

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

October 25, 2016

Tucson, Arizona

Reported by: ANTHONY C. GARCIA, RDR, CR
Certified Reporter No. 50218

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1 APPEARANCES:

2 BOARD MEMBERS:

3 Fletcher McCusker, Chairman

4 Chris Sheafe

5 Mark Irvin

6 Jannie Cox

7 Cody Ritchie

8 Edmund Marquez

9 ALSO PRESENT:

10 Mark Collins, Board Counsel

11 Michele Bettini, Operations Administrator

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15 BE IT REMEMBERED that the Meeting of the
16 Board of Directors of the Rio Nuevo Multipurpose
17 Facilities District was held at the Arizona State
18 Building, 400 West Congress Street, Suite 222, in the
19 City of Tucson, State of Arizona, before ANTHONY C.
20 GARCIA, RDR, CR, Certified Reporter No. 50218, on the
21 25th day of October 2016, commencing at the hour of
22 1:00 o'clock p.m.

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P R O C E E D I N G S

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MS. BETTINI: Call this meeting to order.

Mr. Sheafe, lead us in the pledge.

(Pledge of Allegiance lead by Chris Sheafe).

MR. COLLINS: Michele, call the roll.

MS. BETTINI: Edmund Marquez.

MR. MARQUEZ: Here.

MS. BETTINI: Jannie Cox.

MS. COX: Here.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Here.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Here.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Here.

CHAIRMAN McCUSKER: And I understand Cody
Ritchie is on his way, and Mr. Hill is excused; so we
have a quorum.

You have the transcriptions from the
September 27th meeting. Any changes, comments,
questions, concerns?

If not, need a motion to approve.

(Motion moved and seconded.)

CHAIRMAN McCUSKER: All in favor say aye.

1 General audit here today to discuss their extraordinary
2 review of us. We also have an annual audit, which
3 continues to be good news for this District.

4 And as you can tell from the agenda, we're
5 moving forward rapidly with Caterpillar and a number of
6 our other projects that create huge economic upside for
7 our downtown. So welcome aboard and hang on.

8 In that regard, Dan, you want to give us
9 financial update?

10 MR. MEYERS: I'm Dan Meyers, CFO of Rio
11 Nuevo. Try to make this pretty short as well.

12 As you can see, we currently have at the end
13 of September about \$16 million in cash. Our
14 commitments are approximately 63 million, one of which
15 is 50 million into Caterpillar for the building. We're
16 hoping to get some of that financed to the tune of 55
17 to \$60 million.

18 Our TIF revenue that we received in October
19 for July was \$937,000, just a touch under our budget of
20 a million. I think this is the first time in the last
21 six or seven months or so that it's been under budget,
22 and I don't expect that trend to continue.

23 As Fletcher mentioned, we got our annual
24 audit and performance audit completed. You will hear
25 about that later. I would like to publicly thank

1 Michele Bettini for all the work she did in helping
2 make those happen. She's such a big part of getting
3 these audits completed.

4 Thanks Michele. Appreciate it.

5 CHAIRMAN McCUSKER: Accept that in lieu of a
6 raise.

7 MR. MEYERS: So some projects we're working
8 right now, we're trying to continue to work on the
9 merchant list, reviewing our monthly bills of
10 information from Arizona Department of Revenue and
11 trying to track down people that are not filing
12 properly. That's an ongoing move.

13 I'm also in the process of just starting to
14 do a five-year cash flow projection. I met with some
15 representatives of Compass Bank. They are trying to
16 put together some kind of a possible financial plan for
17 us to invest our money, so they've asked me to provide
18 them with a five-year projection, which I think there's
19 a lot of these -- I think the performance auditors have
20 requested such a form as well. So that's my new
21 up-and-coming project.

22 Any questions?

23 CHAIRMAN McCUSKER: Questions for Dan?

24 Great job, Dan. Keep it up. Thank you for
25 your help.

1 We all agree with how hard Michele's working
2 for us. She's the brains of the outfit.

3 Beach is here. Lydia, I think I saw you out
4 in the audience. Do you want to present our annual
5 audit? For those people that don't know, we ask for an
6 independent audit annually. I think this is the fourth
7 audit of the District.

8 MS. HUNTER: Mr. Chairman, Members of the
9 Board, my name is Lydia Hunter. I'm the Senior Manager
10 with Beach Fleischman, and I'm here to present the
11 results of our financial audit.

12 Michele just handed out to you two documents,
13 but before I go through those, I do want to just say
14 the good news is --

15 CHAIRMAN McCUSKER: Are there some, Michele,
16 for anybody in the audience that wants one?

17 MS. BETTINI: There's a couple of drafts.

18 CHAIRMAN McCUSKER: Go ahead. Sorry.

19 MS. HUNTER: So I do want to just start with
20 the good news; that is, we are issuing a clean opinion
21 again this year. So I just want to point that out in
22 the beginning.

23 So the first handout you have in front of you
24 is a letter. This is just a standard letter. I'm only
25 going to highlight a couple of quick things on the

1 letter. The first one is that there was a significant
2 transaction during the year, and that was the new bonds
3 that were issued that resulted in an advance refunding
4 of the existing bonds. So, actually, I'll mention that
5 again in a minute. So that's pointed out in this
6 letter.

7 We are also pleased to report that there were
8 no difficulties encountered during the audit and that
9 there were no disagreements with management throughout
10 the audit. Otherwise, I'm going to let you read that
11 letter on your own time, and I'm going to focus the
12 rest of the presentation on the draft financial
13 statements itself.

14 So, if you would flip to page one of the
15 draft, you will see this is our independent auditor's
16 report. So it talks about management's
17 responsibilities, our responsibilities, and the last
18 paragraph on that first page is our opinion paragraph.
19 So that's where you will see that it says that we
20 believe these financial statements are fairly presented
21 in all material respects. So that is the clean opinion
22 that you are looking for.

23 So, with that, I would like to go through and
24 just highlight a couple of other pages in the draft.
25 If you will turn to page three, which is your statement

1 of net position, which in the for-profit world you
2 would refer to as a balance sheet. So your total
3 assets are 88 million. And, again, this is all as
4 June 30, 2016, which is about an increase of 2 million
5 from the prior year.

6 There is a new line on this year, deferred
7 outflows of resources. That relates specifically to
8 that significant transaction I was referring to, the
9 advance refunding of the bond. Basically, it's GASB
10 full-accrual requirement. You had to put about
11 71 million aside to pay down that existing bond, and
12 that deferred outflow is the future interest payment
13 that you will be making to retire that bond. And it's
14 going to sit, unfortunately, on your balance sheet till
15 2025 we're going to amortize it to interest expense
16 over the original life of that bond. So that's new
17 this year, just wanted to point out that. It's purely
18 just a GASB requirement in terms of how we account for
19 that advance refunding.

20 Another thing to note, the net position. The
21 District does have a positive net position overall.
22 The unrestricted net position is negative, but it's
23 significantly better than the prior year, so it's going
24 in the correct direction there.

25 If you turn to page four, this is the

1 statement of activity. So, in the for-profit world,
2 this would be your P&L or your income statement. So
3 just want to highlight a couple of key things here.
4 The sales taxes line, which is about halfway down, it
5 presents expenses first and then revenues. But the
6 sales taxes, which is your TIF revenue, actually
7 increased about 2.6 million from the prior year. I
8 know you can't see prior year on here, which is why I'm
9 pointing that out. So kudos to Michele and Dan for all
10 their efforts in improving collections there.

11 Another key revenue items you will see this
12 year is the gain on sales capital assets. That
13 specifically relates to the arena lot. And there's a
14 footnote four which explains that in more detail and
15 talks about the actual cash proceeds you received.
16 This is the GASB calculated gain on the sale.

17 Then in terms of expenses, expenses are about
18 \$1.1 million higher than the prior year, but please
19 note that 480,000 of that is the bond issuance cost
20 that came as a result of that. So here your expenses
21 are not significantly different from the prior year.
22 And your change in net position, which is your net
23 income, is very healthy. And even if you were to
24 remove that one-time gain on sales, you still have a
25 very healthy net income for the year on a full-accrual

1 basis.

2 If you turn the next few pages, pages five
3 through eight are presented on a modified accrual,
4 which is required by GASB. That's basically the
5 resources-available method. I'm not going to focus on
6 that. The District's internal books are on a full
7 accrual, and I'm just showing you the two full-accrual
8 statements, but those are there and they are required
9 by GASB, which is why we include them.

10 Page nine through 13 is just the general
11 footnote explaining the District's accounting policy.
12 And if you do want more information on the modified
13 accrual, that would be the first place I would look.
14 It details and explains that difference.

15 Then just two other things to note. If you
16 look at page 18 of the financial statement, footnote
17 nine, those first two paragraphs talk about the advance
18 refunding of the bonds. And you can see that it
19 created an economic gain of about 6.5 million, which is
20 the difference in the net present value of the payments
21 on the two bonds. So that's explained in detail in
22 that footnote.

23 Then, finally, the last footnote I want to
24 bring your attention to is on page 19, and that's
25 footnote 11, and that's where we explain the District's

1 commitments. So it's a very important footnote for the
2 District, because you guys are committing to a lot of
3 projects and you're not necessarily funding them
4 immediately. So this footnote explains everything the
5 District has committed funds to and also kind of
6 explains how much funds has been extended on those
7 projects and how much is remaining.

8 So, with that, I would like to thank Michele
9 and Dan for all their help getting everything we need
10 for the audit, and I'll entertain any questions.

11 CHAIRMAN McCUSKER: Questions for Lydia?

12 Mr. Collins, I think we're obliged to accept
13 and approve this.

14 MR. SHEAFE: So move.

15 MR. MARQUEZ: Second.

16 MR. COLLINS: I believe I you need to
17 consider it. I wouldn't suggest that you approve it,
18 but --

19 CHAIRMAN McCUSKER: Mr. Sheafe made a motion
20 to accept and approve and Mr. Marquez seconded.

21 Any questions for Lydia? We only get to see
22 her once a year, so great job. Thank you very much.

23 If you just think back a few years ago, I
24 believe 2012, we were issued qualified opinions. So
25 it's really nice to see the work paying off.

1 Need to vote. Yeah, motion and second to
2 accept and approve the audit as presented. All in
3 favor say aye.

4 (Board responds aye; motion passed
5 unanimously.)

6 CHAIRMAN McCUSKER: Thank you very much.

7 We're blessed to have from Chicago with us
8 today Charlie Johnson. His company has been retained
9 by the Arizona Auditor General to do the tri-annual
10 performance audit of the District. That has been
11 posted on their website and our website.

12 And, Charlie, thank you for making the trip.

13 MR. JOHNSON: You're very welcome. Good
14 afternoon, a pleasure being here. And just want to say
15 that we really enjoyed working with your organization
16 and your staff. They've been outstanding. Michele and
17 Dan have been just nothing but helpful for us to get
18 everything done.

19 Our work is not a rubber stamp. The State is
20 very serious about these audits that we do, and we have
21 to have an accounting firm along with us, our firm,
22 which is unique to Convention Center and Urban
23 Redevelopment, to do the work that we did. And as we
24 went through this work -- this happens to be the second
25 time that we performed the work, so we had the benefit

1 of knowing the outcome of the prior report, and we were
2 able to compare the analysis this time to the analysis
3 that we did last time. And last time, three years ago,
4 there were several deficiencies. The website, there
5 were some issues, but, you know, each step the
6 organization has improved. This year we found no --
7 absolutely no omissions whatsoever. The only issue is
8 the Board seat that has not been filled by the
9 Governor. And, you know, that's, you know, probably
10 going to be filled after the election or whatever the
11 case maybe. That's not just a check box that we have
12 to have. It is one of the criteria.

13 Other than that, our auditor did compliance
14 work and found that the checks that were written were
15 in compliance with, you know, the invoices received.
16 And, also, the website is very transparent with respect
17 to the information that is provided. That was
18 something that wasn't as available last time as it is
19 now. Now everything is just open book, and I think
20 that that has done nothing but improve our ability to
21 understand what's going on and give us a comfort that
22 the compliance is there.

23 We also noticed that there were other types
24 of improvements, activities that have been performed.
25 We compared the -- I think the greatest stride, one of

1 the greatest strides, is the professionalism. So the
2 primary asset Rio Nuevo that we have to consider is the
3 Convention Center. The other activities are
4 beneficiaries of Rio Nuevo, but they are really
5 intended to help make the downtown environment better
6 and make the Convention Center better. So there was an
7 improvement plan that was executed for the arena, and I
8 think, most importantly, professional management has
9 been obtained for the TCC, and I think that they have
10 done nothing but make improvements to the operation
11 there.

12 Also, the bond refinancing was, I think, a
13 momentous event. It gave you a lot more flexibility on
14 the hotel. Caterpillar, Greyhound and all the other
15 types of activities that you've done are going to help
16 make the Convention Center a stronger asset over time,
17 and the respect of what needs to get done for the TCC
18 to be a better entity and a better asset to the
19 community, that you've taken some steps. In our
20 judgment, there are a couple of other areas that we
21 would like concentration on. When we compared you to
22 other venues throughout the country that are of similar
23 markets, Albuquerque, Palm Springs, several others, you
24 know, they're ramping up their efforts too. And so, we
25 just have put a precaution in there that the upgrades

1 that you did are, you know, just a continuing process
2 and needs to be ongoing for you all.

3 You still have deficiencies in your hotel
4 supply. AC helps, but the headquarters hotel matter is
5 a matter of concern, and I think that the proposed plan
6 for La Placita redevelopment is something that's very
7 consistent with making the TCC a better asset.

8 We also mentioned that we think that perhaps
9 you're still at risk, because funding for the TCC is
10 still subject to the vagaries of the City. And so,
11 right now you have a very good relationship with the
12 City of Tucson, but administrations change. This asset
13 could be affected. So that's a caution we put there.
14 We also gave a couple models in our report of
15 alternative ways to structure the ownership situation
16 for the TCC and may give you some opportunity.

17 Also, we felt that, you know, with the
18 refinancing of the bonds, it would be helpful if Rio
19 Nuevo had -- you mentioned to Dan about the long-term
20 financial planning. It would also be helpful if there
21 was some targets set from a real estate development
22 standpoint that kind of coincide with the financial
23 plan; and so, master planning effort I think would be
24 apropos for the District. It doesn't necessarily cite
25 exactly what's going to be built, but sets targets and

1 ambitions that allow you to project the long-term
2 future of the revenue collections that will be
3 available.

4 I think that the last quote we'd like to make
5 is the fact that Rio Nuevo does have a end date. And,
6 you know, the good news that you have had over the last
7 two audit cycles, hopefully, there will be a basis for
8 you as an organization to last into -- past 2027. And
9 so, I think now we've presented two relatively clean --
10 this one's perfectly clean. The prior one gave you
11 steps, you've addressed that. I think you've
12 engendered good will in the community and, ideally, you
13 will be in a position to be able to sustain and
14 continue your operation.

15 So, that is really our report, and we've
16 issued our final report to both the State and I believe
17 you've been provided copies with that as well. So I
18 will be pleased to answer any questions that you all
19 may have, any highlights you think I need to address
20 further.

21 CHAIRMAN McCUSKER: While you're pondering
22 your questions, just so you can soak it in, words that
23 are not typically associated with Rio Nuevo,
24 100 percent compliant, an open book, transparent,
25 perfectly clean, it's really historical.

1 And, Charlie, we know it wasn't a rubber
2 stamp. We know how difficult this is. We've worked
3 really hard over the last several years to comply. We
4 take your recommendations very seriously. We're
5 pleased to have you helping us move along. I am
6 optimistic that on the heels of this and some of the
7 other things we've done, like Caterpillar, Roadrunners,
8 Greyhound, that we have a case now to take to the
9 Legislature, hopefully, where they can see the
10 continued benefits of the Rio Nuevo TIF.

11 You want to talk a little bit about your
12 long-term financial planning recommendations, kind of
13 what you think that should look like and where we might
14 go with that?

15 MR. JOHNSON: I don't know if Rio Nuevo is
16 the vehicle for it, whether the City of Tucson creates
17 an asset manager that spans, and they have a department
18 head that oversees the relationship with the TCC, but
19 something stronger.

20 And we gave a couple of examples in our
21 report, and I would like to talk about the one in Erie,
22 Pennsylvania. Small market, probably a little smaller
23 and more remote and less attractive than you. But
24 under their jurisdiction is an arena, a minor league
25 ballpark, their new Convention Center and five acres of

1 real estate, as well as they own one hotel and they
2 have a land lease for a second hotel. And that whole
3 system has performed extraordinarily well. It has not
4 suffered from any City -- because they are a separate
5 authority with some dedicated hotel revenues within
6 their organization, they have been able to leverage the
7 real estate and associated income from that real estate
8 to make the whole puzzle fund itself. They did get a
9 big grant from the State to redevelop their arena. But
10 other than that, that they have redeveloped a
11 performing arts center, a minor league ballpark, tore
12 down a parking garage and added a park very similar to
13 the park that you have in between La Placita and the
14 Convention Center into a festival ground, and then
15 they've caused those two hotels to be built.

16 And that automatic pilot system is something
17 that's outside of City government, but it has the
18 ability to have very good stewardship that thinks
19 nothing but about the performance and well-being of
20 those facilities. And that's kind of something I think
21 would be aspirational for this situation here. I
22 think, as you know, we've laid out how it's structured
23 and its funding resources, et cetera, in our report.

24 But, you know, as it is today, I think you're
25 in good shape, but we would caution you that, you know,

1 Cities' administrations change and relationships
2 change, and this is something of a hedge to kind of
3 give you some permanency to that kind of operational
4 format for this building, which is the primary asset
5 for Rio Nuevo.

6 CHAIRMAN McCUSKER: In your report you, I
7 think congratulated us on our ability to leverage State
8 dollars with partnering with private sector. We have
9 two more similar items on our agenda today.

10 Do you see that in other tax incentive
11 District's or Stadium District's where they've taken
12 advantage of private sector and private lenders,
13 private underwriters, private equity? Any advice for
14 us in that regard?

15 MR. JOHNSON: Well, we do see leverage, but
16 the ratio that you all have achieved between your
17 corpus and the amount of investment you have on top of
18 that, I think, is at the higher upper quartile for
19 sure. Sometimes the dollars are spent just for
20 infrastructure, and they haven't been able to cause the
21 next set of development, and that's -- so it takes time
22 for those to mature. And I think you guys have been at
23 this for a while, so if you look at it long time maybe
24 you're about right. But over the last three years
25 what's happened is, you've really seen the fruit of

1 investments that have been made over the last six years
2 or so. So your leverage has been high, there's no
3 question.

4 MR. SHEAFE: About nine to one.

5 MR. JOHNSON: About nine to 10 to one.

6 MR. SHEAFE: Just curious. Again, your
7 remarks and your comment about Erie, Pennsylvania, as a
8 Past Chairman of our airport we operate as a separate
9 authority, this airport. So it's really a private
10 entity that's managed privately --

11 MR. JOHNSON: Same concept.

12 MR. SHEAFE: -- from the political process.
13 And you're bringing that up, do you think that's a
14 critical component to these kinds of entities where you
15 kind of divest it from the daily politicization that
16 goes on, and is that something we should be thinking
17 about looking forward?

18 MR. JOHNSON: That's really what we said in
19 our report, absolutely. We said it last time as well.

20 I have, you know, watched the operation of
21 the Convention Center over the last 20 years. About 20
22 years ago I was retained by the City to do an
23 operational audit. And, you know, the services they
24 had requested, requisition from the City, maintenance
25 and, you know, light repairs and things of that nature

1 was inconsistent with -- you know, it shouldn't look
2 like operating a hotel. There was a great gulf between
3 that. I think today that gulf is narrowed, but we
4 wouldn't like to see a gulf at all. I think that
5 that's a hedge, is trying to create some form of
6 mechanism that takes it out of the political sphere,
7 has sufficient revenues dedicated to its operation so
8 it can have capital improvements and expansion plans,
9 just be a business just like a hotel would do. That's
10 how it ought to be run. But today things are fine;
11 tomorrow they may not be. That's our caution to you.
12 And I've been through a couple not so goods in this
13 community.

14 MR. SHEAFE: By the way, we're happy you came
15 out here. Obviously, you couldn't get Cubs tickets.

16 MR. JOHNSON: Going right back. We're so
17 excited in Chicago, I tell you. You know, grandmother,
18 great-grandmother, kids, never seen it. It's
19 extraordinary. I'm going to be watching the game
20 tonight.

21 CHAIRMAN McCUSKER: Any questions for
22 Charlie?

23 MR. IRVIN: Charlie, thank you.

24 MS. COX: Thank you, Charlie.

25 CHAIRMAN McCUSKER: And the audit is on our

1 website. It's on the Auditor General website as well.

2 So we've got four update items, a lot of
3 stuff going on that we're just going to update you all
4 on. The first of which, Jannie, is our State of
5 Downtown event, our first inaugural event called
6 Downtown Now. We're partnering with the Downtown
7 Tucson Partnership. And the response has been
8 overwhelming.

9 So, Jannie, you want to give us a quick
10 update on the event?

11 MS. COX: Yes. This will be our State of
12 Downtown event. It is November 3rd at 5:00 p.m. in the
13 TCC Tucson Convention Ballroom.

14 We reached out to several sponsors in the
15 beginning. This has kind of been driven by Edmund and
16 Fletcher and Brandi Haga-Blackman from Downtown Tucson
17 Partnership. We reached out to several sponsors, and
18 we were really, really pleased with the response that
19 we have. Our sponsors include El Rio, Tucson Medical
20 Center, Gust Rosenfeld, Bourn Companies, Peach
21 Properties, Norville Investments, 5 North Fifth, Swaim
22 and Associates, Concord Construction, BBVA Compass,
23 Alliance, Core Construction, Halualoa Company and
24 Gadsden. So it's widespread support from our downtown
25 community and some outside of downtown.

1 Because of that support, we were able to
2 offer the first 300 -- actually, it's ended up being
3 more than that -- 300 reservations for free. And the
4 response has been marvelous. And the other nice thing
5 about the support we've had is that we will not have to
6 spend not one dime of public money on the event.
7 Edmund describes it probably the best. He calls it
8 downtown by fire hose. And that's what's going to
9 happen at 5:00 o'clock on the 3rd.

10 We have 36 mini speakers, 36. And if you
11 think you can't put 36 speakers up and actually keep
12 people listening, I say we can. Our speakers all have
13 between 12 and 25 seconds to deliver their speech.
14 They are all carefully scripted. They wrote their own
15 speeches. 35 of the 36 have already turned them in,
16 believe it or not, and it's an impressive group of
17 folks. And with Edmund's help we have devised a very
18 creative presentation of the event. And we really
19 needed to be creative, because Fletcher adds a new
20 speaker every few days, which is how we got to 36. And
21 then he told one of our speakers, Scott Stiteler, that
22 he had three to five minutes. And I had to tell Scott,
23 no, you have 15 seconds. So, thanks a lot, Fletcher.
24 But Scott says he's fine with it, so we're good there.

25 We've collected literally hundreds of photos

1 and videos about everything that's happened downtown in
2 the last two years and what we can see coming over the
3 next year, so it's going to be a very interesting and
4 upbeat event and very fast paced. The chef at the TCC
5 is going to show off his culinary expertise by giving
6 us some demonstrations of how fabulous the TCC can be
7 and will be for the audience, hoping that the audience
8 might like to spend more time at the TCC.

9 Edmund is our event MC, and in this type
10 presentation even Edmund, as the MC, has less than six
11 minutes. He says he can do it. It's fire hose for
12 sure. But we're going to do the whole thing in 40
13 minutes. Fletcher will represent Rio Nuevo; Randi
14 Dorman, the Chairwoman of Downtown Tucson Partnership,
15 will represent them. They will open the event and then
16 our 36 speakers will do their thing in three different
17 presentations. We won't do them all in a row.

18 And as the participants come into the room
19 they will all be given a game card that we devised, so
20 they will have about 30 minutes to fill out their game
21 card showing their knowledge of downtown. So it's kind
22 of fun. Some of it's kind of silly, but we will find
23 out how much people really know about downtown. And
24 then they will be entered in a drawing for five \$100
25 downtown gift cards. So the event is going to be lots

1 of fun.

2 And we set a goal of 400 participants in our
3 first year, and I won't say who in our group said
4 that's impossible, we'll never get more than 250.
5 Well, as of today we have almost 600, and these are
6 reservations that are already made and the press
7 release just went out today.

8 So we're very excited about being able to
9 show off to our entire community the great things that
10 have happened downtown in the last few years. So I
11 hope you will all be there, and I hope you'll all be
12 there.

13 This has been a really tough thing because of
14 the open meeting law. I've been dying to tell Mark
15 Irvin what's going on and I wanted to get his advice
16 and get him involved, and we couldn't because we
17 already had three of us, and our attorney says, no, you
18 will not.

19 MR. IRVIN: By the way, I'm not the one that
20 said you couldn't get three or 400.

21 MS. COX: So everything is going really well,
22 and we hope to see all of you there next Thursday at
23 5:00 o'clock.

24 JUDGE ISRAEL: Are tickets still available,
25 Jannie?

1 MS. COX: You get a reservation by going to
2 DowntownTucson.com, and the tickets are \$20. And we
3 still have room, so come and bring your friends.

4 CHAIRMAN McCUSKER: Nice job. That's not
5 your father's state of the whatever event.

6 I think we're done with the hockey
7 renovations. We actually turned the keys over a few
8 days early. Lane is here, I saw Bob Hoffman as well
9 from the Roadrunners. You guys are a few days away
10 from your first game. We just wanted you to give us an
11 update on the current status of the arena and, Bob,
12 you're ability to play hockey in Tucson.

13 MR. HOFFMAN: Good afternoon, Chairman
14 McCusker, Board Members.

15 We're very excited about this historic week
16 for the Tucson Roadrunners, for the City of Tucson and
17 for playing hockey down at the Tucson arena.
18 Everything from the renovations has gone famously from
19 our end of things with the building turned over to us.
20 Practice is taking place on the ice. Our team has gone
21 out and played three games so far on the road and now
22 back for the home opener on the Friday.

23 I'd also like to extend a personal invitation
24 to all of you to come out to the game on Friday night.
25 I left invites on your areas up there by your mics. So

1 we'd love to see you at the game on Friday night as
2 well. So we appreciate everything that's been done and
3 the support we've received and from many different
4 projects and things going on on the building side of
5 things. Working with Elaine and all of the group has
6 been outstanding.

7 So, with that, Elaine.

8 MS. BECKER: Good afternoon. Elaine Becker,
9 Project Manager. Thank you, Bob.

10 So we're all very excited about the game on
11 Friday. I have a quick recap of the scheduled budget,
12 then some overall final photographs to show you all.

13 So, first, just to recap the schedule and the
14 urgency of the project. We met, leading up to Mayor
15 and Council from May 17th, we had basically our
16 approval starting May 17th. The following week we
17 started demolition. We then had just over four months
18 for construction with a contractual obligation of
19 October 1st. We had some significant long lead items.
20 Two Zambonis, a large HVAC unit, dasher boards, acrylic
21 panels, all of those were ordered May 18th.

22 We met our contractual obligation. We
23 actually exceeded it by three days. We turned over the
24 keys to Bob and the team, and Eric, the equipment
25 manager, on a Friday, exceeding the October 1 deadline.

1 So it's a real huge accomplishment for the team and for
2 Rio Nuevo, and we're all very proud and happy to be a
3 part of this really successful project.

4 The budget, when it was presented in early
5 May, the overall project of 3.75, we have stayed within
6 that budget. We've had no change orders. There is
7 a -- with the GC contingency as well as with the owners
8 contingency, there is some remaining contingency money.
9 Parallel to the hockey renovation, we were also
10 successful with the exterior video board sign permit.
11 And that 10-foot-by-18-foot video board just next to
12 the ticket office is going up, and it may be complete
13 by now, and it will be in use for Friday's opening
14 game. That's another huge win for the project, for the
15 facility, for your asset to have, you know, a
16 state-of-the-art, high-definition video board.

17 So, with that, I'm going to walk through some
18 photographs and then I will take any questions.
19 Whoops. Sorry.

20 So this is the overall arena. The ice is in,
21 the new Roadrunner logo is in.

22 So this is the brand new corridor entering
23 into the Tucson Roadrunner space, new EMT office, the
24 new tool room skate shop, the new treatment room, two
25 pools, mill work, rubber flooring throughout. Another

1 view of the same room.

2 This is the visitor treatment room. They
3 don't have tubs. They just have a space. They have to
4 use other equipment.

5 Now we're entering into the Tucson Roadrunner
6 locker. So you immediately have a skate area for your
7 sticks. This is their lounge. They now have furniture
8 in there. This is their changing room. So they come
9 to the facility in their street clothes, a suit,
10 typically, on game days or shorts for practice. They
11 change at these lockers into their undergarments, then
12 they have the restroom.

13 And then this is their brand new 27 lockers
14 for the Tucson Roadrunner home team; elevated ceiling,
15 fans, exhaust, heaters when needed to dry out the
16 equipment.

17 MR. IRVIN: You might touch on the fact that
18 that particular piece is not a piece that was
19 renovated, but was added.

20 MS. BECKER: Sure. That's a good point.

21 So the only square footage that was added
22 were the two AHL locker rooms. They were basically
23 square pop-outs that attach to the exterior masonry
24 wall. This is where they have their helmets. They put
25 their skates up on these aluminum hooks to dry out.

1 New laundry facility, state-of-the-art, very expensive
2 washing machines, dryers.

3 This is the new officials locker room.

4 Now we're moving into the U of A space. This
5 is their coaches' office. This is the completely new
6 U of A club hockey locker room. I think 30 lockers,
7 per their specifications. New restrooms, showers.

8 This is the U of A visitor locker room. And
9 then we also provided some new offices for SMG, because
10 we had pushed their offices out of the actual corridor,
11 so we needed to find spaces for them.

12 And then this is the new press box up on the
13 concourse level right across the way from the sound
14 booth. Elevated, three different areas for radios, for
15 the press, and then the view from the press box of the
16 ice.

17 And I just want to conclude that the project
18 will be celebrated this next Friday, the day after your
19 downtown event, at the MPA common ground award. The
20 project is being celebrated and recognized for, again,
21 the collaboration, the partnership. We, as a team, it
22 was -- Swaim was integral, Concord was integral, all of
23 the consultants, the subs, we could not have done it
24 without each other. And I wanted to just thank
25 everybody, and thank, of course, Fletcher and Mark and

1 Edmund. They all came to the project, the CA meetings,
2 and were continuous to provide support to the project.
3 Thank you.

4 MR. RITCHIE: The dashboard's all up with the
5 advertisers?

6 MS. BECKER: Bob, can you help me with that?

7 MR. HOFFMAN: The advertisers are actually
8 all printed and they are going on, so they will be up
9 there for Friday night's game. We just took the ice
10 back yesterday afternoon, actually today, this
11 afternoon, from the PBR show.

12 CHAIRMAN McCUSKER: We should mention that
13 the team's doing a downtown merchant promotion at every
14 game. So we will identify a merchant that, if you take
15 your ticket to, you will get some special discount
16 or -- it's unbelievable, really.

17 And you think back to those early days,
18 Elaine, May, late April, May, even before, Bob, you
19 were involved, when we first met with the Coyotes they
20 said, you know, this is a tall order to make this AHL
21 ready. You know, they had seen the venue and knew the
22 challenges, and said, you know, we can skate in
23 Prescott. Prescott has a beautiful new arena and it's
24 ready to go and no issues. I think we all in unison
25 said, no, that's not happening.

1 And to speak just to the collaboration,
2 again, extraordinary difference between -- the
3 cooperation between the District, the City, the
4 contractors, the architect, the team. You know, I
5 think it may have been you that said -- it may have
6 been Phil -- every day was a week really in a normal
7 schedule. So to see this team skate is just really
8 remarkable.

9 And, Bob, we're thrilled to host the
10 Roadrunners. You have to tell me, are we having a
11 Teddy bear toss? You know, make sure we know what day
12 that is.

13 MR. HOFFMAN: We absolutely are. November
14 the 19th.

15 CHAIRMAN McCUSKER: November the 19th.

16 I mean, this is just unbelievable, really.
17 You will see this, I think, in the MPA collaboration
18 conversation. City Development Services was going
19 through some real turmoil in May. We were quite
20 concerned about hitting the schedule, so we asked the
21 City Manager if we could use County Development
22 Services, and he agreed. And just that one decision,
23 had he not made that, we were able to expeditiously
24 move this project through Development Services. So you
25 had to hit every mark. Elaine, Phil, there wasn't an

1 opportunity -- there was no margin of error.

2 I remember a couple of weeks before the
3 exhibition game we had a leak in the plumbing system,
4 and we were going, oh, my God, this can't happen.
5 There's no plan B. And it turned out it was easily
6 identifiable, easily fixed. And that was the only
7 sleepless night I think I had.

8 We'll all be there Friday. And Cody's
9 bringing 250 of his closest friends. You've got a huge
10 hockey fan now in Cody Ritchie. Thank you.

11 Any questions for the team?

12 Mr. Marquez.

13 MR. MARQUEZ: I just wanted to, again, say
14 thank you. And I was there, I got to see it from the
15 beginning to it now being finished, and I'm so, so
16 impressed.

17 But I just got to tell you, from Elaine to
18 Swaim, to Concord, that was flawlessly executed and
19 that was a lot of work. And I got to tell you, the
20 last tour I took through was with the equipment manager
21 for the Roadrunners, and he was like a kid in a candy
22 store. And I've got to tell all of you in the
23 audience, it is NHL quality. It's beautiful. And I'll
24 tell you, just born and raised in Tucson, it was nasty
25 before they got in there. It was nasty. I so feel bad

1 that Mariah Carey went down to that dungeon. It's
2 beautiful now, it is bragable, and we are now
3 competing. And this is for the community, so thank you
4 so much.

5 MS. BECKER: Thank you all.

6 MR. RITCHIE: Elaine, I just want to give out
7 shout out to JB. I see him here from Concord. I know
8 that most of us know you and Phil, and you guys did a
9 fantastic job. JB, great job.

10 MS. BECKER: Yeah, I wanted to mention
11 Concord.

12 MR. RITCHIE: Well, you did mention Concord,
13 but I want to by person. He's a friend of mine, so --

14 MS. BECKER: Great. Thank you.

15 CHAIRMAN McCUSKER: Thanks. Go Roadrunners.

16 MR. IRVIN: Beep beep.

17 CHAIRMAN McCUSKER: Update on the Greyhound
18 bus terminal. I drive by it every day. I think I'm
19 the official photographer. But they did tell me,
20 Michael, you're actually taking some pictures too, so
21 maybe I can relax. My pictures are not so good.

22 MR. BECKER: Good afternoon. I'm Michael
23 Becker. I'm a Project Manager with Swaim Associates.
24 And I've been managing the Greyhound project as we've
25 been going through construction, so just wanted to give

1 you an update of the status. We're about halfway
2 through the construction schedule, so it's good time to
3 give you an update.

4 We bid the project back on July 29th. We had
5 nine bidders, so we had really good coverage, some
6 local people and some people from Phoenix. Our low bid
7 was about \$800,000, within about \$7000 of the second
8 low bid, and we had about a \$150,000 spread from high
9 to low. So we had, again, good coverage and some good
10 solid numbers.

11 Kroll Contractors out of Tempe was the low
12 bird and they were awarded the contract. We started
13 construction on August 15th, and their substantial
14 completion date will be January 15th, so just five
15 months of construction on the terminal. And glad to
16 say right now we are on schedule, so if you've driven
17 by, you can see the progress.

18 Just to give you an update on sort of the
19 construction activities that are happening now, the
20 sewer connection is complete, the water meters are
21 installed, foundations are in, most of the site
22 concrete's been poured, the building is completely
23 framed, and the sheeting is almost done. We'll be
24 dried in, so basically the building will be weather
25 tight within about a week-and-a-half. They also

1 started the HVAC, plumbing rough-in and the electrical
2 rough-in is starting as well. We're working on our TEP
3 coordination, which can sometimes be one of the
4 challenging things, but we got to do that so we're on
5 track to have power as well.

6 These are a couple of renderings of the
7 facility in terms of what we're actually providing for
8 Greyhound. Here's more an aerial view of the facility.
9 This is looking down Euclid, and then this street on
10 the left is the access aisle coming into the shopping
11 complex, and Office Max is in the background.

12 These are just some current construction
13 photos those were taken last week, so there's been more
14 progress since then. You can see the corner element is
15 up, all of the steel framing is complete. These are
16 some interior photos where you can start to see the
17 systems that are going in as well.

18 So just to give you a brief budget update, we
19 started with a \$1.9 million budget, and through the
20 process of design permitting we've had some cost
21 savings along the way. So in the just planning and
22 upfront technical costs we've come in about \$10,000
23 under budget, and this means we haven't spent our
24 reimbursable allowance.

25 For the construction portion of the project

1 we're using an online service called Submittal Exchange
2 to manage our construction documentation of submittals
3 and R5s, so we're not having to print or deliver any of
4 these. All this stuff's done electronically, so we're
5 not having any printing expenses during construction.

6 Under the direct construction costs we bid
7 under by about -- came in about \$34,000 under budget
8 from where we had planned originally. Some of that was
9 directly we bid under budget from the contractor, and
10 then we also -- our impact fees were also lower than
11 estimated. Some of the added costs were things like
12 signage, IT costs. Those have also come in about \$8000
13 under budget.

14 So our total project budget we had originally
15 put in a \$90,000 owner's contingency. We are another
16 52,000 under budget in addition to that. So we
17 currently have about \$140,000 of the budget that's
18 unencumbered at this point. We do have one change
19 order we released for some field conditions that's
20 about \$8000, but given where we are in the project,
21 we're out of the ground with, you know, any unknown
22 issues we've discovered at this point, and I think
23 we'll be in good shape to finish the project.

24 CHAIRMAN McCUSKER: The timing of that, Mike,
25 when do you expect to see a vote?

1 MS. BECKER: We'll have substantial
2 completion on January 15th. We'll probably have a
3 C of O before then, since that's when Greyhound will be
4 able to move in. Then they will be out of their
5 facility, we'll need to go over -- we do need to give
6 Greyhound some time to get their signage off the old
7 facility. They don't want that stuff showing on eBay
8 or anything. And then we'll need to go in and tear
9 down the old station.

10 Currently, like I said, we're on schedule and
11 we're under budget. I think it's, again, another
12 successful collaboration.

13 CHAIRMAN McCUSKER: Any questions for, Mike?
14 Thank you very much.

15 MR. BECKER: Thank you.

16 CHAIRMAN McCUSKER: Mr. Collins, we got a
17 brief approval item on the agenda as it relates to the
18 current Greyhound site. This is just to extend the
19 management agreement with Chapman, correct?

20 MR. COLLINS: Yes. Mr. Chairman, Members of
21 the Board, you have a management agreement with Chapman
22 that expires at the end of this month, it can be extend
23 by mutual agreement of the parties or you could
24 terminate it. They've been handling the property now
25 for 18 months or thereabouts. Prior to that, they were

1 doing it for the City. It's your pleasure whether as
2 to you want to extend the contract. You've heard from
3 Michael that substantial completion is in January. You
4 might want to consider just extending the contract with
5 them through January or you can take it in house.

6 MR. SHEAFE: Move we extend the management
7 agreement through January 3st.

8 MR. IRVIN: Second.

9 CHAIRMAN McCUSKER: Discussion or questions?
10 All in favor say aye.

11 (Board responds aye.)

12 CHAIRMAN McCUSKER: Any nays?

13 (Motion passed unanimously.)

14 CHAIRMAN McCUSKER: This is unanimously
15 approved. We'll let them know.

16 MR. COLLINS: I will do that.

17 CHAIRMAN McCUSKER: Thank you very much.

18 We're going to move into the meat of the
19 meeting. Not that any of that that preceded that was
20 trivial, by any means. It's very important
21 presentations and decisions to be made by this Board
22 over the next agenda items.

23 A couple of months ago people will remember
24 that we were briefed by Don Bourn and his team about
25 the so-called City Park project, and what we've --

1 Mr. Sheafe is recusing himself and
2 Mr. Ritchie is recused.

3 Still have a quorum?

4 MR. COLLINS: We have a quorum.

5 CHAIRMAN McCUSKER: On some dramatic changes
6 to what we've affectionately called the Thrifty Block,
7 to move that to very exciting retail, entertainment,
8 food type of establishment we made a kind of tentative
9 commitment at the time, but we would be interested in
10 supporting the project based upon some preliminary
11 numbers, and we asked the developer to go put everybody
12 in front of us. The current attitude of this Board is
13 if we're going to assist the private sector, we would
14 like to be last. That means the lender's in place, the
15 equity's in place, the contractor's in place, and we're
16 filling the gaps.

17 So Don and Toufic are here. You've asked for
18 sometime to update us. So, Don, come on up.

19 MR. BOURN: Mr. Chairman, Board, my name is
20 Don Bourn. It's nice to be here.

21 Can you read that from there? I have some
22 handouts.

23 MS. COX: Can you tip your mic up a little
24 bit.

25 CHAIRMAN McCUSKER: There are copies, if

1 anybody wants in the audience wants one.

2 MR. BOURN: There are copies here.

3 I don't have a lot prepared. I just have a
4 very brief summary, one-page summary.

5 As you said, Mr. Chairman, you asked for a
6 number of things to be put in place for us to move
7 forward. We've pretty much done all the things we've
8 talked about, so I'll quickly go through the list.

9 First requirement was to have a loan in
10 place. We now have the commitment from Bank of Tucson
11 for \$9.5 million. We've given them a \$50,000
12 good-faith deposit and that process is moving forward.

13 We have required equity for the project,
14 which is five million dollars. That's being held in a
15 bank account in Alliance Bank. We have a 26,000 square
16 foot master lease with an operator. That lease is
17 fully negotiated and ready to be signed upon approval
18 of these items.

19 Construction plans, they're substantially
20 complete. General contractor selected, hard bids in
21 place, and the construction contract is negotiated and
22 ready to be signed. Expect the building permit to be
23 received, hopefully, early January, first quarter of
24 2017, with construction to start upon that.

25 We've been working with Mr. Collins. We've

1 provided -- based on our tentative agreement, we've
2 drafted documentation that allows us to move forward,
3 and that's the key piece that all these other items are
4 essentially contingent upon.

5 CHAIRMAN McCUSKER: Questions for Don?

6 MR. IRVIN: So, Don, if I'm not mistaken, I
7 think part of your request, in addition, is asking the
8 District to provide this extension, because October was
9 your pull-the-trigger date. And I commend you
10 seriously on the progress that you've made. You've
11 done everything we've asked. We still have a couple of
12 hurdles to do. I'm okay, personally, with granting a
13 small extension, but you know my background, I'm a real
14 estate guy. Any time I ask for an extension or
15 something, I have to put something up for it. So I
16 would like to see -- anything we do, I would like to
17 talk to you about this as far as publicly. I think we
18 do need a good-faith deposit, the District does, like
19 you've made to the bank to secure that. I would like
20 to know your thoughts on how you can create a little
21 bit more comfort with us to grant what I'm thinking is
22 probably couple of three months extension that you are
23 going to need to pull the trigger. Is that correct?

24 MR. BOURN: Well, the extension is pretty
25 well laid out in the document, in the agreement, and

1 we -- you've required us to do a number of things,
2 which we've done. So I guess our expectation was that
3 we would be doing a deposit to get something less than
4 a one-year extension. I think we expect to start to
5 break ground in January.

6 CHAIRMAN McCUSKER: Let's talk to counsel
7 about our options for a minute.

8 This City Park bears very little resemblance
9 to what we all contemplated a couple years ago when we
10 settled the lawsuit and we entered into an agreement
11 with the City. We built those benchmarks. So we can't
12 extend us ad nauseam. We're basically going to enter
13 into a new development agreement, correct?

14 MR. COLLINS: That's certainly one of your
15 options. I mean, you can do the extension that Mr.
16 Irvin is talking about.

17 CHAIRMAN McCUSKER: The time frame Don's
18 given us is basically a year from January.

19 MR. COLLINS: Right.

20 CHAIRMAN McCUSKER: So we don't want to
21 extend every 30 days or every quarter. And the old
22 agreement really no longer applies, given that we're
23 now an investing partner. So it strikes me what we're
24 doing when Don says awaiting documentation, is entering
25 into an entirely new development agreement based upon

1 these parameters and our commitment to fund, and a
2 closing.

3 Now, part of what has to occur -- and maybe
4 an extension isn't even a requirement. Maybe we just
5 move into a whole new agreement. We do have to go to
6 the City for their concurrence. That's legislatively
7 required.

8 MR. COLLINS: Yes.

9 CHAIRMAN McCUSKER: And to the extent we want
10 to abate the excise tax, the City has to agree.

11 MR. COLLINS: Correct.

12 CHAIRMAN McCUSKER: And that could take how
13 long?

14 MR. COLLINS: It's roughly 60 days from
15 the -- once the economic study is finalized, it goes
16 out, and within 60 days after that the City can have it
17 on its agenda and either approve or disapprove of the
18 abatement.

19 CHAIRMAN McCUSKER: There's no reason for us
20 to be sitting around while -- we fully expect the City,
21 given what you've presented and the economic indicators
22 that we have for this project, I would be flabbergasted
23 if the City do anything other than approve it.

24 Can we be working simultaneously on closing
25 this so that when the City approves we can sign the

1 documents?

2 MR. COLLINS: Yes, Mr. Chairman. In fact, as
3 Mr. Bourn just mentioned to you, his office and their
4 attorneys have been drafting some documents. We got a
5 ways to go yet, but there's been a lot of effort put in
6 by both Don's office and mine to make progress so we
7 can keep going on two fronts.

8 To Mr. Irvin's comment, I hadn't thought
9 about more skin in the game, if you will, but one of
10 the things -- the current agreement that we have says
11 that you have until tomorrow, actually, to respond to
12 the extension request. Your response to the extension
13 request has to say what it is that you don't think has
14 happened, and then Don's company has 15 days to respond
15 to that.

16 This is a three-party agreement. I can tell
17 you that if you decided that you were going to extend
18 it for a month, three months or whatever, so that we
19 could do the abatement process, based on my
20 conversations with the City -- nobody has a crystal
21 ball, but based on my conversations, the City will go
22 along with it, based upon my review of the draft that's
23 been done on the analysis. I think the City will go
24 along with it.

25 I think that -- speaking only for myself, and

1 I don't have a vote, but I spent more time with Don
2 Bourn and Toufic Abi-Aad than I care to spend. Both
3 nice guys, but I spent lot of time with them. So I
4 think you need to address the current agreement, but
5 that's an agreement that can be addressed by the two of
6 you. Like Fletcher says, we've got to have a
7 concurrence.

8 So, whether you want to do it in a short fuse
9 or a three-month fuse, it's going to have to be a
10 little bit of time, because if the abatement is a
11 component, and I'm sure that Don will tell you that it
12 is, we've got the pieces in place to do that. We can
13 be doing that while we're putting the rest of the
14 pieces together, the rest of the documents together.

15 CHAIRMAN McCUSKER: Walk us through the
16 documents that would be required to close. We did
17 almost an almost identical deal with Gadsden.

18 MR. COLLINS: Right.

19 CHAIRMAN McCUSKER: So there's several
20 components to this that have to be drafted. So tick
21 those off.

22 MR. COLLINS: Let me get my notes.

23 The property would come back to the District.
24 Hang on here. Title would be vested in the District,
25 it would then be leased to the development entity, and

1 that would all happen at the same time. You would loan
2 \$2.6 million, that will go into the project after the
3 9.5 that Don was talking to you about from Bank of
4 Tucson. There's going to be an enter-creditor
5 agreement that's going to have to set that out. But
6 that will all be in one -- my concept is, like we did
7 in Gadsden, all in one escrow. So all the money would
8 be there for Don's use on building the project.

9 The abatement, if that's what we end up
10 doing, once that gets approved, got to wait 60 days.
11 We can actually close this, don't you think?

12 MR. BOURN: I hope so.

13 MR. COLLINS: I mean, it's documents and
14 jumping through the hoops of the abatement. As I may
15 of mentioned to at least some of you, there's also
16 exemptions that are available, but it's my
17 recommendation that you go forward with the abatement
18 approach.

19 MR. IRVIN: So, Don, what happens, in your
20 mind, if the City says no on the abatement issue?

21 MR. BOURN: Well, that's a material part of
22 what we've discussed. I think there may be other
23 alternatives outside of that, but we've been told that
24 that's the most direct route.

25 MR. IRVIN: My issue is, you know, we've

1 kicked the can down the road a whole bunch of times.
2 This is all part of the settlement that came from the
3 Kronko suit and all that stuff. We've been -- as you
4 know, I felt that anybody that's tried to do anything
5 in this community, much less downtown the last eight
6 years, should probably get a mulligan. So I'm
7 sympathetic to all those kinds of things.

8 I'm also probably pressured on an least a
9 weekly basis from somebody saying, when's that thing
10 going to happen, and how about that this, how about
11 that. So I want to help you set this thing up to be
12 successful, not to be a deterrence on that, but at the
13 same time I'm saying to myself there's probably one or
14 two things: A, come up with a time that you say, hey,
15 I need three months, and we agree what three months
16 looks like, or we just do Board meeting to Board
17 meeting, a 30-day extension. You know either, one of
18 those would be acceptable to me.

19 Again, I go back to -- I'm not trying to
20 burden the project, but, trust me, the District's
21 got -- as you can appreciate, Mr. Collins doesn't work
22 for free, so we've got our fair share of building this
23 deal as well. It seems to me that if you don't go
24 forward, in addition to a land, there should be some
25 sort of -- there is no earnest money, as you know, so

1 there should be some sort of payment that would occur
2 if none of this stuff happens, if nothing else, to at
3 least cover our attorney's costs.

4 MR. BOURN: Just as a point of context, you
5 get our reports every quarter, so you know how much
6 money we're spending on this project.

7 So one other point I just wanted to make real
8 quickly, is that the agreement said we needed to build
9 20,000-square-foot building that wasn't a --

10 CHAIRMAN McCUSKER: Quik Mart.

11 MR. BOURN: -- Quik Mart. So that was the
12 bar that was set by all of us. So that would be the
13 easy approach. That would have been super easy. Could
14 have done that a long time ago and been done with this,
15 and maybe everybody wishes we would have.

16 We're building a 50,000-square-foot project,
17 we're building at a concrete building with lots of
18 glass, and I hear people talk about wanting to see --
19 out of this current wave of development people wanted
20 to go see some real signature projects that we can be
21 proud of to start to define us as a community. So
22 we've worked real hard to try to do that, in fact,
23 tried to work real closely with this Board to try to do
24 something that was going to generate some sales tax and
25 act as something accretive to downtown as opposed to

1 dilutive to other restaurants and other establishments
2 downtown. So that's what we've tried to do. We've
3 spent a tremendous amount of time and money doing it.

4 I'm happy to reimburse Rio Nuevo for your
5 attorney's fees if this doesn't deal doesn't go forward
6 for some reason, as long as it's not an arbitrary
7 decision that you decide just not go forward. If it's
8 something beyond your control, I'm happy to pay for all
9 the attorney's fees if the deal doesn't go forward for
10 some reason.

11 We're extremely confident that we're moving
12 forward come hell or high water, but as we all know in
13 our business, it's a challenging business, lots of
14 details, and we want to make sure we don't put
15 ourselves in a position that's too difficult for
16 everybody.

17 MR. IRVIN: And I also don't want to you see
18 us as being unreasonable, Don, and set you for up for
19 failure. I don't want to do that at all. But, you
20 know, your acquisition of that site precedes all of us
21 on this Board, and so, it's just not -- and I drive by
22 it dang near every day, and there's probably not a week
23 that goes by where somebody doesn't say something to me
24 about it. So, you know, I'm just a little bit
25 concerned with that.

1 I would like to make a motion. Before I do,
2 I'm sure Edmund and Jannie will probably have some
3 questions and thoughts as well.

4 MS. COX: I'm good.

5 MR. MARQUEZ: I think it's an amazing
6 project. I think it's beautiful. I like the fact that
7 it generates TIF income. I just think there's a lot
8 of -- as we all know, there's a lot baggage with this,
9 there's a lot of history, and I would love to see us
10 get past it. I mean, if this was a deal that just came
11 up to us fresh and we're able to say, this sounds
12 fantastic, let's put together a public/private
13 partnership, we move forward. This one does have the
14 weight of the past on us.

15 So I'm interested to hear what your motion
16 is. And I agree there should be some skin in the game
17 at this point. Not trying to be disrespectful or
18 difficult, but we're here as stewards of public money.
19 And that's where I come from.

20 CHAIRMAN McCUSKER: You know, I understand
21 Mark's sensitivity, since I negotiated the extensions.
22 I would like to get out of the extension business. I
23 think what we're talking about is a totally new deal.
24 It's us as a partner, it's us as now the landowner,
25 we're last to the process that we made it incredibly

1 challenging for you to deliver on. So I wouldn't favor
2 just an extension for extension sake.

3 I think we instruct the Executive Officers
4 and counsel to complete this new arrangement, which, if
5 it fails, it's going to fail on your account. Your
6 bank's going to bail or your tenant's going to bail
7 or -- it's not going to be because Rio Nuevo is not
8 ready to write a check.

9 So, you know, I think we can move the wheel
10 thing along by authorizing the attorneys, both ours and
11 yours, to sit down and document what your one page
12 slide shows. We have the documents from Gadsden. It
13 wouldn't be that hard to draft.

14 But, you know, we acquire the property, we
15 lease it back to you, we loan you some money, you can
16 retire some of that loan through incremental sales tax,
17 and we set a time period under which to complete that.
18 If all that goes south, we all have some serious
19 problems, you know, so I think you've got to do it.
20 That's why I was trying to drill down with Mark on how
21 long all that would take. But to me, it sounds like
22 it's 60 days, so you're talking about, you know, before
23 the end of this year. You know, we should have an
24 agreement in place that totally replaces all those
25 previous arrangements.

1 MR. COLLINS: Mr. Chairman, Members of the
2 Board, I haven't discussed that concept with anyone
3 other than you folks, but I don't anticipate a problem
4 with the City.

5 The leading component of this is the
6 abatement process. That's a statutory thing. We have
7 to get out a 60-day lead time to the various taxing
8 authorities of the study. If the study goes out and
9 Don gets to pay for it --

10 CHAIRMAN McCUSKER: So we could authorize you
11 to do the documentation to be prepared to close
12 immediately upon the City granting the abatement.

13 MR. COLLINS: Shortly thereafter, yes.

14 CHAIRMAN McCUSKER: Right. And then
15 everything -- I'm fine, you know, if Don, you know,
16 agreed to, if the project goes south, that he's going
17 to offset our costs. You know, I think he does have
18 skin in the game.

19 MR. IRVIN: I would agree with that, yeah.

20 MR. COLLINS: So I would think that the
21 motion would be that you grant an extension to allow
22 for a new agreement to be reached among Don's company,
23 the District and the City, that follows the outline
24 that's been presented to you before and instruct the
25 final negotiation of that by the Executive Officers and

1 execution, and while that's going on, authorize the
2 issuance of the necessary reports and notices to abate
3 the excise tax.

4 CHAIRMAN McCUSKER: One point of
5 clarification. As we move forward, does the City
6 remain a party to this agreement or is it just between
7 us and the developers?

8 MR. COLLINS: Ultimately, I think it's going
9 to be you and the developer.

10 CHAIRMAN McCUSKER: The City will actually be
11 written out of the new docs, but they have to concur.

12 MR. COLLINS: Yes.

13 CHAIRMAN McCUSKER: But they will not to be a
14 party to the agreement.

15 MR. COLLINS: It seems to me that they don't
16 have to be a party. However, I think that some of the
17 existing agreement has language in it that assures the
18 developer that the City won't slow him down. There was
19 a lot of time spent in that part of the deal, because
20 the developer didn't want to have a problem with
21 Development Services. So if we took that component
22 out, then the City wouldn't have to be there. But the
23 City's clearly going to have to concur with the
24 redoing --

25 CHAIRMAN McCUSKER: But we could make our

1 closing subject to the abatement and the
2 City concurrence.

3 MR. COLLINS: Absolutely. Absolutely.

4 MR. IRVIN: So, Mark, unless you want to
5 restate that motion, I'm fine with that motion, along
6 with the addition of the language relative to if it
7 doesn't happen, then we get reimbursed for the costs
8 that we've outlaid.

9 CHAIRMAN McCUSKER: Attorney's fees.

10 MR. IRVIN: So that's my motion.

11 MR. MARQUEZ: I second that.

12 CHAIRMAN McCUSKER: So you want to kind of
13 summarize that?

14 MR. COLLINS: You want to read that back to
15 me?

16 CHAIRMAN McCUSKER: We could do that or maybe
17 let someone who's not a lawyer try to summarize it.

18 MR. COLLINS: Go ahead.

19 CHAIRMAN McCUSKER: Okay. So the motion to
20 grant an extension -- did you say the date?

21 MR. COLLINS: Three months.

22 CHAIRMAN McCUSKER: Three months.

23 MR. COLLINS: Let's make it the end of
24 January.

25 CHAIRMAN McCUSKER: To grant a three-month

1 extension to allow time for the attorneys to complete
2 the documents related to the new arrangement, subject
3 to the City abatement, subject to the City concurrence.

4 MR. IRVIN: Subject to reimbursement if it
5 doesn't go forward.

6 CHAIRMAN McCUSKER: That could be written
7 into the document.

8 Any further questions, comments?

9 All right. You're in agreement, Don?

10 MR. BOURN: Yes.

11 CHAIRMAN McCUSKER: All right. All in favor
12 say aye.

13 (Board responds aye.)

14 CHAIRMAN McCUSKER: Opposed, nay.

15 (Motion passed unanimously.)

16 CHAIRMAN McCUSKER: All right, Don. There
17 you go. Congratulations. You did everything we asked
18 in spades.

19 All right. One down. Let's keep building
20 stuff.

21 We all know Peach Properties and Ron and
22 Patricia Schwabe, the Dabdoud family, Rudy and Marcel.
23 They are relatively new, but significant players in our
24 downtown. Marcel has partnered with the Schwabes and
25 are working on some extraordinary projects, multiple

1 iconic marquee projects, and are going to ask to
2 partner with Rio Nuevo.

3 So I'll leave it at that, Marcel, Ron, let
4 you guys make that your presentation.

5 State your name and stuff for the record.

6 MR. DABDOUD: Marcel Dabdoud.

7 MR. SCHWABE: Ron Schwabe.

8 MR. DABDOUD: Mr. Chairman, Members of the
9 Board, thank you for your time and for your
10 consideration.

11 Our proposal includes four iconic historic
12 buildings in the downtown corridor, the Arizona Hotel,
13 the Brings Funeral Home, the Chicago Store, and 123
14 South Stone, all buildings which were, in a sense,
15 phasing out from the previous use. Because of
16 everything that's been going on downtown, the
17 transformation has made some of the prior uses
18 obsolete, and we are basically coming here and taking
19 these shells and bringing them back to life and trying
20 to make a contribution towards the revitalization of
21 the downtown area. As you know, downtown
22 revitalizations are block-by-block efforts, a
23 multi-location approach. It maximizes your leverage in
24 terms of activating the neighborhood because it expands
25 the impact of your capital.

1 The first of these projects is the Arizona
2 Hotel. And we're going to be going through them in
3 terms of timing completion. The Arizona Hotel we
4 acquired in 2013, and it was a long planning process
5 mostly because of the structural reinforcement that was
6 required. It has now 15 marquee apartments on the
7 second floor, all of them which were fully leased prior
8 to completion.

9 We have Miss Saigon -- the picture on the
10 left you see the first-floor retail spaces, with
11 Miss Saigon taking the two spaces on the right. The
12 one on the left being just behind the elevator lobby
13 that we created for the apartments.

14 The third one from the right is available
15 space right now. And the first one, from left to
16 right, is a space with which we're finalizing
17 negotiations with the UPS store, which would be sharing
18 that space with -- with the basement concept, it's
19 called Sweat Shop. That would basically allow us to
20 use up to 3000 square feet of the basement for
21 productive use.

22 Just to give you some context, Arizona Hotel
23 was built in 1917. Its uses have ranged from a hotel,
24 when it was originally built, to a mental hospital.
25 When we bought it, HUD had pulled its contract because

1 it was in really bad shape even for, you know,
2 low-income housing standards, so they pulled their
3 contract. The previous owner was having a hard time
4 making the payments, so we came in and purchased it.
5 We own the building free and clear. We restored the
6 facade, we replaced the storefronts with new metal
7 storefronts, we had to structurally reinforce the
8 second floor, and we basically have 15 marquee
9 apartments on the second floor, and we prepped the
10 basement for active use.

11 Let's go on to the next project.

12 CHAIRMAN McCUSKER: You should mention, just
13 in case there's any confusion, this is not the hotel
14 across the street, which is --

15 MR. DABDOUD: This is not the Hotel Arizona.

16 CHAIRMAN McCUSKER: Right. It's the Arizona
17 Hotel.

18 MR. DABDOUD: And the name really hasn't been
19 used a lot, but we are keeping that brand. It was not
20 used for a number of years, because it was a hotel when
21 it was originally built, and then it moved on to other
22 uses that none of us are really familiar with.

23 The next project is the Chicago Store. The
24 Lefkowitz family had made the decision to sell that
25 asset because it wasn't a good fit for its current

1 operations. They have another location on Speedway,
2 and they also put in a secondary location on Sixth
3 Avenue, just south of our property, to continue their
4 presence in the downtown area. It was built in 1903,
5 became a JC Penney in 1942, Harrison Brothers
6 Department Store 1957, and then the Chicago Music Store
7 has been basically operating there since, I guess, for
8 the past 50 years almost before we purchased it.

9 We are reactivating all the original window
10 openings. I think you saw from the facade renovation
11 that there was a lot of window openings that were just
12 covered up with concrete. So we're opening those up in
13 order to preserve the historic integrity of the
14 building. We're activating the basements. One of our
15 leases is for a restaurant/bar use in the basement,
16 which is great, again, in terms of generating sales tax
17 revenue. And we are also increasing leasable area by
18 expanding the mezzanine area.

19 Some of the uses -- let me speak to the uses
20 for a second. So the space in the back of the first
21 floor at the basement is a new concept from the
22 creators of Old Body Quickness. It's called Duck and
23 Cover. It's going to be a restaurant/bar that's going
24 to basically cover both of those areas, leaving the
25 front storefront for other prospective tenants.

1 We've been in discussions with Cultivate.
2 Cultivate is a company that has been creating retail
3 markets, temporary retail markets. So they'll plan
4 these events where they bring a lot of local vendors
5 together and they have a large retail event.

6 We've always emphasized the importance of
7 bringing retail to downtown Tucson. It's a challenge
8 because of how buildings are owned and how large the
9 spaces are. Ideally, we would see several strong
10 retailers come in at once, but the way the downtown is
11 laid out, it makes that option virtually impossible.
12 But if you bring a lot of retailers in a smaller format
13 so that a retailer that maybe is making its products
14 somewhere else, storing them somewhere else, can just
15 have a presence in a very cool space, then it makes it
16 more viable for a lot of the local retailers to have a
17 presence downtown. And that's what we're trying to
18 create. We're trying to create a synergistic space
19 that has food and retail in a single space, a smaller
20 format space. You've seen a lot of the concepts --
21 you've seen this concept in a lot of other places, and
22 it's an historic building with a lot of character. So
23 you're going to see a custom window from the creators
24 of Cultivate to give you a little flavor as to what
25 they are planning.

1 Breakout Studios, they are also a local
2 Tucson operator that have a fitness dance operation.
3 They are at Teen Folks Plaza, 4th Avenue. And we have
4 been in discussions with them to do the same concept on
5 the second of the floor of the Chicago Store. So we
6 have leases for -- in place for over a third of the
7 space, and once we finalize our negotiations with
8 Cultivate and Breakout Studios, then we'll pretty much
9 have everything except the storefront, which should be
10 easy to lease after that point.

11 So Brings Funeral Home was originally built
12 at the turn of the century. It's a two-story home. It
13 served as a funeral home since 1928. And, again, they
14 just closed down that operation. That company
15 continues to operate in Tucson. That location was just
16 not good space for him. It's the most challenging of
17 the four projects, because its layout made it difficult
18 to turn that space into a multi-tenant based use
19 project. It was also the most surprising in terms of
20 how quickly organically it came together.

21 You are probably familiar with Owls Club. It
22 was a club that existed here in Tucson sometime ago.
23 That's Patricia Schwabe who created that concept here.
24 She's expecting to open the bar mid November. We also
25 have a lease with Exo Coffee that has been looking for

1 a second location downtown. And they would go in the
2 front of the right portion of the building. We have
3 Honeycomb daily bowls, which is a smoothie, daily --
4 you know, healthy nutrition daily bowl concept,
5 Template Kitchen and also a wine bar in the back. So
6 incredible how these diverse concepts come together.
7 On the second floor we have Beta Pride. We also have
8 an escape room. Again, signed leases. So for this
9 building, I think most, if not all of these leases are
10 actually signed. And we have some offices. We have an
11 optical engineering firm taking up some of the offices
12 on the second floor. So really a great mix of tenants.

13 And the fourth property is 123 South Stone
14 Avenue, built in 1907. It served a variety of
15 purposes, none of which currently generate any sales
16 tax revenue. Our plan is to -- we've been working with
17 Chris Bianco on taking the first floor of 123 South
18 Stone. We've been talking to Mr. Bianco for some time.
19 Originally, the conversation centered on a smaller
20 scale project, just because they didn't want to leave
21 downtown, but at the same time the tenants weren't
22 ready to commit because they just had run into some
23 issues, but now we're talking about doing a larger
24 concept at the first floor of 123 South Stone. Behind
25 them there's a catering concept called Put a Fork In

1 It, and we've talking to them about doing a catering
2 business on the first floor with a rooftop terrace
3 event space with a view of the cathedral. The view of
4 the cathedral, obviously, makes that property very
5 attractive. And on the second story it would just be a
6 mix of office users that are looking for renovated
7 office space in a historic building.

8 So we have -- Chris Bianco was planning on
9 being here today for this meeting. He had to change
10 his plans, but he sent a video clip.

11 (Video played.)

12 So we've really been pursuing that
13 relationship aggressively, trying to get them to set up
14 a new operation as soon as possible. Very passionate
15 operator, and we really want them to continue to be a
16 part of Tucson.

17 So, in summary, we have -- we're projecting
18 \$21.7 million in projected State sales tax revenues,
19 you know, 5.6 percent; 17.3 million projected total
20 cost at completion; 19.7 million projected value at
21 completion; and we are requesting a 4.4 million sale
22 lease-back with Rio Nuevo among the four projects.

23 You know, financing these projects is more
24 challenging for several reasons. First, these are old
25 buildings with issues. As you're going through them

1 something always comes up. We have to deal with the
2 State Historic Preservation Office, which always
3 complicates financing as well. Mixed-use projects are
4 generally more difficult to underwrite. A lot of our
5 tenants are non-national, non-credit tenants, which,
6 again, also makes financing more difficult. So we need
7 your help.

8 Ron and I are very invested in the downtown
9 area. We are currently working on six other projects
10 in the downtown core, five of which are outside the
11 District, but still within the core. So it's another
12 way in which these projects will allow Rio Nuevo to
13 maximize its leverage in pursuit of its mission to
14 revitalize the downtown area.

15 We realize the gravity of using Rio Nuevo
16 funds for these projects. We know this is taxpayer
17 money, and we take that very seriously. And we feel
18 very confident that the values there -- we own those
19 buildings free and clear. There's a lien on the
20 Brings, but that would be taken out before we get the
21 support from Rio Nuevo. And the rest of the
22 information is on your handout. You know, be happy to
23 take any questions. Just we want to show a video that
24 has some testimonials about what we're doing.

25 (Video played.)

1 So, again, thank you for your time, and we'd
2 be happy to take any questions.

3 CHAIRMAN McCUSKER: Do you want to pull the
4 slide back up. When you talk about the economics, you
5 know, who's in front of this? Is it all equity,
6 Marcel? Do you have a lender? Do we have to
7 subordinate? Kind of walk through the financing plan.

8 MR. DABDOUD: Sure. So let's talk about the
9 Arizona Hotel. There's no lien on the Arizona Hotel
10 whatsoever. But what we do request is the possibility
11 of refinancing the project, but we wouldn't be able to
12 do it at more than 50 percent loan to value unless we
13 would take out Rio Nuevo. So that restriction really
14 puts us in a situation where we would be incentivized
15 to repurchase or at least pay back Rio Nuevo before we
16 can --

17 CHAIRMAN McCUSKER: Call it the 17 or
18 \$18 million for the project. If we're in for four,
19 where is that other 14 coming from? Is that all equity
20 from you guys?

21 MR. DABDOUD: That's all equity. And there's
22 one private loan in the amount of \$900,000 on the
23 Brings.

24 CHAIRMAN McCUSKER: So we might be asked to
25 subordinate to a lender down the road, but right now

1 today --

2 MR. DABDOUD: That's correct.

3 CHAIRMAN McCUSKER: -- it's all equity?

4 MR. DABDOUD: The reason we're taking out the
5 Brings loan is because that loan -- well, we would just
6 have to make sure that that stays within the 50 percent
7 parameter. Really, because it's a private loan, we
8 would be looking to get a lower interest commercial
9 loan to replace that, but that loan, again, would be
10 limited by that restriction.

11 CHAIRMAN McCUSKER: Oh, my God, is all I got
12 to say. Congratulations, guys. I mean, it's
13 remarkable what you've put together. These are
14 projects that would fallen in on themselves except for
15 you. And to bring Chris Bianco, keep him here in town,
16 and to surround that with the stuff you're doing is --

17 Jannie, how they are going to tell that story
18 in 17 seconds?

19 MS. COX: He's got 70 words. He used them
20 very well. So we'll see how fast he can deliver him.

21 MR. MARQUEZ: Fletcher and I recently toured
22 your upstairs apartments in the Arizona Hotel, and I'm
23 very impressed. I mean, it was a delapidated project,
24 and it looks like you're in Silicon Valley, so hats
25 off. I can only imagine what you're going to do with

1 these other projects. And thank you for keeping Chris
2 Bianco here. That's a big deal.

3 CHAIRMAN McCUSKER: I expect these would have
4 to be four separate, even though they presented them
5 as -- we've agendized it as a bundled project, they
6 kind of each stand on their own right. So we would
7 have the same kind of agreements we just talked about
8 with Don for each one of those properties.

9 MR. COLLINS: That would be my
10 recommendation, Mr. Chairman and Members of the Board,
11 because I believe that they are -- we bundled them
12 together on the agenda, but I do think that, based on
13 what I've heard and what we've talked about before,
14 they might be a little bit different, each one of them.
15 So my suggestion would be, if you are so inclined, is
16 for us to do it that way, is to do them separately.

17 CHAIRMAN McCUSKER: And we could authorize
18 the funds, authorize the documentation, authorize the
19 Executive Officers to close.

20 Are you guys looking to abate excise tax too?
21 Do you have to go through the City abatement stuff?

22 MR. DABDOUD: No, we're not requesting that.

23 MR. IRVIN: Good.

24 MS. COX: Really good move.

25 CHAIRMAN McCUSKER: This could move really

1 quickly.

2 MR. SHEAFE: Well, really, the structure
3 is -- because you've got it really done at this point.

4 CHAIRMAN McCUSKER: It's all equity.

5 MR. IRVIN: So it's really no legal fees
6 either. This is perfect. I love it.

7 MR. COLLINS: Sure.

8 MR. SHEAFE: There's no money in simplicity.
9 But, really, if the District is putting up, let's say 4
10 million, just using it as an example, you're, in
11 effect, selling us the project with \$13 million worth
12 of equity for \$4 million, with the right to buy it back
13 with a lease-back provision. I mean, in its simplest,
14 is that not what you're representing here?

15 MR. DABDOUD: That's correct.

16 MR. SHEAFE: So, really, the risk is rather
17 limited on the District side.

18 MR. DABDOUD: Very limited.

19 MR. IRVIN: And then the right to refinance
20 at 50 percent loan to value, they got to come to us
21 first, so if we don't like it they can take us out.

22 CHAIRMAN McCUSKER: The other deals, Mark,
23 we've built in options, right, so that they can buy it
24 back at any time and they just lose the value of the
25 property tax really?

1 MR. COLLINS: Right. I think that's what we
2 did in the hotel as well.

3 CHAIRMAN McCUSKER: How quickly could you put
4 this together?

5 MR. COLLINS: Certainly, I think I could have
6 them together for these guys to look at -- I believe I
7 know the lawyer that they are using, so we could
8 probably do it by the next Board meeting. Certainly
9 free to look at.

10 CHAIRMAN McCUSKER: Oh, my God. Somebody
11 make a motion.

12 MR. SHEAFE: The easiest one is the Arizona
13 Hotel because you're the furthest along on that; am I
14 correct?

15 MR. DABDOUD: The Arizona Hotel is --

16 MR. SHEAFE: The most mature.

17 MR. DABDOUD: Exactly. Following the same
18 principal of this being the last money in, the timing
19 would be the Arizona Hotel, Brings, Chicago Store and
20 123 South Stone.

21 CHAIRMAN McCUSKER: I would suggest we
22 approve it as a bundle, authorize counsel to prepare
23 individual documents. Because right now we can't
24 really allocate our money to each project, so if we
25 authorize 4.4 and instruct the lawyers, then we just

1 close each one separately.

2 MR. SHEAFE: What is the total?

3 CHAIRMAN McCUSKER: 4.4 million.

4 MR. SHEAFE: For everything?

5 CHAIRMAN McCUSKER: For everything.

6 MR. SHEAFE: All four?

7 CHAIRMAN McCUSKER: You want to echo my
8 comment? Oh, my God.

9 MR. SHEAFE: Oh, my God.

10 CHAIRMAN McCUSKER: Oh, my God. When do you
11 see deals like this?

12 MR. DABDOUD: My understanding is that the
13 lease payment would be basically market interest rate.
14 So we would be paying Rio Nuevo a market rate on the
15 funds that we're using.

16 MR. COLLINS: You can do that.

17 CHAIRMAN McCUSKER: We're all stupefied up
18 here, Marcel. Sorry.

19 MR. SHEAFE: Well, you know, just speaking
20 for myself personally, one of the concerns we want to
21 do is make sure that we build something in here to give
22 you maximum motivation to pay it off as rapidly as you
23 can, convert to a different financing format as you can
24 once you have your income stream established, so that
25 we can take that money and use it to promote another

1 opportunity. Because this is quite an opportunity to
2 have four of those things moving forward all at the
3 same time.

4 MR. DABDOUD: That's right. The intention
5 behind the 50 percent restriction is that that, in and
6 of itself, will create incentive to pay you off, pay
7 back Rio Nuevo, you know, before we can get a
8 75 percent, or we might come back to you say and say,
9 hey, here's the situation, you know, and see what we
10 can do.

11 CHAIRMAN McCUSKER: Mr. Irvin.

12 MR. IRVIN: Mr. Collins, so I don't want to
13 pick on anybody, but it's pretty easy. My motions are
14 never long enough; Mr. Sheafe's are always too long.

15 In order to advance this, what sort of motion
16 do you need to see?

17 MR. COLLINS: Mr. Secretary, I think what you
18 might want to consider is instructing your lawyer to
19 put together the four agreements that would be
20 necessary to effectuate the desires of the Board,
21 authorize the Executive Officers to work with the
22 lawyer to do that, and then, ultimately, to finalize
23 and execute those various agreements. That's something
24 you might want to consider.

25 MR. IRVIN: I'll accept that motion and make

1 it mine. Thank you.

2 MS. COX: Second.

3 CHAIRMAN McCUSKER: Any other conversations
4 comments, questions?

5 Is this remarkable? We are so blessed to
6 have you guys working with us.

7 Michele, let's do a roll call vote.

8 MS. COX: I just want to make -- I am just
9 blown away by the creativity behind this, the people
10 who are involved, the significance of these iconic
11 buildings. It's huge. And thank you for all you're
12 doing. You guys are awesome.

13 MR. DABDOUD: Thank you.

14 CHAIRMAN McCUSKER: Michele.

15 MS. BETTINI: Edmund Marquez.

16 MR. MARQUEZ: Aye.

17 MS. BETTINI: Jannie Cox.

18 MS. COX: Aye.

19 MS. BETTINI: Mark Irvin.

20 MR. IRVIN: Aye.

21 MS. BETTINI: Chris Sheafe.

22 MR. SHEAFE: Aye.

23 MS. BETTINI: Fletcher McCusker.

24 CHAIRMAN McCUSKER: Aye.

25 By our votes of five to zero, we're your

1 partner.

2 MR. DABDOUD: Thank you very much. We
3 appreciate the support.

4 MR. SCHWABE: Thank you.

5 CHAIRMAN McCUSKER: Thank you very much.

6 As if we didn't have enough going on, in item
7 number 15 we're going to try and advance Caterpillar's
8 new headquarters. You may of heard Don Booth, the
9 Mining Division CEO, at the Sun Corridor meeting
10 announce to the world that he expects to take occupancy
11 of his building in the spring of 2019, so we're going
12 to have to get on our horse. Basically, a two-year
13 build-out.

14 So what's contemplated, I think everybody
15 knows as we've shared publicly, is that Rio Nuevo is
16 acquiring the roughly eight acres on the corner of
17 Cushing and the Santa Cruz River. We will -- we've
18 already begun the archeology and Phase I and II ALTA
19 work on that site. We'll contribute that site to the
20 Caterpillar project and we will build to suit their
21 headquarters building, which right now is estimated to
22 house 635 employees. The process under which we would
23 do that would be, one, that we hire an architect. We
24 would solicit what's called a request for
25 qualifications. Once the architect's on board, we

1 would rapidly solicit a general contractor as early as
2 November to hit these schedules.

3 Phil Swaim is our Project Manager, he
4 actually works directly for us, so therefore, his firm
5 will not be a bidder.

6 But, Phil, anything you want to say about the
7 process, timing, project? Counsel briefed us in
8 Executive Session regarding the documents. So any
9 questions for Phil or Mr. Collins?

10 MR. SWAIM: Mr. Chair, Members of the Board
11 Phil Swaim, Swaim Associates architects.

12 We are eager to proceed quickly. Caterpillar
13 is -- they are moving into 97 East Congress. They are
14 excited to be here. They realize they are going to be
15 running out of space, so they are eager to get this
16 building done as quickly as possible, with the goal of
17 opening in the first quarter of '19. So we've got a
18 little over two years to get this done, so we're eager
19 to get our teammates on board as architects and
20 contractors.

21 So have you got any questions at this point?

22 CHAIRMAN McCUSKER: On timing, if we approve
23 this today, you release the RFQ for the design team
24 this week?

25 MR. SWAIM: That's our goal. We have a

1 7:00 a.m. conference call with Caterpillar to be able
2 to refine any other qualifications to the RFQ, and the
3 goal would be to have that out on the street this week.

4 CHAIRMAN McCUSKER: And responses before
5 Thanksgiving?

6 MR. SWAIM: That's correct. And have
7 interviews beginning of December. We would then follow
8 up by mid November to get the construction manager a
9 risk contract RFQ out on the street, and they would
10 submit it in mid December, with interviews the first
11 part of January. So we would have both on board and
12 moving full steam ahead in January.

13 MR. IRVIN: Phil, I noticed you had
14 suggested, I think, a 20-day fuse. It seems a little
15 short for me. Why 20 versus 30? Do we handicap
16 ourself by looking at a shorter fuse in that process?
17 I want to make sure we're inconclusive.

18 MR. SWAIM: 21 days is sort of the minimum by
19 statute. At this point, we're looking to refine the
20 exact schedule. If we can add a few days in there,
21 we'd like to. We want to be able to make sure that we
22 can let the short-listed architects know about their
23 interviews prior to Thanksgiving, so they've got a time
24 to work into early December. If we can get them
25 selected by mid December, we can then start the

1 contract negotiations prior to Christmas and have them
2 on Board.

3 At this point, just the idea of having a
4 150,000-square-foot corporate headquarters designed and
5 built in a little over two years is a efficient task,
6 so we would rather be efficient up front as opposed to
7 trying to shorten it.

8 MR. IRVIN: I can appreciate that. I'm just
9 not sure 10 days kills the deal, for whatever it's
10 worth. I just want to make sure that that's a date
11 that allows -- I know we have a lot of architects keyed
12 up, they are chasing this thing, so I know those guys
13 are probably keyed up. If somebody's not keyed up,
14 they probably haven't been paying attention.

15 But I want to make sure that we aren't going
16 to -- by going 100 miles an hour, which we like to do,
17 we're not going to preclude somebody from being
18 involved that should. So if we're down to 10 days and
19 it's a matter of one of those two things, I would
20 rather us give a little more time.

21 MR. SWAIM: Mr. Irvin, I appreciate those
22 thoughts. We will fine tune and really analyze the
23 scheduling process. We do have a process as well for
24 the design team to submit questions, and if anything
25 comes up that they feel they need more time, I think

1 that certainly is something we would consider, because
2 I think you're right. We want to be able to make sure
3 this is done properly and don't shortchange something
4 there.

5 CHAIRMAN McCUSKER: It gets published, right.
6 So the plan would be publish it this week, which then
7 would allow the world to know that we have a project
8 and they can respond to it.

9 MR. SWAIM: That is correct. And we've been
10 notified by many architects, both locally and
11 nationally, about the project, so they are aware of it.
12 They are looking forward to -- both to the public
13 notice and to your website, and we can make sure that
14 they are aware of where to get the information so they
15 can be efficient about that.

16 MR. IRVIN: Thanks. I'm comfortable with
17 that.

18 CHAIRMAN McCUSKER: So it's a two-prong
19 process.

20 Mr. Collins, watch me in case I mess this up.

21 We would move to approve the request for
22 qualifications for the design team and authorize the
23 Executive Officers to complete those documents, and
24 authorize the development of a selection committee to
25 rate those responses.

1 Can we do that one in one motion or should we
2 do that --

3 MR. COLLINS: I think you just did. You add
4 that, but you do it in cooperation with your Project
5 Manager.

6 MR. IRVIN: I'll second that.

7 CHAIRMAN McCUSKER: I don't think I can make
8 a motion. Roberts doesn't allow that.

9 Go ahead someone.

10 MR. IRVIN: I think you stated that motion
11 perfect. I'm happy to make that a motion.

12 MR. MARQUEZ: I'll second it.

13 CHAIRMAN McCUSKER: The motion is to
14 authorize the release of the RFQ for the design team,
15 authorize the Executive Officers to execute the RFQ and
16 to authorize the appointment of a selection committee
17 to review and rate and award the contract.

18 All in favor say aye.

19 (Board responds aye.)

20 CHAIRMAN McCUSKER: Opposed, nay.

21 Motion passes unanimously.

22 Separately, then, we would authorize the
23 request for qualifications for the contract manager at
24 risk, and, likewise, authorize the appointment of a
25 selection committee to rate, rank and award that

1 contract, which will include, obviously, the new design
2 team.

3 I can't make the motion.

4 MR. IRVIN: I'll make that motion for you.

5 MS. COX: Second.

6 CHAIRMAN McCUSKER: Any further discussion,
7 conversation?

8 All in favor say aye.

9 (Board responds aye.)

10 CHAIRMAN McCUSKER: Opposed nay.

11 (Motion passed unanimously.)

12 CHAIRMAN McCUSKER: So spring of 2019, Phil.

13 MR. SHEAFE: We'll send you the notes, Phil,
14 in case you didn't take any.

15 MR. COLLINS: Could you send them to me too?

16 MR. SHEAFE: We'll send them to you, Mark.

17 CHAIRMAN McCUSKER: Item 16. We're down to
18 two to go.

19 I don't know if we have an actionable item
20 yet, Mr. Collins. We're working on the financing.

21 MR. COLLINS: The financing that you've
22 authorized is out and about, and I understand that
23 Compass Bank is involved in taking a look at them. We
24 don't have any answers yet. I had some questions.

25 CHAIRMAN McCUSKER: I can just table this?

1 MR. COLLINS: Yes, you can.

2 CHAIRMAN McCUSKER: All right. Consider 16
3 tabled.

4 And 17, this was amended and placed on our
5 agenda because of the timing for our friends at the
6 Foundation for Senior Living. You will remember we
7 previously approved a loan and then a contingent loan
8 to accelerate the Marist project. We authorized
9 counsel to develop those documents in concert with the
10 developer. And I believe the documents are ready for
11 approval, Mr. Collins.

12 MR. COLLINS: Mr. Chairman, Members of the
13 Board, that's correct. You've previously authorized a
14 \$350,000 purchase lease option agreement. It's not
15 unlike the Gadsden deal. It's where you will purchase
16 a small portion of the property, lease it back to the
17 developer. You're going to have a reliance letter from
18 all -- all of the due diligence been done. You'll
19 reliance letter from the environmental people. So that
20 350 that you actually authorized almost twice, once you
21 will recall it was 316 and then it became 350. We've
22 got the documents together. My office has worked with
23 counsel for the developer, which happen to be FSL Padre
24 Kino Village, LP, which is an FSL partnership. Those
25 are the folks that you've talked to.

1 That's set up in a deal that's very
2 reminiscent of the Gadsden deal. You will recall that
3 you've offered to -- the other deal is the million
4 dollar commitment, and that is a commitment that is
5 only to be drawn on if the developer is unable to
6 secure other financing for that. Rather than put that
7 into a complex document, and there's no money in
8 simplicity, as Mr. Sheafe says, but we put it together
9 in a loan commitment letter. It's a commitment by this
10 District to fund a million dollars if, after two more
11 efforts with the taxing authorities, they are unable to
12 get the additional million that they need. Those
13 documents are ready. They've been prepared pursuant to
14 previous motion. What we had not done is authorized
15 their execution, and we still need a legal description
16 quite frankly, for the 350,000. But that's where we're
17 we are.

18 To refresh anybody's recollection --

19 CHAIRMAN McCUSKER: And Chris is here if you
20 have any questions of the developer.

21 MR. COLLINS: Chris is here, yeah.

22 I'm just showing you the piece that you will
23 own of the property. That's the pink. You've seen
24 this picture before. This is on the agenda, because
25 these folks need to get it executed before our November

1 meeting.

2 JUDGE ISRAEL: Any questions for Mr. Collins
3 or the developer?

4 MR. SHEAFE: I'm just confused on the
5 million. The structure that -- or how does that tie
6 the blue and the yellow here?

7 MR. COLLINS: I'm sorry. It doesn't have
8 anything to do with --

9 MR. SHEAFE: The pink is the 350?

10 MR. COLLINS: Yes, the pink is the 350.

11 MR. SHEAFE: Let's assume that the financing
12 doesn't work out and now there's a million dollars that
13 the District is putting up, how does the District
14 putting that million into this project be the rules
15 under which we operate?

16 MR. COLLINS: It's going to have to be
17 non-TIF money and you're going to be secured by a deed
18 of trust.

19 MR. SHEAFE: So it's just the other money?

20 MR. COLLINS: It's the other money, right.

21 MR. MARQUEZ: Another question. What's the
22 timeline? I know, obviously, there was a commitment
23 for the additional million. You were going back to a
24 certain taxing authority in which you've gone to so
25 many other times before, this is the one time that it

1 didn't go through and now you're going to resubmit
2 something more reasonable that you think will get
3 passed. What's the timeline on that?

4 MR. VERMILLION: First of all, my name is
5 Chris Vermillion. I'm with the Foundation for Senior
6 Living. I'm the Senior Project Manager.

7 We applied for \$2 million with the Federal
8 Home Loan Bank in San Francisco. This program is for
9 exactly the type of apartments we're building. We
10 missed by one point in March, last March around, and
11 since then we have -- we are going to resubmit in
12 March, and we would have building permits available at
13 that time, which cost three points. So they assured us
14 that we should reapply.

15 You have to consider that Steve Hastings,
16 from the Foundation for Senior Living, is a member of
17 the Advisory Board of the Federal Home Loan Bank. So
18 he discussed these matters with his people and we are
19 virtually assured, 99.9 percent, that we'll get it the
20 next round.

21 We still have another round that we can go in
22 case we don't get it. And this one million dollar fund
23 or line of credit, whatever you want to call it, we are
24 not going to use it until the end if, if we use it,
25 till the end of 2018, which is when the project is

1 going into service.

2 CHAIRMAN McCUSKER: What's your timing on
3 groundbreaking?

4 MR. VERMILLION: We are starting construction
5 in April. As a matter of fact, I'll give you a
6 schedule. The architects are completing the plans
7 right now. The building permits will be available by
8 the end of February, and by the time we're meeting --
9 we have the last meeting, the general contractor has
10 the last meeting, it'll start first of April and
11 completion for September 2018.

12 CHAIRMAN McCUSKER: Anything else?

13 We need a motion to execute -- to authorize
14 the Executive Officers to execute the documents.

15 MS. COX: So moved.

16 MR. MARQUEZ: Second.

17 MR. VERMILLION: I would like to give you the
18 latest elevations for the project.

19 CHAIRMAN McCUSKER: This is the only project
20 in the world that ever was going to save the Marist.

21 Did somebody make a motion?

22 MR. IRVIN: We had a motion to second, we
23 said voted.

24 (Motion moved and seconded.)

25 CHAIRMAN McCUSKER: I have a motion to

1 authorize the Executive Officers to execute the FSL
2 documents.

3 MR. COLLINS: With a couple of conditions,
4 yes, that's the motion.

5 CHAIRMAN McCUSKER: All those in favor say
6 aye.

7 (Board responds aye.)

8 CHAIRMAN McCUSKER: Opposed, nay.

9 Motion passes unanimously. Thank you very
10 much.

11 This is the time set aside for call to the
12 audience.

13 Karla is here, Karla Van Drunen Littooy.

14 MS. LITTOOY: Karla Van Drunen Littooy with
15 TCC Today, my practice session for the Downtown Now.

16 This is a really exciting meeting. How
17 wonderful to be here. Thank you to each of you for the
18 public service that you've given in increasing the
19 opportunity and the excitement of our downtown Tucson.
20 I feel like it's a perfectly timed event for me to be
21 here as a representative of TCC today, because our
22 goals, objectives and accomplishments dovetail so
23 beautifully with what you have been fomenting in the
24 downtown area. Not only do they compliment, but in
25 many cases they are just blocks away. So this is

1 terrific.

2 I've been invited to speak at your
3 November 16th meeting. Let me forecast a couple of
4 things about that conversation we will have.

5 There are mistaken perceptions in our
6 community that Eckbo is a void. And the City and our
7 organization has recently been approached by two
8 different organizations who would like, in particular,
9 to fill the fountains with art installations. And we
10 have a world-class modernist landscape that was given
11 us, but not maintained, and so the restoration of that
12 is a plan that we have in place, there is a
13 rehabilitation plan in place, and we've made
14 incremental progress. So I want to talk with you about
15 some larger ideas so that we can stop this concept that
16 something has to be to be into that poop landscape.

17 Now, one of the things the City accomplished
18 over the course of the summer -- I'll have a pictures
19 for you in a few weeks -- is that all the colorful
20 tractor seats are gone. And what that gives us is that
21 open, clean vision that Eckbo had for that property.
22 So to now start dropping other things in place, it's a
23 concern for me.

24 I would also like to comment relative to the
25 very, very favorable report that Johnson Consulting

1 prepared for you. And Mr. Johnson has left, but I've
2 had a chance to speak with him as well as with Ryan.
3 There is an omission in that report. TCC Today's
4 objectives and accomplishments fit very perfectly with
5 the commentary that Johnson made about the success in
6 downtown, and I just want to give a couple of
7 examples, because this project was not mentioned at all
8 in the report.

9 So, for example, securing the National
10 Registered Listing for that Historic District, which is
11 adjacent to the TCC and includes the Eckbo landscape,
12 bringing awareness of an historic -- the history and
13 the design significance of this property, and the fact
14 that as rehabilitation continues TCC and Eckbo
15 Landscape will once again be a community gathering
16 place. With those fountains filled it can be an oasis,
17 with hundreds and hundreds of missing trees replaced.
18 It's an urban forest, it improves the patron
19 experience, it's going to extend the experience of all
20 these people who are going to be living, dining,
21 recreating in these projects that we've talked about
22 today.

23 So I look forward to being back in a few
24 weeks. Thank you very much.

25 CHAIRMAN McCUSKER: Thank you.

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No other calls?
Entertain a motion to adjourn.
(Motion moved and seconded.)
CHAIRMAN McCUSKER: All in favor say aye.
(Motion passed unanimously.)

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REPORTING FIRM CERTIFICATE

THIS FIRM CERTIFIES the ethical obligations set forth in ACJA 7-206 (J)(1)(g)(1) through (6) are in compliance and have been met.

WITNESS MY HAND this 1st day of November 2016.

KATHY FINK & ASSOCIATES, INC.
No. R1003