

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona
October 27, 2015
1:00 p.m.

REPORTED BY:

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1 (Meeting commenced at 1:01 p.m.)

2 CHAIRMAN McCUSKER: We're going call our meeting
3 to order. It's 1:01 by the official clock.

4 Mr. Marquez, you get to lead the pledge for nine more
5 months.

6 (Pledge of Allegiance recited.)

7 CHAIRMAN McCUSKER: Michele, call the roll.

8 MS. BETTINI: Jeff Hill?

9 JEFF HILL: I am here.

10 MS. BETTINI: Edmund Marquez?

11 MR. MARQUEZ: Aye.

12 MS. BETTINI: Chris Sheafe?

13 TREASURER SHEAFE: Here.

14 MS. BETTINI: Fletcher McCusker?

15 CHAIRMAN McCUSKER: Here.

16 MS. BETTINI: Mark Irvin?

17 SECRETARY IRVIN: Here.

18 MS. BETTINI: Jannie Cox?

19 MS. COX: Here.

20 MS. BETTINI: And Cody is on his way.

21 CHAIRMAN McCUSKER: The transcripts you have.

22 There is one small thing, Mr. Collins. I believe you
23 guaranteed the Gadsden loans.

24 MR. COLLINS: Yeah. Mr. Chairperson, members of
25 the Board, as I was reviewing the transcript, there was a

1 slight error on page 22 line 11. It says that I guarantee
2 the payments that you would -- might make to Gadsden. And
3 I've confirmed with Adam Weinstein that it was he that said
4 that. So I'd like you to approve the minutes subject to
5 that change. I don't think my guarantee would help much.

6 MS. COX: So moved.

7 CHAIRMAN McCUSKER: Motion to approve as amended;
8 all in favor say aye.

9 (Ayes.)

10 All opposed nay. It's the time set aside for the
11 Executive Session.

12 We need a motion to recess.

13 SECRETARY IRVIN: So moved.

14 CHAIRMAN McCUSKER: All in favor say aye.

15 (Ayes.)

16 CHAIRMAN McCUSKER: Okay. We'll see you back here
17 about 2:00 o'clock.

18 (The Board adjourned to Executive
19 Session at 1:03 p.m.)

20 (Meeting reconvened at 2:09 p.m.)

21 CHAIRMAN McCUSKER: Entertain a motion to
22 reconvene.

23 SECRETARY IRVIN: So moved.

24 CHAIRMAN McCUSKER: Need a second to that motion.

25 MS. COX: Second.

1 CHAIRMAN McCUSKER: All in favor say aye.

2 (Ayes.)

3 CHAIRMAN McCUSKER: Thank you very much. Okay.

4 Let me kind of walk through the agenda. Some items are
5 going to get tabled through things that we can't control.

6 If you're here for that, I can save you some anxiety.

7 And we will hear from our auditors today. Don
8 Bourn is here to update us on the Thrifty Block.

9 We're going to table item 9, the Mercado Annex
10 Agreement. To refresh your memory regarding that project,
11 at the prior Rio Nuevo meeting we had agreed to participate
12 with the lenders and the developers in a 15,000 square foot
13 retail development on the West Side that was subject to the
14 developer obtaining the GPLET from the City of Tucson, and
15 they are still going through that process with them. So
16 it's too early for us to vote on that.

17 We will look at the proposal from the greenfield (sic)
18 experts regarding the West Side.

19 We are going to table item No. 11, the Mission Garden.
20 If you were at the last meeting or read our transcripts, the
21 County had taken the position that the Friends of Tucson's
22 Birthplace, the managers of the garden, cannot erect any
23 permanent structures inside the garden wall.

24 And, of course, our budget -- about half of our budget
25 assumes some interior construction. So the Friends of

1 Tucson's Birthplace and the County are working through those
2 issues. So we'll defer that until the November meeting as
3 well.

4 We'll talk about the Greyhound. Hopefully we'll get
5 some work done on behalf of the Fox today. I guess we will
6 table item 15 too, right Mark? The wall -- we can get all
7 that together -- that's the Mission Garden wall?

8 MR. COLLINS: Yes, Mr. Chairman, I think that
9 makes sense to do all of that at once.

10 CHAIRMAN McCUSKER: Okay. And El Tour de Tucson
11 tabled. We'll take up the Arena Lot drainage, the Arizona
12 Bowl. And we'll get at it.

13 As you can tell from the agenda, we have a lot
14 going on. There's a lot of activity and interest in our
15 downtown. We have the first college bowl game announced in
16 Tucson in 17 years. We just learned this week that the
17 pregame bowl party for the Noble Home Loans Arizona Bowl
18 will held downtown.

19 We're expecting somewhere in the 15,000 - 20,000
20 out-of-town fans for that game.

21 If you start watching the standings, the two
22 leagues that will participate in that bowl are the Mountain
23 West Conference and Conference USA. But you can begin to
24 see the teams kind of in the middle, the 3 and 3 -- you
25 know, 4 and 3, 3 and 4 teams -- those are the teams we're

1 likely to invited to that bowl game. That's December 29th.
2 We're going to talk about how we might help those guys later
3 on today.

4 We quietly closed on the sale of the Arena Lot in
5 Nor-Gen. With all the years worth of activity, it was kind
6 of unnoticed that, in fact, we did close. They now own that
7 8 and a half acres and are moving quickly to -- with their
8 development plans. We have engaged with Greyhound
9 leadership out of Dallas; we'll talk about the work we're
10 doing with them later today. So a lot going on.

11 Dan, you give us a quick update on where we are
12 financially, and then we'll talk to our auditors.

13 MR. MEYERS: Dan Meyers, CFO of Rio Nuevo.

14 Okay. As of September 30th, our Alliance Bank
15 operating account has approximately \$2.5 million in it. The
16 Alliance Bank ICS account has approximately \$5 million; and
17 the Bank of Tucson operating account has about 400,000,
18 coming to a total of \$7.9 million in the bank as of
19 September 30th. Shortly after the end of the month we
20 received approximately \$5.5 million from the closing of the
21 Arena Site sale. And as of the end of September --

22 CHAIRMAN McCUSKER: Where that's money, Dan?

23 MR. MEYERS: That money right now is in Alliance
24 Bank operating account. We're in the process of looking at
25 some options of where to put that; it also has to be in

1 compliance with ARS 35-302 so it's well secured, and how we
2 have to treat the public money. So it's all where it
3 belongs. We're in the process now of looking at some
4 options to reallocate it based on upcoming obligations and
5 interest rates and all that stuff. So that's right now on
6 the to-do list.

7 As far as commitments go, nothing's dramatically
8 changed. Mission Gardens is still approximately a million
9 dollars; the Garage at AC Hotel is 4.3 million; Streetscapes
10 750,000; and approximately 335,000 remaining to be spent on
11 the TCC for the budget.

12 As I said a little bit ago, I think, the money sitting
13 in Wells Fargo -- as we get it from the State every month,
14 it goes into an account where it accumulates, and then it's
15 put aside to pay for future interest and principal.

16 And as of the end of September, there's an overage in
17 that account of approximately \$1.9 million that we have
18 access to.

19 And I've dropped by about 70- or \$80,000 in October
20 because our TIF revenue was less than the amount we had to
21 put aside for that particular month. So that money is
22 available; and we may want to pull some of it out and put it
23 in some of the other local banks here.

24 CHAIRMAN McCUSKER: Any reason we wouldn't want to
25 move that money? It's just under our authority to -- in

1 there just wire it to our account of choice.

2 MR. MEYERS: Yeah. I mean, my thought, we'd like
3 a little something in there as a reserve, but I don't know
4 why we couldn't take \$1.5 million or something like that and
5 redirect it over to local banks. It's not like we're
6 getting any significant interest sitting there in Wells.

7 CHAIRMAN McCUSKER: Make that a recommendation and
8 we'll take action on it.

9 TREASURER SHEAFE: Since I'm treasurer, I'll make
10 that recommendation. And I'll set it a \$1.7 million.

11 CHAIRMAN McCUSKER: In a motion, please.

12 TREASURER SHEAFE: The motion is that we take
13 \$1.7 million out of the funds that are held on reserve to
14 pay bond debt and move it -- which is in excess to the funds
15 that we actually need to keep statutorily -- and we'll move
16 it into the operating account that's directed by our
17 financial advisor.

18 MS. COX: Second.

19 CHAIRMAN McCUSKER: All in favor say aye.

20 (Ayes.)

21 (The Board voted and motion carried.)

22 CHAIRMAN McCUSKER: Dan, thanks. Any questions or
23 anything else for Dan?

24 Okay. Beach Fleischman representatives are here.

25 They're our annual auditors. I believe, Jim, you're in the

1 last year of your three-year engagement with us.

2 MR. LOVELACE: Mr. Chairman, members of the board,
3 you should have received a copy of the draft audit report
4 this morning. We're happy to stand here before you and tell
5 you that this is, I believe, our third year in a row we've
6 issued a clean opinion. We are prepared, subject to the
7 management representation letter which both the chair and
8 treasurer I believe signed.

9 We are required to go through some required
10 communications. You'll see that document in writing
11 subsequent to the board accepting the drafts. But I am
12 happy to stand here and tell you a couple very nice matters.
13 We had no difficulties in performing the audit; and we had
14 no disagreements in performing the audit.

15 For folks who've been around the District for a while,
16 that's somewhat facetious, but again, I share that with you
17 with all due respect.

18 Mr. Collins, you as well know what I'm referring
19 to.

20 MR. COLLINS: Yeah, sorry. I -- yes, I do.

21 MR. LOVELACE: Again, you should have a copy of
22 the draft financials. Now, folks, I'm not going to stand
23 before you and go through them add nauseam. I'm going to
24 summarize some of the salient points. And I'll refer you to
25 select pages.

1 And if you would start with page one, at the very
2 bottom of that page. When I mentioned to you that we are
3 prepared to issue a clean opinion, that's that last
4 paragraph. Now, folks, this entire document belongs to you.
5 The only page that I'm responsible for is the auditors
6 report. And again, at the bottom of the page, in our
7 opinion and all material respects, et cetera, et cetera.

8 That's where the rubber meets the road.

9 If you'll turn to page 3. Now, folks, government
10 accounting is little different than your average financials.
11 You have two measurement models: the full accrual and the
12 modified accrual. I'll spare you the explanation of the
13 modified accrual. Perhaps some day we could go through a
14 study session. I would be happy to bring you up to speed on
15 that. I think most of you are comfortable with the full
16 accrual financials. Page 3 is the balance sheet; or in your
17 case, a statement of net position. You'll see that you've
18 got \$85.6 million in total assets. \$79.8 in total
19 liabilities for a net position of 5.7. And again, that's on
20 the full accrual measurement model.

21 Turn to page 4. While it's called a statement of
22 activities, you might be more familiar with the vernacular
23 profit and loss statement of revenue expenses, things of
24 that nature. Nonetheless, this is the statement of
25 activities of the governmental model. You had approximately

1 \$11 million in revenues. And total program expenses of 7.5.

2 And then the bottom line, 3.6 million.

3 So on a full accrual reporting method, you had a pretty
4 good year. Now, if you compare that to the modified
5 accrual, folks, there are some differences, but it's all in
6 accordance with the government that will GASB 34 reporting
7 model. This snapshot -- I'm only going over at a high
8 level, which is the full accrual method. Okay?

9 You might note on that page -- we did sell the Rialto
10 Theatre. And there was a book loss -- understand that's a
11 book loss: Net of the sales price compared to the net book
12 value of it, net of depreciation, et cetera. So while you
13 did incur a book loss; nonetheless, that's on the full
14 accrual method. We sold it for a million-three, and that's
15 reflected in these findings as well.

16 If you turn to page 9 -- now, again, I'm not going to
17 stand before you and read through each one of those pages;
18 but footnote one is a description of the organization and
19 the summary of the accounting policies. Again, I would
20 encourage you to read those.

21 There were no new accounting policies that
22 were applicable to the District. There was a new accounting
23 standard for governmental appliance called GASB 68; it's the
24 full pension accounting model. You folks don't have the
25 pensions per se that, in this case, would be subject to

1 accounting reporting.

2 If you did, these financials would be much longer than
3 what you have in front of you. But nonetheless, the
4 District did not adopt any new accounting policies for the
5 current year.

6 If you would flip over to page 14. And again, this is
7 for the benefit of folks who have been on the District for a
8 while -- and perhaps you, as well, sir, being new.

9 Footnote 3. When we sold the Depot Garage,
10 that footnote discloses that contractual relationship and
11 how it's accounted in reporting. Very unique transaction,
12 but nonetheless, that footnote gives you that detail.

13 If you'll turn to page 15. Mr. McCusker, and Dan, you
14 heard talk about the sale of the Arena Site. This is what
15 we refer to as a subsequent event footnote. Obviously, a
16 balance sheet data had not been executed and consummated;
17 nonetheless, there is that disclosure about that subsequent
18 event, which apparently did close September 30th, around
19 there.

20 Page 16 on the capital assets. Folks, this is just a
21 roll forward of your beginning assets, your additions, your
22 deletions, and the ending historical cost method.

23 You'll see under the increases, the \$7.5 million by and
24 large was the activity of the convention center. And then
25 under the decrease, with minor exception, again, that's the

1 adjustment when you sold the Rialto. So that's your cost
2 basis and your accumulated depreciation out of the million
3 three to get to that book loss I referred to earlier.
4 Mr. Hill, I'm sure you could follow that as well as the best
5 of us.

6 On page 17 is footnote 7. Here's the changes in the
7 liabilities. Obviously the debt service for your series
8 2008, and your COPS, the debt service to the principal, and
9 then the amortization of the discounts.

10 I would encourage you to peruse through footnote 11.
11 It's all your IGAs, your commitments and contingencies.
12 There was only one that I thought I might bring to your
13 attention. Again, this is a footnote that's brand new in
14 this draft that you have in front of you. You've hear Dan
15 refer to it and Mr. McCusker about the Fox Theatre
16 Foundation. Obviously, in prior year (sic), we reserved for
17 the 5.8, 50 cents on the dollar. So now the allowance goes
18 away. You still have the 2.9 on the books. But you'll also
19 note that the District contributed the dollars to execute
20 that put at the foundation. And so all that details is
21 disclosed right here. That is our presentation.

22 Again, we're present in the off chance you have
23 questions or comments of us. I can tell you that this year
24 was rather interesting. As I alluded to initially, it is, I
25 believe, our third year of a clean opinion. When we

1 proposed on this work from inception, we proposed on a fixed
2 fee basis. Folks, the books were in really good shape and
3 the accounting records were in really good shape, so kudos
4 to the Board and to Dan. We did not charge you that fixed
5 fee amount. So you'll be encouraged to note that you saved
6 money on your audit engagement.

7 Thank you, sir. I was hoping somebody might
8 recognize the significance of that. But nonetheless, kudos
9 to the Board and to the accounting department and Michele,
10 of course, as well. That in a nutshell is our report. I'll
11 turn it back to you, sir.

12 CHAIRMAN McCUSKER: Any questions for Jim?

13 TREASURER SHEAFE: Compliments --

14 MS. COX: Really good news. I'm boasting about
15 that in the community.

16 CHAIRMAN McCUSKER: Thank you. We need a motion
17 to approve the draft audit.

18 SECRETARY IRVIN: So moved.

19 MS. COX: Second.

20 CHAIRMAN McCUSKER: All in favor say aye.

21 (Ayes.)

22 Any opposed?

23 (The Board voted and the motion
24 carried.)

25 CHAIRMAN McCUSKER: Jim, again, thank you very

1 much.

2 MR. LOVELACE: Thank you, sir.

3 CHAIRMAN McCUSKER: -- the audit goes up on the
4 website. We post it immediately. Dan, it doesn't go
5 without notice the hard work you're doing. And you make all
6 of our jobs easier. Thank you very much.

7 MR. MEYERS: Give Michele a lot of that credit.

8 CHAIRMAN McCUSKER: Well, I don't know about that.

9 MR. RITCHIE: How about the board member that
10 found Dan?

11 CHAIRMAN McCUSKER: Okay --

12 MR. RITCHIE: I haven't contributed as much, but
13 that's my one small contribution.

14 CHAIRMAN McCUSKER: Item 8. Thrifty Block,
15 Mr. Bourn.

16 And state your name and company for the
17 transcriptionist.

18 MR. BOURN: Don Bourn, Bourn Companies. Thank
19 you, Mr. Chairman.

20 Thanks for inviting me.

21 It's been a while since I've been here and lots
22 happened since I've seen you. I hope that you've been
23 getting the quarterly reports and have a pretty good idea
24 what we've been up to.

25 I'm here for a couple of reasons. One, to give

1 you an update as to what we've been doing with the project.

2 And the second is to request approval for some -- for
3 the new concept that we've developed, which is similar, but
4 somewhat different from what you've seen before.

5 The -- what I've given you is here is a marketing
6 brochure that we put together to begin marketing the
7 property.

8 It's the first draft, so it's going to improve over
9 time. But I thought that this would probably be the best
10 indicator of what we really want to do with the property.
11 Before I get to that, I thought it might be good to show
12 some of the work that's been done on the site. And then
13 I'll jump back into the brochure.

14 The first slide up here is the Indian Trading Post;
15 everybody's probably familiar with it.

16 We've spent about a hundred thousand dollars on this
17 building primarily doing interior demolition; there's some
18 environmental remediation that had to be done as well as
19 just years and years and years of tenant improvements that
20 have been built on top of each other. And we felt until we
21 got to the bone of the building, people weren't going to be
22 able to see what we really had.

23 These photos aren't very good. But the left is before
24 demolition and the right is after demolition. So what we
25 were able to do is take all the sheet rock off the walls and

1 take all the drop ceilings out and really get down to the
2 raw bones of the building. And the building is going to be
3 a spectacular building. It has 18-foot ceilings. It has
4 the old brick walls, wood trusses.

5 And what you'll see a little later is that these
6 windows on the exterior of the building actually were
7 modified. They used to have beautiful big windows and they
8 got rid of those and these small little windows. So we hope
9 to restore it back to that original look.

10 Another interior photo: You can see the old ceiling.
11 And these photos aren't the greatest, but I want to give you
12 some idea of what we've been doing here.

13 Another shot of the ground floor.

14 Next one.

15 I think when you do a tour walking the building, the
16 upstairs is really going to be blowing you away. If you've
17 been up there before, it used to be a series of -- like a
18 mouse maze of little tiny doctor's offices and 8-foot
19 ceilings and just a real mess.

20 When we ripped all that out of there, again, on the top
21 floor, we have 18-foot ceilings with big bow trusses,
22 there's 28 windows circling the top floor. It's just going
23 to be a beautiful space once we get it done.

24 And then the basement. We peeled everything down,
25 cleaned it out. And actually had some restaurants

1 interested any doing some fun things in the basement as
2 well.

3 This photo is the -- what we refer to as the annex
4 building. It's technically not a part of the Rio Nuevo
5 project, but in our mind it always has been; it's this
6 block. We just recently redeveloped this building, moved
7 our offices down here. We've have 20 employees that are now
8 officing in this building and we've signed a lease with
9 another tenant that has about 20 employees now as well.

10 The left is before and the right is after. We're still
11 in the process of decorating the building lobby but this is
12 the lobby of the building. Made in a pretty dramatic
13 decorative staircase with skylights above connecting all
14 four floors.

15 This is a space looking down towards Congress Street.
16 There's a concrete wall, solid wall. And they've punched
17 numerous major openings into the building.

18 This is a part of our office space.

19 Again, more of our office space.

20 This is a company called SmartThings I referred to
21 earlier. I think it's a great little story because it's the
22 kind of tenant that we're hoping to attract for Tucson
23 centered for downtown. It was a little company that
24 happened to sell their business to Samsung. And when
25 Samsung bought the business they had 15 employees. Now, a

1 year later, they have 200 employees. They had offices in
2 Palo Alto, Minneapolis and Georgetown. They closed their
3 Georgetown and office moved it to Tucson. This would be a
4 mission critical high level support center for the product
5 that they're selling that's now in Best Buy, and Home Depot.
6 And it's the smart technology home security/home control.
7 And so this is Samsung's entry into that business. So they
8 hope to eventually have 50 employees within the next year.
9 They've gone from 13 I think to close to 20 and hope to have
10 30 employees by the end of the year.

11 You see the space; it's open, kind of fun,
12 techie-type of space, which is what we think the market --
13 some of the market's looking for. Mr. Irvin may disagree.

14 SECRETARY IRVIN: No, I totally agree.

15 CHAIRMAN McCUSKER: He's being drug along.

16 MR. BOURN: This is, again, some of our office
17 space. You can see the difference.

18 That's what we've been up to. We spent about
19 \$2 million in the building. I think the total investment
20 now is approaching \$4 million in that particular building.
21 We've spent about \$150,000 on the design work of the lot.

22 We spent a hundred thousand dollars on the Indian
23 Trading Post. So while some time has gone by, we feel that
24 we have been making some progress. Not as quickly as we
25 like, but I guess all good things take a little bit of time.

1 This rendering, by the way, is an example if you
2 compare. If you think about the Indian Trading Post -- the
3 first slide that we looked at -- you can see that there's an
4 opportunity to put lots of glass at the street level and
5 really make that a jewel of a building.

6 So the first thing I tell you is that the big change
7 that we've probably made to this -- talked about this last
8 week -- we completely got rid of all the parking. Every way
9 we looked at it and whenever we tried to slice it and dice
10 it, the economics just weren't working trying to get that
11 project to work with on-site parking. On top of that, I'm a
12 big believer that Congress Street is really our one
13 opportunity to have this critical mass of activity,
14 certainly entertainment. And to have a big dead parking lot
15 along Congress Street I thought was the wrong thing. We
16 were prepared to do it if we thought we needed to.

17 So the change has been we're going to have 10- to
18 12,000 square feet of outdoor area connecting all these
19 buildings. So we changed the name. I think people are
20 tired of hearing about the Post. We're going to change the
21 name to City Park. And this is going to be a project where
22 people work, dine, live, and play.

23 And I'll skip through a lot of these. This is our
24 marketing brochure that we put together and trying to
25 highlight the significance of the location.

1 And so this next slide shows what the total project
2 will be able to -- including our annex building, we'll have
3 39,000 square feet of what we're referring to as creative
4 office lofts; about 20,000 square feet of indoor and
5 outdoor -- I'm sorry. 20,000 square feet of what we're
6 referring to called food hall, restaurant, and retail space;
7 13,000 square feet of outdoor space, which we're planning on
8 doing a roof deck of about 3,000 feet and 10,000 square feet
9 of outdoor space surrounding the buildings. And then 39
10 residential -- what we refer to as urban lofts, the true
11 sense of a loft where their studios are open space, very
12 industrial, much like the office space I just showed you.

13 This gives you a visualization of what the end product
14 will look like from the north.

15 All the dots highlight what I just discussed.

16 You see the break between the buildings which is very
17 similar to what we had before when we talk about just --
18 instead of the parking being between the buildings, this is
19 going to be a parklike setting that would be outdoor patio
20 seating hope, to have a stage an music, and have
21 entertainment and really try to have a connection between
22 all these buildings.

23 You can go through that -- this is just maps of
24 downtown.

25 We talked for a second about parking. We're not --

1 we've -- you may question our decision to -- excuse me -- to
2 eliminate parking. But we have a number of parking spaces
3 and lots right around the site. And we're really going for
4 a project that is an urban-oriented type of project.

5 Obviously, you have the Pennington Garage right down
6 the street. We have parking right across the street; and La
7 Placita Garage, there's -- lots of parking which is
8 available -- valet parking for people that want to come and
9 use the restaurants.

10 So the concept -- you can go to the next slide,
11 probably better.

12 So the concept is that there's a lot of restaurants
13 downtown. And we want to do something different that is
14 complementary, but we're not sure that -- that Tucson's
15 ready to support having traditional retail. So our goal is
16 to try to make this project somewhat of an anchor
17 destination unto itself.

18 So we've broken our market down between the
19 daytime market and the nighttime market. Daytime market,
20 we're going to have 10 different foods and retail stations,
21 with pop up retail, which will be gourmet, kind of high end
22 food hall. You've seen these in lots of other cities. They
23 give people up and up and coming chefs an opportunity to do
24 something, give people who haven't established locations who
25 want a presence without making a big capital investment in

1 downtown. So it gives us an opportunity to have a good mix
2 of tenants and have that mix probably evolve over time.

3 So lunchtime, we really focus on the walk up
4 traffic, people, employees working within a 10-minute
5 radius. Nighttime, however, go to the next one -- we're
6 focused on -- this needs to be a destination where we can
7 track people from a 15-minute drive time. What's kind of
8 interesting for all of us to think about when we think about
9 downtown is, according to our demographics, which can
10 calculate drive times from various locations around the
11 city, there's 275,000 people that can reach this location
12 within a 15-minute drive.

13 And so our goal with this is to make this a destination
14 that serves as a focal point or a draw for people that can
15 drive downtown.

16 This is a plan. It's hard to read, but it shows the
17 Indian Trading Post to the left and the Annex Building to
18 the right, and the center space, a 10,000 foot indoor space.
19 And then you see all the outdoor space programmed around it
20 with a central connection between all three buildings and
21 all the open space.

22 This is a rendering of the interior of that space.

23 This is an office space for our building that we're in.

24 And the floor plans for the two levels of office space
25 in the new building, with one level of office space in the

1 Indian Trading Post. And then the top three floors of the
2 building will be the residential urban lofts. And those
3 would be very small, 5- to 650 square feet, open space
4 lofts, really focused on the millennial and the young at
5 heart.

6 We designed this in a way though that they can be
7 combined. So we can combine two to make it 11- to 1200
8 square feet if people like that. Very flexible. And we
9 think there's a ready market for that. And we don't think
10 that those residents necessarily have the requirement to
11 have onsite parking as compared to the 1000 to 2000 square
12 foot spaces we're designed before for maybe more of a baby
13 boomer professional market.

14 These are the elevations -- technical elevations.

15 So what we wanted to do today was to ask you to approve
16 this new direction.

17 I believe that under our agreement, you have the right
18 to review and provide approval.

19 Rather than just sending this to you and asking you to
20 do that, I thought it would be nice to present it and answer
21 any questions you may have.

22 TREASURER SHEAFE: Don, where are you in the
23 scheme of the steps you have to go through to actually to
24 start to disturb dirt and get something moving? I guess I'm
25 asking primarily the financing question.

1 MR. BOURN: Well, I'd say there's number of steps.
2 We've been working with contractor to verify cost.

3 We feel like we're in the range where this makes sense,
4 which has been the challenge with this project.

5 We talked to some lenders, had initial conversations,
6 and a lot of that -- of their ability to finance this is
7 contingent on our ability to receive the incentives, the
8 GPLET, and the various things that are critical for these
9 kinds of projects downtown.

10 The -- a project like this -- the residential part of
11 this is not expected to be pre-leased. A lot of times
12 lenders are going to look for a certain amount of commercial
13 space to be pre-leased as you know. So I think the steps
14 that we see -- we've had some preliminary discussions with
15 lenders, we have to continue that. I didn't feel -- I felt
16 like the first thing I got to do is talk to you and make
17 sure that the Board is comfortable with this direction.

18 Then, assuming that you are, we would then start
19 discussions with the City about obtaining the GPLET and so
20 forth.

21 I can also say that if we're not successful with the
22 GPLET, then we're going to have to redo this and come up
23 with something more conservative that can work.

24 CHAIRMAN McCUSKER: You just got the GPLET in The
25 Annex. So the City is supporting a portion of the project.

1 MR. BOURN: Yeah. I have no reason to believe
2 that they won't, but I wanted to make sure that I was clear
3 that that's one of the major steps that we're going to do.
4 And we'll start that very quickly. Along with that, we'll
5 start working drawings on the shell building. And that's
6 the first thing we do is we get the civil engineer and he'll
7 start working on the develop plan. We have a contract on
8 the desk ready to be signed. We also are prepared to start
9 architectural CDs. And that process will go between now and
10 February.

11 And so between now and then, it's typical of how we do
12 projects -- we're fronting all of the seed money to make
13 this work with the confidence that it will work. And you
14 don't have -- you can't have substantial conversations with
15 lenders until you get further along in your drawings and
16 have your costs nailed down and have some knowledge to note.
17 In this case, incentives, and then a certain amount of
18 limited -- in this case, limited pre-lease. So --

19 CHAIRMAN McCUSKER: What are you hearing loan to
20 value from your lenders?

21 MR. BOURN: This is a unique product type for
22 Tucson. The loan to values kind of jump all over the board.
23 And my guess is 50 to 60 percent, something like this. If
24 there's a -- if it was a different kind of project, we might
25 be 70 percent, 75, even 80 percent. But for this --

1 CHAIRMAN McCUSKER: How about the
2 mortgage-ability -- or are you going to rent these lofts or
3 --

4 MR. BOURN: They will be rentals.

5 So obviously we wouldn't be spending this money if we
6 didn't think it was financeable. Like I said, we have good
7 relations with a number of lenders financing a number of
8 other projects, but they are a little more conventional with
9 a lot of those lenders as well.

10 CHAIRMAN McCUSKER: Let us talk to our lawyer here
11 for a minute. It's an extraordinary project, Don. Hats off
12 to what you've done. And The Annex is spectacular. And I
13 think it's part and parcel what attracted Samsung to Tucson,
14 which is a company that would have gone to Austin or Palo
15 Alto or San Diego, except for your space.

16 MR. BOURN: I appreciate that. And let me just
17 say a few other things. Michael Keefe's (phonetic) back
18 here. Michael introduced us to Samsung because he live
19 right next to this project. And he said -- he probably
20 walked it more than I did when it was under construction.
21 He was pretty excited about it. And so he introduced me to
22 Tyler, and you're right. And I think Tyler's looking for
23 this kind of space because their big challenge is they have
24 to hire technical smart people that can communicate with
25 their email, communicate over the phone.

1 And so it really opened our eyes to some of what we're
2 designing here. So we're designing two levels of office
3 space. One of the reasons we started off thinking about
4 that is because they have options to lease the whole rest of
5 our building. And we'd move out into this building. Or
6 conversely, we've also said, look, if it's easier for you to
7 plan your growth into new space and -- that will work; you
8 just tell us what you want to do and we'll take care of you.
9 Since then though we've had two other tech companies that
10 have toured the buildings. In fact, on the restaurant space
11 on The Annex, which is about 3600 square feet, because we're
12 going to be under construction, it's going to be kind of
13 crazy around there. Restaurants are going to want to have
14 patio space, which is how it's designed. We're thinking
15 about maybe incubating an office user in that space for a
16 year, year and a half, who won't -- you know, will need
17 windows but they won't need patio space.

18 So if we can continue to attract these tech-type
19 companies and put them into these buildings, hopefully then
20 people working there are going to want to live there, and
21 the whole thing becoming synergistic. It's kind of the
22 chicken or the egg: If you have the space to get the
23 people, or you have the people to get the space. I guess
24 our belief is now that we've seen this happen firsthand,
25 we're going to make a stretch to try to do that.

1 CHAIRMAN McCUSKER: Mark, my recollection of this
2 is that our parameters were pretty broad.

3 MR. COLLINS: They were.

4 CHAIRMAN McCUSKER: We didn't tell him what he
5 could do. We said some things that we didn't want him to
6 do, but the rest of it was around size and scale and timing.
7 I would render to guess that he's upsized the project. He
8 probably blew away our minimum square footage requirements.

9 MR. COLLINS: Mr. Chairman, members of the Board,
10 the agreement that was -- as you all are aware, settled the
11 lawsuit and was part of the global settlement agreement with
12 the City and we entered with Mr. Bourn's companies -- all it
13 says is not fewer than 20,000 square feet of improvement
14 will be utilized for unrestricted residential hotel and/or
15 commercial purposes, but then we listed it couldn't be a
16 Circle K or something like that.

17 So based on what Mr. Bourn has set forth -- and
18 I'm looking at this -- he has in fact blown the 20,000 away.

19 I suspect that where you're going is, what if anything
20 do we need to do, Mark, to accommodate this? And I'm going
21 to suggest to you that --

22 CHAIRMAN McCUSKER: He's finishing my sentences;
23 it's scary.

24 MR. COLLINS: I've stood before you for a long
25 time, Mr. Chairman. I'm going to suggest to you that Mr.

1 Bourn's lawyer and I put together a very simple
2 acknowledgment and concurrence if this Board likes what Mr.
3 Bourn has put forward, that this is the direction that you
4 can go in, and consistent with the existing agreement. We
5 lawyers like to see some of that documented.

6 CHAIRMAN McCUSKER: I think that'd help with the
7 City. If you go to them and Rio Nuevo's approved it and --
8 I think it helps with your lenders.

9 SECRETARY IRVIN: Mr. Chairman, I'd like to make a
10 motion that we so authorize.

11 MS. COX: Second.

12 CHAIRMAN McCUSKER: Any other questions for Mark
13 or for Don? All in favor say aye.

14 (Ayes.)

15 Opposed? Great.

16 (The Board voted and the motion carried,
17 all ayes and one abstention.)

18 MR. RITCHIE: I'm going to abstain.

19 CHAIRMAN McCUSKER: That's right. Mr. Ritchie has
20 too many clients. Don Bourn is one of them.

21 We've tabled item 9.

22 Item 10, let me set this up for you to review the
23 proposal. The proposer's out of Denver, they're not
24 actually here today. But we've talked to them extensively.
25 I think it's safe to say that we've had nothing but

1 surprises on the Rio Nuevo owned land at the base of
2 A-Mountain.

3 A, it's a landfill. B, it's methane producing
4 landfill. It's actually producing methane at five times the
5 environmental limits.

6 We've been advised we can't penetrate the cap. We've
7 been advised we can't pave over the cap, or concrete over
8 the cap. So what do you do? These guys are ground fill
9 experts. They go around the world and consult with property
10 owners like us, where there is hazardous material, assess
11 the true nature of where it is, how deep it is, what its
12 limitations are, and they will actually make recommendations
13 to us about the highest and best uses, and to the extent
14 they have a commercial audit.

15 So there may be pieces of that that are
16 developable, and there may be pieces of it that are
17 pylon-able, and there may be pieces of it that we can do
18 something like parking.

19 So it's a proposal you have. I think they are out
20 there, Michele, if somebody wants to follow along -- the
21 IRG, advisors proposal. And it's basically a commitment to
22 do background, the walk-throughs, look at alternatives, do a
23 highest and best use analysis, a financial analysis of, if
24 we do these things, what does that mean to the District,
25 both in terms of cost and potential revenue? And their fee

1 is \$44,100.

2 Right now, we just react. Somebody has an idea, they
3 say, can't do that, can't build that, can't dig a hole,
4 can't make it a pond, can't plant trees on it. Won't grow.
5 So I think we're going to have to do something and/or sell
6 it.

7 You know, if we're not going to develop it, maybe
8 somebody else wants to develop it; but even then, you can't
9 do it without some background.

10 TREASURER SHEAFE: Just to comment, Mr. Chairman,
11 there's been a tremendous amount of study on the property
12 and probably 90 percent of what they would uncover is
13 already there in somebody's file. That would be the
14 negative comment.

15 The positive comment, frankly, is that it's a big
16 piece of property, it's an anchor to everything that's going
17 to happen in downtown. It will transform downtown if we can
18 put it to a useful use. And if 44,000 can put us closer to
19 that goal, it would be a bargain in my view to organize the
20 information that's already there and move forward.

21 SECRETARY IRVIN: All those documents are
22 scattered amongst a hundred boxes. And they are all reports
23 done for different entities. And I think it's a great use
24 of money and I'd like to make a motion that we move forward
25 and execute the survey.

1 TREASURER SHEAFE: So moved -- or second.

2 CHAIRMAN McCUSKER: I have a motion and a second
3 to accept the \$44,100 proposal from IRG. Any further
4 comments, questions?

5 MR. COLLINS: Yes, Mr. Chairman. If you move to
6 do that, we'll need to reduce it into one of the statutory
7 compliant agreements that the District has.

8 It's what we've done with Stantec; it's what we've done
9 with WLB.

10 CHAIRMAN McCUSKER: A professional agreement does
11 not require competitive procurement?

12 MR. COLLINS: Does not. It's a professional
13 service.

14 CHAIRMAN McCUSKER: You view this as a
15 professional service?

16 MR. COLLINS: I do.

17 CHAIRMAN McCUSKER: So we have the authority to
18 engage them?

19 MR. COLLINS: In my opinion, absolutely.

20 CHAIRMAN McCUSKER: All right. We have a motion
21 and a second. All in favor say aye.

22 (Ayes.)

23 Any opposed? Okay.

24 (The Board voted and the motion
25 carries.)

1 That passes unanimously. Item No. 11, we tabled.

2 Item No. 12 -- stay up there, Mr. Collins.

3 When we agreed to accept the lease in the leasehold
4 improvements for the Greyhound, there's an existing
5 management relationship with Chapman Management Group.
6 Anybody conflicted with Chapman?

7 They manage the property, collect the rent, kind of
8 stuff property managers do. So this in essence would just
9 continue that relationship by the same people, same
10 economics. It's probably the easiest thing for all parties.

11 MR. COLLINS: Yes, Mr. Chairman, members of the
12 Board.

13 Chapman Management has been managing the Greyhound
14 property for the City. As part of the sale of the arena
15 site, the District took the assignment of that lease from
16 the City. So now the District has the obligation to manage
17 that parcel.

18 Chapman has offered to continue to do the management on
19 the same or similar terms that they did with the City. The
20 agreement is one that can be terminated on 30 days notice.
21 It would certainly be the easiest to continue -- at least --

22 CHAIRMAN McCUSKER: What are the economics of
23 that?

24 MR. COLLINS: Mr. Chairman, members of the Board,
25 I believe what the monthly rent from Greyhound currently is

1 7,600, almost \$7,700 a month. The Chapman's base monthly
2 fee is \$800.

3 TREASURER SHEAFE: And it's terminate-able within
4 any 30 day period; is that right?

5 MR. COLLINS: Yeah. Either side can terminate.
6 it's a one-year agreement. With the diligence that this
7 Board is exhibiting on moving Greyhound, a little bit of
8 luck this thing is going to be in place for only a year.
9 But yes, it is terminable by its explicit terms.

10 TREASURER SHEAFE: I move that we accept and
11 extend the Chapman agreement.

12 MS. COX: Second.

13 CHAIRMAN McCUSKER: All in favor say aye.

14 (Ayes.)

15 Opposed, no.

16 (The Board voted and the motion
17 carried.)

18 MR. COLLINS: I assume that motion is subject to
19 having it put together in one of our agreements.

20 TREASURER SHEAFE: One of those professional
21 agreements.

22 MR. COLLINS: Yeah, one of those professional
23 service agreements that you've gotten so used to.

24 CHAIRMAN McCUSKER: Yes.

25 Item 13. Our latest venture is quite an adventure and

1 I'm personally pleased to be involved. I found the
2 leadership of Greyhound in Dallas very forthright and easy
3 to deal with. Blunt. I've learned a lot about Greyhound in
4 the few weeks we've been responsible for their relocation.

5 I was surprised to learn that the Greyhound is down to
6 10 buses a day. The average bus loading carries 11
7 passengers. The majority of those passengers are students.

8 It's far different probably than what any of us
9 perceived about the Greyhound. They can operate in as
10 little as 1500 square feet. So relocating them is going to
11 be far easier than we imagined when we agreed to help
12 relocate them.

13 We are looking at vacant land sites. We've
14 actually looked at probably a dozen that adjoin the freeway.
15 We're looking at maybe repurposing a building; they're
16 amenable to both.

17 We are going to move very quickly. We've committed to
18 them. And Nor-Gen has agreed that if we can do this in less
19 than a year, that would be great. I believe we can do it in
20 6 months; and that's really kind of our objective.

21 They need some parameters from us. So they can begin
22 to talk to their leadership and Board, and to clarify our
23 intentions. This has all kind of been a handshake
24 arrangement so far. We've looked at other terminal
25 constructions in Seattle, Washington, D.C. We believe we

1 can do all of this for something in the \$1.5 million range.

2 We would lease it back to the Greyhound, so not only do
3 we solve the Greyhound's problem, we solve the Arena Lot
4 development problem, we get a nice little return on our
5 investment with a huge tenant like Greyhound.

6 So what I've suggested is a range that we authorize a
7 million-4 to a million-7, which would go toward the
8 construction relocation acquisition of a site to relocate
9 the Greyhound terminal.

10 And we would instruct counsel to prepare documents.

11 SECRETARY IRVIN: If you want a motion on that
12 I'll make one. I think it's a great use of District's
13 funds. The other thing that's kind of interesting is as we
14 kind of peel this thing back, what kind of surprised me the
15 most was just the number of buses and the ridership on
16 those. And I guess, secondarily, that there was never more
17 than a couple of busses on the site at any one time. So
18 it's not a big heavy use kind of thing like a lot of people
19 thought it was.

20 I make a motion that we move forward, Mr.
21 Chairman.

22 MR. MARQUEZ: I second that.

23 CHAIRMAN McCUSKER: Motion and second are
24 consistent with what Don was telling us about the new
25 generation of interest downtown. One of the things I've

1 learned from the Greyhound -- if you go to Seattle, or
2 Portland, or San Diego, or Austin, it's the millennial
3 population that's now riding the bus. And they ride the
4 bus, and get off the bus, get on the streetcar, they "uber."
5 It's a very different ridership and it's very consistent
6 with how we view our development downtown.

7 So we'd really like to keep them some place within
8 our district. But, again, I think we'll do it quickly;
9 we'll do it within this budget.

10 This is a big number, Michele, so let's do a roll
11 call.

12 MS. BETTINI: Jeff Hill?

13 MR. HILL: Aye.

14 MS. BETTINI: Edmund Marquez?

15 MR. MARQUEZ: Aye.

16 MS. BETTINI: Chris Sheafe?

17 TREASURER SHEAFE: Aye.

18 MS. BETTINI: Mark Irvin?

19 SECRETARY IRVIN: Aye.

20 MS. BETTINI: Jannie Cox?

21 MS. COX: Aye.

22 MS. BETTINI: Cody Ritchie?

23 MR. RITCHIE: Aye.

24 MS. BETTINI: Fletcher McCusker?

25 CHAIRMAN McCUSKER: Aye.

1 (The Board voted 7-0. Motion carried.)

2 So by a vote of 7-0, we're going to communicate to
3 Greyhound that we're prepared to budget a million-4 to a
4 million-7 to help them relocate.

5 MR. COLLINS: Mr. Chairman, members of the Board,
6 I assume that you will continue your negotiations with the
7 executive officers of Greyhound. I've gotten a lot of
8 communication with their counsel that's on this too. As
9 soon as you guys let a little closer on that, we can begin
10 the document.

11 CHAIRMAN McCUSKER: And this is an item that
12 requires notification to our appointments?

13 MR. COLLINS: It absolutely does, Mr. Chairman.
14 And it also requires concurrence from the City of Tucson.
15 I'm going to suggest that what I do -- subject to your
16 motion -- one of the first things I will do is a prepare a
17 notice to your appointors because of the numbers we're
18 talking about.

19 We have to get concurrence from the City for any
20 expenditure for over \$50,000. I can work with the executive
21 officers to obtain that. I don't need anymore direction on
22 that.

23 CHAIRMAN McCUSKER: Item 14, Fox Foundation
24 bylaws, and hopefully Board appointments. We've tabled this
25 a couple of meetings mostly to vet people that we would like

1 to place on the Fox Board.

2 To refresh your memory regarding the settlement and
3 return of the Fox indebtedness and lease, we have the right
4 to appoint up to five people to the Fox Board. I think
5 we're prepared to submit some of those names today. And
6 also consistent with that agreement the Fox Foundation
7 cannot change their bylaws without notifying us, which they
8 have appropriately done. Counsel has indicated he has no
9 issue with their change. We don't really need to do
10 anything unless we take exception to that.

11 MR. COLLINS: That's correct.

12 CHAIRMAN McCUSKER: So as long as we don't take
13 exception to them, they will --

14 MR. COLLINS: Go forward.

15 CHAIRMAN McCUSKER: And then the issue then is to
16 nominate Board members. And you have, Mark, some
17 candidates?

18 MR. COLLINS: Yes, Mr. Chairman, members of the
19 Board, with the assistance of your staff, and each of you,
20 Bruce Dusenberry has been nominated and has expressed an
21 interest in serving, as has David Volk. Both of them have
22 seen the application, and so forth, and have expressed a
23 real interest in serving on the Fox Foundation Board as
24 appointees of this Board.

25 CHAIRMAN McCUSKER: Should we move them

1 individually?

2 MR. COLLINS: I would suggest that it would be
3 cleaning to do it that way: Bruce Dusenberry and David Volk,
4 whichever order you want to do.

5 SECRETARY IRVIN: Is everybody familiar with who
6 those two folks are?

7 CHAIRMAN McCUSKER: Somebody move one or the
8 other.

9 SECRETARY IRVIN: So should we approve Bruce
10 Dusenberry?

11 MR. RITCHIE: Second.

12 CHAIRMAN McCUSKER: So we're not approving
13 anything. We're nominating them.

14 MR. COLLINS: Yes.

15 CHAIRMAN McCUSKER: So if you will properly state
16 your motion.

17 SECRETARY IRVIN: Nominating --

18 MR. RITCHIE: Second.

19 CHAIRMAN McCUSKER: All in favor say aye?

20 (Ayes.)

21 (The Board voted and motion carried.)

22 CHAIRMAN McCUSKER: And now same thing for
23 Mr. Volk.

24 SECRETARY IRVIN: I'd like to nominate Mr. Volk as
25 well.

1 MR. MARQUEZ: Second.

2 CHAIRMAN McCUSKER: All in favor say aye.

3 (Ayes.)

4 (The Board voted and motion carried.)

5 THE WITNESS: Thank you. We've still got three
6 positions there. If you are so inclined, submit a name to
7 Mr. Collins.

8 MR. COLLINS: Mr. Chairman, I will advise the Fox
9 Foundation board of your actions.

10 CHAIRMAN McCUSKER: And I guess I'll communicate
11 to the two nominees.

12 MR. COLLINS: Okay.

13 CHAIRMAN McCUSKER: Item 15 -- we tabled item 16.
14 This is tied into item 18, or --

15 TREASURER SHEAFE: It's actually a separate item,
16 Mr. Chairman. But very briefly, we had made commitments to
17 finish some engineering work some time ago. There is a
18 little bit of work that's been required by the City to
19 finish up the water line engineering agreement. This is to
20 approve the expense for that work. It's \$3,450. I've gone
21 over it with Stantec; and it really is consistent with all
22 the previous approvals that we've already passed on this
23 Board.

24 MS. COX: So moved.

25 MR. MARQUEZ: Second.

1 CHAIRMAN McCUSKER: All in favor say aye.

2 (Ayes.)

3 Any opposed, nay.

4 (The Board voted and the motion
5 carried.)

6 MR. COLLINS: You will all be happy to know that
7 that's been reduced to a fully executable agreement.

8 CHAIRMAN McCUSKER: 17 we tabled. 18 --

9 Okay. Mark, you're going to have to help us through
10 this. Let me see if I can properly set up the issue. I
11 believe it was March or April of 2013, in concert with
12 Nor-Gen at the time, long before we ever contemplated
13 selling the Arena Lot, we learned that the Tucson Convention
14 Center and surrounding area dumped all kinds of water onto
15 these western lots. Creates a huge problem for the
16 development of both lots.

17 We had agreed at the time, the Board voted to
18 participate in rerouteing the drainage along Granada,
19 ultimately to the river. What it does is allow the maximum
20 development of both of those sites, the Arena Lot and the
21 Nor-Gen lot.

22 City's been back and forth now on what they would
23 require and would not require. But I think it's been made
24 clear to us now that those lots cannot be maximally
25 developed unless we figure out the watershed issues first.

1 So, we've re-resurrected the original approval. This
2 is the amount and agreement that we had as the Board agreed
3 to in 2013, the developers asking us to consider reapproving
4 this currently.

5 And, Chris, you were intimately involved in negotiating
6 that; is there something you want to say?

7 TREASURER SHEAFE: Mr. Chairman, if we want to
8 have any discussion or anybody else wants to --

9 CHAIRMAN McCUSKER: And I think we should hear
10 some background, and then we need to hear from counsel and
11 --

12 TREASURER SHEAFE: Well, the main thing -- the
13 central point here is that we made this decision originally
14 because it was money that we were going to have to spend.
15 And we were simply combining it in a more efficient manner
16 through the process that we've worked out with Nor-Gen.

17 And this was all previous to the sale of the arena
18 parcel. The sticking point is that we moved forward
19 assuming that everybody was kind of on the same wavelength.
20 I think looking at it in hindsight it might appear like
21 we're doing benefit to somebody else, which really isn't the
22 case. The important thing is that the money that the
23 District -- if it's approved here we've put into this
24 project would facilitate quite a bit of development. But it
25 would also only be put in after the infrastructure is owned

1 in the public arena. And so we would be paying into the
2 process of creating a public asset to eliminate a problem
3 that we would eventually have to deal with on our own had we
4 not had the cooperation of the development process that's
5 currently taking place. I have a motion --

6 CHAIRMAN McCUSKER: To clarify that, we would be
7 contributing to the City's ownership and development of this
8 culvert system, right? It's not --

9 MR. COLLINS: Mr. Chairman, members of the Board,
10 as you all know you are not authorized to invest money in
11 privately held property. It has to be in publicly-owned
12 property.

13 So if you're going to move forward with this, it has to
14 be structured in an agreement which contemplates that before
15 you reimburse the developer, whether it's a Nor-Generations
16 or Nor-Development, whatever it is -- that the City's got
17 to -- Nor-Generations or the owner's got to dedicate the
18 space along with all of the improvements. And the City or
19 the municipality -- City in this case -- has to accept that.
20 Because once they accept that, then they will maintain that.
21 You will then be putting the money -- your money into
22 government-owned property.

23 You couldn't just give the money to somebody right now
24 because that would violate that requirement. So it is an
25 agreement that will require some fine tuning, if you will.

1 And let me bring back to this topic:

2 If this number -- if it's the 62 percent, the 855 --
3 and I'm going give you some history to help some of this
4 discussion -- but this is also going to require a notice to
5 appointors because of the numbers we're talking about.

6 To the extent that it may be of some assistance to the
7 board members, and perhaps the public, the original motion
8 that Mr. Chairman and you and Mr. Sheafe have been talking
9 about was made during the March 11 '13 meeting. And it was
10 a specific motion. It specifically said, among other
11 things, that the Board would participate up to 62 percent of
12 the total contract costs for common construction elements
13 and in no case participate more than \$855,000.

14 Payment will be made to Nor-Gen upon the completion of
15 the construction, and acceptance by the City of Tucson of
16 the completed drainage facility into public ownership and
17 maintenance. And fourth, that the construction contract
18 must be executed on or before June 1 of 2014.

19 So the structure of what I believe you're talking
20 about is the same structure. But that particular commitment
21 was subject to a condition that I don't think you're talking
22 about putting in here.

23 After that, we issued -- we -- you issued the RFP in
24 2014. And at the -- March of 2014. And at the August 26th
25 of '14 meeting the Board selected Nor-Gen as the successful

1 bidder, and then the agreement with Nor-Gen was executed on
2 January 27th of 2015.

3 And as you now all know through the efforts of Pat
4 Lopez, and Alan Norville's office, we did close that sale at
5 the end of September.

6 So this is an issue that I think you guys have a policy
7 decision to make as to what you want to do about it.

8 CHAIRMAN McCUSKER: Go ahead, sir, launch your
9 motion. We'll see if you get a second.

10 TREASURER SHEAFE: All right. And I will give
11 this to you in writing so if you miss anything it will be at
12 least part of the public record having put forth in its
13 original form.

14 My motion is to direct counsel to draft --

15 CHAIRMAN McCUSKER: -- we've got a whispered thing
16 going on here. I think Cody's got to recuse himself.

17 TREASURER SHEAFE: I'm sorry. Did we lose Cody?

18 MR. COLLINS: Yeah, we did.

19 TREASURER SHEAFE: All right. My motion is to
20 direct counsel to draft with the assistance of the Board's
21 executive officers the necessary statutory compliant
22 "Agreements" authorizing the Board to provide financial
23 assistance to Nor-Development, LLC ("Nor-D") and
24 Nor-Generations, LLC ("Nor-Gen") in their development of the
25 Arena Site and the adjacent "Exhibition Hall" property

1 consistent with the following material terms:

2 1) The District will reimburse Nor-Gen and/or Nor-D
3 for a portion of the total contract costs for the common
4 construction elements of Box Culvert and Sewer Realignment
5 from the northeast corner of Nor-Gen's "Exhibition Hall"
6 parcel to the southeast corner of Nor-D's Arena site parcel
7 -- that we call the "Project."

8 2) The amount of the District's "Reimbursement" shall
9 not exceed (a) 62 percent of the total common construction
10 elements of the Project, or (b) \$855,000, whichever is the
11 lesser amount.

12 3) The District's reimbursement obligation is
13 expressly contingent upon:

14 A) The Board's approval and execution of the
15 final Agreements;

16 B) The District's approval of the Project's final
17 construction contract, including the scope of services;

18 C) And Nor-Gen and Nor-D's dedication of the
19 Project's real property and the attendant improvements to
20 the City of Tucson ("City") and the City's final acceptance
21 of such dedication so that the City will maintain the
22 results of the project.

23 CHAIRMAN McCUSKER: That will die without a
24 second.

25 MS. COX: Second.

1 CHAIRMAN McCUSKER: All right.

2 Now discussion.

3 Michele, call the roll.

4 MS. BETTINI: Jeff Hill?

5 MR. HILL: Aye.

6 MS. BETTINI: Edmund Marquez?

7 MR. MARQUEZ: Aye.

8 MS. BETTINI: Chris Sheafe?

9 TREASURER SHEAFE: Aye.

10 MS. BETTINI: Mark Irvin?

11 SECRETARY IRVIN: Aye.

12 MS. BETTINI: Jannie Cox?

13 MS. COX: Aye.

14 MS. BETTINI: Fletcher McCusker.

15 CHAIRMAN McCUSKER: Aye.

16 (The Board voted and the motion carried
17 by a vote of 6-0 and one recusal.)

18 One recused. So by a vote of 6-0 we've approved
19 that motion. There are some strings, right, counsel?

20 MR. COLLINS: Yeah.

21 CHAIRMAN McCUSKER: We got to tell our appointors
22 you got to draft some docs. You got to get the City to
23 concur.

24 MR. COLLINS: You put me in the fighting cage with
25 Pat Lopez again. So I'll be bringing back documents to you.

1 CHAIRMAN McCUSKER: Okay. Item no. 19. We
2 mentioned it at the beginning of our meeting. It's a very
3 exciting opportunity for Tucson. It's now become an
4 opportunity for downtown Tucson and the Rio Nuevo District,
5 but the NCAA is coming to the University of Arizona stadium
6 on December 29th.

7 Either team -- both teams get an allocation of 5,000
8 tickets at a minimum. We expect 15,000 out-of-state
9 visitors in town for that weekend, and Monday and Tuesday
10 night. They have asked to help organize a downtown block
11 party similar to second Saturday to allow those fans to
12 really enjoy and appreciate the newly revitalized downtown.

13 We would like to help secure that.

14 And, Mark, do you want to talk about what your
15 interest is in that event?

16 SECRETARY IRVIN: Yeah. So this is something that
17 I've actually been working on for about a year and a half or
18 so. And as Fletcher knows, it got great traction earlier
19 this year and then it kind of went sideways because the NCAA
20 elected not to approve our sponsor. So we kind of regrouped
21 in our thinking, did it really rather quickly. So we've
22 been trying to get about a year's-plus worth of work done in
23 a very short period of time.

24 A couple things that were kind of exciting to me
25 is that bowl has identified a number of options for office

1 space; they're either all downtown or they're somewhere
2 along the Broadway corridor so will be in the District.
3 Pretty tickled about that.

4 We're looking for ways that we could do something
5 to help Tucson celebrate a return of a bowl in 17 years.
6 And, of course, given that the Chairman and myself were
7 involved in this, we wanted to see something that would come
8 downtown, that we could connect with the rail, with the
9 modern streetcar, and all the other positive things that are
10 happening downtown. Hopefully when of some these hotels get
11 built, it will be an opportunity for these teams to actually
12 have an option to be downtown in different facilities.

13 So one of the things that we've talked is wouldn't it
14 be nice to throw a great big block party and have the
15 District provide some seed capital for that.

16 So what I'd like to see the District approve and
17 subject to the City and the County joining suit with us, I'd
18 like to see us make a commitment of \$20,000 to the party.

19 And I'd like to see the City and the County do a
20 similar match with that. Our discussions with both the City
21 and the County have talked about a number of different ways
22 that they could help us in addition to cash. We've talked
23 about -- we've got a big line item for police security and
24 what have you. So we're in a separate side bar with them on
25 that discussion. But on this one, I'd like to see them

1 match a \$20,000 donation that would go a long way to kicking
2 off a big block party downtown.

3 MS. COX: Do we know how likely the City and the
4 County are likely to participate?

5 SECRETARY IRVIN: We've had some discussions and
6 obviously it's something that they're looking at.

7 You know, it's a 22- to a \$25 million economic windfall
8 to our community. And right now, neither the City nor the
9 County have any skin in that game at all. So we feel pretty
10 confident --

11 MR. RITCHIE: I'd like to make a motion if I
12 could. I'd like to make a motion that Rio Nuevo earmarks
13 \$20,000 for a downtown party for the Arizona bowl game
14 irrespective -- hopefully that the City or County will
15 participate but without strings attached.

16 CHAIRMAN McCUSKER: Second?

17 MR. HILL: I don't believe you can say "hopefully"
18 in a motion.

19 MR. RITCHIE: Okay. I'll just make a motion that
20 Rio Nuevo will earmark \$20,000 for a downtown street party
21 for the Arizona bowl game.

22 CHAIRMAN McCUSKER: He's making a motion. We
23 don't have another motion. He's now made a motion to
24 reinvest 20 grand without any strings attached. You've
25 seconded that motion (Mr. Sheafe). Okay. Now we can

1 discuss that motion. Mr. Marquez.

2 MR. MARQUEZ: As the new board member, I've seen
3 how far Rio Nuevo's come and basically Rio Nuevo 3.0 and
4 we're still trying to outpace our past and the past stories.
5 We're in dire need of PR at times. Because people don't
6 know all the great things that we're doing at Rio Nuevo.
7 Can we have a sponsorship for our \$20,000 where Rio Nuevo's
8 name is connected to the party or helping host a fantastic
9 party downtown where Rio Nuevo can be seen by all?

10 MS. COX: Oh, yes.

11 SECRETARY IRVIN: The answer to that's absolutely.
12 And I guess I kind of look at it, Edmund, it's almost the
13 same situation what a bunch of us did on the party that was
14 thrown out at Davis-Monthan Air Force Base, a big welcome
15 home party. You know, we -- a small group provides some
16 seed money and then the City and the County both match that
17 as to a whole bunch of people in the private sector.

18 So I think if anybody wants to get involved in
19 that, absolutely. I would most definitely expect that the
20 District for that contribution would get great recognition
21 for that, and also so would the City and the County. And
22 it's not just recognition of program and maybe this that and
23 the other. But it's like what you said, it's kind of the
24 same thing that we had been talking about. And that's we
25 can't do this thing all by ourselves. So to me, I think

1 having the City and County involved in that -- that is a
2 discussion that I'm looking forward to continue to have.
3 And I already know that the County won't do anything unless
4 the City matches them.

5 CHAIRMAN McCUSKER: Under Cody's motion it doesn't
6 matter; we would contribute whether they match or not.

7 MR. MARQUEZ: In the spirit of procurement, is
8 there a way of adding teeth? Is there a way to say that the
9 downtown businesses get first shot at being the vendor for
10 the party? I would hate to see us pass this and we're
11 obviously representing the downtown area then people from
12 outside the District are coming in ahead of one of our
13 restaurants or one of our other --

14 SECRETARY IRVIN: So one of the things, Edmund,
15 that we've talked to the whole bowl community about is the
16 existing structure that's in place with the second
17 Saturdays. Promise I won't call them second Tuesdays
18 anymore, Mr. Chairman. I did that little goof up the other
19 day and was admonished. But anyway that's kind of what the
20 deal would be. They've already got all the equipment and
21 all that stuff. We'd basically be renting from them.

22 CHAIRMAN McCUSKER: And I think the point about
23 coming downtown is precisely that. Fill up our downtown
24 businesses, pack the restaurants, create opportunities for
25 local vendors. And then if that's going great and we need

1 some help, yeah, then maybe you look outside.

2 But we see it as a downtown event and to the
3 extent Rio Nuevo can be identified as a sponsor that I think
4 is pretty good will for us. This is a huge thing; this is a
5 dead week in our community. We're not going to have 15-,
6 20,000 people in town. The hotels are all over this in
7 terms of room rate and packages. Travel agents are very
8 excited. This is a really big deal.

9 TREASURER SHEAFE: I would like to emphasize
10 that. My connection with the Ventana hotel -- it's not
11 well-known that very often the week between Christmas and
12 New Years is virtually empty. I remember one time when La
13 Paloma had one room rented.

14 CHAIRMAN McCUSKER: Guess who the hotel sponsor
15 is? Ventana Canyon.

16 TREASURER SHEAFE: If you don't mind, I'd just
17 like to say one other thing. You know, this whole thing
18 kind of started on a conversation which even you guys may
19 not be aware. But there's two people that played a very
20 critical role very early when they were getting no
21 attention, and the whole thing. And that was Joe Erceg,
22 who's director of the Arizona Small Business Association.
23 And by himself, he was out grinding away.

24 And the guy that stepped up and really helped him
25 and encouraged him was our ex President Robert Shelton, who

1 was up in Phoenix, who took time to sit Joe down, talk with
2 him, tell him who to go to talk to. And that has rolled
3 forward to where it is today. And it's kind of exciting to
4 see how somebody's energy and tireless effort actually
5 begins to make a change.

6 CHAIRMAN McCUSKER: A lot of the local organizers
7 were connected to the Fiesta Bowl. And they have been given
8 the opportunity to recreate the opportunities we lost when
9 we lost the . . .

10 So we have a motion and a second.

11 Mr. Hill?

12 MR. HILL: Just one question. Following up on
13 Edmund's discussion, I certainly would have asked that
14 beforehand. I guess I want to make sure that the public
15 record in documentation -- I'm not keen and I've defended
16 against us becoming a gift entity. I know we're exempt from
17 the gift clause, but I'm just not keen on handing out gifts.
18 I think that set a dangerous precedent.

19 So I would also like to see some mechanism as
20 Edmund articulated that this is a form of advertising to
21 benefit the District and its merchants specifically with
22 someone having some oversights from our end to make sure it
23 just doesn't go in to buy the case of beer. So that's what
24 I'd like to --

25 CHAIRMAN McCUSKER: Cody, would you be willing to

1 broaden your motion that that would be contingent on us
2 being identified as a sponsor? Then we can move it into the
3 marketing arena and comes out of the marketing budget. And
4 the second, who seconded that?

5 TREASURER SHEAFE: I did.

6 CHAIRMAN McCUSKER: Chris? All right. Let's do a
7 roll call.

8 MS. BETTINI: Jeff Hill?

9 MR. HILL: Aye.

10 MS. BETTINI: Edmund Marquez?

11 MR. MARQUEZ: Aye.

12 MS. BETTINI: Chris Sheafe?

13 TREASURER SHEAFE: Aye.

14 MS. BETTINI: Mark Irvin?

15 SECRETARY IRVIN: Absolutely.

16 MS. BETTINI: Jannie Cox?

17 MS. COX: Aye.

18 MS. BETTINI: Cody Ritchie?

19 MR. RITCHIE: Aye.

20 MS. BETTINI: Fletcher McCusker?

21 CHAIRMAN McCUSKER: Aye.

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

24 MR. RITCHIE: Six "ayes" and one "absolutely."

25 CHAIRMAN McCUSKER: Okay. We've got some time for

1 call to audience. Michele, you've got some yellow slips?

2 MS. BETTINI: Just one.

3 CHAIRMAN McCUSKER: Josefina Cardenas. Good
4 afternoon.

5 Please introduce yourself for our
6 transcriptionist.

7 ATTENDEE: Buenas tardes. Mi nombre es Josefina
8 Cardenas. Barrio Kroeger Lane.

9 First of all, I would like to appreciate as always
10 for your commitment to our community and for investing --
11 I'd glad to hear that you would be investing in our Mother
12 Earth, and seeing what will be happening to our original
13 birthplace of Tucson below Sentinel Peak.

14 And in looking at these documents, I noticed from
15 the IRG advisors that Barrio Kroeger Lane is not mentioned.
16 And I'm sure that if you've gone up the mountain you can see
17 that below, across from the land of Chuk Shon is Barrio
18 Kroeger Lane. And if you look at your own documents of Rio
19 Nuevo, the City of Tucson map, the land of Chuk Shon is
20 within Barrio Kroeger Lane, not only Menlo Park.

21 I would say just because we are a barrio of low income,
22 low education, it does not make a difference of us being
23 mentioned. And I would appreciate if this document is sent
24 because we have been in existence up to six generations in
25 that land.

1 And I wouldn't want to hear Rio Nuevo without my
2 respect, say that you would sell the birthplace of Tucson.
3 Because it had already had been turned to you with this
4 negotiation with the City. It was bad enough that they
5 turned it into the landfill -- we are sitting -- turned it
6 into a landfill. And then proposed to you nothing that you
7 can do much better than selling. This mission that you have
8 is not only of dollar signs. It's also of a blessing, and
9 spiritual.

10 You represent us, the community, and I want to see that
11 the best of this site, of the original birthplace of
12 Tucson-Chuk Shon, and it doesn't matter of the money amount,
13 but the beautification and the preservation of this land,
14 which is also includes us, that we're looking forward to you
15 that you also think that we are part of a family here in
16 Tucson. It's family, our children.

17 Not all of us have the money or the time to wine and
18 dine and party. If you go down our barrio, which I invite
19 you, it's -- I think it's already time for us to sit down
20 and talk. We have very great many unmet needs in our barrio
21 and our children are also due for investment, our families.

22 So I invite you to our barrio; I think it's time. And
23 we would love to sit down and talk. Because I'm sure that
24 you would be honored to also invest in us.

25 Muchas Gracias.

1 CHAIRMAN McCUSKER: Josefina, thank you very much.

2 I entertain a motion to adjourn.

3 SECRETARY IRVIN: So moved.

4 CHAIRMAN McCUSKER: Second please.

5 MR. MARQUEZ: Second.

6 CHAIRMAN McCUSKER: All in favor say aye.

7 (Ayes.)

8 See you all in November.

9 (Meeting adjourned at 3:30 p.m.)

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C E R T I F I C A T E

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

John Fahrenwald