

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona  
July 26, 2016  
1:00 p.m.

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REPORTED BY:

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## P R O C E E D I N G S

(1:04 p.m.)

CHAIRMAN McCUSKER: We're going call this meeting to order. 1:04 by the official Rio Nuevo clock.

Mr. Hill is excused and Ms. Cox is out of the state; she's going to join us after Exec. Cody's going to be late.

So we do have a quorum.

We're relieving Mr. Marquez of his annual pledge duties. He did it for 12 months in a row.

MR. IRVIN: That's it?

CHAIRMAN McCUSKER: It's hard to believe he's no longer a rookie. I'll lead the pledge.

(Pledge of Allegiance was recited.)

Michele, call the roll.

MS. BETTINI: Edmund Marquez.

MR. MARQUEZ: Here.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Here.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Here.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Here.

CHAIRMAN McCUSKER: We do have a quorum. We acknowledged that Jeff and Jannie are excused and Mr. Ritchie's running a little bit late.

1           So we do have the transcripts from the June 28th  
2 meeting. If there are no changes --

3           MR. SHEAFE: Move for approval.

4           MR. MARQUEZ: Second.

5           CHAIRMAN McCUSKER: All in favor say "aye."  
6           (ayes.)

7           CHAIRMAN McCUSKER: Okay. It's the time  
8 we've set aside for executive session.

9           MR. IRVIN: So moved.

10          MR. MARQUEZ: Second.

11          CHAIRMAN McCUSKER: All in favor say "aye."  
12          (ayes.)

13          CHAIRMAN McCUSKER: For those of you in the  
14 audience, we will do an Executive Session for a few minutes  
15 to talk to our attorneys. I figure we'll be back here  
16 certainly by 2:00 o'clock.

17          (the Board recessed for Executive Session at 1:06 p.m.)

18          (the Board reconvenes at 2:05 p.m.)

19          CHAIRMAN McCUSKER: We're back. Someone make  
20 make a motion to reconvene.

21          SECRETARY IRVIN: So moved.

22          MR. MARQUEZ: Second.

23          CHAIRMAN McCUSKER: You can see we have some  
24 really important things to discuss today.

25          Mr. Hill is absent. Cody's on his way down. Jannie

1 Cox is on the phone.

2 On the Bourn item,

3 Mr. Collins, both Mr. Sheafe and Mr. Ritchie are  
4 recused?

5 MR. COLLINS: Mr. Chairman, that's correct.  
6 And Mr. Sheafe, if you'd be so kind to join us down here.

7 (Mr. Sheafe steps down from the Board panel.)

8 CHAIRMAN McCUSKER: I'm going to try to move  
9 through that since Jannie's got kind of some hard stops. So  
10 with Jeff out, and the two of them recused, we still have a  
11 quorum, right, Mr. Collins?

12 MR. COLLINS: Correct. As long as Jannie is  
13 on the phone, we're in good shape.

14 CHAIRMAN McCUSKER: A couple of quick updates  
15 from me. And I know things that you are following -- it's  
16 a very active time, and obviously downtown you just drive  
17 around you can see the residential going up -- the Holualoa  
18 townhomes, The Caylor project -- we're really beginning to  
19 see residential activity downtown.

20 There's been a lot of corporate interest following the  
21 Caterpillar announcement in our downtown -- from literally  
22 all over the world. Just a lot of exciting things  
23 happening.

24 We do expect to advance the Caterpillar land  
25 acquisition -- hopefully, we'll give counsel enough

1 instructions today to finalize that with the City.

2 The 97 East renovation for "Cat" is moving  
3 along expeditiously, I understand. We expect in Phase I of  
4 the Caterpillar relocation that that corner of Scott and  
5 Congress will house up to 300 Caterpillar employees.

6 We expect our design/build for Cat to be a two-year  
7 project. So we are in negotiating with Caterpillar the  
8 written documents required for that design/build, which we  
9 hope to have by the next meeting.

10 At that point then we would competitively  
11 procure an architect for that project and begin working with  
12 Cat and the design team to design -- place the envelope and  
13 do the adjacent parcel work on the West Side. The  
14 Caterpillar parcel -- for those that follow what we're  
15 doing -- is immediately over the Gutierrez Bridge. If  
16 you're going west on Cushing - what we affectionally call  
17 "the hole in the ground" -- will become underground parking  
18 for the Caterpillar site. It's roughly an 8-acre parcel  
19 that we're acquiring from the the City of Tucson.

20 We will contribute that parcel to Caterpillar  
21 as part of the incentive package that Rio Nuevo negotiated  
22 with them. Hopefully you can see that on a formal agenda  
23 item hopefully in the next meeting.

24 A couple of things today that are kind of circling back  
25 and extremely important -- obviously, we're going to talk

1 today about what we all know as the Thrifty Block.

2 And the new designated name from the Bourn et al City  
3 Park. And I think those of you that follow us know that we  
4 talked about the Marist development last month and the  
5 opportunities and challenges that Rio Nuevo has to help that  
6 development along.

7 So with Chris and Cody recused, let's go ahead and move  
8 to the City Park agenda items.

9 Don, I think you guys are ready to make a  
10 presentation on this. I'll just give a little background.

11 One of the first privatization projects that the  
12 original Rio Nuevo Board engaged in was the sale and  
13 development of the so-called Thrifty Block; it's called that  
14 because it used to house the Thrifty drugstore.

15 Don's company won that competitive bid,  
16 bought the property. Rio Nuevo razed the block. And it's  
17 safe to say that was all prerecession. Like many  
18 developers, Don and his partners have struggled to complete  
19 that project post-recession.

20 We have a really interesting conversation  
21 coming up for all of you that are following this. And a  
22 real opportunity I think because of some of the sparks that  
23 have been lit downtown to really remake that project, and to  
24 recommit Rio Nuevo to make some -- on that very crucial  
25 block to our downtown -- that something meaningful and

1 significant happens.

2 So with that, Don, introduce yourself, and  
3 the floor is yours.

4 MR. BOURN: Thank you Mr. Chairman, board, my  
5 name is Don Bourn --

6 CHAIRMAN McCUSKER: We need that up a little  
7 bit, Michele, in volume?

8 You're too tall for the mike.

9 MR. BOURN: Is that better?

10 SECRETARY IRVIN: Yep.

11 MR. BOURN: My name is Don Bourn. I live in  
12 Pima County. Work downtown.

13 Adjacent to the property we're talking about today --  
14 in fact, in our materials --

15 MS. COX: Excuse me, Don. But I can't hear  
16 you.

17 MR. BOURN: Okay, Jannie. I'll speak up a  
18 little louder here.

19 CHAIRMAN McCUSKER: There you go.

20 MS. COX: Do you have a microphone?

21 CHAIRMAN McCUSKER: He does.

22 MS. COX: I can't hear him at all. I don't  
23 hear anything.

24 CHAIRMAN McCUSKER: Stand by.

25 MR. BOURN: There we go. Is that better?

1 Jannie, can you hear me?

2 MS. COX: It's slightly better, but it's not  
3 good.

4 CHAIRMAN McCUSKER: We're moving you, Jannie.

5 MR. COLLINS: Got to make sure everybody  
6 hears everybody.

7 MR. BOURN: Jannie, can you hear me now?

8 MS. COX: It's perfect now.

9 CHAIRMAN McCUSKER: Nobody else in the room  
10 can hear.

11 MS. COX: Sorry about that.

12 MR. BOURN: It's okay.

13 So as Fletcher talked about -- we have been working on  
14 the project for some time. Over the years we have continued  
15 to pour quite a bit of money into planning and design; it's  
16 been a challenging project. But we feel like we're at a  
17 point where we're in a position to kick this off.

18 We've reformulated the project into something  
19 we think is pretty exciting and more appropriate for the  
20 location on Congress Street.

21 Jannie, I don't know if you have a copy of the little  
22 PowerPoint presentation put together, but we're looking at a  
23 three -- we call it a three and a half story building, and  
24 we .

25 -- if you could go to second slide, please --



1           So we've tried to step back on this project to really  
2 think about what can we do that we think would be  
3 economically viable and be a great project for downtown  
4 that's going to hopefully benefit things surrounding it  
5 rather than be overly competitive with a lot of things  
6 around it.

7                       As you mentioned, there's a lot of  
8 residential projects being planned. Originally, we were  
9 planning to include something about residential, but due to  
10 physical and financial constraints, we've focused the  
11 project on strictly commercial project. So we've created a  
12 vision or strategy for the project, and I'll read that to  
13 you:

14                       We'd like to aggregate the highly desirable  
15 food, entertainment, retail operations, to create the No. 1  
16 entertainment designation in southern Arizona and northern  
17 Sonora.

18                       We believe that as a community we want to  
19 focus on our neighbors to the south.

20                       We want to do so by identifying and partnering with the  
21 best-in-class operators who can maximize the synergy  
22 resulting from the multidimensional uses.

23                       And we want to use technology and as a backbone to  
24 efficiently connect the various uses in the  
25 customer-friendly cohesive experience but changing the game

1 from more typical retail entertainment venues.

2 We want to become a hub for all downtown  
3 activities creating a rising tide for all its constituents  
4 through such use as technology and programming and create  
5 superior productivity that's measured by a number of  
6 metrics.

7 So if you can go up to the next slide, please.

8 So this is taken from a marketing package put together.  
9 And we'd like to believe our location is kind of the center  
10 of downtown and everything that is going on downtown. And  
11 that's why we think it's important to get the concept right.

12 Next slide, please.

13 So, the plan for City Park is to have -- ultimately the  
14 center building that we're talking about here will be 48,000  
15 square feet. That's in conjunction with the 20,000 square  
16 foot building adjacent to it that we're currently officed  
17 in, and a 10,500 foot square foot building known as Indian  
18 Trading Post on Scott and Congress.

19 So in total that will be almost 80,000 square  
20 feet of space. For the building we're talking about today,  
21 it would be a four-story, 48,000 square foot building with a  
22 ground level food hall of about 13,500 square feet; and a  
23 second floor entertainment venue with 6 lanes of bowling,  
24 other games and lounge activities, for another 13,500 square  
25 feet.

1           In addition to that, we'll have 5,000 square  
2 feet of outdoor space on either side of the building. And  
3 then plans are to have a 5,000-foot rooftop deck with the  
4 building as well.

5           The third floor will be office space. And  
6 then the top floor will be 8,000 square feet of space that  
7 -- we're not quite sure what the use will be yet -- but that  
8 will be combined with the 5,000 square feet rooftop deck.

9           Next slide, please.

10          Again, part of what we believe is if you look at both  
11 the streetcar and all of the other activities going on  
12 downtown, we feel like we're right in the middle of this.

13          So our goal is to act as an anchored tenant  
14 for a lot of the food and entertainment happening downtown.

15          Next slide.

16          And we've listed out all the other  
17 restaurants, museums, and venues. We also believe that  
18 downtown is broken into a business district,  
19 theater/entertainment district, and an arts and museum  
20 district, and we feel like we can serve all three of those  
21 districts.

22          Parking is something that's often brought up regarding  
23 this project. We will have no on-site parking.

24          We've done a parking map and a parking study showing  
25 where all the on-street surface lots and parking garages are

1 in the area. And we're hoping that this use will generate  
2 hopefully over \$300,000 a year in parking revenue for the  
3 surrounding parking garages and lots.

4 One of the things that we spend a lot of time on is  
5 really thinking about who our market is; and how do we make  
6 sure that this is ultimately successful.

7 And if we think about a downtown market for this use,  
8 we've broken it down into two distinct segments: daytime  
9 lunchtime segment; and then a nighttime segment. We think  
10 those markets are two very different focal points.

11 Some of the research that we've done will  
12 show that there's 15,000 people within a 5-minute walk of  
13 this site. So for lunchtime, we believe this will be a very  
14 active, quick-serve lunch environment.

15 There's 44,000 people within two blocks -- that work  
16 within two blocks of the streetcar. There's 160,000 people  
17 within a 10-minute drive of this site.

18 Next slide, please.

19 Nighttime is a whole different story. We believe that  
20 we have to reach out and capture a big part of the southern  
21 Arizona market.

22 For these purposes, we've designated 15-minute drive  
23 time and feel like we'd want to be very focused on being  
24 able to capture that. As we stated earlier though we really  
25 want to be able to capture the entire southern Arizona

1 market. And we want people from Mexico to feel like this is  
2 a great entertainment/food destination for them.

3           Within 15 minutes, there's 432,000 people  
4 that can reach this destination. As we all know with  
5 everything going on downtown, there are a lot of activities  
6 that we believe will help support this and in return,  
7 hopefully, make -- help support some of those venues.

8           I'm showing some photos of other food halls around the  
9 country.

10           Next slide, please.

11           A rendering of the interior of the ground floor.

12           The floor plan of the ground floor of the food hall  
13 with 14 different vendors.

14           More photos.

15           Next slide, please.

16           CHAIRMAN McCUSKER: The photos, Don, are of  
17 similar kind of venues, multiuse food, entertainment,  
18 bowling?

19           MR. BOURN: Yes. A rendering of a rooftop  
20 deck. This may change, somewhat; but it's a current  
21 rendering.

22           The second-floor plan with bowling and some  
23 of the other games and entertainment areas.

24           And I believe --

25           -- next slide, please --

1           The floor plan for the office space, which will be on  
2 the third floor, a little over 13,000 square feet.

3           So, again, some photographs of the similar type of  
4 office space, I think.

5           Many people know -- but we've redeveloped the  
6 20,000-foot building adjacent to this site. And other than  
7 the 3,000 square foot on the ground floor, which will be a  
8 restaurant, the 17,000 square feet of office space has been  
9 leased.

10                         SmartThings is a subsidiary of Samsung.  
11 Started off with 13 employees and now up to 45 employees.  
12 We're building out our basement for a conference center and  
13 breakroom for the entire building. It's much like this  
14 building; it's coworking space. Even though we have 20  
15 employees and they have 45 employees, we share a reception  
16 area, conference rooms, break areas. We believe this is  
17 where the market is going and this is what our office space  
18 will represent.

19                         Next slide, please.

20                         Okay, next slide.

21                         Just some photos of -- or renderings of this project.

22                                 CHAIRMAN McCUSKER: Is that outdoor dining on  
23 the West Side -- go back a slide.

24                                 Is that a patio there?

25                                 MR. BOURN: Yes.

1           It's about a 3500-foot patio that will be between the  
2 new building and our existing building. So both of those  
3 will have restaurants emptying out into a courtyard. And  
4 between the Indian Trading Post building on the east side of  
5 this building will be another smaller courtyard. So part of  
6 the idea of the City Park is that we're trying to create  
7 this indoor/outdoor park-like setting in the middle of our  
8 city.

9           Next slide, please.

10           For the execution of this project, we look at this as  
11 as more than just a real estate project. We look at this as  
12 an opportunity to create a kind of living, breathing entity.  
13 And so we've partnered with a group called Themographics  
14 from Southern California. There's three gentleman -- one of  
15 those gentleman's here today. His name's Jeff Valdez.

16           I've known Jeff for years and he's a good friend and  
17 he's been highly successful in the entertainment industry.  
18 He started off as a stand up comic, owned comedy clubs. Has  
19 owned one of the largest Hispanic TV stations in the  
20 country, and written movies and sitcoms.

21           We also have a gentleman that was a COO for Accenture;  
22 and then we have a gentleman who's been a leader in the IT  
23 world, especially in the virtual reality word.

24           So part of our programming for this project  
25 is kind of the hardware and the software. And the building

1 is the software is what we do with that. And we're really  
2 trying to focus on bringing a solid entertainment technology  
3 platform to coexist with this physical appearance.

4 Beyond this, we've also provided a separate booklet  
5 that -- I call it an aspirational booklet that talks about  
6 other successful entertainment venues both locally and  
7 around the country. And starts to relate how we see  
8 ourselves fitting into the overall entertainment picture.

9 I won't spend a lot of time talking about it, but if  
10 you flip through you start to get an idea of some of the  
11 exciting things happening around the country. And we  
12 believe that what we're doing brings together a number of  
13 some of these best-in-class practices to create something  
14 unique for Tucson.

15 That's the overview of the physical project. Do you  
16 want to --

17 CHAIRMAN McCUSKER: Standby for questions.

18 MR. BOURN: Sure.

19 CHAIRMAN McCUSKER: Jannie, did you get an  
20 email copy of the PowerPoint?

21 MS. COX: I did. And I'm doing my best. I'm  
22 having a little difficulty, but I'm good.

23 CHAIRMAN McCUSKER: Any questions of Don  
24 regarding the nature of the project, the plan, the mission?

25 We're going to talk about the economics here



1 in a minute. But any questions about the project? You've  
2 identified some in other cities that we know are successful,  
3 I know, like the Grove in Anaheim.

4 MR. BOURN: Yeah. The Grove -- there's a  
5 company called Punch Bowl Social.

6 I don't know if Jannie -- there's a group called Punch  
7 Bowl Social that has a lot of the elements we're talking  
8 about. They have bowling, they have games, they have a  
9 restaurant and bar. They don't have a food hall concept,  
10 but they are rapidly expanding across the country.

11 There's a Lucky Strike. We have a Lucky  
12 Strike bowling alley here. There's a Lucky Strike that's a  
13 national entertainment use, again, centered around bowling,  
14 games, and food and beverage. Those have been highly  
15 successful.

16 We're familiar with an operator out of  
17 Oklahoma that has a concept called the Dust Bowl. He's been  
18 to Tucson, loves what we're doing, thinks it's very  
19 consistent of what he sees happening the industry.

20 So there are a number of cases out there that  
21 we think are a great kind of recycling of something -- some  
22 of the things that have been around forever. Bowling is  
23 nothing new but creating a unique more fun, festive  
24 environment around great food around more of a social scene  
25 is the idea.

1           One of the things we talked about right here in our  
2 backyard, you have RoadHouse Cinemas. It was a failed  
3 cinema, and some local entrepreneurs took that theater and  
4 combined food and different seating. And now, they've been  
5 highly successful. They are expanding here and into  
6 Scottsdale. So our belief is that putting the right  
7 combination of uses together in a great environment can be  
8 highly successful.

9           The food halls are probably the hottest  
10 concept happening in the food business across the country.

11           In New York, I think I've heard there's one new food  
12 hall opening almost every month. Probably the most notable  
13 and maybe famous food hall is all operated by one group,  
14 it's called Eataly, which I understand they do \$78 million a  
15 year in sales out of their facility in downtown Manhattan.

16           But we've toured and viewed a lot of food halls around  
17 the country. We think it's a very viable concept.

18           And part of what we believe downtown Tucson is that we  
19 have a lot of restaurants, a lot of bars. And so what we  
20 want to do is put something -- a collection of things  
21 together that would be complementary to what's there already  
22 already as opposed to being directly competitive.

23           So hopefully we can draw from a wide radius  
24 and almost act as an anchor tenant like you would as a major  
25 shopping center that we've built, and coexist with all those

1 other venues and hopefully increase the amount of traffic.

2 CHAIRMAN McCUSKER: Questions for Don?

3 Jannie, any questions so far?

4 MS. COX: Not yet. Thank you.

5 CHAIRMAN McCUSKER: Go through the economic  
6 model with us.

7 So obviously, this spins off a lot of sales tax -- part  
8 of why we're interested. It's very different than housing  
9 -- or office in that regard.

10 So where are you in the construction and the  
11 financing and what kind of sales tax should we expect? What  
12 do you need from us to enable this project?

13 MR. BOURN: So the total cost of the project  
14 is roughly \$17 million.

15 We are negotiating a loan for about \$9.4 million.

16 We have about \$5 million of equity.

17 And so we're asking Rio Nuevo for a \$2.6 million gap  
18 loan so that the total of those three would equal the  
19 \$17 million in total cost.

20 In addition to that, there would be a million and a  
21 half, two million dollars, of additional dollars going into  
22 the project, as tenant improvements through the -- from the  
23 operators of the project.

24 In terms of sales, it's always hard to project exactly  
25 what sales would be. But, you know, we've gotten kind of

1 high, medium, and low. And we've looked at sales in the low  
2 end of about \$400 a square foot, but with over 27,000 square  
3 feet that generates sales of just over \$10 million per year.

4 7.1 percent of that would be 700 -- I think we  
5 estimated \$750,000 in sales tax based on those projections.  
6 We've also done a medium \$600 a foot and a high of \$800 a  
7 square foot.

8 Part of our program here is to really focus  
9 on working with users that can do a high volume per square  
10 foot sales. We think the venue and the overall program  
11 between lunch and nighttime activities are really going to  
12 create that opportunity with food vendors.

13 And so on the high side, those sales taxes could  
14 potentially double. So it's always a guesstimate; but  
15 that's the range that we're projecting.

16 CHAIRMAN McCUSKER: So a million and a half  
17 dollars of construction sales tax in the project.

18 Mr. Marquez.

19 MR. MARQUEZ: I think the plan is beautiful.  
20 I'm really impressed and the Eataly in Manhattan and the  
21 Grove in Anaheim -- topnotch. I think it's fantastic. It's  
22 right up the -- it's a sweet spot for Rio Nuevo. Obviously,  
23 it generates a lot of TIF dollar and will be fantastic for  
24 downtown.

25 One thing that keeps running through my mind

1 as I keep seeing this is -- my concern is timeline. As you  
2 know, we have history here. And there's been -- obviously,  
3 you went through the recession like the rest of us. We all  
4 took our whooping.

5 But at this point, what is your timeline?  
6 How quickly can you get the shovel in the dirt? What makes  
7 this come to fruition sooner than later and actually happen?

8 MR. BOURN: Well, we have an architect and  
9 all the consultants have been engaged. They've done all the  
10 preliminary work. The capital structure is critical. So  
11 that's why this conversation's critical.

12 We've have been spending a lot of money on architecture  
13 and engineering to progress the plans to a point where we  
14 would hope to still break ground -- hopefully, this year,  
15 assuming everything falls in place.

16 We have a contractor that's given us the estimated  
17 pricing and they're engaged and they're working on it.

18 So everything is in place to move forward. I can tell  
19 you, it's been an extremely difficult project. There are  
20 lots of other projects in the meantime.

21 But the site -- the site challenges, in terms  
22 of -- it's a small site. 22,000 square feet. We're talking  
23 about 48,000 square feet of building on that site. So we're  
24 trying to build something substantial on the project. But  
25 when you do that, part of the courtyard space is going to be

1 used for site construction in order to be able to build the  
2 building.

3 CHAIRMAN McCUSKER: You can't have  
4 residential without parking.

5 MR. BOURN: We were seriously looking at  
6 residential to go above this. And between the physical  
7 challenges of trying to build a multiuse building with all  
8 the entertainment, office space, and then do residential  
9 above it was somewhat of a challenge. The banks didn't like  
10 the multiuses. I think they're comfortable with retail on  
11 ground floor and residential above it, but when you're  
12 looking at two levels of restaurant, entertainment, office,  
13 and residential, very challenging. So we've simplified the  
14 project from that standpoint and it actually has made it  
15 easier to execute.

16 CHAIRMAN McCUSKER: Jannie, any questions?

17 MS. COX: No. Thank you.

18 CHAIRMAN McCUSKER: Mr. Collins?

19 Don, thanks a lot.

20 MR. BOURN: Thank you.

21 CHAIRMAN McCUSKER: By my math, this is in  
22 our sweet spot. For roughly a \$2.5 million investment, we  
23 facilitate a \$17 million project. We create \$12 million of  
24 state sales tax. We have to believe our legislative  
25 leadership would appreciate that. We need their

1 concurrence.

2 Don, I think you know that.

3 I think it's a huge change from what was almost all  
4 residential. It might have been interesting -- to something  
5 now that becomes compelling for the District.

6 We have a structure with Gadsden. Can we apply some of  
7 that same kind of structure to this project?

8 MR. COLLINS: Mr. Chairman, Members of the  
9 Board, yes, Don, CFO Toufic Abi-Aad and I have worked  
10 through that. And I think that that structure -- a similar  
11 structure to what has been discussed and is in the process  
12 of being memorialized for Gadsden -- will work here.

13 CHAIRMAN McCUSKER: So for people that  
14 haven't followed what we've done there -- and I think the  
15 precedent we've established for other developers is we'll  
16 put skin in the game last.

17 We want to know the bank financing's in place, we want  
18 to see the equity, we have to take title to the property.  
19 So with all those kind of conditions precedent, our money  
20 then becomes available.

21 MR. COLLINS: Yeah.

22 CHAIRMAN McCUSKER: We're looking at the  
23 sales tax forecast is our motivation and to some extent the  
24 source of repayment to the extent we allow incremental sales  
25 tax to reduce the principal. It's exactly what we did for

1 the Mercado Annex.

2 MR. COLLINS: Mr. Chairman, Members of the  
3 Board, the process that I envision -- should you elect to  
4 support Mr. Bourn's request -- is that the District will  
5 acquire title of the property back again. And then we'll  
6 enter into a 15-year lease with the Bourn entity. There  
7 will be an option for the Bourn entity to buy the property  
8 back. During the period of time of the 15 years, there will  
9 be -- the District will, as it's doing with Mercado Annex,  
10 share with the developer the sales tax revenue that is  
11 generated by this project.

12 Hopefully, the result would be that at the end of that  
13 term, the 2.6 -- or whatever the number it turns out to  
14 be -- would be paid down. But there would be an obligation  
15 to buy the property back, presumably that's an obligation  
16 that the developer would exercise.

17 CHAIRMAN McCUSKER: So let's assume they  
18 missed their numbers by a lot.

19 MR. COLLINS: Okay.

20 CHAIRMAN McCUSKER: We still have a loan.  
21 We own title to the property.

22 MR. COLLINS: Yes. It's going to be subject  
23 to the bank -- yeah, the bank loan is going to be --

24 CHAIRMAN McCUSKER: We have serious recourse  
25 in the event that the project totally goes south.



1 MR. COLLINS: Say, again, sir?

2 CHAIRMAN McCUSKER: If it totally fails.

3 MR. COLLINS: Okay. The question that comes  
4 to my mind is when.

5 If it fails before the construction  
6 financing, that's one thing. If it fails after, the  
7 District is going to own the property but the property's  
8 going to be subject to the \$9.6 million loan from Bank of  
9 Tucson -- if that's the lender that is chosen.

10 And the District's 2.6 would be behind that loan.

11 The District will, however, have a lien on the  
12 construction documents and so on.

13 CHAIRMAN McCUSKER: But if that worst case  
14 scenario developed, we could perform on the first and take  
15 possession of the property.

16 MR. COLLINS: Yes.

17 I would suggest -- although I can't speak for the bank,  
18 of course -- that if it failed early on, the bank would take  
19 the cudgel and finish it up. Because I don't think the bank  
20 wants to own a partial incomplete project.

21 MR. MARQUEZ: If it fails after the  
22 construction, the bank and Rio Nuevo basically have  
23 \$13 million into a project that cost 17, plus 10 in  
24 improvement, which probably brings it to 19. So we're in a  
25 good place equitywise.

1 MR. COLLINS: Mr. Marquez, I agree with that.

2 CHAIRMAN McCUSKER: What we went through,  
3 Edmund, with Gadsden, I think this is a difference between,  
4 frankly, any deal that's been made with a developer downtown  
5 or any City or Rio Nuevo deal: we own the land.

6 So it's not a matter of foreclosing or -- you  
7 know, we literally take title to the property. If, for some  
8 reason, any of these developers fail, we get the property  
9 back and we could develop it or resell it. If it's been  
10 completed, you get a completed project back.

11 So I just can't imagine a scenario that we've created  
12 that makes it easy for a developer to walk away from the  
13 deal.

14 The historical deals have no teeth, no real claw backs.  
15 And I think that's the different between the way we've  
16 structured these is there's serious risk for the developer  
17 if they fail.

18 Any other questions? Somebody want to make a motion?

19 MR. IRVIN: I'm happy to make a stab at a  
20 motion.

21 As counsel knows, my concern is that -- you  
22 know, there's a lot that would have to be embodied in the  
23 motion. So I think any motion that I would make would be  
24 subject to this coming back to lawyering things up, and what  
25 have you.

1 I would like to see us move forward with this subject  
2 to you bringing back to us final documents for us to look at  
3 and review for a \$2.6 million loan from the District.

4 A structure -- sale lease back structure where the  
5 District would take ownership to that property; I'd like to  
6 see that structured in such a way that, again, our money  
7 that goes in is the last money that goes in.

8 And I think with that the only other thing I'd like to  
9 include in that -- and I'm not sure exactly what those teeth  
10 should be -- but I am concerned that -- I'm tired of driving  
11 by this parcel and seeing it undeveloped.

12 I would like to see some language in there  
13 that requires that it be done, started within a certain  
14 period of time -- and I'm going to kind of leave that piece  
15 open right now until we've had some further discussions --  
16 but I would like to see that added to that.

17 MR. MARQUEZ: I'll second that.

18 CHAIRMAN McCUSKER: Jannie, you follow all  
19 that?

20 MS. COX: I did. Thank you.

21 My big concern is that our money goes in last. And if  
22 it's a sale and lease back, I'm pretty comfortable.

23 CHAIRMAN McCUSKER: We -- Mr. Collins, we  
24 have some existing deadlines in place with this development?

25 MR. COLLINS: We do.

1                   CHAIRMAN McCUSKER: That gets to Mr. Irvin's  
2 point: that they do have a pretty short window, right? At  
3 least upon previous agreements.

4                   MR. COLLINS: Well, there's a lot of  
5 documentation to be done to accomplish what we're talking  
6 about. But thanks to Mr. Abi-Aad and -- I think we've got a  
7 pretty good outline of what we need to do and bring it back  
8 to you folks once we dot Is and cross Ts.

9                   CHAIRMAN McCUSKER: So the motion is: We  
10 have a motion and second to offer to City Park \$2.6 million  
11 dollars loan, secured by us taking title to the property;  
12 subject to a bank lien; subject to final documentation; be a  
13 sale lease back similar to what we did with Gadsden.

14                   We would be the last dollars into the  
15 project.

16                   MR. IRVIN: Couldn't have said it better.

17                   CHAIRMAN McCUSKER: Michele, call the roll.

18                   MS. BETTINI: Jannie Cox.

19                   MS. COX: Aye.

20                   MS. BETTINI: Mark Irvin.

21                   MR. IRVIN: Aye.

22                   MS. BETTINI: Edmund Marquez.

23                   MR. MARQUEZ: Aye.

24                   MS. BETTINI: Fletcher McCusker.

25                   CHAIRMAN McCUSKER: It's a real pleasure to

1 vote aye.

2 (The Board voted and motion carries 4-0 with  
3 2 recused and 1 absent.)

4 Don, let's go build something.

5 Motion carries 4-0; we have two people recused, one  
6 absent.

7 CHAIRMAN McCUSKER: Okay. We're going to  
8 move on while we're on a roll.

9 Item 8. Mark, I don't need to do anything  
10 except to instruct you to continue documenting that deal so  
11 we can close on the Mercado Annex.

12 (Board members Sheafe and Ritchie return to  
13 the Board panel.)

14 MR. COLLINS: That's correct.

15 CHAIRMAN McCUSKER: Item 9 -- and Mr. Ritchie  
16 is back, Mr. Sheafe.

17 Anyone conflicted on this? Mark? On Maris?

18 MR. COLLINS: No, not that I'm aware of.

19 CHAIRMAN McCUSKER: I don't think anybody is  
20 conflicted -- he's conflicted; but not on this particular  
21 project.

22 The Foundation for Senior Living is here  
23 today. Steve, thank you for coming down.

24 We approved a small advance to this project a couple  
25 months ago. They had a set back with one of their lenders

1 equal about \$2 million of the project. The project is at  
2 real risk without funding that gap. And we in fact have a  
3 formal request from the Foundation for Senior Living, which  
4 we posted to our website.

5 So Steve, if you want to go ahead and update  
6 us on where you are and the exactly nature of your request.

7 MR. HASTINGS: Well, thank you, again for --

8 CHAIRMAN McCUSKER: And your name and stuff  
9 for the court reporter.

10 MR. HASTINGS: My name is Steve Hastings with  
11 the Foundation for Senior Living. We're a nonprofit housing  
12 developer healthcare group out of Phoenix. We're statewide  
13 but only Arizona, and serve most corners of the state with  
14 affordable seniors, and quite a bit of housing for adults  
15 with special abilities and special needs.

16 Thanks for entertaining a request again.

17 Since we last met, we did get our loans and housing tax  
18 credits awarded. Thank you very much for your participation  
19 in that award. We did earn the extra five points which  
20 remains to be seen -- we get to see some scores later --  
21 but it looks like it did put us over-the-top. And in fact  
22 we did get the award, so thank you for that participation.  
23 Since that time we've also had a number of applicants sign  
24 up. So we've had people already lining up for the housing.

25 The application we applied for through the Federal Home

1 Loan Bank in San Francisco in the amount of 2 million -- we  
2 were not awarded this round. But we have two more  
3 opportunities to do that: One in March of 2017 and if we  
4 fail there, March of 2018.

5 We are fairly experienced at this grant.  
6 Been successful eight out of the last nine tries. This is a  
7 good grant for the type of housing we're doing. It was an  
8 exceptional round down in San Francisco last June and we  
9 think, fairly certain, we'll be successful next year.

10 Towards that end, since we lost a million, the  
11 foundation has come forward and put a million dollars of  
12 their own funding up front.

13 We will apply again in 2017, and '18 and  
14 we've asked if you would consider a loan -- somewhat of  
15 standby piece of finance -- that in the event we don't get  
16 AHP in 2017, and we don't get it in 2018, that this would be  
17 kind of a hard -- a hard commitment and we proceed to put it  
18 to loan documents and draw down to thumbs in July/August of  
19 2018.

20 Some of the positive things for a project  
21 that matches up with the funding source is sales tax on  
22 this. Just from the construction alone is about a  
23 \$24.5 million project -- is about 850,000.

24 We have residents who will occupy the building in 83  
25 different units and we think their income suggests -- after

1 they take the rent aside, which is not taxable or a food  
2 allowance aside that's not taxable -- that they probably  
3 contribute somewhere around \$90,000 a year, the tax base.

4 We're about 95 percent of the way there. Your request  
5 puts us over-the-top if you can approve it. It's the last  
6 piece of finance we have. I think we can accommodate your  
7 request that -- you're the last money in. In fact, you'll  
8 get to see the building's finished and occupied before we  
9 ask you for any funding -- for the part of the million.

10 The 350 you were kind enough to award for  
11 the local participation flows normally into the transaction  
12 but we wouldn't draw on the million dollars request in any  
13 way until after July of 2018.

14 CHAIRMAN McCUSKER: Isn't some of the urgency  
15 that you have to keep this LIHTC award alive to show that  
16 you have the financing in place by November --

17 MR. HASTINGS: November 7th.

18 CHAIRMAN McCUSKER: -- November of this year  
19 or you lose the grant?

20 MR. HASTINGS: We lose the Low Income Housing  
21 Tax Credits, correct.

22 I'd be happy to tell the group more about the housing  
23 if interested.

24 CHAIRMAN McCUSKER: Any questions about the  
25 project? We've all seen the project. We did put money in a



1 couple of months ago.

2 It's an extraordinary project. It does save  
3 the Marist College, which is probably the only thing I've  
4 seen that does save the Marist.

5 What they're asking for us is basically a  
6 commitment that they would have to fail twice in reapplying  
7 for this grant; and if they so do, then, our soft commitment  
8 goes hard.

9 And that would be spring of --

10 MR. HASTINGS: 2018.

11 CHAIRMAN McCUSKER: Spring of 2018.

12 TREASURER SHEAFE: So you don't have any  
13 problem with a commitment that if you are successful in  
14 either of the two, those first dollars would relieve us of  
15 us of our commitment. As a priority, no one would be ahead  
16 of us, the dollars wouldn't be split, and we would still  
17 carry some liability in the future, nothing would change?  
18 We're in a lifeboat position, last in and first out?

19 MR. HASTINGS: That's correct. And we won't  
20 draw any of the funds.

21 TREASURER SHEAFE: We understand that.

22 MR. HASTINGS: If we get the AHP, the first  
23 penny we get releases --

24 CHAIRMAN McCUSKER: Basically our commitment  
25 just dies.

1                   SECRETARY IRVIN: So I like this project  
2 because I like the Marist building. It's right across the  
3 street from our primary component. It's something that we  
4 have to figure out some way to help you guys with.

5                   I like this project and I'd like to see us go  
6 forward with you. We've had some discussions.

7                   Could you kind of talk with us about the loan  
8 that you're seeking in terms of repayment, interest rate, et  
9 cetera?

10                  CHAIRMAN McCUSKER: The loan from us?

11                  MR. IRVIN: Right. If you need it.

12                  MR. HASTINGS: If we need it. We do serve  
13 low- and very low-income households. So there's not a lot  
14 of cash flow.

15                  As a nonprofit, you wouldn't expect society  
16 in general to invest in projects and push off a lot of cash.  
17 What we could do and what we'd certainly like to do is if we  
18 get a 20-year term, which helps us with all the various  
19 other sources we have -- and we could defer whatever  
20 interest was required by you to the 20th year, we could pay  
21 it all back at once. And we simply do that by refinancing  
22 the project.

23                  At that point we'll have paid down some  
24 mortgage. And hopefully rents will have gone up and we'll  
25 be in a position to repay the loan.

1 CHAIRMAN McCUSKER: Mr. Marquez.

2 MR. MARQUEZ: Can you talk a little bit about  
3 your approach --

4 CHAIRMAN McCUSKER: Hang on, Jannie.

5 MR. MARQUEZ: Can you talk a little bit about  
6 your approach to this grant in '17 and '18 versus what you  
7 submitted in '16?

8 It's my understanding I think you've won 8  
9 out of 9 of your last grant proposals -- this last one you  
10 weren't successful on, which puts us in this situation.  
11 What are you doing differently in '17 and '18 to win?

12 MR. HASTINGS: Number one -- thank you for  
13 the question. Number one, we'll ask for less money. So the  
14 lower subsidy per year, the higher points. This was a large  
15 round, so we got clearly two aggressive. We asked for  
16 \$2 million from Federal Home Loan Bank. We'll drop that to  
17 about 1.6 and that will raise our score up.

18 The second thing is, we're going ahead with  
19 the project to the extent that we've commissioned  
20 construction drawings. We'll go ahead and get our permits  
21 and you get a project readiness score as well. So we add  
22 another 3 points to it for that. A point here and there  
23 doesn't sound like a lot, but this is a absolutely game of  
24 inches. And that's one reason we've been successful in the  
25 past, we understand where the line is. We missed it on this

1 one but we won't miss it again.

2 CHAIRMAN McCUSKER: Any questions for Steve?

3 Mr. Collins, talk to us about the public  
4 ownership, TIF money, and historically, when we invest in a  
5 project like the one we just discussed, we take ownership in  
6 it; that's a requirement of the statute.

7 But we also have nonTIF-related sources of dollars.

8 So is it your opinion that if we use nonTIF money for a  
9 project like this, that we're okay legislatively?

10 MR. COLLINS: Mr. Chairman, Members of the  
11 Board, that's my opinion. This is a challenging project.

12 As important and as supportable as it might be, it's a  
13 challenging project for you folks because the statutory  
14 limitations. However, if you utilize nonTIF dollars, the  
15 statutes that require governmental ownership apply to TIF  
16 dollars. Since there'll be no or virtually no governmental  
17 ownership here, you'd have to use nonTIF dollars.

18 CHAIRMAN McCUSKER: Some examples of nonTIF  
19 would be like the sale of the Arena Lot.

20 MR. COLLINS: Correct.

21 CHAIRMAN McCUSKER: We got \$5.5 million for  
22 the sale of the Rialto Theatre, some other source that came  
23 outside of state sale tax?

24 MR. COLLINS: The statute 48-4204 that  
25 applies here specifically refers to or other funds lawfully

1 available to the District.

2 And I believe the Arena Site sale qualified  
3 for that.

4 CHAIRMAN McCUSKER: Mr. Irvin.

5 MR. IRVIN: So counsel, I just heard that  
6 they'd love to have the interest carrying all that kicked to  
7 year 20. And you can appreciate that it's going to provide  
8 a little bit of heartburn.

9 Have you seen other structures -- give me your thoughts  
10 on that particular issue as far as pushing it out 20 years.  
11 It would seem to me we'd want to have a structure where  
12 there would at least be some repayment of that over time,  
13 especially given the interest rate that we've been talking  
14 about.

15 MR. COLLINS: Well, I think that's a business  
16 decision for the Board.

17 You've got to use nonTIF dollars if you're going to do  
18 this.

19 The structure that we had for the first \$350,000, or  
20 whatever it was, I think complied with the government  
21 ownership.

22 Now we're talking about 1.3, and you've got  
23 to stick with nonTIF dollars. But to your question  
24 specifically I think that's a business decision.

25 TREASURER SHEAFE: I believe it's just a

1 million, nonTIF. The 350 can be TIF dollars.

2 MR. COLLINS: Correct. You're right,  
3 Mr. Sheafe. Because of the structure.

4 CHAIRMAN McCUSKER: Of course if the project  
5 doesn't go forward, we don't need the 350. So it's kind of  
6 an all or nothing conversation.

7 MR. COLLINS: Right. But the structure  
8 that's been discussed for the 350 would allow TIF dollars;  
9 you're right.

10 CHAIRMAN McCUSKER: You want to talk to the  
11 principals in negotiating?

12 MR. IRVIN: No, I'm just thinking. I mean,  
13 what I'd like to do is to make a motion that we move forward  
14 with this transaction:

15 Provide the million dollars on the -- you know. second  
16 chance that they don't get it when they go in in March of  
17 2018, as I understand it.

18 MR. MARQUEZ: '17.

19 SECRETARY IRVIN: Well, there's two  
20 opportunities for them, them going in in 2017 -- March of  
21 2017, and going in in March of 2018, if I'm not mistaken.  
22 So if they don't get it in 2018, that's when our million  
23 bucks would become a loan. And I'm fine with that;  
24 hopefully they don't need it. But I'd like to see that  
25 payable monthly rather than kick the can down the road to 20

1 years out.

2 CHAIRMAN McCUSKER: Interest payable per  
3 month?

4 MR. IRVIN: Interest -- correct. I'm fine  
5 with it being an interest-only loan until we balloon out the  
6 end, but I don't want to have a situation where we don't --  
7 --

8 MR. SHEAFE: Let me ask a question. Because  
9 I know Steve is probably sitting there calculating and he's  
10 got a cash flow. Another way to handle that would be to  
11 stair step the principal. In other words, it can be paid  
12 back at a million on this date, it can be paid back a  
13 million one on this day, and a million-two, and so it steps  
14 up that way.

15 CHAIRMAN McCUSKER: Still a balloon.

16 MR. SHEAFE: It's a balloon, but gets them  
17 out of the cash flow bind. Because they can't raise --

18 MR. IRVIN: Since you are still here, Steve  
19 can you come back up here and talk to us?

20 CHAIRMAN McCUSKER: Respond to the  
21 opportunity to create some kind of quarterly or monthly  
22 interest payment on the million dollars.

23 What kind of hardship is that for you? Is  
24 that doable? Is it doable in year, 3, 4, 5? Is there  
25 something that we can do to sweeten the pot?

1 MR. HASTINGS: The -- we'd love to be able to  
2 offer something along those lines. But the project doesn't  
3 support of any type of additional debt. Otherwise, in the  
4 layering test by the State they would have made us take more  
5 permanent loan on now. If there was anything falling off  
6 the bottom line it's like increase your permanent debt.

7 CHAIRMAN McCUSKER: These funds that you've  
8 raised, they're not loans, they're outright grants. So you  
9 don't have to repay really anything.

10 MR. HASTINGS: The first mortgage we do have  
11 to pay.

12 CHAIRMAN McCUSKER: Just the first. But  
13 everything else including the money from the home bank in  
14 San Francisco is outright low income housing --

15 MR. HASTINGS: That's correct. But the rent  
16 structure -- we raise the rents to have enough money to  
17 service more debt.

18 TREASURER SHEAFE: Let me pursue what I'm  
19 saying here. As the project matures and they then drop off  
20 every low income tax credit requirement, now there's a huge  
21 gain.

22 MR. IRVIN: But that's 20 years out.

23 MR. SHEAFE: It could be 20 years out. But  
24 this is an incentive. All you need to do is increase the  
25 principal of that loan over a period of time so given the



1 worst of circumstances, you ended up there then they might  
2 be paying two and a half million back rather than a million.

3 MR. IRVIN: Steve, if I'm not mistaken, your  
4 current structure with the grants requires you to keep it  
5 low income for 20 years, correct?

6 MR. HASTINGS: It's different layers. Low  
7 income housing is 30 years. Those will remain affordable  
8 for 30 years. AHP is for 15. Some of the others are 15 as  
9 well.

10 MR. SHEAFE: In this particular instance he's  
11 asking at what point are you able to refinance because you  
12 can use an adjusted cash flow to support a new loan?

13 MR. HASTINGS: Right around year 20.

14 MR. SHEAFE: So in 20 years the restrictions  
15 start coming off and that's why he can go --

16 MR. HASTINGS: That's where the investors and  
17 the lenders would agree. At the 20th year --

18 MR. IRVIN: I'm not sure that removes my  
19 concern.

20 TREASURER SHEAFE: I'm sure it doesn't but  
21 but -- you know, but you'll be a young man then.

22 MR. IRVIN: I know.

23 CHAIRMAN McCUSKER: There's a couple ways to  
24 proceed. We can try to figure this out in a public meeting,  
25 which is always a challenge. It sounds like if someone's

1 willing to make the motion to advance the money subject to  
2 final terms which we could allow counsel to negotiate.

3 We'd have to bring it back, but you would have a month  
4 to iron out the terms.

5 MR. HASTINGS: Yeah.

6 CHAIRMAN McCUSKER: As opposed to trying to  
7 do it realtime. That's probably a -- that way, you know the  
8 money is committed and it's a question of how we get the  
9 interest paid.

10 MR. SHEAFE: Well, I'd like to put that  
11 motion forward. You know, from the leverage standpoint it's  
12 still a remarkably good deal. And we have the opportunity  
13 here to create an icon for development in the community.  
14 We're also, for a million, plus the 350, we're generating  
15 \$25 million.

16 CHAIRMAN McCUSKER: You might want to state  
17 that motion since I was just rambling.

18 MR. SHEAFE: I'll try not do that.

19 But the motion would be that we ask counsel  
20 to do the details on how we can make this work. And based  
21 on those details being acceptable, we will move forward with  
22 a million dollar loan plus the other commitment that we've  
23 already committed to for the Marist to be able to take that  
24 back to their team and move forward on this project as  
25 rapidly as possible.

1 MR. RITCHIE: I second.

2 CHAIRMAN McCUSKER: So subject to the details  
3 we worked on, we have a motion to approve a million dollar  
4 loan subject to two failed attempts in '17 and '18. We will  
5 leave the details to counsel.

6 Michele, call the roll.

7 MS. BETTINI: Edmund Marquez.

8 MR. MARQUEZ: Aye.

9 MS. BETTINI: Chris Sheafe.

10 TREASURER SHEAFE: Aye.

11 MS. BETTINI: Mark Irvin.

12 MR. IRVIN: Aye.

13 MS. BETTINI: Cody Ritchie.

14 MR. RITCHIE: Aye.

15 MS. BETTINI: Jannie Cox.

16 MS. COX: Aye.

17 MS. BETTINI: Fletcher McCusker.

18 CHAIRMAN McCUSKER: Aye.

19 (The Board voted and motion carried, 6-0.)

20 So we're unanimous, 6-0. Steve, thank you very much  
21 for your commitment to this project --

22 MR. HASTINGS: Thank you, Mr. Chairman.

23 CHAIRMAN McCUSKER: -- and knocking on wood.

24

25 Elaine you guys ready on the TCC? Or you want me to

1 come back?

2 MS. BECHERER: I'll start. And come back to  
3 the photos.

4 MS. BETTINI: You ready? Okay. So we have  
5 an update from Elaine on the status of our hockey  
6 renovation. We got to preview it for Edmund the other day.  
7 He was quite impressed.

8 MS. BECHERER: Good afternoon. Elaine  
9 Becherer, project manager with the City Manager's Office.  
10 So the update this afternoon is -- it's really brief.  
11 But I wanted to, one, mention that we are on schedule and  
12 within budget. So the \$3.7 million project for the record  
13 is going as planned. And we are all working diligently to  
14 hit the October 1 deadline.

15 Again, just as a quick reminder, the majority of the  
16 project, all of the dedicate Tucson Roadrunners spaces will  
17 be done by October first. Some of the additional spaces  
18 that are in the old kitchen area, those will be ready just  
19 past October 1st.

20 Construction is moving forward and it is still moving  
21 at a very fast pace.

22 Just this past week, I received colors for the new  
23 Zamboni. So we are picking those and coordinating with the  
24 City of Tucson as well.

25 Regardless of what the Zambonies get wrapped in, we'll

1 have two brand new beautiful matching Zambonies. So it's  
2 all very exciting.

3 The third component of the update today is to  
4 show you a whole bunch of real exciting construction photos,  
5 and then I'll take any questions.

6 So, again, this is the main corridor off of back of  
7 house, adjacent of the previous corridor that we renovated  
8 in the arena. This is -- all of the spaces kind of look the  
9 same right now. but demo is complete, we have studs going  
10 in --

11 -- you can keep going, Michele.

12 This is Windows 8 and preview is not as friendly.

13 So as you can see, we're still doing some masonry work,  
14 we are infilling areas, we are having conversations with the  
15 team regarding a certain line above the doors. We will  
16 strike out and paint the entire ceiling black so all of the  
17 existing conduit and electrical work will go away because  
18 we're not putting in a new ceiling.

19 Keep going.

20 CHAIRMAN McCUSKER: What happens if you click  
21 on that little plus sign. I think it advances the photo.

22 MR. SHEAFE: When you paint the ceiling black  
23 do you have to up the illumination on the lighting?

24 MS. BECHERER: No. We've looked at that and  
25 taken it into consideration. So in one of photos -- as you

1 can see there how complicated -- and there's a lot of  
2 conduit and wires in the ceiling. There's a lot of small  
3 penetrations and, you know, areas that -- there's no need to  
4 spend money to fill all of those in, or caulk them.

5 And so we need to ceiling to go away, but it won't  
6 negatively impact the light.

7 SECRETARY IRVIN: Elaine, kind of what we did  
8 in the arena itself.

9 MS. BECHERER: That's exactly right. The  
10 previous, the ceiling above the arena floor, it used to be  
11 bright white and we painted it black.

12 That's a great photo of really how far  
13 overall construction is. We have walls going in, conduit is  
14 being run, and everyone is moving quickly and efficiently as  
15 they can.

16 Demo of the slabs.

17 While Michele is showing us different photographs of  
18 construction, what, if any, questions you all have? And  
19 again, Mr. Marquez thank you so much for visiting and  
20 touring the site.

21 MR. MARQUEZ: I have a comment actually. So  
22 I really appreciated the tour; it's great to hang out,  
23 Fletcher, and see you in a hard hat. It was fantastic. I  
24 have to you I was so impressed. I told Michael Ortega, our  
25 City manager, it is great. And you do such a fantastic job.

1 The fact it's on budget and on pace and -- oh, my gosh, the  
2 previous looking TCC was so bad.

3 I'm so sad to know the Mariah Carey and James  
4 Taylor and everyone spent time in the TCC prior to this  
5 renovation. But I'll tell you, Tucson has something to be  
6 proud of for what you're doing. The TCC is amazing and this  
7 project was worth every dollar.

8 MS. BECHERER: Great. Thank you.

9 So, again, as the photos continue to roll,  
10 the City is also continuing to work with Rio Nuevo in terms  
11 of how we can engage Tucson Roadrunners with the community,  
12 how we can make them feel welcome.

13 They have a new coach, they have an assist  
14 coach, they have hired a President. So we are connecting  
15 with them. We -- last week, some of them came down and saw  
16 the construction firsthand. The manager's office is  
17 receiving phone calls as to where and how people can  
18 purchase Tucson Roadrunners' equipment and jerseys and so  
19 we're putting them in touch with the right people.

20 Later this afternoon, I'm giving Greg Olson, the CFO of  
21 the Arizona Coyotes, a tour. So we're working together as a  
22 team: the design team, the general contractor, Concord,  
23 Swaim, Rio Nuevo, and the City, to continue to support and  
24 endorse the project and the new team.

25 Questions?

1 CHAIRMAN McCUSKER: Thank you very much.

2 While we are on Tucson Roadrunners, the item  
3 No. 11 -- I think Elaine mentioned the plan is to be done  
4 and out by October 1st. The Coyotes would like to skate on  
5 October 9th. It would be an interteam scrimmage. I think  
6 Coyote's team would come to Tucson and the Road Runners --  
7 not versus each other there's no good outcome that would  
8 come out of that -- but they would form two teams and kind  
9 of a red and blue game. They are willing to do that for  
10 free with a donation that the proceeds would all go to the  
11 UofA hockey team.

12 In our negotiations with the Coyotes, we  
13 placed a \$2 per ticket surcharge on every hockey ticket  
14 sold; they've asked us to waive that for this particular  
15 game so that the entire \$5 goes to the UofA hockey club.

16 MR. SHEAFE: So moved.

17 MR. IRVIN: Second.

18 CHAIRMAN McCUSKER: Any discussion? All of  
19 favor say "aye."

20 (ayes.)

21 Opposed, nay. Okay.

22 (The Board voted and motion carried  
23 unanimously.)

24 Let's do that. We don't need our two bucks on the  
25 intersquad game. Caterpillar, No. 12, Mark, I think we're



1 fine. We just need to instruct you to continue putting the  
2 documents together that would allow us to close on the  
3 parcel.

4 MR. COLLINS: As you have instructed.

5 CHAIRMAN McCUSKER: Item 13. This is an  
6 interesting opportunity or conversation for us. It was kind  
7 of triggered for me by the Caterpillar transaction where  
8 we're financing those improvements. And we just committed  
9 to 2.6 and 1 million. we just spent 3 and a half million  
10 dollars Rio Nuevo money. You know, we're going to burn  
11 through our available cash pretty quickly.

12 I would like us to consider financing the projects that  
13 are financeable like the AC Marriott, like the Greyhound,  
14 they have stellar tenants. I think there's a lot of lenders  
15 in this community that would -- that kind of tenancy. I'd  
16 like the authority the explore with counsel -- we're not  
17 going to do anything. We'd have to bring it back to the  
18 Board -- just to see if there's a market for us to finance  
19 some of our projects and create additional Rio Nuevo  
20 dollars.

21 TREASURER SHEAFE: I think the leverage  
22 we're getting out of the dollars we're putting out now makes  
23 it sensible. And with the low interest rates the way they  
24 are, I'd like to make that motion: that we authorize the  
25 executive officers to move forward on exploring whatever

1 opportunities we've got to convert long-term income into  
2 immediate cash.

3 MR. IRVIN: I'll second that.

4 CHAIRMAN McCUSKER: Any conversation?  
5 Questions? All in favor say "aye."

6 (ayes.)

7 All opposed, "nay." Okay.

8 (the Board voted and motion carried  
9 unanimately.)

10 Okay. We'll get back to you on proposals.

11 MR. RITCHIE: I have a quick question. I  
12 wasn't here I apologize earlier.

13 How are we moving with our deposits? I know  
14 that --

15 CHAIRMAN McCUSKER: We moved some money this  
16 week.

17 MR. SHEAFE: Just moved 3 million.

18 MR. RITCHIE: \$3 million? Is there talk of  
19 moving more?

20 MS. BETTINI: Yes. We've got \$2 million more  
21 set up to move tomorrow.

22 MR. RITCHIE: Okay.

23 CHAIRMAN McCUSKER: I think I've covered  
24 everything.

25 Mr. Collins, you wanted to do an update on changes in

1 the law for the conflict of interest update?

2 MR. COLLINS: Mr. Chairman, members of the  
3 board, I can certainly do that. We're missing some  
4 members.

5 CHAIRMAN McCUSKER: Do you want to table  
6 that?

7 MR. COLLINS: Do you want to table that?

8 CHAIRMAN McCUSKER: Yeah. Good idea until  
9 everybody is here. We set some time aside for call to the  
10 audience.

11 Michele?

12 MS. BETTINI: Yes. One.

13 CHAIRMAN McCUSKER: On the table.

14 For the finance reports in your packet so it  
15 will get posted to the website. Dan's playing in the senior  
16 golf tournament. We wish him well, the senior qualifier.

17 MS. BETTINI: It's a qualifier.

18 CHAIRMAN McCUSKER: Andy Martin. Compass,  
19 how are you?

20 ATTENDEE: Good afternoon, Mr. Chairman,  
21 Members of the Board. My name is Andrew Martin. I'm here  
22 representing BBVA Compass.

23 I just wanted to take a moment. I haven't  
24 had a chance to speak with you since we closed our bond  
25 refunding back in March. My schedule hasn't perfectly

1 aligned with your meetings. But on behalf of Compass Bank,  
2 as well as Cobiz, we do have a little token of our  
3 appreciation for the Rio Nuevo Board and the District as a  
4 whole. It's just a small tombstone representing refunding  
5 of bonds. Series A, BBVA Compass taking out about  
6 \$49.4 million; and Cobiz taking out Series B of 2016,  
7 representing \$19.7 million.

8 In conjunction with all of our partners as  
9 well as yours, Gust Rosenfeld, Kutak Rock, Piper Jaffray --  
10 -- all the firms involved.

11 This was a pretty big deal for not only Rio  
12 Nuevo but the City of Tucson as well as Compass Bank. And I  
13 just again wanted to reiterate our sincere thanks and our  
14 gratitude for allowing us to continuing to partner with Rio  
15 Nuevo.

16 If there's anything else as we move forward,  
17 together if you got questions, please feel free to contact  
18 us. We're always available.

19 TREASURER SHEAFE: You heard what we just  
20 passed in the motion. And we are also very appreciative of  
21 the fact that you stepped up and the net factor of that was  
22 to save some substantial fees, which in fact created more  
23 dollars for us to use directly.

24 CHAIRMAN McCUSKER: He's interacting with the  
25 audience.

1 MR. COLLINS: Yeah. He's interacting with  
2 the audience -- I'm nervous --

3 MR. MARQUEZ: I thought the rules changed.

4 TREASURER SHEAFE: You didn't hear a word I  
5 said. I forgot.

6 CHAIRMAN McCUSKER: With all that in mind --  
7 now, if you criticize him he's allowed under the law to  
8 respond. So if you want to call him something, he can set  
9 the record straight. But other than that, we're not allowed  
10 to engage with the call of the audience.

11 ATTENDEE: We'll save the criticism. I don't  
12 think any is due at this time. I'll make it short and sweet  
13 and thank you all for your support. Again, if there's  
14 anything Compass can do or Cobiz going forward please free  
15 to let us know.

16 CHAIRMAN McCUSKER: Thank you very much.  
17 Motion to adjourn.

18 MR. IRVIN: Motion --

19 MR. MARQUEZ: Second.

20 CHAIRMAN McCUSKER: All in favor say "aye."  
21 (ayes.)

22 Great meeting.

23 (The meeting concluded at 3:16 p.m.)

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C E R T I F I C A T E

I, John Fahrenwald, certify that I took the shorthand notes in the foregoing matter; that the same was transcribed under my direction; that the preceding pages of typewritten matter are a true, accurate, and complete transcript of all the matters adduced to the best of my skill and ability.

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John Fahrenwald