obviously.

7 I am real comfortable with this transaction. I
8 like the whole direction it's going.

9 The one piece I think we need to solidify is even
10 though I know we have a lease there and we have discussed
11 terms and all that with Greyhound, not that I'm concerned
12 about that, I would like a short little window to get that
13 done. I'm fine with removing, personally, all our
14 contingencies.

15 I would like to make a motion that we advise the
16 seller that we would like to remove all contingencies with
17 one exception; that exception is that we are allowed 30
18 days to tidy stuff up with Greyhound.

19 MR. SHEAFE: Second.

20 CHAIRMAN McCUSKER: By tidy up you mean having a
21 lease?

22 MR. IRVIN: I think as long as we have a term
23 sheet agreed to, I am fine with that. Being in the
24 business I know that the actual lease documents can take a
25 little bit of time, but there is nothing like a deadline to

1 get parties to the table to get stuff done, so I do think a
2 lease is achievable during that time, but I would be happy
3 with a term sheet being signed.

4 CHAIRMAN McCUSKER: Will you amend your motion
5 from "tidy up" to --

6 MR. IRVIN: How about we tidy up with a term
7 sheet?

8 MR. SHEAFE: Second.

9 CHAIRMAN McCUSKER: So you have a motion and a
10 second to release all the contingencies except for
11 negotiating a term sheet acceptable to the District Board
12 within 30 days from -- from now or 30 days from April 1st?

13 MR. IRVIN: I'd say 30 days from now.

14 MR. COLLINS: Based on discussions that were had
15 moments ago, I think we should probably do that 30 days
16 from now, which would be, Mr. Chairman, members of the
17 Board, that would be right after your next Board meeting,
18 because your next Board meeting is on the 26th of next
19 month.

20 CHAIRMAN McCUSKER: Yeah.

21 MR. IRVIN: It would be a little goal maybe to
22 have the term sheet and the lease and all that stuff signed
23 and --

24 MR. COLLINS: Mr. Secretary, I'm reading between
25 the lines. Yes.

1 CHAIRMAN McCUSKER: Michele, call the roll.

2 MICHELE BETTINI: Edmund Marquez?

3 MR. MARQUEZ: Aye.

4 MICHELE BETTINI: Jannie Cox?

5 MS. COX: Aye.

6 MICHELE BETTINI: Chris Sheafe?

7 MR. SHEAFE: Aye.

8 MICHELE BETTINI: Mark Irvin?

9 MR. IRVIN: Aye.

10 MICHELE BETTINI: Fletcher McCusker?

11 CHAIRMAN McCUSKER: Aye.

12 Cody is recused. So by your vote of -- how many
13 -- five to zero we have approved releasing the
14 contingencies on the Broadway/Euclid lot authorizing
15 Mr. Collins to finalize the lease terms with the tenant.

16 MR. COLLINS: Subject to a 30-day extension.

17 CHAIRMAN McCUSKER: 30 days, right.

18 Okay. The other two items on the agenda, we
19 should probably certainly discuss, they assume that we are
20 closing on the lot, and of course ultimately we intend to
21 build a new Greyhound terminal, so we have retained the
22 services of Swaim and Associates as an architect both for
23 the due diligence and for the project. We have a B
24 proposal from them, as well in the packet, and a budget and
25 timeframe for them.

1 So I think we took care of item 9, kind of backed
2 into it by authorizing you to use the next 30 days to
3 negotiate that. So we should probably hear, Phil, from you
4 and Michael, kind of where we go from here, assuming we get
5 the lease terms done in the next 30 days.

6 MR. MICHAEL BECHERER: Good afternoon. I'm
7 Michael Becherer from Swaim and Associates.

8 So we have a schedule attached that we passed out
9 and it's fairly aggressive. It's a fast timeline.

10 CHAIRMAN McCUSKER: Are there copies out there if
11 anybody wants them, Michele?

12 MICHELE BETTINI: Yes.

13 MR. MICHAEL BECHERER: So if -- assuming a notice
14 to proceed on the 4th, we would certainly immediately move
15 forward with programming and finalizing the concept design.
16 To do that we'll have to get the survey done almost
17 immediately.

18 Basically, the critical path to the project to
19 have it completed before the next gem show which would
20 allow us to demo the old Greyhound station before the next
21 gem show is going to be the development plan approval. Our
22 schedule shows us submitting for that development plan
23 within a month of the notice to proceed.

24 So moving forward, we will need to get the survey
25 done immediately so we can get the site plan and

1 development package put together and get that submitted by
2 the 1st of May.

3 And from there we would complete our construction
4 documents around the end of June, bid the project in July,
5 and then start construction the first week of August, about
6 a five month construction time frame. Again, that's very
7 fast in time, but I think given it's about a 3,000 square
8 foot building on a one-acre site, we think that's
9 achievable within the time frame.

10 CHAIRMAN McCUSKER: How much time have you allowed
11 the City to respond to the plans? Is that 30 days?

12 MR. MICHAEL BECHERER: Well, it starts --
13 basically, the development plan, we are going to submit
14 that on May 2nd -- I'm sorry -- yes, May 2nd, and that will
15 carry through until July 15th. So that's about two and a
16 half months for the development plan approval.

17 For the building plan approval, we will submit on
18 June 27th, and two rounds of review, which is typical, with
19 a ten day review, or two week review each time, which would
20 be an expedited review done by a third party, not by
21 development services, and that would get us our permit by
22 August 5th.

23 CHAIRMAN McCUSKER: We might be able to shave some
24 time off of that, you know, the City is committed to a new
25 friendlier process, they assign a person to this project,

1 we already have a person assigned to this project, so --

2 MR. MICHAEL BECHERER: This is kind of --

3

4 (Parties reminded to speak one at a time.)

5

6 MR. MICHAEL BECHERER: In talking to Caroline with
7 Development Services, the development plan time frame is
8 about as fast as we can expect. With the building permit
9 approval we could go for a triple expedited review that
10 will have increased permit fees involved with it, which
11 would be a one week turnaround per review period.

12 CHAIRMAN McCUSKER: So, Mr. Irvin, to keep this
13 schedule, obviously, we would do some work during April
14 even while we are negotiating, so that's part and parcel, I
15 think, to your proposal. It assumes that you start
16 immediately, really.

17 MR. MICHAEL BECHERER: Yes.

18 CHAIRMAN McCUSKER: Right, in the design and
19 concept phases. So walk us through your proposal then,
20 Mike.

21 MR. MICHAEL BECHERER: Sure. So we have a --
22 basically it's a standard phasing of the construction
23 documents. We do initial programming design phase, do a
24 schematic design, design development. In each stage we
25 would get feedback from Greyhound as we move through the

1 different design concepts.

2 In the design development phase we would have
3 renderings and concepts we would be able to have available
4 for public presentation, and then again complete
5 construction documents.

6 Swaim will assist with permitting and bidding. We
7 are assuming this will be a hard bid project that we will
8 have for public bid.

9 As far as civil engineering, we have Brick
10 Engineering on board to do the development package, the dry
11 utility coordination and construction administration.

12 Some additional services that we have included are
13 listed there. We have cost estimating per phase. We have
14 teledata cabling designs included. We will have to do a
15 native plant preservation plan on the site.

16 The City has told us they are going to require a
17 traffic impact statement. This is not a traffic impact
18 study, so it's basically a letter from the civil engineer
19 doing an analysis of the traffic impact.

20 We have surveying included and geotechnical
21 engineering. That will be another thing we'll need to have
22 done almost immediately is get the geo-tech out there to do
23 soil drilling so we'll have our soils engineering done.

24 So the total fee is \$154,430, and that's broken
25 down per phase, as you can see in the breakdown.

1 A couple of things. What we would consider
2 reimbursable expenses that aren't specifically listed would
3 be special inspections, any printing or any material
4 testing that might need to be done that Rio Nuevo may want
5 to run through Swaim's contract.

6 We are assuming that we are using the Greyhound
7 concept that was sent to us in February. We have included
8 as-built drawings, that's not normally a base service, but
9 that's included in our base services.

10 We have excluded a few things: The AV equipment
11 design is going to be handled by Greyhound, so construction
12 documents will include cabling and conduit but Greyhound
13 will come in and do their own installation of the CCTV and
14 Cable Television, and those other phone and data.

15 This is not a lead project, and because of that we
16 won't have any commissioning involved in the project
17 either, construction phase commissioning.

18 Hard flash protection, which would be required,
19 would be done by the electrical contractor. The wash ER
20 submittal won't be required because of the nature of the
21 property. The civil engineers looked into it. Similar
22 with the riparian inventory or mitigation is excluded
23 because it won't be required.

24 And then the water harvesting requirements per the
25 City of Tucson, the calculations have been excluded because

1 of the nature the site, it's in a developed area, boundary
2 elevations are already set, so we may have difficulty
3 meeting the water harvesting requirements. In talking to
4 the City of Tucson, we may be able to obtain an
5 administrative waiver for that requirement, so we're
6 working with them right now to confirm that.

7 MR. MARQUEZ: I have a question.

8 CHAIRMAN McCUSKER: Go ahead, Mr. Marquez.

9 MR. MARQUEZ: In regards to the traffic impact
10 statement, some of the comments I have heard in the
11 community -- beyond the excitement of the relocation and
12 the new facility for Greyhound -- is obviously buses will
13 be traveling down different roads than they usually are.
14 It's my understanding, and maybe this is more of a question
15 for Fletcher, it's my understanding that there's not a lot
16 of bus traffic, they only have a certain number of buses
17 per week or --

18 CHAIRMAN McCUSKER: There's eleven a day. It's
19 relatively invisible now in terms of just overall traffic.
20 We are working through that with the City and the
21 neighbors. They do idle, so there's some potential
22 disruption and exhaust, which we're trying to help
23 mitigate, but I don't imagine anybody -- it's over like a
24 12 hour period -- that anyone is going to see or feel the
25 difference at Broadway and Euclid, you know, with a ten bus

1 traffic load.

2 The City is working with our architects to deal
3 with the buses turning left and how they get in and out; we
4 don't want buses driving through the neighborhood. So
5 there's still some traffic issues to work through, but it
6 shouldn't be an issue.

7 MR. MARQUEZ: Good.

8 MR. BECHERER: The way the plan currently is laid
9 out, there would be no additional traffic in the
10 residential parts of the neighborhood.

11 CHAIRMAN McCUSKER: Mr. Sheafe?

12 MR. SHEAFE: We are paying 575 for the land and
13 you have in your budget 500. The budget comes to the right
14 end number, but, you know, there's 75,000 that's going to
15 get pushed out of other factors. Have you thought that
16 through and are your numbers real based on the fact that
17 you're going to have to absorb 75,000 to hit the budget
18 that we're working with?

19 MR. BECHERER: Yeah, we misunderstood and we
20 thought the land acquisition was 500, so we will rework the
21 budget to put the 575 in. We do have a five percent
22 owner's contingency that's included, I would like to
23 maintain that, so my intent would be to go back and look at
24 some of the other numbers and see if there's some places
25 that we can find that money rather than taking it off the

1 contingencies.

2 MR. SHEAFE: I can give you numbers that I see
3 right away that look a little cushy anyway, so I think
4 you've probably got it in there, but I just want to make
5 sure that you were aware of that.

6 MR. BECHERER: I think so too. Yes.

7 CHAIRMAN McCUSKER: Mr. Collins, I don't believe
8 we would really do much budgeting work other than to
9 solicit bids, because we would rely on the architect's
10 estimate, but then we would solicit, you know, a hard
11 dollar estimate from the contractors if we could in fact
12 replace that risk.

13 MR. COLLINS: Yes.

14 CHAIRMAN McCUSKER: So you will see hopefully a
15 different number ultimately, but you know, I think to your
16 point we are trying to stay within the Board approved
17 range, Michael, which was 1.7 million kind of all in.

18 MR. BECHERER: Right.

19 CHAIRMAN McCUSKER: And if that starts to slide,
20 then the Board would have to take a look at that and
21 authorize any additional costs. We are still pretty close.

22 MR. SHEAFE: It's important too that, you know,
23 you guys are dealing with Greyhound but, you know, if we do
24 a term sheet, the term sheet is going to essentially say we
25 get a yield on our money and the amount of money out

1 creates their rent, so they are going to want to know that
2 if they are grossing this thing up in some manner, they are
3 going to raise their rent, and everybody needs to be in
4 agreement on that, especially if it goes outside the
5 parameters of our agreement.

6 MR. MICHAEL BECHERER: Absolutely. And I think
7 through design process working with Greyhound we will
8 identify when they're asking for things that would be
9 outside of the original scope, and make the Board and
10 Greyhound aware that that could increase the bottom line of
11 the project.

12 CHAIRMAN McCUSKER: Okay. Mr. Irvin?

13 MR. IRVIN: Two questions, I guess maybe a
14 question and a request.

15 I don't think you -- were you here earlier when
16 they were talking about just timing and, you know, getting
17 a term sheet signed with Greyhound, and those kind of
18 things in the next 30 days?

19 MR. MICHAEL BECHERER: Yes.

20 MR. IRVIN: So I don't think we're going to have
21 any problem but just a question.

22 If something did go crazy and all of a sudden
23 Greyhound said, hey, we are not going to go forward, which
24 I don't think is going to happen, and we had to pull the
25 plug on you, how much money are you going to have to expend

1 between now and when we meet next as a Board?

2 MR. MICHAEL BECHERER: Which is in a month,
3 correct?

4 MR. IRVIN: Yeah.

5 MR. MICHAEL BECHERER: We would probably, I'll
6 have to get the fee breakdown -- we would have to get both
7 survey and geotechnical moving ahead, that's probably
8 somewhere around three or four thousand dollars total, and
9 then we would start to invest time in the design. We would
10 probably get through much of the programming and schematic
11 design phase in that time, because to stay on schedule
12 we're going to have to move very quickly.

13 CHAIRMAN McCUSKER: I think part of the
14 conversation with Greyhound is our architects are not at
15 full speed until we have the lease, so if you really want
16 to get this thing going, we need to commit to terms pretty
17 quick. So hopefully we could shave a couple weeks off your
18 30 days.

19 MR. MICHAEL BECHERER: I can give you a more
20 accurate number -- I can't do it right here in the meeting,
21 but I can get that to you.

22 MR. IRVIN: I guess the other question I might
23 have for you is part of the agreement, you know, the
24 District would be responsible for -- not that we wouldn't
25 pass these costs on to the other tenants or the other

1 owners of the development, but we would be responsible for
2 the parking lot and that kind of stuff on an assessed
3 basis, and I haven't really looked at the parking lot with
4 that thought process in mind and I'm kind of hoping that
5 maybe on your way back to the office you'll drive by and
6 give us a thought process on the life of that current
7 parking lot and maybe a SWAG number on what you think that
8 might cost. I would just like to know for my own -- not
9 that we need to do anything now, but I think I would just
10 like to know what that number is.

11 MR. MICHAEL BECHERER: Okay.

12 MR. SHEAFE: You know, Mike, it might be handy
13 since if we're stepping into the declarant position that we
14 know where the reserves are, because there is probably a
15 reserve budget already established.

16 CHAIRMAN McCUSKER: Mr. Collins, let me ask you a
17 loaded question.

18 MR. COLLINS: Uh-oh.

19 CHAIRMAN McCUSKER: Mr. Becherer is the spouse of
20 Elaine Becherer, a City of Tucson employee, and the City of
21 Tucson was originally involved in this transaction, they
22 are no longer. Can you conceive of any fathomable conflict
23 that would create a problem for Mr. Becherer and us?

24 MR. COLLINS: No.

25 CHAIRMAN McCUSKER: There you go.

1 MR. COLLINS: No, sir. Excuse me.

2 CHAIRMAN McCUSKER: "No" was fine.

3 So we have a fee proposal, you're committing to
4 it. If something goes awry in the next 30 days, we can
5 terminate it. We will have some costs.

6 Any other questions for our architects?

7 The total fee proposal is \$154,430.

8 MR. SHEAFE: I would move for approval in
9 acceptance of the agreement with Swaim with the admonition
10 that we are building within that fee. The overall global
11 picture will remain seven for the completed project.

12 MS. COX: Second.

13 CHAIRMAN McCUSKER: Michele, call the roll.

14 MICHELE BETTINI: Edmund Marquez?

15 MR. MARQUEZ: Aye.

16 MICHELE BETTINI: Jannie Cox?

17 MS. COX: Aye.

18 MICHELE BETTINI: Chris Sheafe?

19 MR. SHEAFE: Aye.

20 MICHELE BETTINI: Mark Irvin?

21 MR. IRVIN: Aye.

22 MICHELE BETTINI: Cody Ritchie?

23 MR. RITCHIE: Recuse.

24 MICHELE BETTINI: Fletcher McCusker?

25 CHAIRMAN McCUSKER: Aye.

1 All right. Cody is recused.

2 Five, zero. The motion passes.

3 Thank you very much, gentlemen. We are happy to
4 work with you on this project, and hopefully we will move
5 it along quickly.

6 MR. MICHAEL BECHERER: Thank you.

7 CHAIRMAN McCUSKER: The lease, I think, Mark, I
8 think we dealt with item 9 as it relates to the lease, the
9 construction. We have taken action to hire an architect,
10 we don't really need to do anything else at this point.

11 MR. COLLINS: Mr. Chairman and members of the
12 Board --

13 CHAIRMAN McCUSKER: Anything else on the Greyhound
14 that I need to --

15 MR. COLLINS: Well, my intent based on that motion
16 is first I'm going to get us our term sheet with Greyhound,
17 and at the same time I'm going to be putting together our
18 standard contract for the Swaim folks, attached to which
19 will be their proposal, so that we can keep this moving
20 forward. I mean they're moving at a high rate of speed, I
21 want to try not to slow them down, so I'm taking that as my
22 instruction.

23 CHAIRMAN McCUSKER: That's consistent with the
24 motion.

25 Item number 10, we are not far enough along to

1 discuss this in an open meeting. We continue to ask our
2 counsel to negotiate this tri-party arrangement that
3 involves the City of Tucson and the Gadsden Development.
4 We remain interested and committed to a resolution that
5 moves that project forward, and we are hopeful we can
6 resolve that between now and our April meeting.

7 Item 11, I think that's on our underwriter bond,
8 counsel. We did celebrate with Compass a little earlier as
9 we moved them up to thank them, and they have since left,
10 but go ahead and give us an update on that.

11 MR. COLLINS: Go ahead, Bill.

12 CHAIRMAN McCUSKER: Mr. Davis. It's really an
13 extraordinary piece of work that you guys have done on our
14 behalf. We are very grateful.

15 MR. DAVIS: Thank you, Mr. Chairman, members of
16 the Board. Again, my name is Bill Davis. I'm with the
17 firm Piper Jaffray and we've been serving as the financial
18 advisor to the District on this refunding.

19 I know Tim Stratton is on his way, so he's serving
20 as bond counsel, so hopefully, you know, I'm not going to
21 take too long here, hopefully he will step in here shortly.

22 First of all, you know we have really been working
23 on this refunding probably since last summer, starting with
24 discussions and then ultimately a presentation to the
25 District's current bond insurers, currently the 2008 bonds

1 are, as you all know, are insured by Assured Guarantee, and
2 our first half, if you will, was to try to refinance these
3 bonds in the capital markets utilizing Assured Guarantee
4 and trying to get out from underneath, if you will, the
5 appropriation pledge that the City of Tucson has on those
6 bonds. We pushed about as far as we could and just could
7 not get them to that point. They did come back with a
8 structure that would potentially have allowed the District
9 to get out from under that if certain coverage measures
10 were met in subsequent years, but it would also have
11 required all cash coming in, excess cash, to pay off bonds,
12 so it would have basically dried up any revenues from the
13 excise tax to the District until the bonds were paid off,
14 and it just was kind of too expensive.

15 So we ended up moving forward with the current
16 structure where, as you know, Compass Bank and Arizona
17 CoBiz Bank have offered to purchase the bonds at a very
18 attractive rate of 2.78 percent, very attractive terms.

19 We still do have the appropriation pledge
20 underlying the bonds from the City, but the savings from
21 this transaction are approximately just over \$5.4 million
22 net present value savings, so that's after all fees and
23 it's on a present value basis. It's also going to release
24 from your current trust about 3.6 million, so we're
25 reducing the amount of debt service reserve by 2 million

1 and also ultimately at closing which is scheduled for
2 Thursday, the District will receive a wire of \$3.6 million
3 from the trustee. Those dollars are available for any
4 lawful purpose by the District. So, again, kind of, you
5 know, a double benefit in the way you have got annual debt
6 service savings between now and July of 2025 plus this
7 extra cash that will be available for you.

8 I think all in all, you know, the transaction
9 turned out really well. I would like to thank Mr. McCusker
10 for all his efforts. He was very helpful in the
11 presentation this last fall with the rating agency -- or,
12 excuse me -- with the bond insurance company, and then also
13 in discussions with the banks.

14 And I would also like to thank Michele and Dan as
15 well. They worked real hard getting all the information
16 that we needed for presentations to the bond insurer and
17 the banks, and without their help we wouldn't be standing
18 here right now.

19 So I guess I'll open it up for questions.

20 CHAIRMAN McCUSKER: Let me just kind of tick off
21 the headlines. Total bond issuance 69 and change?

22 MR. DAVIS: That's correct.

23 CHAIRMAN McCUSKER: Interest rate 2.78 percent, we
24 save \$5.4 million of debt service.

25 MR. DAVIS: Present value savings.

1 CHAIRMAN McCUSKER: Present value savings. And
2 we'll release 3.6 million from the reserve?

3 MR. DAVIS: Correct.

4 CHAIRMAN McCUSKER: So the value to the District
5 of this transaction is \$9 million.

6 MR. DAVIS: Well, part of that 3.6 is that is in
7 within that 5.4 million of savings, but it's just of that
8 5.4 million of present value savings, you're actually
9 getting cash on hand of 3.6 and --

10 THE COURT: So would the correct math then be the
11 \$2 million difference in the reserve requirements, so we
12 save 7.4 million?

13 I'm just trying to get to a number that --

14 MR. DAVIS: Dan and I had a brief discussion about
15 this yesterday. I do believe that the net savings to the
16 District is going to be in excess of 5.4 million. The
17 safest number to use is present value savings of 5.4
18 million total with 3.6 million of that being freed up today
19 for your use. The balance being in debt service savings
20 that will accrue to the District between now and 2025, but
21 it's discounted back to today's dollars.

22 CHAIRMAN McCUSKER: Any questions for Mr. Davis?

23

24 (No questions asked.)

25

1 CHAIRMAN McCUSKER: All right. Do we need
2 anything else, Mr. Collins?

3 MR. COLLINS: Mr. Chairman, members of the Board,
4 my partner Tim Stratton, who has been working with Bill on
5 this, apparently has gotten caught in traffic or something.
6 He's due to be down here. I'm sorry he's not here, but
7 what's being done, or what is happening today is the
8 fruition of a resolution that you folks passed back in
9 November of last year, and that's what you have been
10 operating under, so I don't think there is anything else
11 that needs to be done.

12 There are some documents that the executive
13 officers are going to have to sign. As I understand it,
14 Tim is bringing them with him so I'm going to have to keep
15 you guys around. But other than the signing, it's all
16 done.

17 MR. DAVIS: And I would be remiss too, I forgot to
18 mention and I apologize, Mark and Tim both worked their
19 tails off, and it's really been a team effort here, so I
20 want to thank Mark.

21 MR. COLLINS: Thanks. I show up on this as bond
22 counsel, which is a frightening concept for me. I'll hide
23 behind Tim.

24 MR. SHEAFE: We'll get you into the blue book.

25 MR. IRVIN: I just want to say thank you. To me,

1 I'm kind of a simpleton. I look at this and I see 3.6
2 million in savings equals north of \$30 million in new
3 construction projects if we just keep with the current tone
4 of what we're doing on a match with doing stuff in the
5 community. So to me it's a very -- it's not 3.6 million; I
6 look at it as \$32 million by just using that same matching
7 kind of a situation. So, thank you.

8 MR. SHEAFE: I do just have one quick question.
9 Did we have any defeasance in the rollover?

10 MR. DAVIS: Defeasance in --

11 MR. SHEAFE: On the old bond in the way that they
12 were paid off? You know, it's not important, I just --

13 MR. DAVIS: No, no, it's a good question. It's
14 kind of what, you know, we get excited about. So those
15 2008 bonds have an optional redemption feature built in.
16 They are callable at the District's option on 7/1/2018.

17 So what we're doing now with the proceeds, the
18 banks are going to wire proceeds into the District's
19 trustee, that trustee then is going to purchase U.S.
20 Treasury securities, put them in escrow, and that escrow
21 is going to defease the 2008 bonds, make the semi annual
22 principal and interest payments.

23 MR. SHEAFE: For the next year and a half or two
24 years?

25 MR. DAVIS: Exactly. Until the call date in 2018.

1 MR. SHEAFE: The coupon rate before was what?

2 MR. DAVIS: It was between five and
3 six-and-a-quarter. And that's where you get the savings.

4 CHAIRMAN McCUSKER: Mr. Davis, thank you. We will
5 see if Tim needs anything.

6 Item 12 on the agenda. Just quickly from me,
7 that's my item. We are voluntarily paying into the
8 Business Improvement District. We are just apparently
9 voluntarily paying the wrong amount. The bid, so that
10 you're familiar, is a tax of all the property owners within
11 the Business Improvement District, which is basically
12 downtown.

13 All of the government and privately owned parcels
14 are assessed an amount. When the County did the analysis
15 of the bid, we were apparently underpaying by \$108,477
16 annually. I don't think we need to do anything about the
17 back bid, but I would like to get that authorized and in
18 our budget going forward.

19 Mr. Irvin?

20 MR. IRVIN: Is that a fee that is reimbursable
21 with our lease with the City under the triple net
22 situation? How does that work?

23 CHAIRMAN McCUSKER: Well, the bid is complicated
24 because the City has a maximum business improvement
25 district budget that covers all of their properties. So

1 the answer is yes and no, really.

2 The City is paying their authorized amount for all
3 of the properties into the bid, which would include ours,
4 and none of us are paying the proper amount. So whether we
5 get this back from the City in future negotiations, at this
6 point we don't have assurances that we will, but we are
7 clearly, as the property owner, underpaying our fair share.
8 And it goes to street cleaning, maintenance and --

9 MR. SHEAFE: I understand exactly what it goes to.
10 I'm just curious if, Mr. Collins, do we pass that through
11 under our triple tax?

12 MR. SHEAFE: If we have a triple net, triple net
13 means triple net.

14 MR. COLLINS: Well, by the terms of the lease, all
15 of those expenses are to be paid by the City, but I know
16 that there had been a vote previously about voluntarily
17 paying it because of the effect it has on our primary
18 components.

19 CHAIRMAN McCUSKER: I can say pretty emphatically
20 that we have no opportunity to collect this from the City
21 given their position that they are paying their maximum bid
22 payment.

23 MR. COLLINS: The City has an obligation under the
24 terms of the lease to --

25 CHAIRMAN McCUSKER: The chances of us passing this

1 on to the City are slim and none.

2 MR. SHEAFE: How do they arrive at that number,
3 Fletcher? I've never looked at it. Is it square footage
4 or what?

5 CHAIRMAN McCUSKER: Square footage of frontage on
6 the street.

7 MR. SHEAFE: You know, for me I think it's a, you
8 know, I would hate to see us as a District not paying in
9 what we should be paying in to a fund that really goes to
10 protect and clean and make our downtown the way it is.

11 Does that mean that I don't want to have a
12 discussion with the City about it? Sure I do, but I don't
13 think it should preclude us from doing what we should be
14 doing, and that's paying into it.

15 So with that, I would like to make a motion that
16 we honor that and pay it.

17 MR. MARQUEZ: second.

18 MR. IRVIN: And that we go have a discussion with
19 the City about it at some point in time.

20 MR. MARQUEZ: Second again.

21 CHAIRMAN McCUSKER: We had a motion and a second
22 to authorize this payment but no conditions. Do you want
23 to make that motion subject to a conversation with the
24 City, or do you want us to approve it regardless?

25 MR. IRVIN: I want to approve it regardless, but I

1 would like to have a discussion with the City.

2 Does that work?

3 CHAIRMAN McCUSKER: The motion is to approve it as
4 a Rio Nuevo expense. That was seconded, right, Mr.
5 Marquez?

6 MR. MARQUEZ: Yes.

7 THE COURT: All in Favor of that signify by saying
8 "aye." Any opposed "nay."

9

10 (Motion carried unanimously.)

11

12 CHAIRMAN McCUSKER: All right. Now make a motion
13 that we have a chat with the City regarding their
14 responsibilities under a triple net lease.

15 MR. IRVIN: I'll make that motion.

16 CHAIRMAN McCUSKER: I don't know that you need a
17 motion but we'll do that.

18 MR. SHEAFE: I think you ought to because you're
19 tying it to the performance on this lease.

20 MR. COLLINS: Well, I think that the payment is
21 unconditional at this point based on the motion passing. I
22 think that although we haven't agendized talking to the
23 City about it, I think it falls within the language of that
24 agenda item. So if you want to make a motion that we
25 engage the City in such discussion, I don't have a problem

1 with that from an open meeting law standpoint.

2 CHAIRMAN McCUSKER: Or we could --

3 MR. COLLINS: Or you could just --

4 CHAIRMAN McCUSKER: -- agree that we're going to
5 go do that.

6 MR. COLLINS: Right. You can do that too.

7 MR. SHEAFE: I'm fine with either.

8 CHAIRMAN McCUSKER: You're the motioner.

9 MR. SHEAFE: I will withdraw my motion and look
10 forward to a discussion with the City.

11 CHAIRMAN McCUSKER: Okay. Item number 13. This
12 requires a small budgetary request as well, but I think you
13 know that we partner with the Community Partnership,
14 formerly CPSA, and Pima College, with a quarterly luncheon
15 inviting our policy makers from Phoenix to come down and
16 have a chat with Tucson business leaders. It's our turn to
17 host this event. We have elected to do it at the TCC to
18 show off our facility. Debbie Lesko is speaking and our
19 costs, Michele, are roughly --

20 MICHELE BETTINI: About \$1200.

21 CHAIRMAN McCUSKER: About \$1200. So we would ask
22 you to approve that.

23 MS. COX: So moved.

24 MR. IRVIN: Second.

25 CHAIRMAN McCUSKER: All in favor say "aye." Any

1 opposed say "nay".

2

3 (Motion passes unanimously.)

4

5 CHAIRMAN McCUSKER: This item is a little bigger,
6 but in terms of leverage, maybe the most leveraged deal
7 that we've ever entertained, item 14 on the agenda.

8 I think you have a picture of the rendering up on
9 the screen. I was not familiar with the Foundation For
10 Senior Living. I don't believe they have a current project
11 in Tucson. They have a number of senior housing projects
12 in Arizona from Yuma to Chandler to Prescott to Phoenix to
13 Mesa to Tempe. They have made a deal with the Catholic
14 Diocese, our neighbors from the TCC immediately to the
15 east, to do a \$24 million development that would include
16 razing the diocese current office. You know where that
17 sits on the corner of Stone and Broadway.

18 MR. IRVIN: The old Miller Pitt building.

19 CHAIRMAN McCUSKER: That's exactly right. That
20 would be demolished and replaced with the rendering that we
21 see there. It would also provide something we've always
22 desired but haven't figured out how to fund, the
23 restoration and preservation of the adobe Marist College.
24 It's a \$24 million proposal.

25 The way LIHTC is scored, a developer achieves

1 maximum points when they have local financial commitments,
2 so they approached us between the meetings and said we are
3 \$319,000 short of achieving our maximum points, do you
4 think that the Rio Nuevo Board would consider this
5 proposal? And your executive officers, myself, Mr. Irvin,
6 Mr. Sheafe, met and said this is unbelievably consistent
7 with how we view the opportunities downtown, but moreover
8 the leverage that our dollars commit, we would be honored
9 to make this commitment subject to our full Board approval.

10 So we need you to ratify this, but it may -- it
11 will not be drawn on or committed until we hear that their
12 project has actually been awarded the LIHTC funds, which we
13 don't think we'll hear until late June or July.

14 So right now all we have done is commit to a
15 possible funding source in the event this project moves
16 forward.

17 You have a 45-page presentation of their project.
18 It's an extraordinary development on this parcel.

19 I think you know that the Diocese is also doing
20 development on the church side of that, and market rate
21 townhomes are being built east of that. So this whole
22 section is about to see something in the neighborhood of
23 \$60 million of development, which none of us had
24 anticipated.

25 So we don't like taking action without the Board

1 concurrence, but this application was due. In order for
2 them to even have a chance of its award, they needed a
3 local government entity to commit and it's certainly in the
4 District and within on our stated mission.

5 MS. COX: I have a question.

6 We can invest that 300 some thousand dollars in
7 something that's not publicly owned property, it's not City
8 owned?

9 CHAIRMAN McCUSKER: No. We have to resolve -- it
10 still has to be -- the ownership would have to be resolved.
11 They are prepared to deal with that, either deed it to the
12 City or deed it to us. There will be some associated deed
13 with the financial commitment.

14 MS. COX: I'm really pleased to see us
15 participating. I think it's a fabulous project. I just
16 didn't understand how we could do that without --

17 MR. COLLINS: I have -- Jannie, I have seen some
18 drawings indicating what might be used to satisfy that
19 requirement of government owned property. I have some
20 significant knowledge of this development because of my
21 partner representing the Diocese.

22 MR. RITCHIE: Mr. Chairman, or Mr. Collins, just
23 for discussion purposes, I guess if you're negotiating,
24 Fletcher, consistent with my philosophy, I would like to
25 see that they personally guarantee or give a promissory

1 note to us if we do tender an agreement to lend them this
2 money. I don't think any of them are here today, but if
3 you can convey that's one of my concerns.

4 THE COURT: I'm not sure who the principals are,
5 the Foundation for Senior Living is quite a large company.
6 They have structured this as a loan, so as this advances,
7 we probably would see financials and we can certainly ask,
8 Cody, for a personal guarantee.

9 MR. COLLINS: As I understand it, this project
10 that you see in your printed power point is really a three
11 or four phase project. I was informed this morning that
12 two of the three initial actions that had to be taken have
13 been approved, so this may be moving forward pretty quickly
14 and we will keep an eye on that, Cody.

15 CHAIRMAN McCUSKER: All we have done so far is
16 write a letter saying we would commit funds to the extent
17 this project was awarded. So we can put any conditions
18 that the Board would want to see if we ultimately are asked
19 to fund it.

20 Mr. Marquez?

21 MR. MARQUEZ: So would this -- obviously
22 conditions would be discussed in the future, but we're
23 talking about a loan in which we would get a return on our
24 money, correct?

25 CHAIRMAN McCUSKER: Correct. And title to

1 something in our name to resolve the public ownership
2 issue.

3 MR. MARQUEZ: Okay.

4 CHAIRMAN McCUSKER: I agree with Jannie, this is
5 one of the more exciting projects I have seen downtown, you
6 know, it's an unbelievable opportunity for Rio Nuevo to
7 enable this for \$300,000 on a \$24 million project, you
8 know, we won't get that opportunity too many times.

9 MR. SHEAFE: Why don't we move for approval and
10 just --

11 CHAIRMAN McCUSKER: I don't think you can since
12 you have already been on the -- can he make this motion
13 since the executive officers have taken this action?

14 MR. COLLINS: I would prefer that the executive
15 officers not make the motion. I don't have any problem
16 voting on it but --

17 MR. SHEAFE: I was just going to comment that I
18 think somebody else ought to make the motion.

19 MS. COX: I make the motion that we move forward
20 with this loan to -- who are we making the loan to?

21 CHAIRMAN McCUSKER: Foundation for Senior Living.

22 MS. COX: -- the Foundation for Senior Living.

23 MR. RITCHIE: Hold on. Make the loan now without
24 conditions?

25 MR. SHEAFE: Why don't you just add that we

1 require adequate security, because we don't know how they
2 are structured.

3 MR. RITCHIE: That adequate security --

4 MR. COX: Then how about, Mr. Collins, if you help
5 me with that motion?

6 MR. COLLINS: Well, a motion to ratify the actions
7 taken by the executive officers in the letter that they
8 wrote, provided that adequate security is given to the
9 Board for the loan.

10 MS. COX: That's my motion.

11 MR. RITCHIE: Can we talk about --

12 CHAIRMAN McCUSKER: We need a second first.

13 MR. MARQUEZ: I'll second the motion.

14 CHAIRMAN McCUSKER: Okay. Go ahead now, Cody.

15 MR. RITCHIE: I don't even know if this
16 Foundation for Senior Living is for-profit, non-profit
17 or --

18 MS. COX: It's not for profit.

19 MR. RITCHIE: It's not for profit?

20 MS. COX: It's not for profit.

21 MR. RITCHIE: But I understand they have a
22 developer partner in this deal.

23 MR. COLLINS: Right.

24 MR. RITCHIE: Consistent with me voting on it,
25 somebody has to step up, and when I say proper

1 collateralization, I want skin in the game for that.

2 MR. COLLINS: Understood.

3 MR. SHEAFE: The only reason I said what I said,
4 Cody, because you're making a very good point, is being
5 unfamiliar with exactly how they're structured, it's a
6 little hard to say, well, they have to sign this waiver,
7 they have to do this. If we can put an adequate
8 collateralization in there with recourse and they can
9 accommodate the structure that they are actually operating
10 under.

11 MR. RITCHIE: But will it come back to a vote or
12 are we okay with it right now?

13 MR. COLLINS: You're ratifying the concept which
14 the executive officers have put forth in their letter.

15 CHAIRMAN McCUSKER: Which was subject to the award
16 and subject to the full Board approval, so it hasn't even
17 been --

18 MR. RITCHIE: So it has to come in front of us
19 again for full Board approval?

20 MR. COLLINS: Yes.

21 CHAIRMAN McCUSKER: I think we had a motion, and
22 we had a second. All right. This is a big number.
23 Michele, call the roll.

24 MICHELE BETTINI: Edmund Marquez?

25 MR. MARQUEZ: Aye.

1 MICHELE BETTINI: Jannie Cox?

2 MS. COX: Aye.

3 MICHELE BETTINI: Chris Sheafe?

4 MR. SHEAFE: Aye.

5 MICHELE BETTINI: Mark Irvin?

6 MR. IRVIN: Aye.

7 MICHELE BETTINI: Cody Ritchie?

8 MR. RITCHIE: Aye.

9 MICHELE BETTINI: Fletcher McCusker?

10 CHAIRMAN McCUSKER: Aye.

11 Six-zero we have approved ratifying this letter of
12 commitment to the FSL, terms yet to be negotiated, will
13 come back to the Board.

14 Mr. Collins, somebody wants to put an easement on
15 our TCC property.

16 MR. COLLINS: Yeah. Mr. Chairman, members of the
17 Board, there is -- Southwest Gas wants to replace its
18 existing distribution pipeline that runs adjacent -- have
19 you passed out those --

20 MICHELE BETTINI: Um-hmm.

21 MR. COLLINS: -- that runs along the edge of the
22 parking lot to the TCC. We have -- you as a Board have
23 granted these easements to Southwest Gas in the past. In
24 my judgment this doesn't have any adverse effect. The City
25 of Tucson, which of course we have leased the property to,

1 has --

2 CHAIRMAN McCUSKER: This is the map, right?

3 MR. COLLINS: That's the map, yes. You will see
4 it, and along with it is a copy of the form of easement.
5 This obviously is very close to the Arena site, this is
6 about -- I think that what we said in the agenda notice, it
7 says just about all of it, install a portion of the
8 replacement pipeline within the southerly 50 feet of the
9 TCC property. You see it drawn there on the red line.

10 CHAIRMAN McCUSKER: We don't lose any parking
11 spaces or it's not permanently disruptive?

12 MR. COLLINS: It will be disruptive for the
13 installation, yes.

14 CHAIRMAN McCUSKER: But then everything goes back?

15 MR. COLLINS: Right. Yes.

16 CHAIRMAN McCUSKER: Mr. Irvin?

17 MR. IRVIN: Do you know, Mark, why they have that
18 little leg there, why they do not follow the property line
19 all the way around, they kind of make that little jog?

20 MR. COLLINS: I don't know, Mr. Irvin.

21 MR. SHEAFE: I don't know if that's just trying to
22 save some landscaping or what that is, if it's cheaper.

23 MR. COLLINS: Unlike the last time we dealt with
24 Southwest Gas, I haven't had any significant dealings with
25 the Southwest Gas folks, but -- well, that's my best

1 answer.

2 But to the Chairman's question, yes, it will be
3 disruptive but it will be underground and it will be paved
4 back over.

5 MR. IRVIN: Do you we know how long they're
6 anticipating the project is going to be?

7 MR. COLLINS: I do not.

8 MR. IRVIN: I would just like to ask them why this
9 interesting leg, why they aren't laying it a little bit
10 differently. It kind of goes very different, Chris, it's a
11 different thing, you know where I'm going with this, with
12 the culvert.

13 MR. SHEAFE: Well, yeah.

14 MR. IRVIN: I think we ought to just ask them --

15 CHAIRMAN McCUSKER: Is there any time pressure on
16 us to do this?

17 MR. COLLINS: Well, according to them there is,
18 but --

19 MR. SHEAFE: I don't think it would be unfair to
20 ask some -- I think what they are doing is they're taking
21 the line out of the right-of-way and getting it over onto
22 our side because it's a lot cheaper, which probably makes
23 some sense, but we ought to really understand and I would
24 like to know what kinds of buffers are required as well.
25 We may be causing ourselves some real problems here.

1 MR. COLLINS: I wrote the agenda and forgot there
2 is some language in there. The replacement project is
3 scheduled to begin in May of this year, so I can get
4 answers to those questions for you prior to the May
5 meeting.

6 CHAIRMAN McCUSKER: Does a month delay really mess
7 them up in terms of their schedule?

8 MR. COLLINS: I don't see that it does.

9 CHAIRMAN McCUSKER: I don't hear a sense that we
10 are prepared to take action without some additional
11 information on, A, why on our property, not in the public
12 driveway; and B, why does it jog inland to the north and is
13 it going to create any permanent issues regarding access or
14 development on our site, because you're right it may
15 require a setback when we build the Chris Sheafe Hotel.

16 MR. SHEAFE: I was worried about the Fletcher
17 McCusker swimming pool.

18 CHAIRMAN McCUSKER: So you'll get some more stuff
19 and we'll table this item.

20 MR. COLLINS: I will get more stuff.

21 CHAIRMAN McCUSKER: Item 16, we have instructed
22 counsel to keep on keeping on with the developer and the
23 City. Hopefully we can agendize this. This relates to the
24 river, if anyone misunderstood when I said Westside Parcel.

25 Okay. This is the deal of a lifetime. The County

1 is having flood control issues in the Santa Cruz. They
2 have been asked to dredge the river from south of 29th
3 toward the Mission, all the way through our property
4 because of some of the water runoff we had in the recent
5 rains and the debris that's accumulated in the silt.

6 The County has proposed instead of them hauling
7 that dirt to Timbuktu, they place it on the Rio Nuevo owned
8 land immediately west of the river, which could be an
9 interesting prospect for us because of the amount of
10 topfill that would create, and their willingness to
11 landscape it and berm it however we want. We could make a
12 purse out of a -- what's the saying?

13 MS. COX: Sow's ear.

14 CHAIRMAN McCUSKER: -- a silk purse out of a
15 sow's ear. As we now know, that landfill cannot be
16 penetrated, you can't penetrate the cap, it's very limited
17 development activity. In fact, we can't even plant a tree
18 on it because the moment the roots pierce the cap it will
19 die.

20 If you think of this as Randolph South Golf Course
21 with its berms and undulations, it would allow us to
22 landscape, plant, berm, create maybe a more desirable
23 developable space. And the County will do all this for
24 free, including the irrigation if we have to install
25 irrigation, sod, plantings. Like I said, it's the deal of

1 a lifetime.

2 MR. IRVIN: You know what, I would agree with you,
3 and, you know, I really like what the County is doing. I
4 like them reaching out to us. I think that was great. I
5 think we would be silly not to move forward with this. I
6 mean obviously we've got some stuff to work out with where
7 it goes and how it's bermed and what it looks like, but I
8 think we can sit down with them and do that.

9 I make a motion we move forward with this.

10 MR. MARQUEZ: I second the motion.

11 CHAIRMAN McCUSKER: So the issue would be to
12 control what happens to it, so we probably want like a
13 landscape architect, or somebody working with us and them
14 so they don't just dump all the dirt, we actually get it
15 massaged exactly where we want.

16 MR. COLLINS: Correct. And there's going to have
17 to be agreements among -- certainly between the County and
18 the Board on how much, where is it going to, what's it
19 going to look like and all that sort of thing.

20 MR. IRVIN: We don't need to go to procurement for
21 that, that would be professional services, landscape
22 architect?

23 MR. COLLINS: You could direct selection on that,
24 or cooperatively procure it.

25 MR. IRVIN: Fletcher, do you know the timing that

1 they're talking about?

2 CHAIRMAN McCUSKER: They are under a lot of
3 pressure, I understand, from flood control people to get
4 after that project. I think what enlightened them is they
5 would otherwise have to haul this dirt to some landfill
6 that would in fact accept it. Everyone knows the
7 limitations we have on developing that site. So you could
8 kill two birds with one stone.

9 MR. IRVIN: It's probably something they want to
10 get started before monsoons hit.

11 MR. MARQUEZ: And the County, the fact that they
12 don't have to haul this material -- just to drill this down
13 a little bit more -- saves the taxpayers in our County
14 thousands of dollars. It's a great deal.

15 MR. COLLINS: It may be significantly more than
16 that.

17 MS. COX: Because there are so many restrictions
18 on that property, we can't do this, we can't do that, we
19 can't pierce the property, what does laying more layers on
20 top of it do?

21 CHAIRMAN McCUSKER: It gives you room to plant
22 without penetrating the cap.

23 MS. COX: So it doesn't hurt to put something on
24 top of it as long as --

25 CHAIRMAN McCUSKER: As long as the root system

1 wouldn't ultimately penetrate the cap. There are options,
2 there are trails -- I mean we haven't really done anything
3 about what this could ultimately look like.

4 MS. COX: Oh, that's exciting.

5 CHAIRMAN McCUSKER: It could create equestrian
6 trails, bike trails, walkable areas, it could create a
7 developable plot. For right now we don't have a
8 developable plot.

9 MR. MARQUEZ: It's also a staging area for the
10 Pima County route, it could be.

11 CHAIRMAN McCUSKER: Right now this property is
12 destined to be a parking lot if we don't find some way to
13 develop it.

14 The option to develop it, which was asked for, to
15 remediate that landfill was \$44 million. So this might put
16 us in a position to do something permanent at no cost to
17 the District.

18 So I think we had a motion to proceed with the
19 county to negotiate what this looks like, and we would
20 retain somebody to help us with the design.

21 MR. SHEAFE: I think the purpose of the motion
22 right now is to give the County an assurance of that we're
23 interested in doing it, they are interested in doing it,
24 how we get there comes with later action.

25 CHAIRMAN McCUSKER: We don't want a big pile of

1 dirt, we actually want a finished product.

2 MS. COX: Great.

3 CHAIRMAN McCUSKER: All in favor say "aye."

4 Opposed "nay"?

5

6 (Motion passed unanimously.)

7

8 CHAIRMAN McCUSKER: Okay. I will inform the

9 County we are in the dirt acceptance business.

10 This is the time we have preserved for calls to

11 the audience.

12 Michele, do you have some cards?

13 MICHELE BETTINI: Yes.

14 CHAIRMAN McCUSKER: Thank you.

15 Please state your full name for the reporter.

16 ROSAFINA CARDENAS: Rosafina Cardenas, a resident

17 of Barrio Kroeger Lane.

18 I want to appreciate all the good news I have

19 heard today about your work. And I just want to remind you

20 that remember you wanted to change our name from Rio Nuevo,

21 and I stated it wouldn't do any good because what is good

22 is good and what is bad is bad.

23 And I just want to bring to you the spiritual part

24 of what you are doing and remind you that you are for the

25 people and by the people, at least that's what I hope that

1 you want to be.

2 And coming back to the westside parcel, it's not
3 just any land, any dirt, it has a very spiritual
4 significance, and I would appreciate that you first ask the
5 land permission before you do this to Mother Earth again.
6 It's already gone through too much.

7 If it's the same area that I have in mind and that
8 I feel is the land of Chuk Son, our original birthplace of
9 Tucson, that you're going to come and put dirt, or is it
10 sand or is it soil, you need to bring it back to the
11 people. Remember, this is not any land. There's Barrio
12 Sin Nombre, Barrio San Augustin and Barrio Coeur-D-Alene.

13 In the past I asked if you had looked back to
14 your -- in your research of where that land is part of, and
15 that is Barrio Coeur-D-Alene. We are becoming smaller and
16 we are in a lot risk of not existing.

17 I pray that you do not have that intention for us.
18 So if this is the land of Chuk Son, in September of 2012
19 the Los Charro group presented to you. Where is that at?
20 Where is it going?

21 Also the support of the Tohono O'Odham nation. Do
22 they -- are they in agreement that you are going to do this
23 to the land?

24 Don't make a mistake now that you have done so
25 much good and you're hurrying on these opportunities, you

1 have a spiritual agreement in your hand. Don't get the
2 people upset with you. Bring it back to us. Bring it back
3 to the people of this opportunity.

4 Our elders can't be here. They don't come
5 downtown. Our working people don't come at this hour.
6 They have to work.

7 So I ask if this is the land, the land of Chuk
8 Son, working in partnership with the County, bring it to
9 the people.

10 CHAIRMAN McCUSKER: Thank you, Rosafina. Thank
11 you very much.

12 I need a motion to adjourn.

13

14 (Motion made to adjourn. Seconded. Motion
15 passed.)

16

17 CHAIRMAN McCUSKER: Okay. See you all in April.

18

19 (Meeting adjourned at 3:15 PM.)

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C E R T I F I C A T E

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STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

I, KATHY FINK, hereby certify that I was present at the foregoing proceedings of the Board of Directors of the Rio Nuevo Multipurpose Facilities District; that said proceedings were recorded stenographically and on digital audio by me and that the foregoing pages of transcript represent a complete and accurate transcription of the proceedings to the best of my ability.

WITNESS MY HAND this 31st day of March
2016.

KATHY FINK
RPR, AZ CR 50493