

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona
December 16, 2015
2:00 p.m.

REPORTED BY:

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1 (Meeting commenced at 2:02 p.m.)

2 CHAIRMAN McCUSKER: Okay. We're going to call
3 this meeting to order. It's 2:02 by the official Rio Nuevo
4 clock.

5 Let's do the pledge.

6 Mr. Marquez, you're still on the hook.

7 (Pledge of Allegiance was recited.)

8 CHAIRMAN McCUSKER: Remember, that's for a year.
9 Michele, call the roll.

10 MS. BETTINI: Edmund Marquez?

11 MR. MARQUEZ: Here.

12 MS. BETTINI: Jannie Cox?

13 MS. COX: Here.

14 MS. BETTINI: Chris Sheafe?

15 TREASURER SHEAFE: Here.

16 MS. BETTINI: Fletcher McCusker?

17 CHAIRMAN McCUSKER: Here.

18 MS. BETTINI: Mark Irvin?

19 SECRETARY IRVIN: Here.

20 MS. BETTINI: Jeff Hill?

21 MR. HILL: Here.

22 CHAIRMAN McCUSKER: And we had a call from Cody;
23 he's on his way. So we have a quorum. We'll get started.
24 You have the transcripts from the November 18th meeting.
25 Any changes, comments, or questions?

1 If not, we need a motion to approve.

2 SECRETARY IRVIN: So moved.

3 MR. MARQUEZ: Second.

4 CHAIRMAN McCUSKER: All in favor. Say aye.

5 (Ayes.)

6 CHAIRMAN McCUSKER: We have set a time for
7 Executive Session. We need a motion to recess.

8 SECRETARY IRVIN: So moved.

9 CHAIRMAN McCUSKER: Second?

10 MR. MARQUEZ: Second.

11 CHAIRMAN McCUSKER: All in favor, say aye.

12 (Ayes.)

13 (The Board voted and the motion
14 carried.)

15 CHAIRMAN McCUSKER: All right. We'll be out in
16 about 30, 40 minutes. It should be a pretty short meeting.

17 (The Board adjourned to Executive
18 Session at 2:04 p.m.)

19 (The Board reconvened at 2:57 p.m.)

20 CHAIRMAN McCUSKER: Okay. I need a motion to
21 reconvene.

22 SECRETARY IRVIN: So moved.

23 CHAIRMAN McCUSKER: Second, please?

24 MR. HILL: Second.

25 CHAIRMAN McCUSKER: All in favor, say aye.

1 (Ayes.)

2 CHAIRMAN McCUSKER: Okay. Here we go.

3 Thank you, everyone. That took a little longer
4 than we thought. But the end result is our short meeting,
5 holiday meeting, will actually probably be shorter than we
6 anticipated.

7 We are going to table Item No. 7. Just a quick
8 update on that. We are diligently working with Gadsden on
9 the development of the West Side.

10 The Board has approved, tentatively, a proposal to
11 help develop retail. It requires an agreement with the City
12 of Tucson. And as of today we don't have such agreement
13 with the City of Tucson. So we've authorized counsel to
14 continue to negotiate with both parties and hopefully, maybe
15 in January, we'll have some news on the update on the
16 Mercado annex.

17 This is our holiday meeting. Happy holidays to
18 everyone. That's politically appropriate way, I guess, to
19 do that now.

20 It will also give us just a minute to reflect on
21 2015. It's been a great year for Rio Nuevo. You know, you
22 look at the work we've accomplished, certainly this year, I
23 think all of it is just really impressive, from launching
24 the AC Hotel, Mark, to the work we've done to launch a Hyatt
25 and Nor-Gen project, the award-winning work that we've done

1 at the Arena. We have created millions of dollars of new
2 money that we can repurpose Downtown.

3 So just on behalf of me to the Board and staff,
4 thank you for everything you're doing. And we should be
5 really proud of where we are.

6 I know we've got a great deal of credibility with
7 the people that appoint us. I've met with the Governor. I
8 met with the speaker. I met with the President. They all
9 seem equally positive about where Rio Nuevo is today. And
10 that will only bode well for us in the future.

11 So without further ado, Dan, come tell us how
12 we're doing financially.

13 MR. MEYERS: I'm Dan Meyers, the CFO of Rio Nuevo.

14 Okay. So as of November 30th, our cash balances
15 are as follows: In our operating account at Alliance Bank
16 we have the \$9.5 million. And I think very soon we'll be
17 moving 5 million of that over to the Bank of Tucson. And
18 that balance of the 4.5 and the 5 million we've got at
19 Alliance Bank in our ICS accounts will be rebalanced
20 somewhat, try to get us a little better interest rates, get
21 some CDs that are laddered based upon our upcoming
22 investments. So we'll be taking a look at that probably in
23 the next couple of weeks.

24 There's \$410,000 in the operating account at the
25 Bank of Tucson. So total cash on hand, as of November 30,

1 is about \$15 million. We've got about \$6.4 million of that
2 committed. But we've got about -- what? -- \$8.6 million
3 available to repurpose in some manner.

4 As of yet we've not received the September
5 increment from the Department of Revenue. Although I was --
6 learned that we would be getting that tomorrow. It's going
7 to be \$640,000, which is about \$180,000 less than our
8 budgeted amount. And I will be getting the records from the
9 Department probably within a couple of weeks. And we'll
10 take a look and see what's -- what may be awry there.

11 Sometimes it's timing issues. Sometimes people
12 just not filing on time. But until I get that
13 documentation, I'll be able to see what exactly that
14 consists of.

15 Let's see. We received \$225,000, approximately,
16 from the City of Tucson for the TCC rent for the first half
17 of -- I guess it's the last six months of 2015. That money
18 will go to pay the interest on the COPS. I believe that's
19 January 1st.

20 Depot Garage, we'll be getting about \$91,000 here
21 any day now. Supposedly the check's in the mail. So we'll
22 be getting that real soon, I hope.

23 And Michele and I have been working diligently on,
24 again, reconciling the merchant list from the Department of
25 Revenue's records to what we have on the TIF -- in the

1 District's records. Then we're going to try and put
2 together a map again to really itemize where things are,
3 what businesses are there. And that will allow us to do a
4 little better job of tracking who is paying their fair share
5 of the TIF revenue.

6 Any questions?

7 CHAIRMAN McCUSKER: A quick update on the
8 commitment projects, the Mission Gardens. I think
9 everyone's aware that the County would not give the Friends
10 of Tucson's Birthplace permission to build any structures
11 inside the garden walls. So they have been negotiating
12 their project with County.

13 The last meeting I attended, there are some
14 cleared areas within the walls, archeologically, that maybe
15 could have a smaller structure that it wouldn't disturb the
16 historical assets. So they're working through that. The
17 County hopefully will have that back on track in the spring.

18 The Streetscape project has not initiated. The
19 City is discussing, with transportation and merchants,
20 making Scott one way. So that could affect what they do to
21 the Streetscape project. So that's also on hold.

22 SECRETARY IRVIN: One way which way?

23 CHAIRMAN McCUSKER: Well, I'm not sure exactly and
24 neither are they. So that's part of -- you've got to get in
25 and out of the garage.

1 SECRETARY IRVIN: Right.

2 CHAIRMAN McCUSKER: So you would assume that you'd
3 have to get into it from the Pennington side. But
4 surprisingly not everybody is in favor of that.

5 SECRETARY IRVIN: Can you imagine that?

6 CHAIRMAN McCUSKER: The Tucson Community Center
7 remodel, those remaining funds are for the video boards.

8 We have a plan that we've presented to the City
9 that would create a much larger video board on the building
10 on the ticket box side. These are expensive. It would be
11 about a quarter of a million dollars if the City approves
12 it.

13 If you'll remember, we had a lot of trouble with
14 video boards and signage from our Dark Sky community
15 friends. You know, so this would still have to get past all
16 the sign and light issues that we've had with the monument
17 signs. If that doesn't get approved, we'll have, you know,
18 a quarter of a million dollars left in the Arena remodel
19 budget.

20 MS. COX: I have a question. Did we ever put up
21 the railings?

22 CHAIRMAN McCUSKER: Yes. They're up.

23 MS. COX: They're up.

24 CHAIRMAN McCUSKER: And they're really quite
25 handy.

1 MS. COX: I'm so glad.

2 CHAIRMAN McCUSKER: Yeah.

3 Anything else for Dan?

4 SECRETARY IRVIN: The only thing I might point out
5 is that, you know, that AC Marriott project's about an 18-
6 to 19-month project, and they just started moving dirt. You
7 probably noticed the crane going up and stuff.

8 So, Dan, that will be a late '17 deal.

9 MR. MEYERS: Yeah. I think we'll use that when we
10 start trying to get some of these CDs in place, get a little
11 better return on our money in the bank. We'll sort of keep
12 that in mind so we can put that into place.

13 SECRETARY IRVIN: Yeah.

14 CHAIRMAN McCUSKER: And they cleared their
15 archaeological hurdles so there --

16 MR. SHEAFE: You don't Arena marked in here?

17 MR. MEYERS: No, that's not in here yet.

18 TREASURER SHEAFE: You might want to add that.

19 MR. MEYERS: Okay.

20 SECRETARY IRVIN: Which is that?

21 TREASURER SHEAFE: That's a drainage channel.

22 SECRETARY IRVIN: Oh, the drainage. I'm sorry.

23 MR. MEYERS: Do we have a final number on that?

24 TREASURER SHEAFE: Well, you can --

25 CHAIRMAN McCUSKER: Six hundred --

1 TREASURER SHEAFE: -- have a higher -- it's 850.

2 But, you know, we can assume that. The calculations and how
3 we're going to finalize that --

4 MR. MEYERS: Okay.

5 TREASURER SHEAFE: -- Mark will tell you about.
6 But it's not going to be more than that.

7 MR. MEYERS: I'll get that in there, then.

8 TREASURER SHEAFE: If it's less, then we just take
9 the money and put it back into the fund.

10 MR. MEYERS: Anything else?

11 SECRETARY IRVIN: Dan, thanks for your work, man.

12 MR. MEYERS: Sure. My pleasure. Thank you.

13 CHAIRMAN McCUSKER: Item 7, we've tabled.

14 Item 8, Greyhound relocation. We've been working
15 diligently with the Greyhound leadership.

16 Everyone should remember that we volunteered to
17 take responsibility for the relocation of the Greyhound and
18 the construction of a new terminal. We have identified a
19 site in conjunction with Greyhound.

20 And I believe, Mark, we're going to authorize you
21 to proceed to try and tie up that property. So if you'll
22 help us construct a motion that does exactly that.

23 MR. COLLINS: Yes.

24 Mr. Chairman, Members of the Board, as we
25 discussed in Executive Session, there has been a term sheet,

1 principal terms set forth in a -- in, as yet, a not-binding
2 agreement to purchase a parcel of property within the TIF
3 district that would serve the needs of Greyhound and allow
4 the District to acquire it, satisfy the -- its obligations
5 to find a new location, and -- and improve a new location
6 for the Greyhound bus station.

7 And so in light of that in our discussions in
8 Executive Session, my recommendation to you is that you move
9 to instruct the executive officers with counsel to prepare
10 and execute a purchase agreement for an alternative location
11 for the Greyhound as we discussed in the Executive Session
12 consistent with the term sheet we discussed.

13 How's that?

14 TREASURER SHEAFE: So moved.

15 MS. COX: Second.

16 CHAIRMAN McCUSKER: Do we want to identify those
17 contingencies? That might be good for all of us to go over
18 that.

19 MR. COLLINS: Absolutely. We can -- I mean, some
20 of those contingency -- there's a 60-day -- currently,
21 there's a 60-day approval period. The District, if the term
22 sheet was agreed to, the District would be in a position to
23 back out if the ALTA didn't come through, if the Phase I
24 didn't come through, if there were other reasons that didn't
25 fit the needs for Greyhound.

1 SECRETARY IRVIN: Appraised value.

2 MR. COLLINS: Value. Yeah.

3 Obviously, the amount of money is a big deal.
4 Because this -- this Board has discussed possibly 1.4 to
5 \$1.7 million total. That includes the construction so can't
6 spend all that money -- or a lot of that money on the
7 purchase of it.

8 So the -- the hope is that we would be limited.
9 And one of the contingencies is that the property appraised
10 for the purchase price that is being discussed.

11 Is that --

12 CHAIRMAN McCUSKER: Any questions of Mark?

13 SECRETARY IRVIN: We have my motion and we have
14 a --

15 CHAIRMAN McCUSKER: We have a motion and a second.
16 Any other conversation?

17 All in favor, say aye.

18 (Ayes.)

19 CHAIRMAN McCUSKER: Any opposed, nay.

20 (The Board voted and the motion
21 carried.)

22 CHAIRMAN McCUSKER: Okay. You've got your
23 instructions there, Counsel. Let's try and get this tidied
24 up.

25 MR. COLLINS: I'll see if I can move as fast as

1 the Chairman and the Secretary have been moving on this.

2 CHAIRMAN McCUSKER: Okay. Our friends from the
3 January 8th Memorial are going to give us an update. Come
4 on up, introduce yourselves for the transcriptionist.

5 MR. HILL: Point of order, Mr. Chairman. I just
6 want to put on the record that Cody did abstain and didn't
7 vote on that.

8 CHAIRMAN McCUSKER: Yes, correct. Thank you for
9 that.

10 So that's 6-0.

11 MR. COLLINS: All right. Thank you, Jeff.

12 MS. KASNOFF: Good afternoon. For those of you
13 who I don't know, my name is Crystal Kasnoff. And I'm the
14 new executive director for the January 8th Memorial
15 Foundation. I'm very happy today to give you a very short
16 overview and thank you for your support of our project.

17 Karen, if you will.

18 So we've made considerable strides since we've
19 been in front of you the last time. And your money has been
20 put to use very well.

21 We went to the competition phase for the design of
22 the memorial and the master plan design for El Presidio
23 Park. This will show you a little bit of an aerial view of
24 looking down on the memorial from the courthouse.

25 We have been in talks, consistently, with the

1 County and the City. We had a great meeting with Chuck
2 Huckleberry last week and talked about the repurposing of
3 the courthouse and the support that we have going forward
4 for the memorial.

5 This is a little bit of an overview that I thought
6 you might have interested in seeing. This was the master
7 plan that was done. We have our final schematic design.
8 That's going to be coming out January 15th. We have a press
9 conference on the 15th at 10 a.m. to talk about this. And
10 you can see in the master plan, in the orange at the right,
11 that's the area where the memorial will be. In addition,
12 the fountain sort of, in the master plan, become a central
13 focus in the plaza.

14 We would propose to -- in the master plan -- which
15 is separate funding, by the way, from the memorial -- and it
16 would be phased to restore the fountain and make a splash
17 pad around it where kids can play, have a cafe
18 public-private partnership, have an amphitheater that we
19 have done a lot of research with. We've had tens, up to a
20 hundred, meetings with constituents. We have had public
21 forums. We had three down at the firehouse that were
22 incredibly well-attended.

23 And it's things that we have found through that --
24 the architects did a lot of research on what was necessary
25 to make this a thriving area where people would feel

1 comfortable coming and bringing their kids. So in the
2 master plan, there's actually a proposal for an amphitheater
3 that would hold 450 people.

4 The research showed us that we could have several
5 spots where we could have larger audiences and smaller
6 audiences. But this particular amphitheater could also be
7 curtained off and made into a smaller venue for local
8 artists to just come and plug in. And the hill across the
9 way, a grassy area to make a little bit more of an outdoor
10 area for people to sit and enjoy the festivals that come.

11 And then also this park area on the left-hand
12 side, there are a lot of memorials that are kind of
13 scattered throughout El Presidio Park right now. And the
14 proposal in the master plan talks about taking those
15 together and making an area -- for instance, could be a
16 veteran's circle and other memorials going down. So we have
17 a lot of support from the community to be able to do that,
18 and as a matter of fact, already a list of high schools
19 asking to use this for graduation purposes before it's
20 funded.

21 This is another view of what the amphitheater
22 would look like. Also solar panels being on top of the
23 amphitheater so that we could create our own electricity.
24 We have found ways to harvest water and retain it so that we
25 could use that for the water portions of the memorial as

1 well.

2 This is something that I added in because I'm very
3 excited about this from a developmental perspective for
4 downtown. We have been working with some engineers,
5 actually in Germany, to come up with a lighting schematic
6 theme that we feel could be a spine through Tucson. And I
7 know that, for me, personally, when we have festivals down
8 in the park at night, sometimes it's scary you're going to
9 trip over a cord, or you're going to trip over something.
10 And I think this could have real legs to it, to light Tucson
11 up in a way that is friendly to the Dark Sky policy. And so
12 we've been working hard on that.

13 We have raised nearly \$1 million. This actually
14 went up yesterday. And I could jump up and down because we
15 have met that goal. That's in gift and pledges.

16 We have seen --

17 MS. CHRISTENSEN: I'm sorry.

18 MS. KASNOFF: Go back.

19 -- that we have had committed so far, including
20 the 75,000 we got from Rio Nuevo. And that went to the
21 original design competition and the design fees for the
22 memorial and the master plan. So thank you very much for
23 that.

24 Going forward, we have several ways that we're
25 going to be seeking funding. After the bonds didn't pass, I

1 signed on the day after, and Karen didn't think I was going
2 to show up. But I actually sparked a lot of people. And so
3 we have a lot of private donors who are interested. We are
4 looking at State and federal funding. And we have several
5 foundations that are on board as well.

6 CHAIRMAN McCUSKER: What did you lose from the
7 bonds? It was 4 million and some change, wasn't it?

8 MS. KASNOFF: It was one and a half million that
9 we would match.

10 CHAIRMAN McCUSKER: So it was three -- it was a
11 \$3 million swing.

12 MS. KASNOFF: We have several private donors that
13 are talking about doing private matches right now. And
14 Randy Friese, who is our state representative, is currently
15 putting language into the State -- there's actually a
16 precedent, the Yarnell Hill Fire. They gave -- the State
17 gave \$200,000 for that. So he's going to go for a bit more
18 than that. But we also are talking on the hill in DC. And
19 we feel that there's considerable support there for the
20 funding. So we're going down that path.

21 CHAIRMAN McCUSKER: The bonds also contemplated
22 the courthouse converted to a museum. Doesn't a lot of your
23 content need to be indoors? And what happens now with the
24 old courthouse?

25 MS. KASNOFF: So the exterior memorial is

1 completely outside. So this would be done in phasing. And
2 the County has agreed to give us some space inside. They
3 are going to be repurposing the courthouse. And I'm not one
4 to share before it's time. But there is considerable
5 discussion right now, the County has said that they will be
6 restoring the courthouse.

7 And so, we are -- there's a walk-through,
8 actually, on Monday morning. And there are some nonprofits
9 and private tenants who are interested in that space. So
10 Mr. Huckelberry did say that the County has allocated funds
11 for restoration.

12 CHAIRMAN McCUSKER: Okay.

13 MR. MARQUEZ: Any concerns, with the repurposing
14 of the courthouse, that they would change the footprint at
15 all that might make you adjust your plans in the future?

16 MS. KASNOFF: Actually, quite the opposite.
17 Mr. Huckleberry said, and I quote, stick with us and it's
18 going to happen.

19 I think that the plan, going forward, will be very
20 friendly to what we're planning on doing there. And
21 additionally -- I mean, the funds that we're raising for the
22 memorial are separate from the master plan for the entire
23 park. But again, they kind of go hand-in-hand. So it will
24 be a phased project as we can find the funds.

25 Interestingly enough, I was on a call with Ron

1 Barber and Karen with the congressional office in DC. And
2 there's a lot of interest in this for us. And there's
3 possibly HUD funds that would be available for the park.
4 It's already a park. So there are a lot of things we have
5 going in our favor.

6 TREASURER SHEAFE: Do you believe that they'll
7 still have the funding arranged for by the -- mid spring?

8 MR. COLLINS: So I'm going -- this is Karen
9 Christensen and she is our board president.

10 Karen, would you like to address that question?

11 MS. CHRISTENSEN: We had -- I will say that I
12 think when I -- I was here last year, we'd been hoping
13 because of the bond, that we'd have been have financing all
14 completely by spring. And think we've had to obviously push
15 that back.

16 But we're still making incredible strides. The
17 next phase -- and Crystal can talk about what's happening.
18 The next phase in the design team is to begin the -- what's
19 called design development for the really finalizing to give
20 us the schematic design for the memorial and then working
21 very carefully on the symbols that are being used on the
22 memorial wall. We anticipate that will go into the spring.

23 And then the next phase after that would be
24 construction documents. So what are -- under our best-case
25 scenario right now, we would be shovel ready, if you will,

1 after Tucson Meet Yourself next fall. And that gives us
2 additional time. If we have to, we'll push it back. But
3 we're feeling very encouraged now.

4 And Crystal has been on the job, literally, for
5 two weeks and one day. And we've had -- obviously been
6 working this whole time to have different funding come in.
7 But we've already developed new donors. And in some ways,
8 people were -- I think, with the bond not passing, there are
9 people who were very disappointed and say this is something
10 that can really bring a lot of vitality to the town.

11 They really see this, with all the development,
12 the new housing that's going up, this is the kind of space
13 that people want, the renovated El Presidio Park. The kind
14 of space that people want to spend time in. If you're
15 living downtown, you want to have this kind of green space
16 and animated space. And I think people are very excited
17 about it.

18 So we may have to push back the original forecast
19 we've made. We were being ambitious. We knew that then.
20 And with the bond going on, we'll just have to make those
21 adjustments. But we still are being very positive.

22 TREASURER SHEAFE: Is your total picture still
23 4 million? And that would include everything that you've
24 already spent.

25 MS. CHRISTENSEN: We're -- one of the deliverables

1 in January is to have the cost estimates coming in for what
2 the memorial is. So we -- we'll -- we -- that was a number
3 that we were saying, you know, we didn't know what it was
4 going to be.

5 Crystal was just meeting this morning with a
6 construction company who was offering to take that design
7 and the estimates that the architects and the design team
8 was giving us and give us a -- some construction. And we'll
9 be taking that to a number of different construction
10 companies. So we'll be getting much better numbers as we go
11 into the spring, which is important for all of our funders
12 and donors in addition.

13 I would imagine it's -- for the memorial, we're
14 probably looking at about 4 million. But you know, we're
15 trying to figure out -- what was the name of -- you might
16 understand these terms better than I do, but it's not
17 exactly -- value engineering, finding out are there ways of
18 doing some of these things where we can get donations of --
19 in kind or whatever so that we can bring the cost to the
20 memorial down.

21 CHAIRMAN McCUSKER: You're talking to the king of
22 value engineering.

23 MS. CHRISTENSEN: Well, then you, maybe, can give
24 me a little tutorial on it.

25 This is what Marc Salette of Chee Salette is

1 always saying, well, once we do this, then we're going to do
2 value engineering.

3 And I'm just nodding yes.

4 But the architect on our board is -- Steven
5 Brigham is very familiar with this. And we obviously are
6 having very good technical advisers on this and building a
7 cadre of people that are involved in the all the time.

8 CHAIRMAN McCUSKER: Can you construct in phases?
9 Is there a way to bring some part of the memorial up as you
10 fund it? Or do you have to do it all at once?

11 MS. CHRISTENSEN: That's what we've asked Marc to
12 give us, a phasing, not only phasing for the memorial but a
13 phasing -- obviously a phasing for the park. Because that
14 is critical. So he will tell us that.

15 You know, what we'd love to do is come back, in
16 March potentially or once we've got the design, and have
17 Marc or somebody from his team give you a full explanation
18 of what the design looks like.

19 We could spend literally an hour going into the
20 sustainability measures that have gone into this, where the
21 water collecting is, how they're using space in the
22 underground garage, how they're doing all this water
23 treatment and recycling, what they're doing for energy.

24 So some of those systems would have to be in place
25 for it to be fully implemented. But, yes, I assume that you

1 could do some of the construction without all of the
2 infrastructure, for example. Or maybe it's the other way.
3 You do the infrastructure and then you do that. But that's
4 what we're asking, the -- part of the deliverables in
5 January.

6 MS. KASNOFF: And also, the architect was just
7 here. And we were in a meeting together. And we was -- we
8 were at a corporate -- a corporation. And they were
9 offering a fairly large donation and asked the same
10 question. And they're dividing it in deliverables into two
11 phases for actually memorial itself to begin with.

12 So it's pretty clear to us that we are very close
13 to being able to go through the next process, get the
14 appropriate permitting that we need, and would able to start
15 those first processes.

16 CHAIRMAN McCUSKER: Thank you.

17 MS. CHRISTENSEN: Small steps, but I --

18 CHAIRMAN McCUSKER: No, congratulations. We're
19 all kind of shocked, you know, at the status of the bonds.
20 It was an overwhelming message. But the irony, I think, is
21 we've seen the private sector step up. And Rio Nuevo can't
22 exist without private partners. And you know, I'm
23 optimistic that you'll find people to help fund the project
24 too.

25 MS. CHRISTENSEN: Thank you. We appreciate it. I

1 think it was a really good investment on your part. And
2 we'll continue to come back to you and let you know just how
3 it's developing.

4 CHAIRMAN McCUSKER: Thanks.

5 MS. KASNOFF: Thank you.

6 CHAIRMAN McCUSKER: Okay. Item 10. We discussed
7 this at the last meeting. We asked SMG to come. Glenn is
8 here today. We're talking about an incentive package for
9 what I could call high-volume utilizers of the TCC and its
10 space where Rio Nuevo would help offset some of the rent
11 extense for a big tax-producing show.

12 So Glenn has some specifics for us about the
13 current utilizers of the space.

14 But then also I think we were curious, Glenn, what
15 this might do in terms of attracting and keeping your
16 big-volume users.

17 MR. GRABSKI: Great. Thank you.

18 My name is Glenn Grabski. I'm general manager of
19 the Tucson Convention Center and have had several
20 conversations along the way of, obviously, retaining
21 customers but also incentivizing other customers to do
22 business down there and drive tax dollars into the District.

23 So -- and some of it is pretty straightforward
24 math. Some of it gets a little bit more complicated. You
25 know, a customer that drives \$16 million, roughly, in sales

1 throughout the year, you know, it's going to drive a half a
2 million dollars into Rio Nuevo.

3 And we do our best. And I'm not known for giving
4 away money, especially other people's money. But I am also
5 known for cutting aggressive deals to keep customers and
6 make it worthwhile for them and for the TCC.

7 So, with that in mind, we had some conversations
8 about -- so how do -- what's Rio Nuevo's incentive, too, to
9 keep these people -- to drive this tax base into the
10 District. And I did some quick numbers. And I'm not quite
11 ready to share them yet because I've got to go through them
12 one more time. But I've been through it enough.

13 The type of shows that you're going to look at for
14 this are -- there's a couple of different ones. And we do
15 all types of shows or events at the TCC. So the biggest
16 driver of business that's -- the straightforward math -- is
17 the, say, consumer show for a company or a product. And
18 it's very easy to track their sales numbers if you get them
19 from them and everything.

20 That's what we're able to do with one customer.
21 And in the course of just this fiscal year -- I mean, this
22 calendar year, in three events, they -- \$498,000 to the
23 District. Out of that -- it's very -- obviously, very
24 important for us to keep them here and to keep them happy.
25 They're paying roughly somewhere around \$30,000 in rent.

1 And I've -- so I've cut it down to the bone to keep them
2 here. So anything else where they're looking to cut their
3 margins -- because there's other costs involved -- it makes
4 sense to be partners in helping them along.

5 The more -- the other way we can make this work is
6 the other type of events. And what's near and dear to my
7 hearts are ticketed events -- concerts and whatnot, sporting
8 events. And as I try to motivate Live Nation, AEG, and the
9 other big full-time promoters across the country to come in
10 here and not just do one or four shows, but eight shows over
11 the course of a year, that's something else we can look at.

12 That's -- you know, if you look at any one show, a
13 concert with the capacity of about 7600 seats in the arena,
14 if you do an average ticket price of \$75, you know, they're
15 really only driving about 18-, \$19,000 into your coffer. I
16 don't know in that moves your needle at all. It's obviously
17 not a huge number. But if you get them to do four extra
18 shows or five extra shows, you're talking \$83,000. Again,
19 it's not a huge number, but it's getting up there.

20 CHAIRMAN McCUSKER: In our original proposal, we
21 had kind of put the cutoff at a quarter of a million
22 dollars.

23 MR. GRABSKI: Right.

24 CHAIRMAN McCUSKER: So would it help you if you
25 could incentivize a smaller show? You know, and I guess

1 we'd have to know that the return on investment is similar.
2 But if you could offer a concert promoter, you know, a rent
3 incentive and they could produce \$80,000 of taxes, you know,
4 what -- what rent would it cost, I guess, Glenn, for us to
5 generate that kind of tax revenue?

6 MR. GRABSKI: And I'm not saying that you have to
7 necessarily pay all the rent. You may want to give a
8 percentage back of -- and the rent on a normal show, let's
9 say of -- on average, is about \$30,000, is what they're
10 paying.

11 And so most promoters are looking for -- I don't
12 know -- I don't kind of want to say a volume discount or
13 anything, but basically a volume discount. Over time, over
14 a year, you're going to bring us X amount of business, that
15 at the end of the year, they're looking for something, a
16 little bit back, something that they -- you can call it
17 direct revenue. So it could -- I mean, and obviously it all
18 depends upon what -- as I said before, what moves your
19 needle.

20 Not taken into any of these numbers is the other
21 revenue that we generate at the TCC for ancillary revenue --
22 food and beverage, whatnot -- which it depends on what study
23 you want to look at. We haven't done enough to have really
24 good empirical data. It's roughly \$30 per person that walks
25 in the door. So that is -- to me, it's a multiplier effect

1 of not just selling a ticket. But the -- but the bench that
2 you look at is the gross sales of ticket sales.

3 And it's depending on how aggressive you want to
4 get or how down the line you want to take it, I think it
5 could be used to -- like I said, instead of doing four shows
6 a year, you know, motivate people to do six or eight. And
7 it could be -- it wouldn't be very costly.

8 But the benchmark that we first used was about
9 \$250,000. There's -- you know, obviously, car sales, RV
10 sales or any kind of a thing like that. I don't see it
11 being used in anything like the Gem Show because those
12 vendors are all independent. They report independently.
13 And it's -- and it's really -- you can't make that work.

14 CHAIRMAN McCUSKER: Who rents the Arena for the
15 Gem Show? Do they rent it from you, then they sublease it
16 to the --

17 MR. GRABSKI: Yeah. The convention -- in a
18 convention center type of thing or -- like that, it's -- so,
19 like, TGMS will rent the building from us. And they will
20 rent out the booths to the different vendors. Same with,
21 like, the Home Show or anything like that.

22 Now, either they're selling goods or they're
23 advertising marketing goods. So to chase all the
24 200-and-some-odd different vendors to see how that adds up,
25 I don't think it's that -- it's just not practical.

1 But I think, in our original scheme of -- or
2 looking at it with the 250,000, there's -- there is
3 potential other customers we could bring in that can come in
4 and do sales.

5 TREASURER SHEAFE: There's really two things here
6 that are attractive to us.

7 First, is if we can set the stage for something
8 that becomes a more attractive event for Tucson and puts
9 Tucson on the map a little better. So that's a -- not a bad
10 investment any time you can begin something.

11 I happened to be around when we began the home
12 show. Our objective at that time was to generate \$20,000
13 for SAHBA. That was our goal. That thing pretty much
14 supports the whole organization now.

15 You know, if -- if the Gem Show -- I mean, you
16 hear Allan talk about how he began participating in it, what
17 it's grown into, it's been a really remarkable economic
18 engine for this community.

19 So No. 1, is, are you looking at opportunities
20 that could build into major events that grow for this
21 community and bring a lot of people here?

22 And then, secondly, the other one is, okay, can we
23 invest a little bit to get quite a bit back on a given event
24 because we're utilizing space that would have just sat there
25 during a dormant period.

1 MR. GRABSKI: Well, there's no question of -- when
2 I was looking at this, looking at -- depending on what that
3 formula's going to be or will be or if it's going to be,
4 what we can chase.

5 There is two or three things I know that are in --
6 on my files. So I think I would love to go back to them and
7 say, hey, I'll -- this -- I'll sweeten the pot here this
8 way. We can sweeten the pot this way for you.

9 And that may close the deal. To me, that's
10 incremental dollars for you, you're not seeing now.

11 As far as major events, the 200 -- again, there
12 are some things out there. There's some stuff that it would
13 change. I think also as we finally grow and, you know,
14 hotels come online, you know, I think that's all part of the
15 formula.

16 Can I say, oh, yeah, this is going to be the only
17 driving force to bring back a new thing? No. But it could
18 be part of the equation.

19 CHAIRMAN McCUSKER: And these -- these promoters
20 don't really look at sales tax as their money. You know, so
21 they look at their cost to the show, their expense of the
22 show, the production cost, and then rent.

23 You know, and sales tax is kind of an untracked
24 phenomenon we discovered. The City doesn't necessarily
25 track it. SMG doesn't track it. You know, we get it

1 inadvertently three months later when we get a reward from
2 ADOR.

3 But what we've talked about with this proposal is
4 that, in order to get the incentive, the promoter would have
5 to show us their sales so we would know that they hit a
6 certain threshold in order to trigger whatever incentive you
7 want to attach to that.

8 TREASURER SHEAFE: Is that the sales of the
9 promoter or the sales of the vendor that the promoter sells
10 to?

11 CHAIRMAN McCUSKER: Well, we're, right now --

12 SECRETARY IRVIN: It would be whoever would be
13 that provides the taxes and sends it back to the District.

14 CHAIRMAN McCUSKER: Right now it would be whoever
15 files the TPT form.

16 SECRETARY IRVIN: Yeah.

17 CHAIRMAN McCUSKER: So you know, with an auto
18 dealer, it's the dealer.

19 You know, and what Glenn was talking about would
20 be hard in a show where you have 250 subvendors. You know,
21 we probably couldn't incentivize them because you could
22 never get the data.

23 But if you're talking about an auto dealer or an
24 RV dealer or a consumer of goods, you know, the tenant, it's
25 the person that's filing the tax forms. And you know, those

1 are the ones that would generate the tax. And then we would
2 incentivize them by offsetting their rent.

3 You know, but it would -- you'd kind of have to
4 show us the money in order for us -- then you would apply,
5 retroactively, for a rent incentive.

6 SECRETARY IRVIN: But you would --

7 CHAIRMAN McCUSKER: It has to hit a certain
8 threshold. But we could -- you know, I hadn't -- we hadn't
9 really thought about the smaller, like, concert promoter.

10 You know, if you could go to a concert that made
11 80 grand. And you know, we save them \$30,000 of rent, you
12 know, that's a three times savings. And you do have all the
13 economic side benefits.

14 But these big shows that we were talking about,
15 like a 10-to-1 return, you know, where we would, you know
16 save 30 grand of rent for \$200,000 of taxes, that was really
17 the intent of the original program.

18 SECRETARY IRVIN: So I assume, then, when they
19 come in and show these tax receipts, it's not just
20 showing -- and I don't want to talk about any one dealer --
21 but I know some of the people that use us, the -- you know,
22 the RVs and some of the car dealers that use us have
23 multiple locations in Tucson. I'm assuming when we say they
24 say come in and show us that, that those are sales that are
25 booked at the TCC --

1 CHAIRMAN McCUSKER: That's what --

2 SECRETARY IRVIN: -- and they're going to show it
3 as revenue coming in because they were in the TIF District,
4 correct?

5 MR. GRABSKI: Yeah. It would have to be that way.
6 You know, and I would -- I would think that the best way to
7 approach is have them -- you know, it's a requirement that
8 they file in the District and report to the District.

9 SECRETARY IRVIN: So as an example -- you know,
10 and I know we have a prominent dealer that does a show down
11 here; they post some pretty big numbers -- they would
12 obviously fall into that. And I know some of the RV people
13 would.

14 In your guess right now, Glenn, how many shows do
15 we have that would -- that would be able to take advantage
16 of a program like this? And I don't even know what the
17 program is yet.

18 MR. GRABSKI: Well, I think, you know --

19 SECRETARY IRVIN: But just using that 250
20 threshold.

21 MR. GRABSKI: Well, I mean, right now, what we had
22 in here so far this year, here's -- there's approximately --
23 250, you mean 250 to the -- to the sales tax?

24 CHAIRMAN McCUSKER: The sales tax, yeah.

25 SECRETARY IRVIN: That would be correct.

1 CHAIRMAN McCUSKER: Just sales tax.

2 MR. GRABSKI: So just the sales tax to the
3 District, basically it's -- the biggest one is the August
4 automobile one.

5 CHAIRMAN McCUSKER: Okay.

6 MR. GRABSKI: They are other ones that are about
7 halfway there.

8 SECRETARY IRVIN: Okay. And I guess the other
9 question I would have -- so we've got a couple of those that
10 could take advantage of those, a couple, two three, it
11 sounds like. How many more -- if you had an incentive
12 program like that in your pocket, who else could you go and
13 talk to and think we could encourage to come and use the
14 TCC?

15 MR. GRABSKI: There's -- we have been approached
16 by other car dealers. You know, but the deal's never been
17 done. I would definitely have my sales force or myself go
18 out and talk to every one of them -- and RV dealers, any
19 type of incremental sales I can do in the building.

20 SECRETARY IRVIN: Yeah. I think with that 250
21 threshold, it's silly for us not to think about it.

22 MR. MARQUEZ: With the \$250,000 threshold, are we
23 talking about an annual --

24 CHAIRMAN McCUSKER: An event.

25 SECRETARY IRVIN: Event.

1 MR. MARQUEZ: Just per event, not annually what
2 they --

3 CHAIRMAN McCUSKER: Right.

4 SECRETARY IRVIN: Per event.

5 MR. MARQUEZ: Per event. All right.

6 MR. GRABSKI: Yeah. I mean, I didn't know how you
7 guys were looking at it, if you guys were looking at the
8 cumulative for the calender year or if it's per event.

9 CHAIRMAN McCUSKER: I think that's why we wanted
10 to talk to you. I mean, we really hadn't considered a
11 cumulative single user. We hadn't talked about a smaller
12 threshold, which still might be a good return on an
13 investment.

14 You know, we were going to kind of look to you to
15 help structure the targets.

16 MR. GRABSKI: Yeah. And -- and --

17 CHAIRMAN McCUSKER: You know, as long as we were
18 getting, you know, 5X kind of returns, it makes good use of
19 State dollars.

20 MR. GRABSKI: Yeah. And I think that, obviously,
21 I like repeat business. I like somebody that comes in the
22 building more than once a year, even if that one time a year
23 is a big one. Obviously, for food and beverage and parking
24 and whatnot, it just helps the cost for me. I think that,
25 depending on what return you're looking for -- if it's 5

1 times, 10 times, or whatever -- I mean, we can go back and
2 plug that in and show you, you know, what -- at other
3 thresholds, what does that mean.

4 TREASURER SHEAFE: Well, let's turn that around a
5 little bit here.

6 You know, I think what we're asking is, what can
7 we do to make you more successful which flows back to us?
8 Because that's really what it is.

9 You're in the business. You know the realm of
10 possibilities out there. What can we do to make it easier
11 for you to maximize the utility of that asset, which you're
12 managing and we own as a community, and just come back and
13 say, okay, here are the tools that I need now, and here's
14 what I think I can perform.

15 And I'm just thinking for myself, but I know there
16 are no absolutes in the game. But the reality is, the more
17 we reach out, the more we do, the more we utilize that
18 asset, the more revenue that it generates, it spills over
19 into all kinds of other things. And it helps us become a
20 bigger player on a stage that has lots of little competitors
21 around the country.

22 But you need to come and tell us, guys, if you
23 really want to get maximum use out of this, here's how SMG
24 can do it for you and these are the steps you need to take.

25 And then we would be, I think -- I know I would be

1 a strong listener.

2 SECRETARY IRVIN: Glenn, you know, that -- you
3 talked about, you know, a one and done. And I know these
4 aren't one and done. They're just like once-a-year type of
5 things.

6 You know, maybe you ought to come back and also,
7 to encourage people to use it more than just once a year,
8 maybe you want to come back with a structure that says, hey,
9 the second time you use it during the year, if you have
10 similar results, it's free.

11 I'm just talking out loud. I don't know if that's
12 the best structure but -- I agree with you, Chris -- I'd
13 love to see you come back and say, guys, here's a program
14 I'd like for you to see -- adopt under the following
15 thresholds.

16 MR. GRABSKI: Yeah. And I think my pricing of
17 the -- of the structure to different promoters, obviously,
18 someone who comes in many times or more times than just
19 once, is -- I take it into account the high price to begin
20 with. And we have done some discounting for that and
21 everything else.

22 What I just -- what I was looking for, too -- and
23 I'll come back with several suggestions -- was, you know,
24 what does move the needle for you? Is it 5 times? You
25 know, is it 10 times return? What's the -- how does that --

1 what needle did -- you know, how much --

2 CHAIRMAN McCUSKER: Let's do that.

3 I think that's a great idea, Chris.

4 Let's -- we'll sit down with you, and we'll
5 develop kind of a menu of things that could incentivize end
6 users. And then we'll bring it back to the Board, you know,
7 maybe in our January meeting.

8 Because Chris is right, what we want to do is give
9 you the tools, A, to sustain the business that you have, but
10 also recruit someone that might be going to Palm Springs or
11 Albuquerque or El Paso. And we know -- I know with USA
12 volleyball it was all about the rent.

13 MR. GRABSKI: Mm-hmm.

14 CHAIRMAN McCUSKER: You know, and the City was not
15 prepared to give them a serious rent concession. So I think
16 they went to -- where? -- Kansas.

17 MR. GRABSKI: Yeah. I think that's where they
18 ended up.

19 CHAIRMAN McCUSKER: It was a huge economic impact
20 to us. We lost that entire week of volleyball because we
21 wouldn't make a deal with the TCC. So that's really what we
22 want to help you avoid, is those kind of situations.

23 MR. GRABSKI: Okay. And I think that, overall,
24 you're looking at, you know, some sales that we'd produce
25 for you all.

1 (Ms. Cox left the proceedings.)

2 MR. GRABSKI: You know, tickets and stuff that,
3 overall, if I can get a small one, it's more kind of -- it
4 doesn't quite hit 250 at any one time, over a course of a
5 year, we can get there.

6 MR. MARQUEZ: Glenn, are you -- when you're
7 competing against other -- I'll call them -- midsized
8 markets like Tucson, are you seeing that other communities,
9 whether it's Kansas City, have incentives like this that
10 we're talking about?

11 MR. GRABSKI: I have yet to run into one like
12 this. I'm careful about asking about it not to give anybody
13 ideas, because I'm not quite sure where we're at with it
14 anyway. You know, obviously, in any type of event that
15 we're doing -- consumer show, concert, whatever, trade
16 show -- it's competitive out there.

17 And as we move the TCC up in rank and -- I think
18 this is something that can be -- help that competitive edge.
19 It's just one more thing we'll be able to watch.

20 CHAIRMAN McCUSKER: In the other venues that you
21 manage, do you have authority to negotiate an -- or
22 negotiate away the rent? Or do you still have to go back to
23 the jurisdiction that owns the venue?

24 MR. GRABSKI: I have authority to negotiate rent
25 and -- but I can't --

1 CHAIRMAN McCUSKER: But you're also incentivized
2 to --

3 MR. GRABSKI: Maximize revenue.

4 CHAIRMAN McCUSKER: -- maximize revenue.

5 MR. GRABSKI: And I do have a budget to make. So,
6 yeah, I -- you know, still have a --

7 CHAIRMAN McCUSKER: Okay. Without objection,
8 then, let's work on this for the -- maybe the January
9 meeting. And we'll come back with some specifics, Chris.

10 MR. GRABSKI: Yep. I appreciate your guidance
11 because it gives me some more direction on -- to put it
12 together.

13 CHAIRMAN McCUSKER: Glenn, thanks.

14 MR. GRABSKI: Thank you.

15 SECRETARY IRVIN: Thank you, Glenn.

16 CHAIRMAN McCUSKER: All right. Any calls to the
17 audience, Michele?

18 Okay. Entertain a motion to adjourn.

19 SECRETARY IRVIN: So moved.

20 MR. MARQUEZ: Second.

21 CHAIRMAN McCUSKER: All in favor, say aye.

22 (Ayes.)

23 CHAIRMAN McCUSKER: Merry Christmas. Happy
24 Hanukkah.

25 (The meeting concluded at 3:44 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