

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Monday, March 18, 2013
2:13 p.m.
400 West Congress Street, Room 158
Tucson, Arizona 85701

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

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1 APPEARANCES:

2 BOARD OF DIRECTORS:

3 Fletcher McCusker, Chairman

4 Mark Irvin

5 Jannie Cox

6 Alberto Moore

7 Chris Sheafe

8 Cody Ritchie

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10 STAFF:

11 Michelle Bettini

12 Mark Collins, Board Attorney

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CHAIRMAN McCUSKER: Call the meeting to order.

We have a quorum.

Mr. Hill is not going to make the meeting. Mr. Irvin and Mr. Sheafe are running a little bit late.

For those in the audience, apologies if you haven't seen our agenda. As soon as we dispense with the minutes we're going into executive session, so we'll be out of the room for probably an hour, then we'll come straight back.

So if you brought a video game, something -- Cody, you're pointing to the flag. Will you start the pledge?

(Pledge of allegiance.)

CHAIRMAN McCUSKER: Michelle, go ahead and do the roll call.

We'll just acknowledge when the other two boards members get here.

MS. BETTINI: Jannie Cox.

MS. COX: Here.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Here.

MS. BETTINI: Alberto Moore.

1 MR. MOORE: Here.

2 MS. BETTINI: Cody Ritchie.

3 MR. RITCHIE: Here.

4 CHAIRMAN McCUSKER: We do have a copy of the
5 transcript out of the February 21 meeting.

6 For those that are new to us, we transcribe
7 the entire meeting rather than take minutes, so there
8 can be no issues about whether we were appropriately
9 condensing the conversation or not.

10 So you've all seen those.

11 I would need a motion to approve.

12 MS. COX: So moved.

13 MR. MOORE: Second.

14 CHAIRMAN McCUSKER: All favor say aye.

15 (The Board voted unanimously in favor.)

16 CHAIRMAN McCUSKER: Mr. Sheafe entered the
17 building at 2:16.

18 MR. SEAFE: Good to see you.

19 CHAIRMAN McCUSKER: We were delayed because
20 we didn't have a quorum, Chris.

21 MR. SEAFE: Sorry. Okay. I would have been
22 here earlier. I was busy getting all my money out of
23 Cyprus.

24 CHAIRMAN McCUSKER: We plan to go to
25 executive session. That takes a motion and second as

1 well.

2 MS. COX: So moved.

3 MR. MOORE: Second.

4 CHAIRMAN McCUSKER: All in favor of recessing
5 into executive session say aye.

6 (The Board voted unanimously in favor.)

7 CHAIRMAN McCUSKER: Opposed?

8 None.

9 We'll be back in about an hour.

10 (In executive session.)

11 CHAIRMAN McCUSKER: We need a motion to
12 reconvene.

13 MR. SEAFE: So moved.

14 CHAIRMAN McCUSKER: All in favor say aye.

15 (The Board voted unanimously in favor.)

16 CHAIRMAN McCUSKER: Thank you for your
17 patience and indulging our Executive Committee.

18 A brief word about why we do that.

19 We still have a couple of litigation matters
20 that remain troublesome to us, and we do treat those
21 confidentially and in private session. Hopefully, at
22 some point Rio Nuevo will be litigation free and we can
23 do everything we want to do in open meeting.

24 Today is an important meeting on a number of
25 benchmark fronts for us. Mark will give us an update

1 on some of those legal issues. But since the
2 settlement we are actually making progress on actual
3 projects.

4 We are actively moving forward on the
5 renovation of the TCC arena. We have Elaine Weaver,
6 our project manager, and Phil Swaim, our architect,
7 here to discuss that with us and the public.

8 We have our first hotel project presentation
9 which is, if you are familiar with our legislation, our
10 secondary mission. Rio Nuevo is obligated first to TCC
11 and the arena; and, secondly, to a downtown hotel
12 project. It's been part of the challenge over the
13 years in both of those fronts. Today we actually are
14 going to list projects that might resolve the infamous
15 notice to proceed issues on both of those counts.

16 For the record, Chris Sheafe and I have a
17 conflict of interest with Scott Stiteler and his
18 development. So I think maybe for the first time we
19 will actually recuse ourselves during that conversation
20 and leave the dais.

21 The nature of Chris's conflict is that he and
22 Scott are partners in another venture, which would
23 preclude him from participating in that conversation.
24 I think most people know that Scott Stiteler and I at
25 some point in our not too distant past rescued the

1 Rialto Theater and were both guarantors of a note to
2 Alliance Bank. Even though that's long expired,
3 because of the nature of our relationship, attorneys
4 advised me that I'm probably better off recusing myself
5 as well. So during that piece of the presentation I'll
6 pass the gavel over to Mr. Moore.

7 So I think, without further ado, we're ready
8 to launch.

9 So Elaine and Phil, talk to us about the TCC.

10 MS. WEAVER: Good afternoon.

11 Can you hear me okay? Is that too loud?

12 So, first of all, thanks for having us. I'm
13 Elaine Weaver. I'm actually -- I work for the City of
14 Tucson with the architectural and engineering division
15 within general services.

16 What we've done to date is that we've met
17 with Mr. McCusker, as well as, Mr. Irvin, and we've
18 done a site walk through of the TCC. We have also met
19 with the TCC management and staff, as well as we've met
20 with Councilman Steve Kozachik, and we all have done a
21 number of walk-throughs around the arena to indicate
22 the needs and repairs of the facility.

23 From that meeting what we did, I generated a
24 needs and repair list, which I want to pass out. I
25 have enough copies for the audience. So the list that

1 you are looking at, it's front and back, and it is in
2 order of priority based on the consensus that we got
3 from all of the parties; the Rio Nuevo Board, the TCC,
4 and Councilman Kozachik.

5 And they are in order of priority, but we
6 understand that we have \$6 million to spend, and so our
7 intent is to put together a comprehensive project
8 budget so we can actually have hard numbers with those
9 line items and we can see what we can actually afford
10 and what we can do for \$6 million. That is a wish list
11 in front of you, and we know those items need to be
12 addressed, but we don't know what we can actually do.

13 The front of the list is noted that there's
14 current construction going on at the TCC. There's two
15 projects, a phase one and phase two, of a elevator and
16 escalator project. So we need to work around existing
17 construction as well as the TCC event schedule. We
18 wouldn't want any future renovations and additions --
19 not additions, but renovations to affect the current
20 TCC event schedule.

21 We're also in the process of getting a fee
22 proposal from Phil Swaim. And we're working with Phil
23 on our on-call architectural contract that we have with
24 the City. And so he's putting together a fee for us
25 for predesign where we'll be developing a design

1 standard. We'll be looking at some options and we'll
2 be putting together an actual project budget for those
3 line items that you have in front of you.

4 MR. SWAIM: Thank you, Elaine.

5 This is exciting to finally see this moving
6 forward with the TCC arena. I think we learned an
7 awful lot about the arena this last summer as we
8 replaced the retractable seating in terms of the true
9 needs there.

10 So this list that we have in front of you is
11 certainly very important. We also understand that we
12 need to move forward very efficiently, but we want to
13 do it with knowledge behind what we're doing. We
14 understand how important this is in terms of confirming
15 the responsibility that we have, as the City and Rio
16 Nuevo as well.

17 So what we're doing -- some of these things
18 like the design standards, great idea. So we're
19 setting up a series of -- sort of a design standards,
20 so as we know that these things need to be phased over
21 some time or projects that are done four years from now
22 by another architect or so, we've got standards set up
23 and there's consistency throughout.

24 We also want to make sure, as we're moving
25 forward, we're paying our engineers to only design the

1 things that are necessary for them to design, and if
2 that are not within this budget we don't want to be
3 doing that. So that's kind of this first phase. We
4 want to confirm what the range of those options are and
5 the costs so, again, we can move forward responsibly.

6 But it's exciting. Lot of details. I think
7 we also know that a lot of these are really geared
8 towards having the maximum impact on the fan
9 experience. So sound, restroom seating, that sort of
10 thing, just visual impact, I think are important to be
11 able to do at this first step. So we're excited.

12 There's a number of these things, once we get
13 past the first step, that we as architects probably
14 don't need to be involved in details. We can pull
15 ourselves back so, again, we are using fees
16 efficiently.

17 So we're excited. Probably don't need to go
18 into too much detail. Obviously, any questions or
19 detail you may have at this point, be happy to answer.

20 MR. RITCHIE: Will the people see the
21 \$6 million? Will it be a noticeable difference from
22 what you see today?

23 MR. SWAIM: Absolutely. We've got a variety
24 of ways to be able to have -- even if it's just
25 freshening and repainting some of these places.

1 MS. WEAVER: New chairs.

2 MR. SWAIM: New chairs.

3 We're talking about replacing seating
4 within -- and different levels of the most efficient
5 way of replacing that seating. New chairs down at the
6 ground level for those events. Absolutely.

7 We're considering the possibility of things
8 like scoreboards, sound system. I mean, calling it an
9 antiquated sound system right now is an insult some to
10 antiques. I think we're going to have real significant
11 impact right away with that sort of thing as well.

12 MS. WEAVER: If I could just add to that.

13 The \$6 million, a project goal that we've
14 established with Mr. McCusker and with Mr. Irvin, is
15 that the fan experience, that they should have a -- it
16 should be a noticeable difference. When you go into
17 the TCC arena you should see where the money has gone.
18 And that's a project goal and that's what we will do.

19 So we are not going to -- although the
20 infrastructure may need some work, we can't spend the
21 \$6 million on the infrastructure, because the fans
22 won't see that.

23 Our intent is that we would -- I would be
24 coming monthly to these meetings to give you all an
25 update, answer any of your questions and -- yeah.

1 CHAIRMAN McCUSKER: While you're both up
2 there, will you give us a little bit of your
3 background? Some of us have seen it, but not everybody
4 has.

5 MS. WEAVER: Sure. So I'm fairly new with
6 the City, about seven months in.

7 I have my professional degree in
8 architecture. Prior to coming to the City I've been on
9 the public sector, so I worked most recently, for
10 almost six years, with WSM Architects.

11 I was the project architect for five years on
12 the crime lab, the Tucson Police Department Crime Lab.
13 I saw that project all the way through the actual
14 study, to interviews, to putting the study together,
15 through the competition. I was one of the designers.
16 I did the construction documents.

17 And I also worked on Fire Central for the
18 Tucson Fire Department.

19 MR. SWAIM: She's also incredibly detailed
20 oriented, very organized, which is a real pleasure. So
21 when you tell Elaine you're going to have something
22 done by a certain time, you better do so. So it's a
23 pleasure to work with her.

24 I've been an architect since 1982, have a
25 huge range of experience, even here downtown most

1 recently the Unisource headquarters. I have worked on
2 a lot of athletic and sporting elements, whether it's
3 just recently replacing the seating at the TCC or
4 working on the concept design of the new arena
5 downtown, and a lot of other sort of sporting venues
6 around the community as well.

7 So experience with a lot of complex
8 renovation projects, from hospitals to schools to other
9 venues. So we know the complications of how to work
10 through and make sure this happens correctly, so -- as
11 well as lot of experience with the City. I guess when
12 you get as old as I am you start to feel like you got a
13 lot of background.

14 MS. COX: Please.

15 CHAIRMAN McCUSKER: While everybody's paying
16 attention, we have confirmed that the district is a
17 district of State government. We follow the State's
18 procurement rules, which means that when we begin to
19 construct or do any sort of renovation, we will
20 competitively solicit those proposals. Elaine will
21 help us with that as our project manager. We're going
22 to use as much of the City format as we can, since we
23 don't have procurement standards of our own.

24 We can tailor that to some extent.

25 Mark, if that's not the right word, correct

1 me.

2 We are obligated to follow the State's
3 guidelines, which are generally pretty high level.

4 MR. COLLINS: Obligated to follow Title 34,
5 not obligated to follow the State Procurement Code.

6 CHAIRMAN McCUSKER: Thank you.

7 So things like local preference, we have some
8 opportunities as the Board to make some decisions about
9 how we move forward.

10 But it will be a solicited process. We will
11 score the bids, we will announce the project once we
12 have a budget, and we will select contractors
13 accordingly.

14 So all that's going to be managed by Elaine,
15 you know, hopefully to what we hope is it a process
16 that's quick enough that people do notice. Part of
17 what our conversation with the Mayor and Manager was,
18 we do want people to know we're actually working even,
19 so even though we have to kind of work around the
20 activity schedule, we would like for the public to see
21 this investment actually paying off.

22 So we're going to -- you know, they are
23 actually trying to reel me in, because I was ready to
24 paint some -- but, you know, we're going to try and
25 coordinate that with the City, with the district, and

1 then go through the competitive procurement process.

2 Any questions for Elaine?

3 Thanks. We're really glad to have you on the
4 team.

5 MS. WEAVER: Thank you.

6 I just wanted to add one last thing, that our
7 approach we're taking with this project is that the Rio
8 Nuevo Board is our client, and I take that very
9 seriously. You are my client in this case. And it's a
10 Rio Nuevo project, and it's funded by the Rio Nuevo
11 Board.

12 I think that, you know, Mr. McCusker and Mr.
13 Irvin, we've gotten off on the right foot. We're
14 working today as a team. We started weekly design
15 meeting. My intent and goal is to have open
16 communication from day one throughout the project to
17 make this a successful project for you as well as the
18 City.

19 CHAIRMAN McCUSKER: We didn't mention -- and,
20 you know, if you are not ready, we hope that by our
21 April meeting -- right, Phil -- we can present some
22 numbers with these priorities.

23 MR. SWAIM: Yes. We will continue to add
24 numbers to that. We will be prepared to be able to
25 come back with a lot more detail in mid April.

1 Absolutely.

2 MS. WEAVER: Phil and I will be here next
3 month.

4 CHAIRMAN McCUSKER: Thank you.

5 Next item on the agenda, Chris, you and I are
6 recused from. Good timing, Scott.

7 Might mention, while Scott's in the room,
8 that counsel has advised Cody and I, we both have a
9 conflict of interest.

10 MS. COX: Chris.

11 I'm sorry. Cody Sheafe. Chris Sheafe.

12 So I'm going to turn the gavel over to
13 Alberto. You guys are on the agenda just in time, and
14 I'm going to sit in the audience.

15 MR. MOORE: Thank you very much, Fletcher,
16 Chris. I hope you take notes.

17 CHAIRMAN McCUSKER: Yeah, we'll report back
18 what we learn.

19 MR. MOORE: Please.

20 Mark, do you want to give us a briefing on
21 this presentation and --

22 MR. COLLINS: Well, I can comment on what
23 Mr. McCusker said before Mr. Stiteler came in the room.

24 It was my recommendation and conclusion that
25 both Mr. Sheafe and Mr. McCusker had a conflict under

1 the conflict of interest statutes.

2 Mr. Sheafe and Mr. Stiteler have an ongoing
3 business relationship, and Mr. McCusker and
4 Mr. Stiteler were co-guarantors of a particular loan.
5 That co-guarantee ended in December, but there is some
6 tail on that conflict. And it was my conclusion that
7 that tail is longer than three months or four months,
8 so it was my recommendation that they were recuse
9 themselves under the statutes.

10 Once recused, they cannot participate in any
11 way. You still have a quorum to function, but these
12 gentleman cannot participate in any vote that may come
13 to the floor after Mr. Stiteler does his presentation.
14 Okay?

15 MR. MOORE: Very good.

16 Any questions for Mark?

17 Thank you, Mark.

18 Mr. Stiteler, would you like to make a
19 presentation to us?

20 MR. STITELER: Yes, please.

21 Miguel Fuentesvilla is going to sit up here
22 for the PowerPoint.

23 MR. MOORE: Okay.

24 MR. STITELER: Good afternoon, members of the
25 Board.

1 Let me start with, I am pleased that we're
2 going being conservative and careful about conflict, so
3 I applaud that.

4 We've been busy, all of us, the Board,
5 downtown, our company. I have a lot to report with you
6 and a lot to share. I'm very excited to share many
7 things today that I have not shared with many. I
8 understand I have 20 minutes, so let me start with an
9 update on our holdings around the hotel site.

10 As you know, my company owns several parts of
11 blocks downtown. Three of those holdings are around
12 the historic Hotel Congress, and next to the Rialto
13 Theater, a Rio Nuevo asset. I get a lot of inspiration
14 from both the hotel and from the Rialto Theater.

15 Let me briefly give you an update on each of
16 the blocks, then we'll move on to the hotel and our
17 need for mezzanine or gap support to build this new
18 project, this new hotel.

19 Bear with me a second. I know Miguel's
20 trying to get a slide up.

21 MR. MOORE: Is that the Santa Cruz?

22 MS. COX: That's after we put in the water
23 works.

24 MR. STITELER: I can see it here, so I know
25 we're close. We're going to get pictures of Miguel and

1 Sonya's children pretty soon.

2 I'm going to go ahead and start. Hopefully,
3 the slide will join the presentation.

4 The first slide you're going to see, which we
5 can see a corner of -- believe it or not, was four
6 years ago. That's the corner of Fifth and Congress. I
7 had more hair then. Some of it was not gray. I
8 recently saw a picture, one of the tiles on the Fourth
9 Avenue underpass, and it had a picture that was taken
10 about five years ago of me, and it looked so young and
11 stress free.

12 But, honestly, I do very much enjoy what I'm
13 involved with in this community. I actually love it.

14 At this corner, Miguel and his wife, Sonya,
15 FORS Architecture, met me, and we sat right by the
16 black tile, and they told me that this could be one of
17 the greatest corners in the State of Arizona. And I
18 believed it then and still do. Today the anchor of
19 this block is The Hub Restaurant. Lot of things I want
20 to say about The Hub, but we don't have time.

21 But I will tell you one of my favorite parts
22 of The Hub is how many times I am there and I see three
23 generations in the same place having a meal, sharing
24 ice cream, laughing, being a family and coming
25 downtown. I will never get tired of seeing that,

1 because it's such an important part of rebuilding a
2 downtown.

3 The next slide is going to be a site plan of
4 the blocks around Hotel Congress, and I'm going to walk
5 up to the screen. I'll walk you through seven
6 businesses, seven businesses that will open in the next
7 10 months.

8 All right. Of course, Hotel Congress, the
9 hotel site we'll be talking about, and then three
10 holdings are the One North Fifth block, The Hub or 200
11 Congress block, and then the Rialto block.

12 We'll start with the 200 Congress block. At
13 the top of this slide here, what was formerly Sharks,
14 which was a bar, in August, mid August, Travis and
15 Nicole, from 47 Scott and Scott & Co, will open Saint
16 House. They've proven themselves downtown. They are a
17 terrific business couple. This is a step up for them.

18 It's about 3000 square feet. Food inspired
19 from the Caribbean, jerked spices, whole fish platters,
20 et cetera, et cetera. So excited to have them at Saint
21 House.

22 Then, of course, The Hub is located mid
23 block. Playground is on the corner, which is what
24 replaced the picture -- the before picture I shared
25 with you.

1 And in the middle where it's cross-hatched,
2 we are likely to make an announcement in mid April -- I
3 can't share it today -- one of the most coveted
4 restaurant operators in the country that has been
5 pursued. It's probably not an exaggeration to say he's
6 had 200 to 300 offers to open something in the country,
7 if not the world. And he came to Tucson, and has come
8 here before, but he sat in that space about six months
9 ago and he looked at me he said, Scott, you know, after
10 23 years of saying no, this feels right. There's
11 something about Tucson and this corner and this
12 community, the scale, the size of the buildings, et
13 cetera. This is me. This is where I want to be.

14 So it's a wonderful validation for what we're
15 creating in downtown Tucson. And I hope to announce
16 that in April, or have that person announce it. It's
17 really his opportunity to announce.

18 Okay. We're going to walk across the street
19 to the One North Fifth building. Top of the block is
20 Yoga Oasis. They were the second people to sign a
21 lease in our holdings. Darren is -- I'm embarrassed to
22 say that's my phone. Good thing we're not in a movie.
23 Thanks, Rudy.

24 Okay. Yoga Oasis is Darren Rhodes, and he
25 has a special place in the yoga community. And I love

1 to see all of the people with their yoga mats walking
2 to and from Yoga Oasis.

3 Paula and Daniel, Daniel Martin Diaz, an
4 artist, just renewed their lease last week. I found
5 out that they were hired again for the Plaza Centro
6 building at the street level to connect what Paula --
7 excuse me -- what Daniel did on Plaza Centro garage and
8 bring that down to the street.

9 Then Xoom Juice. In this cross-hatched space
10 we've probably had 20 or 25 offers, and I just have not
11 been comfortable saying yes to any of them.

12 There is an exhibit that will announce -- it
13 will last about three weeks, and it will announce in
14 the next week. It will open mid April. Bill Mackey
15 will lead it. And it is titled, Intersections and
16 Crossings. And there are a lot of things that will
17 happen there, but one of them is he is, in his opinion,
18 going to take the 25 best or most famous intersections
19 in the world and then compare Fifth and Congress. You
20 know, what can we learn from these great intersections
21 around the world? Are there parts of this intersection
22 that are maybe similar or not similar?

23 What I told Bill, I don't want my
24 fingerprints on it. Go in with a blank canvas and tell
25 the story of some of the great things that are

1 happening in this area.

2 Then, of course, Sparkroot Coffee Shop, RA
3 Shapiro, beautiful build-out. And that's anchoring
4 that corner.

5 One North Fifth, the apartments, a lot of
6 people think that is a big financial success. It is
7 not. I think we all know, Rio Nuevo as well, how
8 expensive it is to restore old buildings. Certainly
9 learning that with the Rialto building, which we're
10 about to talk about.

11 As our real estate community or economy
12 improves in this state, especially with housing, it's
13 just more and more expensive to hire subs and for them
14 to buy supplies, et cetera. So costs are -- I'm not
15 going to say they are skyrocketing, but they are
16 definitely rising.

17 One North Fifth, something interesting about
18 the building, I'm often asked or told, nice job on the
19 student housing project. And it's not. I think we
20 have 14 out of the 96 units are students, and the
21 balance of the building is a very diverse group of
22 different types of people, different ages. Another
23 important aspect of rebuilding the downtown.

24 All right. We're going to walk across the
25 street now, then we'll move on to the hotel.

1 Technically, we can't walk across the street because
2 it's always under construction and fenced off. So we
3 have to walk around the fencing, not trip on anything,
4 and get to the Rialto building.

5 Wow. The Rialto building is something that I
6 have focused on for years to get it right and respect
7 the historic and architectural, you know, story,
8 integrity of such a fantastic building. And I think
9 we're close, we might even be there, but all of you and
10 others will be the judge when these businesses open.

11 So I've talked about two new businesses,
12 Saint House and something we'll announce in a bit.
13 There are five openings in the Rialto building.

14 I'm going to take a sip of water. This is my
15 Marco Rubio moment, although he's a better speaker than
16 me.

17 All right. Rialto building, we'll start with
18 Proper on the corner, a very important corner here.
19 Paul and Laura Moir, Laura from Tucson, Paul from
20 Tucson a short while, and Flagstaff. They own a
21 restaurant that is one of the highest-reviewed or
22 critically-acclaimed restaurants in our state. It's
23 been open for 10 years in Flagstaff, called Bricks.
24 And they will open Proper in May.

25 There's a picture of Proper if you want to

1 show a color -- yeah.

2 So that gives you a feel for another Miguel
3 and Sonya project, FORS Architecture, of the amount of
4 expense that I'm willing to participate in and I'm
5 requiring our users, our businesses to come in to try
6 and elevate the spaces and provide the proper esthetic
7 to keep people coming down here and staying down here.

8 We'll go back to the -- okay. So that's
9 Proper on the corner. Next to Proper the Blue. Very
10 exciting. A butcher, and an old school butcher.

11 So we've talked a lot about restaurants.
12 Once those are proven and you create a critical mass
13 and a culinary destination, which I think we're well on
14 our way to doing, not to just people in Tucson, these
15 are the kind of culinary destinations, if they are done
16 properly, that get in the New York Times and, you know,
17 people travel to communities to hang out and try out
18 the restaurants, et cetera. They also need a hotel to
19 stay, but we'll get there in a little bit.

20 So a butcher. Another reason around the
21 holidays to come downtown, and not just come down for a
22 meal, if it is the caliber that I hope it is, it's a
23 reason to drive from Phoenix to get that cut of meat or
24 chicken that is only from a farm in Arizona, and
25 sometimes that farm only sells chicken to restaurants

1 in Las Vegas or Los Angeles, and now we're on the map.

2 And the reason we have those Arizona
3 connections is because of all these restaurant
4 operators that I'm talking about, like Paul, like the
5 person I'm sorry wish I could tell the name today.
6 They have decade or multi-decade long relationships
7 with cattle ranchers in Arizona, and they'll only work
8 with people in Arizona for these projects.

9 So it's just an opportunity to work with
10 those resources and bring, you know, wonderful products
11 to that space. So you can tell I'm really excited
12 about the future.

13 Next to it is Diablo Burger. Derrick
14 Widmark, from Flagstaff. Again, I think you may have
15 read they spent a lot of time looking in Phoenix and
16 had lots of opportunities to go to downtown Phoenix or
17 Scottsdale to A quality projects, and ended up in
18 Tucson. Another validation for Tucson and is part of
19 Tucson.

20 And Diablo Burger is 606 square feet in
21 Flagstaff. It might be one of the highest gross -- or
22 it is one of the highest grossing restaurants per
23 square foot.

24 And then this corner next to the Rialto
25 Theater is Good Oak Bar. Derrick Widmark, from Diablo

1 Burger, different business, but it's all wine and beer
2 from Arizona. No alcohol or no spirits.

3 I recently learned that that was the Tucson
4 Sunshine Club, which I didn't know a lot about. But,
5 apparently, there were a lot of families in this area
6 where the mothers were Sunshine women or Sunshine
7 girls, I think is what they were called, and they have
8 a full page ad, and that would be advertised around the
9 country to bring people to Arizona for 300-some days of
10 sunshine.

11 And there's a great old logo, the Tucson --
12 if I'm saying it correctly -- the Tucson Sunshine Club,
13 I think is what it was called, that Derrick is going to
14 incorporate into the space. I think we all like seeing
15 that history and authenticity come into the buildings.

16 Okay. We're going to talk about the fifth
17 business now, which is Connect, which is a coworking
18 project. I mentioned it a bit at the last
19 presentation.

20 Coworking, quite frankly, is one of the most
21 exciting asset classes in the country. A couple months
22 ago when I presented to the Board, I mentioned that San
23 Francisco there were maybe 30 coworking projects. I
24 was wrong. There are over 100. You now have companies
25 like Google and Yahoo and the Hyatt, et cetera, et

1 cetera, that are now very quickly entering space.
2 Zappos is a very good example of trying to create work
3 spaces where all types of entrepreneurial-type people
4 can spend time, sometimes 24/7, because not everyone
5 works 8:00 to 5:00 any longer, and they have all the
6 services they need, high-speed videoconferencing, et
7 cetera, to conduct their business and grow their
8 company.

9 So I am certain with Connect -- which is more
10 than us just dipping our toes in the water. It is a
11 14,000 square foot build-out with all of the technology
12 that needs to go into it to support these young and old
13 businesses -- it's not all young people -- so that they
14 can grow a company. And, again, I am certain that
15 we'll look back five years from now, 10 years from now
16 and learn that companies started at Connect and grew
17 and were too big for the space and, hopefully, stayed
18 in Tucson and leased bigger buildings and bigger
19 offices. So that's Connect.

20 And we are so far behind in Tucson with
21 coworking, if you look at the competitive set, the
22 Boulders of the world, or Portlands, Austin is
23 mentioned a lot, you know, they have half a dozen or
24 dozens of quality coworking opportunities, and Tucson
25 is just beginning to catch up. We'll catch up quickly.

1 This will likely help.

2 Okay. We can walk across the street again
3 and go to the hotel site. And I'll go back to the dais
4 and go from there.

5 Okay. So all of the projects that we've
6 discussed or I've shared today are creating more and
7 more reasons to come downtown and to stay downtown.
8 But to stay overnight we need a hotel. So we are well
9 on our way to building a new hotel for downtown Tucson
10 on the Depot Plaza site.

11 And I'll start with my partners. I can't do
12 all of this alone. So I'm blessed to have the Dabdoub
13 family, and Rudy Dabdoub is here today, who is my
14 partner in the back in the blue plaid shirt. Miguel
15 and Sonya and Phil Swaim are our design team. A
16 financial partner, very lucky, is my father-in-law,
17 who's the former chair and CEO of a rather large
18 company, and I think is the longest Board member on one
19 of the largest banks in the country. So he's someone
20 that gives us a lot of advice on finance and what we
21 need to look for so that this is a successful project.

22 The hotel. It will be 135 rooms. It is a
23 select service, which is a business-friendly hotel, as
24 opposed to a full-service hotel. Select service is, in
25 the hospitality field, is without question the space

1 that's growing the fastest. We're all going to learn,
2 as we start to look at hotel opportunities in downtown
3 Tucson, that hotels are difficult. They are difficult
4 to finance. The numbers are, from a financial
5 standpoint, are modest. Modest meaning the returns are
6 modest.

7 Some of the things that have changed in that
8 space are the rate game, which I know I do all the
9 time, but I didn't used to do that. So oftentimes,
10 when I go to a community, I'd go to hotels.com or Last
11 Minute or Hotels Tonight, and where I used to spend
12 \$179 for a hotel type, maybe a Marriott Courtyard that
13 I liked, if I can find a competing brand for \$119, then
14 I often stay there. That's a very real part of hotels.
15 So they've had to change and come up with products that
16 are not as expensive and still provide a certain amount
17 of service to their clients.

18 We are not ready to announce which brand it
19 is. I will say we were courted by three of the major
20 hotel groups. Marriott, to start with, and
21 Intercontinental. And learned a lot from those
22 meetings and still continue to meet with those
23 companies.

24 Perhaps, if we're able to prove ourselves
25 with this first hotel, there will be an opportunity to

1 build another property, and it could happen where it
2 says "future" in the upper left corner. That's a good
3 hotel site. Or it could be apartments or stay parking.
4 Who knows? But, certainly, we have to prove ourselves
5 with the first property and prove it to the community,
6 the banking community, the Rio Nuevo, the City, et
7 cetera.

8 All right. A significant and necessary part
9 of our ability to build this hotel is support from the
10 Rio Nuevo for gap financing. The hotel is a
11 \$22 million project, started out at 18.8. The last
12 time I was here it was 18.8. We've gone out to bid,
13 and because of what I've mentioned earlier it's risen
14 to \$22 million. We're comfortable that we'll have a
15 conventional loan of about \$15 million, equity of about
16 four-and-a-half million dollars. So our gap is
17 two-and-a-half million dollars.

18 So we need -- hopefully, from the Rio Nuevo,
19 and, hopefully, it's a good fit -- support in the form
20 of a loan which would be secured by the property, and
21 then a portion of the tax that's created by the hotel,
22 and by the hotel only, not the other businesses that
23 I've shared with you, would be used to pay back all or
24 part of the loan. Again, a portion of that site
25 specific sales tax created by the hotel would be used

1 to pay back part of or all of the loan.

2 We also need the Rio Nuevo to follow through
3 on prior resolutions or obligations, I'm not sure how
4 to describe it any more with all of the history of Rio
5 Nuevo that predates all of you, on paying for the
6 streetscape and plazascape to finish out Depot Plaza.
7 And the mechanism for that would be, as we come in with
8 the design and do the work, the Rio Nuevo would have a
9 chance to approve that and say that complies with what
10 the intent was, and then reimburse us for up to a
11 certain number based on the approvals that were done in
12 the past. Those are the two things that we need.

13 We're in a good position with the City. They
14 support this hotel. They want to see it go forward.
15 So I believe our position with the City is going to
16 allow this to move forward, if we can get through the
17 two asks that I just mentioned.

18 And, lastly, then I can answer questions. I
19 received a draft of an economic impact report this
20 morning. I have not been able to read it. I only have
21 a few notes here that were sent to me. And it's a
22 third-party study. We, thankfully, we weren't a part
23 of it. We shared months ago for the GPLET with the
24 City of Tucson, another very important part of allowing
25 this property to go forward, or they require a

1 third-party economic study.

2 So that just came in, at least the draft did.
3 And my understanding is it is quite impressive for the
4 direct benefit to the area and the indirect benefit.
5 It is a factor of one-and-a-half, maybe two more than
6 what we expected.

7 And I keep using the word "validation," but
8 there's no question activity breeds activity. And we
9 now have what is becoming a wonderful corner, wonderful
10 opportunity to develop the corner and the three blocks,
11 you know, as a mixed-use project that have a variety of
12 businesses, from hotel to cowork to butcher to
13 restaurants, et cetera, to live music.

14 And when you do those types of things well,
15 and well for me is -- sorry if I'm going on too long --
16 is I've stayed away from -- with these restaurants from
17 large chain businesses, which has not been an easy
18 thing to do, and made a decision early on to support
19 the Travis and Nicole and RE and Kade and et cetera, et
20 cetera. I think people are gravitating toward that
21 type of unique experience. But if you do it well, it
22 creates a lot of tax, it creates a lot of jobs. It's
23 already done that with the projects that we finished,
24 and should continue to do so, and, hopefully, multiply
25 to the benefit of downtown.

1 So with that, I'm able to answer any
2 questions that you might have.

3 MR. RITCHIE: I have a question, Scott.

4 I think, first of all, you know, want to
5 commend you on a fantastic job you have done downtown.
6 You've been a true pioneer, and as a citizen of the
7 community I really appreciate it.

8 Question I have is, all these other
9 restaurants you've been kind of going the independent
10 route, like you just alluded to. With the hotel it
11 would really help us if you could -- I mean, future
12 down the road for my own edifice to vote on it, if we
13 knew the name -- because you're not planning on going
14 independent on the hotel, are you?

15 MR. STITELER: We are not going independent
16 on the hotel. That's a good question.

17 And we are in the fortunate position where we
18 have more than one major hotel group with a major brand
19 at the top of that asset, select service asset class,
20 that want our company to commit to them. And that's a
21 good position to be on our part.

22 So it's something that I'm not sure I can --
23 I can't share it today. I haven't talked to my
24 partners. But perhaps I could do that in a day or two
25 after I talk with them.

1 I can assure you it is a brand and a company
2 that would surprise me if there was anyone in the room
3 that had not heard of it.

4 MR. RITCHIE: So that was the question.

5 My comment is that just from this flyover
6 look at this, because this is the first time I've seen
7 it, we've always mentioned that we wanted to invest
8 10 percent private dollars for 90 percent -- I mean the
9 other way around, 10 percent public dollars for
10 90 percent private dollars. This seems right in kind
11 of our mission statement.

12 So from a number standpoint I like it. Just
13 a few more little questions to be answered, but --

14 MR. STITELER: Sure. Thanks for saying that,
15 because that was part of the rationale on our numbers
16 that I think -- I'm not going to call it partnership,
17 it's not, but in a public/private relationship, for the
18 private sector to shoulder more risk, and in this case
19 our equity is almost two times what we're asking for
20 from the Rio Nuevo and it's junior to the Rio Nuevo, is
21 important. And we were mindful of that.

22 MR. IRVIN: Question for you. We're still
23 trying to figure out some of the stuff ourselves, as
24 probably appreciate. We just got our settlement with
25 the City done, and we're off with the TCC and other

1 things.

2 But we've talked in the past about maybe
3 having an ability to pledge TIF revenues. I know
4 you've talked quite a bit about TIF revenues.

5 Question for you is the difference, in your
6 mind, between us pledging some TIF revenues for a
7 period of time versus a loan. What's the difference in
8 that, in your mind, and why did you come to us with one
9 versus the other?

10 MR. STITELER: Okay. Let's talk about the
11 projection of TIF revenue.

12 As I understand it, we're somewhere on the
13 hotel alone, only direct, none of the indirect benefit
14 from the hotel or surrounding projects, somewhere in
15 the neighborhood of five to \$6 million of new tax that
16 currently does not exist. The loan amount,
17 two-and-a-half million dollars, satisfies the gap. And
18 the ask whereby part of -- I think in our ask it is --
19 half of the new tax created on the hotel would go
20 toward the interest, and the principal reduction of the
21 loan generates a return to us that allows us to go
22 forward on the property. And I alluded to it earlier.
23 I can go into more detail.

24 Hotels are tough for a lot of reasons. The
25 returns are modest. If we were not in a position where

1 we had three blocks and are trying to create something
2 that will last for decades, with a long-term vision of
3 building a quality project, not flipping it, holding on
4 to it, operating it, managing it, et cetera, the right
5 way, then I'm not sure that we would move forward on a
6 hotel. We would perhaps look at a different type of
7 project on the site.

8 But I know that I would like to see hotel for
9 a lot of reasons. I think the community wants to see a
10 hotel. So we need some help on the loan and on some of
11 the tax, allowing the financial return to reach a
12 hurdle that makes the bank happy and ourselves happy.
13 It is a high single-digit return for the first few
14 years, and that's what it is.

15 MR. IRVIN: Talk to me a bit about the
16 streetscape. We, as you appreciate, inherited lot of
17 the streetscape and all those things.

18 In your mind, what is that number? When you
19 are said and done, what kind of streetscape number do
20 you look to the district and say, hey, we want you to
21 help with that?

22 MR. STITELER: Good question.

23 So I think the answer is, what will it take
24 improve the hard and softscape around the hotel and
25 finish some of the work that was done in front of One

1 North Fifth on Congress, which, unfortunately, the City
2 did in a hurry, and it doesn't compare favorably to the
3 work that they've done across the street and across the
4 block.

5 It was done in a hurry because the Fourth
6 Avenue underpass was opening and there was -- I don't
7 know if it was a ribbon cutting ceremony, et cetera,
8 and they just very quickly poured concrete sidewalks.
9 And that was unfortunate, because that was a time when
10 the economy was completely different. We were
11 struggling to get One North Fifth finished and opened
12 and leased, et cetera. But that's what happened.

13 So I would like to come back and have that
14 enhanced within reason. So I'll get to the number in a
15 moment.

16 The answer is, what it takes to do it with
17 the right design without going overboard, making
18 sensible decisions on what that means, recognizing that
19 the front of Fifth Avenue is the front of a hotel, and
20 we want the right statement without going overboard for
21 that property. And we don't have that right now.

22 Oftentimes, you look down Fifth Avenue toward
23 the train depot and it's -- there's a gap. And I've
24 learned on a smaller scale, as you walk down a street
25 with all these businesses, when you have someone that

1 visits an area -- let's pretend we're walking down
2 Congress from Sparkroot to Yoga Oasis. Someone will
3 walk by Sparkroot and be pleased with what they see in
4 the windows, then you have on empty space. Oftentimes,
5 it starts to take away from that impression and starts
6 to build this case that downtown really isn't happening
7 yet.

8 So you want to have a continuum of activity,
9 interest, et cetera, to keep people downtown and
10 staying downtown. That will be very important from
11 Congress to Toole.

12 It already is happening and happens on the
13 Hotel Congress side. It needs to happen at a pretty
14 high level on the hotel side.

15 My understanding -- Arizona Avenue is
16 important, Herbert Avenue is important. What was done
17 on Scott is was well done, et cetera. So those
18 connections are quite important.

19 And I'm blessed to live in San Francisco and
20 see a lot of those alleys that have been activated the
21 right way. So when you are walking down the street,
22 what's down there, you end up walking down, you buy a
23 purse, have a drink or what have you. It's a good
24 place to learn.

25 My understanding is the resolution that was

1 passed by the prior Board was about a million four
2 hundred fifty thousand dollars. I think it started at
3 900 plus. There was another resolution that raised it
4 to a million four plus. About \$525,000 was spent.
5 Most of it was spent in front of the new MLK building
6 where I had no -- I really had no influence on any of
7 the decisions, to be honest with you. And that would
8 leave about \$900,000 to finish what is an important,
9 again, mixed-use development.

10 What did not happen in the beginning is a lot
11 of the focus went on the new MLK building, but when you
12 can look at that block it includes One North Fifth,
13 hopefully a hotel, a new MLK, and Kevin Madden's
14 building, Madden Publishing. All four of those should
15 have been master-planned together and connected with
16 where does the trash go, how do we want to landscape
17 it, is it lit properly at night so people feel safe.

18 And that didn't happen. The focus went on
19 the new MLK building. And, thankfully, there is now --
20 or hopefully, there is now money set aside so that we
21 can finish the rest of that Depot Plaza properly.

22 Long answer. I thank you for your time.

23 MR. IRVIN: Question maybe for counsel.

24 I know in our settlement we set aside X
25 number of dollars in the settlement for streetscape.

1 MR. MOORE: 750,000.

2 MR. IRVIN: \$750,000.

3 My understanding is that's not specifically
4 designated to any one project, it's just streetscape.

5 Is that correct?

6 MR. COLLINS: True.

7 MR. IRVIN: Thank you.

8 MR. MOORE: Do you have any questions?

9 MS. COX: I don't have any other questions
10 now, but I did think that the hotel partner was already
11 chosen. So that is something I think it's important
12 for us to know.

13 MR. STITELER: I'm more than comfortable, if
14 the Board is willing, to move forward on the support
15 that we're asking for to make that a condition, that
16 the Board is comfortable with the company and the brand
17 that we choose.

18 MR. IRVIN: Scott, you know, you can
19 appreciate we're all trying to get up to speed on this
20 thing, and I commend you, because I've seen what you've
21 done and I like what you've done, I'm impressed with
22 what you have done.

23 MR. STITELER: Thank you.

24 MR. IRVIN: From our perspective, you know,
25 when do you need to know something from us?

1 MR. STITELER: I believe in transparency in
2 asking the questions you're asking today, and more. 30
3 days is -- we've probably gone farther than we should.
4 And that's defined as Rudy, myself, my father-in-law,
5 have worked with the design team to get to a place
6 where not only we're able to get bids, which, like I
7 mentioned, took the numbers -- and I'm not surprised --
8 from just shy of 19 million to 22 million. That's
9 going to happen with all of our peer group as they bid
10 hotels in this environment. But we are far enough on
11 the plans where we could submit for a permit within 30
12 days if we wanted to.

13 So we're going to place things on hold for a
14 while until we get comfortable that we can satisfy that
15 gap, and as soon as we're comfortable that that's
16 there, then it's full speed ahead.

17 MR. IRVIN: Is 2015 a realistic time frame
18 based upon the next 30, 45 days? Will you try to --

19 MR. STITELER: 2015 to finish the hotel?

20 MR. IRVIN: Uh-huh.

21 MR. STITELER: Definitely, yes.

22 What I'd really like is to be well underway
23 with construction for the next Gem and Mineral Show. I
24 think that a lot of us believe that is important.

25 They are already coming to town and seeing a

1 real change in this community. But, certainly, a hotel
2 would help if that was halfway up on their next visit
3 and then finished in time for the visit in 2015.

4 MR. RITCHIE: Out of curiosity, are you
5 planning on using a local general?

6 MR. STITELER: We are. Lloyd Construction.

7 MR. RITCHIE: Okay.

8 MR. STITELER: The team is 100 percent local.

9 So what that means is we have meetings every
10 Tuesday. Rudy and his company, Rudy Dabdoub, the
11 design team, there are 15 to 20 people in a room for
12 two to four hours every Tuesday for many, many months.
13 We're hundreds of thousands of dollars into this
14 process.

15 MR. MOORE: Mark, you -- I have -- Scott, I
16 really admire what you've done for downtown, motivating
17 the private sector and looking at investing down here.
18 You've done a great job. I personally appreciate what
19 you've done and risks that you have taken.

20 MR. STITELER: Thank you.

21 MR. RITCHIE: I have some questions that some
22 of it generates from the history of me being on the
23 Board.

24 One of the questions, I don't know where the
25 City is in supporting what you're doing. I mean, not

1 just lip service, physically committing itself to
2 expediting as much as of the work as possible.

3 I remember at some point the depot garage
4 area, they had a transformer problem that came out on
5 the Fifth Avenue and Toole, I think was an easement
6 issue, and that prevented some future development of
7 that site. And I don't know --

8 MR. STITELER: You have a good memory.

9 MR. RITCHIE: Am I right?

10 MR. STITELER: That was an interesting couple
11 months in this journey.

12 Yes. The City installed a transformer --
13 bless you -- in a spot that perhaps they didn't go
14 through all of the necessary steps and consultation to
15 put it in that spot. We worked together, we got past
16 it and it's no longer an issue, from where I stand.

17 I mean, early in the process I accepted that
18 we're -- urban revitalization is a tight setting of
19 people. We're all in the sandbox together. We got to
20 try to play nice or it's hard to move forward. But I'm
21 being -- that was a tough week because -- that's
22 history.

23 MR. RITCHIE: I can appreciate you have to
24 play nice with the City. That's never been my
25 interest. Okay. I have an interest in trying to make

1 sure that people like yourself have a real opportunity
2 to get these facilitation issues under control with the
3 City and their full cooperation.

4 So, you know, that's why I bring up the
5 transformer, because I think that was a very important
6 problem, and that you resolve it and so forth. Is
7 there going to be an expense involved in modifying that
8 situation or can it stand as its --

9 MR. STITELER: Yes, there would be an
10 expense. It should be a minor expense. We can go into
11 detail.

12 The transformers, without consulting with us,
13 were installed next to one of our exits at the One
14 North Fifth building. So you walk out of a main exit,
15 then you're looking at above ground green boxes, you
16 know, in your face.

17 So when we install the streetscaping and the
18 plazascape for the balance of this project, that is an
19 area where we should put shrubs around it. There's not
20 a lot you can do for transformers. The utility needs
21 access to them. I think we're talking about hundreds
22 of dollars to a few thousand dollars to try to lessen
23 what is not something that's nice to look at.

24 MR. RITCHIE: All right. What about the
25 traffic flow?

1 I mean, I don't know how much it encumbers
2 Toole or Fifth Avenue as far as ingress and egress, or
3 is it --

4 MR. STITELER: It's not a big hurdle any
5 longer.

6 MR. FUENTEVILLA: And we have meetings with
7 TDOT.

8 MR. IRVIN: I know there used to be overhang
9 issues when they built the building, and somebody
10 didn't realize it was infringing on what you were going
11 to do.

12 What's the status of that?

13 MR. STITELER: On that subject, rather than
14 fight, we worked with a whole bunch of different
15 parties, rolled up our sleeves and said, how do we get
16 past this.

17 What that means is we have to slide the
18 building into the historic setback. I think it's about
19 18 feet. So the footprint now is smaller than what we
20 bargained for or wanted, i.e., we have a narrower
21 building. And it's also pushed toward the green, the
22 new MLK building, so the plaza that was originally
23 there is now narrower.

24 Not insurmountable. These things happen.

25 A positive out of that is we now have more

1 room, more real estate.

2 Let me show you. Historic setback lines up
3 with --

4 MR. IRVIN: The transformers.

5 MR. STITELER: -- the green.

6 The transformers are back here.

7 MR. IRVIN: I'm kidding.

8 MR. FUENTEVILLA: Would it be helpful if I
9 gave you the plan that shows the exact State historic
10 setback right there on --

11 MR. STITELER: Right. The State historic
12 setback.

13 So you have columns that are built in the
14 ground out in the street. There was a time that
15 predates me where the building was going to be built on
16 all of those columns. Everything now slides on the
17 column line. I guess that would be westerly. And we
18 have a plaza that's narrower and not ideal, but we pick
19 up a sidewalk or plaza that is probably necessary for a
20 hotel, where you can -- that you've got cars that can
21 drive in. I'll show you in a moment. Don't change the
22 slide yet, please. Cars can drive in the hotel, check
23 in. And that's important so that's not happening at on
24 the street.

25 There's an opportunity for art. I think -- I

1 believe the City still has some funds available from
2 the new MLK building to do public art. There may be a
3 requirement, as I understand it, I haven't seen the
4 document, for public art that respects Martin Luther
5 King and some of those ideals.

6 And that's what we talk about creating
7 interesting opportunities for people to walk up and
8 down alleys. That's a good spot for some type of
9 public art.

10 Did I answer your question?

11 MR. IRVIN: Uh-huh.

12 MR. RITCHIE: Scott, going back to that map
13 that you have, where is the transformer? I thought it
14 was over on Scott and Toole. Can you point out to me
15 where the transformer --

16 MR. STITELER: Transformers are between the
17 new MLK building and One North Fifth, which is up here.

18 MR. RITCHIE: Oh, way over there?

19 MR. STITELER: Right.

20 MR. RITCHIE: Okay. I had the impression it
21 was closer to the side. All right. That helps me.

22 Another question I have is, what is the
23 arrangements you have with the City for the depot
24 garage? Because we have an agreement with the City
25 and -- in making payments, and since they basically

1 bought it, I would like to know what the terms and
2 conditions and if you are meeting all the parking
3 requirements offered by the depot garage.

4 MR. STITELER: Sure. Important question.

5 I'm going to give you less than a minute of
6 history and then answer your questions.

7 When I initially looked at assembling and
8 investing downtown, this was 2006, and then began
9 investing in '6, '7 and '8, and my efforts and amount
10 of money that we were investing accelerated, began in
11 earnest in 2008. At that point that 2006, 2008
12 building, the old Martin Luther King building was
13 slated to be demolished. It had a chain link fence
14 around it. It was an eye sore, a massive eye sore,
15 which is why it was slated for demolition.

16 And that was the time where I was making a
17 decision, do I invest in downtown. And any developer
18 would come in and the first question would be, will
19 there be parking. And if you remember, the parking for
20 old MLK was the surface lot behind it, so parking
21 wasn't an issue. And that was a time -- I think the
22 answer would have been no different for me or anyone
23 else, that, you know, parking, we're going to build a
24 garage and parking will be part of that, please come
25 invest in our community. We really want to see

1 downtown happen, et cetera.

2 You fast forward to 2008 and '9, now I'm more
3 and more in the newspaper, the economy is in a
4 recession, headed to an a severe recession, and my
5 company continued to invest and follow through on these
6 development agreements and finished the building, build
7 the spec retail, which became Sparkroot, et cetera, and
8 count on parking as an amenity for the tenants or the
9 residents at One North Fifth. So that's that.

10 Our agreement is we have 100 spots. It's a
11 99-year lease. We pay \$25 a month for five years, then
12 it goes to \$35 a month, then it goes to market, not to
13 exceed 100.

14 It is my understanding that the garage is
15 underperforming, and that the check that we write each
16 month is one of the bigger sources of income. And it's
17 going to take a while in this community. Where I live,
18 spending 25 minutes to find a parking spot is no big
19 deal. That's part of going to all the wonderful
20 neighborhoods in some of these communities.

21 And still in Tucson, as people get more and
22 more comfortable downtown, come down more often, it's
23 going to take them a while to get comfortable. Hey,
24 driving to a garage, two stories, parking, only takes
25 five minutes, and that's okay. That will take years,

1 not months, for that change to happen.

2 MR. RITCHIE: Speaking of parking and
3 transportation, does the Ronstadt Center behind you
4 negatively or positively impact your projections or
5 your performance?

6 MR. STITELER: Not sure. My focus has
7 been -- this changed. About three years ago I did
8 everything I could to stay out of the newspaper,
9 positive or other articles where they were asking
10 questions, and I focused on the three blocks and doing
11 the best I could to deliver good businesses, good
12 people, high integrity. And I made a decision that, if
13 that was done well, it would build upon itself and
14 create this culture and community of people, and that
15 would be how we were judged. And that's working out
16 quite well. And I stopped paying attention to
17 everything that was happening around me, including the
18 Ronstadt Center.

19 MR. MOORE: One last question.

20 My personal feeling is that I think we need
21 to sit down amongst ourselves and talk more about the
22 offer that you're making and what other positions we
23 should be concerned about because of our relationship
24 with the City and making sure we don't have any
25 compromises there or misstep.

1 So I don't know what the Board feels as far
2 as how to proceed, but same kind of motion that --

3 MR. IRVIN: I think it's probably just one we
4 need to study a little bit. I think it's a very
5 worthwhile project for our consideration. I think it's
6 one that fits really well in that area.

7 A lot of us, unfortunately, haven't spent
8 three years studying like you have, so we need to get
9 up to speed. I've read through this, but I am probably
10 going to need to have another visit with you about a
11 number of different issues. So I'm not ready today to
12 make a decision on that, personally.

13 So what I would say is I just need a little
14 more time to study it. And I ask you, what kind of
15 pressures are you under where we need to fish or cut
16 bait?

17 MR. STITELER: I didn't expect in any way a
18 vote today. I think, you know, this is a multi-step
19 process. I am -- I hope that we can put the microscope
20 over everything and answer all your questions so that
21 we can bring this to a vote and a decision in the very
22 near future, and, ideally, in the next 30 days or so,
23 so we can move forward from the project and the hotel.

24 Certainly, more questions, more research,
25 understanding the numbers is appropriate.

1 MR. MOORE: One last question.

2 MS. COX: I want to say something, too, when
3 you are finished.

4 MR. MOORE: I know that originally -- at
5 least I heard that you were initially negotiating with
6 the City, and the City had committed itself to
7 participate with you, and then for some reason or
8 another they had to fold their tent and walk away from
9 it. That's one of the reasons you came back to Rio
10 Nuevo.

11 Could you enlighten me a little more on all
12 those circumstances that created this situation?

13 MR. STITELER: Sure. In the ideal scenario
14 we all share in the, I guess, risk and reward of this
15 project.

16 So the City -- we're moving forward and on a
17 good path with the GPLET, which is a program that has
18 proven itself in Phoenix and behind many successful
19 projects that have been built and are generating tax
20 and jobs. So we will work with the City on the GPLET.

21 The one -- I'm sorry. I forgot the name of
22 the one program. The 108 program, we spent six months
23 with the City exploring that as a opportunity. And
24 it's a complicated program, it's a new program, a HUD
25 program that the City is learning as they go. I think

1 we helped them quite a bit with that process, and I was
2 concerned that we would be here a year from now still
3 in meetings and still talking about, you know, just
4 three more months, and et cetera, et cetera. And at
5 some point you have to go a different direction.

6 So I'm very pleased that they support the
7 hotel, that they settled with the Rio Nuevo, and that
8 the GPLET program is available. But that 108 program
9 today still needs to evolve and it needs more clarity,
10 so that developers or private companies that come in
11 and want to participate have a clear understanding of
12 what it's all about. And they are not there today.

13 MR. MOORE: Okay. Jan.

14 MS. COX: I just want to thank you for your
15 presentation and say what is obvious, is that between
16 you and Fletcher McCusker you've done more than
17 everyone else combined to bring our downtown to where
18 it is today. Something that we're all starting to be
19 proud of it.

20 And we don't want to be a part of delaying
21 your progress, but we also want to go forward with full
22 transparency, and we don't have enough of the hard
23 facts right now and haven't had enough time to discuss
24 those to make a good decision based on the facts. So
25 we don't want to slow you down. We just want to do it

1 right.

2 MR. STITELER: I understand. And thanks for
3 what you said. That means a lot.

4 MR. RITCHIE: Make a motion that we table
5 this and try to get back with you within 30 days.

6 MR. MOORE: Or sooner.

7 MR. IRVIN: Second.

8 MR. STITELER: Thanks for your time.

9 MR. COLLINS: May I make a comment?

10 Obviously, you can do what you choose to do.
11 You are a quorum. You can do whatever you like.

12 Given what we heard from Mr. Stiteler, you
13 might want to consider designating one or two of you
14 folks to be the liaisons to start to force a bit
15 forward and meet with Mr. Stiteler and his people, to
16 gather that information so that you guys can have it
17 faster and being able to deal with it faster. It's
18 just a thought.

19 MR. RITCHIE: I agree with you. And I would
20 ask if maybe Mark and Alberto will take that role on.
21 That's your specialty in business.

22 MR. MOORE: Be happy to.

23 MR. IRVIN: I will.

24 MR. COLLINS: I would suggest to you that you
25 make such a motion, and if it passes, then whoever it

1 is, you two gentlemen can work with Mr. Stiteler and
2 his people directly and gather the information that you
3 folks need. That would be my thought.

4 MR. RITCHIE: I make the motion that Albert
5 and Mark work with Mr. Stiteler and gather the
6 information and bring it back to the full Board.

7 MS. COX: Second.

8 MR. MOORE: All in favor.

9 (The Board voted unanimously in favor.)

10 MR. IRVIN: Thanks for the coaching.

11 MR. COLLINS: 30 days is a short fuse.

12 MR. MOORE: Okay. Gentlemen, you can return
13 back to your seats.

14 And here is the gavel.

15 CHAIRMAN McCUSKER: Thank you, everyone.
16 Thanks for hanging in there, Scott. Good luck.

17 MR. STITELER: Thank you.

18 CHAIRMAN McCUSKER: Next item on the agenda,
19 you heard them talk about it when they were addressing
20 Scott, and our interest in providing jobs for our local
21 tradesmen, Jim Kuliesh is here to make a brief
22 presentation from the Alliance of Construction Trades.

23 Jim, thank you very much.

24 MR. KULIESH: First, I want to say I'm hard
25 of hearing and I speak loud, and I apologize for that.

1 If you think I get upset or sound upset, it's not the
2 case. So I thank you for inviting me to talk to you
3 today.

4 My name's Jim Kuliesh. I'm president of the
5 Alliance for Construction Trades. We're a nonprofit
6 construction trade association based in Tucson. We
7 have over 250 members. No general contractors, no
8 architects. We are subcontracted specially contracted
9 material suppliers and equipment suppliers. We have
10 been in Tucson for going on 28 years. And we represent
11 both union and open shop subcontractors.

12 I like, the gentleman, Scott, thank you for
13 making the agreement with the City. Great positive
14 step for the whole community.

15 Your chairman spoke before ACT three, four
16 months ago, and he expressed his vision and I think he
17 expressed your vision for what he sees for Tucson. And
18 we had about 160 members there at the meeting, and he
19 spoke, really, for us too, because we agree. We see
20 the vision. I don't know if I'll see it in my
21 lifetime, but Tucson downtown will sparkle. Tucson
22 downtown will come alive and it is going to be a hub of
23 activity for everything. So we're very happy to have
24 you come to our meeting.

25 I want to stay on the positive note, which is

1 to take a few minutes, maybe a minute, just to say, as
2 you might know or not know, it's hard to believe that
3 us subcontractors in construction fought as hard as we
4 did against the new hotel by Garfield Traub and Turner
5 Sundt. After 56 meetings with those people, and
6 together with the City, we ended up not supporting
7 that, which is really quite unbelievable. But then,
8 again, on that small \$4 million project at TCC entrance
9 we had to -- over the years 22 subcontracting firms
10 were not paid. We assisted in the lawsuit against
11 Turner and Sundt, and they immediately paid the 22
12 subcontractors.

13 So we are very concerned. Like we hear talk
14 constantly about transparency and everything like that,
15 which is great.

16 You're going to start to spend money one way
17 or the other way. You're either going to spend cash or
18 you will spend it on property investment that you own.
19 And that's wonderful. Developers, Scott, other
20 developers in the years to come are going to come
21 before you, talk about plans and different things. And
22 we are totally in support of that.

23 It's going to be really -- what you're doing
24 now for Rio Nuevo is a new chapter. It really is. And
25 our community and everyone, I think, is really happy

1 what we're seeing and hearing you're going to spend
2 millions of dollars. Of course, with that you want the
3 biggest bang for your buck, and the taxpayers of our
4 community want the biggest bang for their buck. So
5 it's going to happen. I'm here today, namely, to offer
6 ACT's assistance in any way we can possibly assist.

7 I know on TCC you're working with the City
8 and the young lady that's going to be managing the job,
9 but you're the owner, you're the client, and they'll
10 take directions from you when it comes time.

11 Michelle, you can save that. Sit down.

12 Just quickly. No one knows more about the
13 proper way of building a building in our community and
14 how they are built than the actual ones that do the
15 work on it, and that's subcontractor. Every time
16 architects or engineers or the general contractor runs
17 into problems, the first one you goes to is the
18 subcontractor. When they want a value engineering job,
19 the architect comes in says, looks like the number's
20 too high, they go to the subcontractors.

21 So, therefore, we hope that we offer our
22 assistance and participate with you, because building a
23 project is a difficult process. But with proper
24 planning and requirements, many mistakes such as delay
25 claims, change orders, extras, project comes in over

1 budget, surprises can be eliminated. In fact, it was
2 interesting. Today's front page of the Star, and what
3 is on the front page? Talks about the City, the
4 County, and the courthouse talking about a million
5 five, million six overestimate, problems on the job.
6 All construction has problems on the jobs. They can be
7 eliminated.

8 We have what we call owner awareness
9 projects. This is a project we have done 15 years.
10 ACT can go to owners, we can say we can build your
11 building with quality construction, we can build your
12 buildings on time, we can build your buildings
13 delivered on time, within budget, and no lawsuits at
14 the end of the job if you do these following
15 requirements.

16 And the best example I can give you is the
17 University of Arizona. I've been here 18 years in
18 Tucson, and that first month of September I met a
19 gentleman socially. And he said, what do you do? I
20 said, I run the subcontractor trade association. He
21 said, boy, do we need you. We can't get the
22 subcontractors to bid our work.

23 That gentleman was Joel Valdez. I think you
24 all know that name. At the time he was with the
25 university.

1 The next day Bob Smith, who is now up in the
2 administration, at that time he was head of design and
3 construction, and he said Joel Valdez told me to call
4 you. So I met with Bob, and we sat down and he said,
5 we got to get subcontractors, good ones, to build our
6 buildings. And I said, simple, these are the
7 requirements that you should be doing through your
8 general contractors. And it took three years to go
9 through lawyers, the Board of Regents, but they did it.

10 And it's good to say that in the past 15
11 years we built over a billion dollars worth of work,
12 structures, at the University of Arizona. And a lot of
13 it, tremendous amount of it, was local subcontractors
14 that got the work by having certain requirements in
15 there to do the work.

16 In fact, just recently -- three years ago,
17 not recently -- a company, a general contractor out of
18 Phoenix came to us, my office, sat down and said, we're
19 trying to get the stadium job, \$80 million at the
20 university. So I said, okay, these are some of the
21 things that we would like to see as subcontractors in
22 Tucson. And it's Mortensen Construction Company.
23 Mortensen ended up with that job, and it's going along
24 smoothly, on time, within budget.

25 But in that they had what is called a

1 community construction participation plan. You can't,
2 we can't, and no one can't -- trust me, I would like
3 love to do it -- to say that we can stop subcontractors
4 from Vegas, San Diego, Phoenix to come down here and
5 take work away from our local subcontractors. It can't
6 be done.

7 But under Mortensen and the community
8 construction plan -- which, by the way, I'm working
9 with the City, because the City's gone through now a
10 three-step program on their tax incentive thing. They
11 are asking developers and general contractors to put in
12 there in writing, what do they plan to do as far as the
13 local economy and what type of plan do you have for the
14 construction industry.

15 Mortensen's plan says, hey, if a Vegas
16 mechanical contractor comes in and does the job, low
17 bid, they are going to give them the work, he's
18 qualified, you got to be qualified to do the work, come
19 ahead, here is the contract. But 75 percent of that
20 mechanical contractor labor force must be hired in
21 Tucson, our local people. And this was, I think,
22 fantastic. This is one area that I would hope that in
23 your discussions and now and in the future is one area
24 that you would think about doing.

25 We work very closely with the City, have a

1 great relationship with the City Council. Monthly we
2 meet with all the jurisdictions who are the developing
3 service people, including the County. We have been
4 holding that for over 12 years, monthly meeting with
5 them. And that's where we solve problems.

6 Just as a side note. We are the only
7 association in the United States that -- three years
8 ago they had a problem, no one pulling permits. It has
9 on nothing to do with yours, but no one pulling permits
10 on gas replacement water heaters in their houses.
11 Plumbers weren't doing it. So after -- and this was a
12 struggle, but we finally came up with a way.

13 And we had all the jurisdictions, including
14 the County, agree. And we're certifying plumbers
15 through a test. We, ACT, pulls all the permits from
16 the jurisdictions, they get a copy of the permit. We
17 took the price down from \$120 to \$22.50.

18 When we talk about government and private
19 industry working together, that's a prime example.
20 There's no one in the nation doing something like that.
21 In fact, last month the County came at the meeting and
22 they said, we'd like to see you do it for replacement
23 of air conditioning units.

24 We spent money developing all the software
25 for it, ACT did. No one else spent the money for it.

1 So, basically, I'm just here today to say that we're
2 here and we'd like to offer our assistance.

3 Owner awareness program has seven steps into
4 it. And if you are interested, then I will follow up
5 and give you what the seven steps basically are, how to
6 go about getting the best for your bang, especially
7 with the general contractors coming in and making sure
8 the projects come in on time.

9 And the last thing I say, the only thing that
10 ACT looks for is what we tried to do with Garfield
11 Traub. Basically, if subcontractors in town that are
12 qualified, going through a qualifying process on the
13 project, if they are qualified, they get a fair
14 opportunity to bid on the job. And with that comes
15 transparency; that they know exactly where they stand
16 on the bid when the time -- it eliminates bid shopping,
17 which is a problem in our industry.

18 So I thank you for today. I made -- Michelle
19 has a statement just for you, basically same thing I
20 said, just for you to keep it and say, what the hell
21 did that guy say.

22 Thank you very much.

23 MR. RITCHIE: Can I make a comment real
24 quick, Mr. Chairman?

25 CHAIRMAN McCUSKER: Go ahead.

1 MR. RITCHIE: Make me feel old, Jim, because
2 18 years ago -- I'm 48, so I was 30 when I was on that
3 Board. We hired Jim to come to Tucson, and my friend
4 who headed up that committee said we had a firebrand
5 from Tampa, Florida, that we're thinking about coming
6 to Tucson, because the subcontractors in Tucson really
7 need help. And his first thing he did was remove all
8 of the service providers from the Board, which was
9 probably a smart move on your part. But we've been
10 friends for years.

11 Just like Scott with downtown, every sheet
12 metal worker, every plumber, every air conditioning
13 guy, every drywaller, every carpenter in Tucson owes a
14 debt of gratitude to you personally for what you've
15 done over the last 18 years. You've worked your tail
16 off for these guys, and continue to do it. So thank
17 you.

18 MR. KULIESH: One reason I came here was
19 payment. Payment in our industry, getting timely
20 payment was always a problem. And we go to Phoenix a
21 lot with the prompt pay law and everything.

22 In fact, on the Fox Theater I got an
23 invitation when it was opening, black tie affair. By
24 the same token, the subcontractors that worked on Fox
25 Theater were not paid their retainers. No, I did not

1 go to the grand opening of Fox Theater.

2 But we have passed a law, Governor signed it
3 last year, when it comes to the final payment,
4 retention on the job.

5 The City of Tucson -- just to leave you a
6 note, that took a few years to pass. But in the
7 City of Tucson we have a construction fairness
8 ordinance. Now when a subcontractor or a general
9 contractor is not getting paid by the owner, he doesn't
10 have to hire an attorney. We fill out the form, submit
11 it to the City of Tucson, and the City Attorney goes to
12 work representing the subcontractor or the general
13 contractor who has not been paid.

14 We're the only -- again, we're the only city
15 in the United States that has a payment law like that
16 where we don't have to go out and hire an attorney to
17 fight our battle for us.

18 So I thank you very much.

19 CHAIRMAN McCUSKER: Thank you.

20 I would echo what Cody said. If you have any
21 samples of another public jurisdiction that's provided
22 local preference, we would be very eager to see those.
23 We're going through a process now with the City to try
24 and adopt the law, and at the same time create some
25 flexibility for ourselves that favor local tradesmen.

1 So the University's a public jurisdiction,
2 the City, the County. Anything that you might have
3 that has specific language that gives you any kind of
4 preference, get that to Michelle.

5 MR. KULIESH: We work with -- good point.

6 Back last fall went to the City Council about
7 local preference, because then the chamber just passed
8 something on the point system for office supplies and
9 different things, but not for construction.

10 And we brought all the general contractors,
11 stakeholders together, general contractors together,
12 worked three, four, five months, and really -- on one
13 hand I praise them, on the other hand -- Mike Rankin,
14 City Attorney, came through and said we could use
15 something like this, but it's going to cost a quarter
16 million dollars to a 100,000, \$500,000 to do a study,
17 which the few cities that have, in construction,
18 preference laws have done. And, of course, the Mayor
19 and Council not going to spend \$500,000 to do a study.

20 So there's no way that you can really --
21 other than in your requirement, that you would like to
22 see in writing. And I say from Scott, Scott says he's
23 using Lloyd as the local general contractor. Lloyd's
24 got a fine reputation. But let's bring it down to the
25 next level. How are they going to go about using local

1 subcontractors? What is their plan?

2 CHAIRMAN McCUSKER: Work with our staff, and
3 we'll get with counsel, do what we can do to make sure
4 we can comply with the State standards, and at the same
5 time do better by our local tradesmen.

6 MR. KULIESH: That would be wonderful.

7 CHAIRMAN McCUSKER: Thank you.

8 MR. KULIESH: Thank you.

9 MR. IRVIN: Thanks for coming.

10 MS. COX: Thank you.

11 MR. KULIESH: Nice to see you at the other
12 side of the table and me not screaming.

13 CHAIRMAN McCUSKER: You're in the minority
14 there.

15 MR. KULIESH: Thank you.

16 CHAIRMAN McCUSKER: Thanks a lot.

17 Bill, we're going to try move things along
18 pretty quickly. Touch on your report. I know you have
19 some bad news. So thanks.

20 MR. ALLEN: All right.

21 I handed out, when you went into executive
22 council -- I assume you all got copy of it -- the
23 updated cash report for --

24 CHAIRMAN McCUSKER: Is that around and we
25 make copies for the public?

1 MR. ALLEN: The copies are right up here. If
2 anybody would like to see them, get them from Michelle.

3 In any event, the good news. Start with a
4 little bit of good news.

5 Since the last time we met, the City of
6 Tucson has transferred over all excess TIF funds. We
7 have, for the first time, have the entire excess TIF
8 that's residing in our account, which is, as far as I'm
9 concerned anyway, a milestone event. I know that from
10 the Board's side it's probably even a bigger milestone
11 event trying to get that handled. The accounts are now
12 completely separated from each other.

13 The City has some business yet to do with the
14 bond money, where they need to still pay themselves the
15 2.18 million that they are owed as part of the
16 settlement agreement. And there's a minor error, \$875
17 item that they still have not resolved. But we've done
18 everything we need to do, so we're completely in the
19 clear.

20 Now, once a month we'll be reconciling with
21 the agency, Wells Fargo, in regards to all the debt
22 holdings for either excess or surplus -- I'm sorry --
23 surplus or deficit TIF funds as the funds flow through
24 Wells back to Rio Nuevo.

25 So, in any event, you have in Rio Nuevo now

1 8.7 million rounded in funds in our account, and when
2 you adjust for the 2.18 million for the City, it's
3 three point -- sorry -- \$4.3 million in funds that they
4 have related to the bond money.

5 So any questions on that?

6 Very little movement in the overall total,
7 but we've got everything in the right place.

8 CHAIRMAN McCUSKER: I think you said it, but,
9 again, effective when will the money come directly to
10 us from the State and totally bypass the State?

11 MR. ALLEN: That's going to happen the very
12 next time they reconcile, which I'm told by Wells is
13 done at the end of each month. So the very first
14 reconciliation. The paperwork's already been handled.
15 So the very first reconciliation will be with me in
16 probably another week or so when they have sit down to
17 do that reconciliation.

18 CHAIRMAN McCUSKER: Great.

19 MR. ALLEN: Moving on to not such good news.

20 My first assignment when I came here was to
21 work on the financial statements and bring them
22 forward. When I came here I found out that they were
23 about a year-and-a-half in arrears in certain areas,
24 and other areas a lot of the accounting had to be
25 cleaned up and scrutinized and corrected. Through a

1 lot of months' activity we finally got the financial
2 statements done for June 30th, 2012. And there's been
3 a period of time past that, them getting done, that
4 we've been resolving a lot of issues in getting that
5 completed.

6 I represented to the Board that I am now
7 working and I am working on bringing the financial
8 statements forward. But I had to take a respite on
9 that goal in the last 30 days for a very important
10 issue that had not been addressed, I noticed it almost
11 immediately upon coming here, which was the sales tax
12 hadn't been paid since August 2011.

13 And in going back and trying to evaluate it,
14 it was a bit of a hairy thing to go through, because we
15 had to figure out what revenue was really there. Of
16 course, we didn't have financial records in some cases
17 that -- a lot from the City that we had to reconcile
18 and figure out what we needed to sales pay sales tax
19 on. Spent lot of time working on it. I've done all
20 the returns, they are all ready to go. But the
21 unfortunate news is that combined City and State, about
22 \$96,000 of unpaid taxes.

23 What I'd like to do is get those returns put
24 to bed, the taxes paid, everything brought current.
25 There is a procedure now going to be in place to make

1 sure that they are always paid monthly, so that that is
2 never going to be an issue.

3 I can't speak to as to what broke down in the
4 process in 2011, but I do think it linked to the
5 transition between the City to Rio Nuevo for a variety
6 of activities, and somehow that process just got messed
7 up sometime back in 2011.

8 CHAIRMAN McCUSKER: Of that 96 grand, how
9 much of that is penalty and interest versus straight up
10 tax?

11 MR. ALLEN: That is solely the tax.

12 CHAIRMAN McCUSKER: That is just the tax?

13 MR. ALLEN: That is the tax alone. 77,000 of
14 it is City of Tucson and 19,000 of it is State of
15 Arizona.

16 CHAIRMAN McCUSKER: There's likely to be, on
17 that top of that, penalty and interest, right? Were
18 some of those returns not filed at all?

19 MR. ALLEN: Returns were not filed.

20 CHAIRMAN McCUSKER: So you have a not filed
21 possible penalty.

22 MR. ALLEN: There's a not filed penalty, and
23 then there are also penalties related to the first
24 three months after a return has not been filed.

25 It appears that the more serious issue, which

1 is the City, which is 80 percent of the taxes we're
2 talking about, does cut off their penalties after three
3 months.

4 CHAIRMAN McCUSKER: What is the magnitude, do
5 you know?

6 MR. ALLEN: I haven't calculated the penalty,
7 because I did contact, actually, through Michelle,
8 asked her to make a call, within weeks of my employment
9 to see what the penalty abatement policy was. And we
10 got some assurance that since we were going through
11 cleaning up things, trying to get everything figured
12 out, that there was a reasonable chance that all the
13 penalties would be abated. But I have not your pursued
14 that process since then.

15 In my history I have pursued it and been
16 pretty successful, as Chris might know, in dealing with
17 sales tax issues in eliminating penalty-related
18 problems.

19 But the jury's out on all of that. I'm
20 hopeful that all we're talking about is an interest
21 issue, which will greatly bring down the size of any
22 additional obligation that might be.

23 The key is to get the tax paid and everything
24 current. That starts the ball rolling on the rest.

25 MR. SEAFE: I'm just curious. That tax

1 results from activity, moneys that were spent, correct?

2 MS. BETTINI: Right.

3 MR. ALLEN: That tax --

4 CHAIRMAN McCUSKER: Rent mostly, right?

5 MR. ALLEN: Right. That is taxable, that we
6 should have paid sales taxes.

7 MR. SEAFE: We didn't have control of that
8 accounting; the City did. So how is it that we can end
9 up paying them a penalty for --

10 MR. ALLEN: For the preponderance of the
11 period that we're talking about the Board was involved
12 with the City at the beginning, and we wound up with
13 the accounts at some point. We started receiving the
14 checks at some point, but the process by then was
15 completely pretty much abandoned.

16 CHAIRMAN McCUSKER: We separated from the
17 City, I think, in 2010, for accounting purposes.

18 MR. IRVIN: Is that rental tax?

19 CHAIRMAN McCUSKER: Rental tax, right, Bill?

20 MR. ALLEN: It's a two percent and .5
21 percent. We collected it, we didn't pay it.

22 MR. SEAFE: It's kind of interesting. I'm
23 sure, Bill, you will be on top of it and we'll get
24 through this, but I never cease to be amazed how the
25 confusion on this money was so completely -- it doesn't

1 seem like there was anything that was understood.

2 MR. ALLEN: It's hard to comment on the past.
3 What I'm trying to do is make sure going forward we're
4 completely on top of it.

5 CHAIRMAN McCUSKER: So will you take
6 responsibility for trying to negotiate our way out from
7 under the penalties and interest?

8 MR. ALLEN: Absolutely. Both State and the
9 City.

10 CHAIRMAN McCUSKER: I would think we would
11 have some opportunities to leverage that with the City
12 leadership. So let us know how that goes.

13 MR. ALLEN: Hopefully, it won't even get that
14 far. Hopefully, it's just a rudimentary thing. Once I
15 get to talk to the right person and they have all the
16 returns in hand and I explain, you know, we're
17 basically putting it all on the table.

18 CHAIRMAN McCUSKER: This is not a budgeted
19 item. I expect we probably need to give Bill authority
20 to pay these back taxes.

21 MR. SEAFE: At the very least, we need to do
22 that.

23 So I would make that motion, that the full
24 amount of the taxes that are due in their original form
25 should be paid as rapidly as you can get them paid.

1 MR. ALLEN: And keep it mind they were paid
2 to us.

3 CHAIRMAN McCUSKER: Chris made a motion to
4 catch up with back taxes.

5 MR. IRVIN: I'll second.

6 CHAIRMAN McCUSKER: Any further conversation
7 or questions?

8 MR. RITCHIE: I have a question.

9 Are you going to pay it tomorrow or are you
10 going to call them tomorrow first and see if we can't
11 negotiate out of it and then pay them?

12 Because it's really money going from the
13 right hand to the -- from the right pocket to the left
14 pocket, right? And it's just -- once again, you know,
15 it's money that could be going into economic
16 development rather than paying our partner that we've
17 been going back and forth with so many years.

18 So my question is, are you going to pay it
19 tomorrow or --

20 CHAIRMAN McCUSKER: Interesting point. I
21 wonder if the taxes themselves might be waivable.

22 MR. RITICHIE: I would think they could be.

23 MR. ALLEN: I don't think that would be
24 likely, because they were paid from the City to us.

25 MR. RITCHIE: Taxing yourself.

1 CHAIRMAN McCUSKER: We got a motion.

2 MR. SEAFE: My motion is the concept that you
3 will see if you can settle them for the taxes.

4 CHAIRMAN McCUSKER: Amend your motion so that
5 we can authorize him to pay only if we can't negotiate
6 our way out.

7 MR. SEAFE: I would so amend.

8 MR. IRVIN: Second.

9 CHAIRMAN McCUSKER: All in favor say aye.

10 (The Board voted unanimously in favor.)

11 CHAIRMAN McCUSKER: You have your marching
12 orders.

13 MR. ALLEN: Is that also with the State?

14 CHAIRMAN McCUSKER: Good luck with that. But
15 yeah, we'll go all the way to the Governor if we have
16 to. We weren't around. It's not our fault.

17 Thank you. Anything else?

18 MR. ALLEN: I just wanted to mention that I'm
19 working on an RFP, initial stages, but I hope to have
20 it to Mark before the investment of our title funds.
21 The Board had requested that we go forward with that,
22 and I would like to get it to Mark here in the short
23 term so we can get that done.

24 Mark will comment on the IRS audit, the 2002
25 IRS audit, I believe, the status of that when he gets

1 up here. But I don't have anything else to report on
2 that. And I'm working on the financial statements.

3 MR. SEAFE: I do have one question or comment
4 on the issue.

5 You don't need any further authorization on
6 that, do you?

7 CHAIRMAN McCUSKER: It will be solicitations
8 and we'll receive bids. So it will come back to us.

9 MR. ALLEN: Right.

10 CHAIRMAN McCUSKER: Bill, thank you.

11 Mark, your 20 minutes is now two minutes.

12 MR. COLLINS: I was going to say, I bet you
13 want me to be short.

14 Pronto litigation, as you know, is the
15 Thrifty block. Mr. Kromko is no longer part of it. We
16 have been working with Mr. Born's representatives to
17 create a revised development agreement. We've made
18 significant progress in that, but we are not all the
19 way there yet.

20 Any other questions on that?

21 Garfeild Traub litigation remains very
22 similar to where we were last time. It is in the
23 discovery motion stage. The Rusing Lopez firm is
24 preparing some motions that I anticipate being filed,
25 hopefully, very shortly.

1 Election of officers. We discussed, I think
2 last time, each of the officers serves for two years.
3 Alberto's time has expired. There needs to be an
4 election, certainly, of the Secretary.

5 Perhaps you might want to consider -- after
6 all of the changes that have occurred with the
7 settlement with the City, you may want to consider
8 looking at everybody's position.

9 Hotel proposal, unless you want me to go into
10 it in detail now, I think --

11 CHAIRMAN McCUSKER: I guess we should
12 address, can we legally do what Scott and other hotel
13 developers have done?

14 MR. COLLINS: The issue with what Scott's
15 talking about is the limitation that the 2009
16 amendments put upon you. A.R.S. 48-4204 says that
17 until certain things happen you can only spend money on
18 a very limited number of items. And that particular
19 thing is the meddlesome notice to proceed. And it
20 says, until notice to proceed is issued for a hotel in
21 convention center located on the multipurpose facility
22 site, you have a very limited amount number of things
23 you can do.

24 The project that Scott's talking about is
25 certainly in the multipurpose facility site. Whether

1 that qualifies as a hotel and convention center, that
2 terminology is interesting. So there is a question
3 about that.

4 CHAIRMAN McCUSKER: You will recollect that
5 the legislative counsel already believes we did issue a
6 notice to proceed.

7 MR. COLLINS: Agreed.

8 CHAIRMAN McCUSKER: And our issues have
9 usually typically come with the City of Tucson, and
10 we've addressed that at the settlement.

11 MR. COLLINS: Right. That's absolutely true.
12 That's another lawyer's opinion. It's not a black
13 robe's opinions.

14 But the settlement agreement most certainly
15 says that if, for example, you entered into an
16 agreement with Scott and the City, the City would -- by
17 doing that the City would agree that's a notice to
18 proceed. That would satisfy this requirement.

19 CHAIRMAN McCUSKER: Last but not least --

20 MR. COLLINS: Arena due diligence. We got
21 the disclosures on March 8. Lots of stuff.

22 I've provided -- there's a schedule B, a
23 series of preliminary schedule B that shows the warts,
24 if you will, that are on the arena site. I'm moving
25 forward to try to be able to summarize what really is

1 there for all of you folks.

2 I think you need to be thinking long and hard
3 about getting the title policy, and if we don't have a
4 recent ALTA survey, we need to do that too. But I'm
5 going to find that out for you.

6 Any questions?

7 That's all I got.

8 CHAIRMAN McCUSKER: Stay up there regarding
9 Item 11.

10 Given the lateness in the hour, I'm inclined
11 to postpone the study session in the capital
12 improvement plan. What we are obliged to do there is
13 to put in writing our priorities and associate them
14 with dollars available to us so that we can publish,
15 and the City can concur, how we intend to spend the TIF
16 money available to us over the next year.

17 So what I would ask you to do is think about
18 that, we'll try and address that maybe at a subsequent
19 meeting. Some of the things are known to us and are
20 included in the settlement agreement, i.e., the TCC
21 arena. We're obliged to spend \$6 million or more on
22 that. We're obligated to do the Mission Gardens, we're
23 obligated to do the streetscape. If we can satisfy the
24 notices to proceed, then we would be free to identify
25 other uses for TIF funds.

1 That's really where this was going, is
2 assuming we can accommodate the settlement agreement,
3 assuming that we can help someone launch a hotel, I
4 believe we, in short order, can meet the notice to
5 proceed. And the question for all of us is what next.

6 And be thinking about that. We'll come back
7 to that at a subsequent meeting.

8 I'm going to table that. I put it on the
9 agenda, I can take it off, right?

10 MR. COLLINS: You can.

11 CHAIRMAN McCUSKER: I did say election of
12 officers, plural. And to follow up on Mark's comments,
13 the only officership that has termed is Secretary. We
14 are, in fact, obligated to nominate someone to that
15 position.

16 I do concur with Mark that maybe things are a
17 little bit different. All of us serve the appointor of
18 our position. We either have been appointed by the
19 Governor, the Speaker, or the President of the Senate.
20 However, the officers are elected by all of us. The
21 majority of the Board elects the Chairman, Secretary
22 and Treasurer. Those are the only three positions,
23 Mark, that we have in our bylaws.

24 MR. COLLINS: Correct.

25 CHAIRMAN McCUSKER: I do think it's

1 appropriate, post settlement, that you all ponder on
2 that as it relates to any and all of us. So I put on
3 the agenda the opportunity for you to consider electing
4 a new Treasurer, electing a new Secretary and electing
5 a new Chairman, if you so desire. And I would proceed
6 in that course.

7 It would take a nomination, it would take a
8 second, and it would take a majority vote for any of
9 those things to occur.

10 Please do not nominate yourself.

11 MR. SEAFE: Open for nomination?

12 CHAIRMAN McCUSKER: Do not second your own
13 nomination.

14 And we'll start with the Treasurer's
15 position.

16 MS. COX: Mr. Chairman, I would like to
17 propose that Jeff Hill be replaced in the position of
18 Treasurer by Chris Sheafe. So I would like to nominate
19 Chris Sheafe to replace our current treasurer, Jeff
20 Hill.

21 MR. IRVIN: I'll second that.

22 CHAIRMAN McCUSKER: Okay.

23 MR. COLLINS: Before you discuss, maybe it's
24 important for me to point out to you that there is a
25 provision in the admin rules that allow for what you're

1 talking about, Ms. Cox, is about a replacement
2 situation. It's Article 6.3. It does allow that.

3 And the only question that comes to my mind
4 is, if you go forward and you do that, the question
5 really comes to mind is, are you electing a Treasurer
6 or electing Mr. Sheafe for another -- a new two-year
7 term, or is he being elected for the remainder of
8 Jeff's term?

9 And I tend to walk softly in those things. I
10 would suggest to you that it would be for the remainder
11 of the term, then you would maybe look at it again.

12 Jeff's term terms right now on August 31st of
13 this year. So I would like you to think about that.

14 My suggestion is that it would be only for
15 the remainder of Jeff's term.

16 CHAIRMAN McCUSKER: It seemed implied in the
17 use of the word "replace" --

18 MR. COLLINS: Right.

19 CHAIRMAN McCUSKER: -- rather than to -- that
20 would be my assumption, is that any of us that are
21 replaced.

22 MR. COLLINS: I think that's the wise choice,
23 because as you point out, Mr. Chairman, the officers
24 serve at the pleasure of the Board. I mean, you guys
25 can take people off and put people on whenever you

1 choose.

2 CHAIRMAN McCUSKER: Mark, while we're on this
3 adventure, is there anything in the statute or bylaws
4 specific to the qualifications of the Treasurer?

5 MR. COLLINS: The Treasurer has to have
6 financial management experience. There's, as you may
7 remember, a rather long description of what the
8 Treasurer's duties are. But the Treasurer is -- the
9 only requirement is they have a financial management
10 experience.

11 CHAIRMAN McCUSKER: In your belief, does Mr.
12 Sheafe meet the standard?

13 MR. COLLINS: In my belief, Mr. Sheafe meets
14 the standard.

15 CHAIRMAN McCUSKER: Okey dokey.

16 MR. COLLINS: I won't be funny on the public
17 record.

18 CHAIRMAN McCUSKER: We have a motion and a
19 second. So we're going to take a roll call vote,
20 unless further discussion.

21 Albert, anything?

22 MR. MOORE: No. I think that's a great
23 suggestion.

24 MS. BETTINI: Mark Irvin.

25 MR. IRVIN: Yes.

1 MS. BETTINI: Jannie Cox.

2 MS. COX: Yes.

3 MS. BETTINI: Alberto Moore.

4 MR. MOORE: Yes.

5 MS. BETTINI: Chris Sheafe.

6 MR. SEAFE: I can't vote for --

7 CHAIRMAN McCUSKER: Absolutely. What do you
8 think?

9 MR. SEAFE: Yes.

10 MS. BETTINI: Cody Ritchie.

11 MR. RITCHIE: Yes.

12 CHAIRMAN McCUSKER: My vote's not needed, so
13 I abstain.

14 Secretary's position, that is one, indeed,
15 that has termed down.

16 MS. COX: I would like to nominate Mark Irvin
17 for the position of Secretary.

18 MR. RITCHIE: I second it.

19 MR. COLLINS: On that particular case, since
20 Mr. Moore's term has expired, it would be for a
21 two-year term. They are elected biannually. You guys
22 are elected biannually.

23 CHAIRMAN McCUSKER: And is there any peculiar
24 requirements that the Secretary had?

25 MR. COLLINS: No. There are duties that are

1 set forth in the bylaws, but there isn't anything in
2 particular as far as qualifications are concerned.

3 CHAIRMAN McCUSKER: All right.

4 We have a motion on the floor, nomination and
5 second, to nominate Mr. Irvin to replace Mr. Moore as
6 Secretary.

7 Roll call, please.

8 MS. BETTINI: Mark Irvin.

9 MR. IRVIN: Can I go last?

10 MS. BETTINI: Jannie Cox.

11 MS. COX: Yes.

12 MS. BETTINI: Alberto Moore.

13 MR. MOORE: Is it appropriate for me to vote
14 for myself as Secretary?

15 MR. COLLINS: Well --

16 MR. MOORE: The motion's only for one person.

17 MR. COLLINS: Right.

18 CHAIRMAN McCUSKER: So you're voting yes and
19 no for Mark.

20 MR. MOORE: Nobody nominated me.

21 CHAIRMAN McCUSKER: The nomination currently
22 is for Mark. We have a second. We're doing roll call
23 vote for him.

24 MR. MOORE: Does that mean for --

25 CHAIRMAN McCUSKER: You would vote no if you

1 did not want him to be Secretary.

2 MR. MOORE: My question is, is there any
3 other -- can you put up another nomination?

4 CHAIRMAN McCUSKER: I believe we have a
5 motion and second.

6 MR. COLLINS: I think, given the motion, it's
7 out of order at this point in time to make another
8 motion.

9 CHAIRMAN McCUSKER: If this motion fails --

10 MR. COLLINS: If it fails, then --

11 CHAIRMAN McCUSKER: -- take another motion.
12 Am I following proper procedure?

13 MR. COLLINS: Right.

14 MR. MOORE: So it's my turn to vote?

15 MS. BETTINI: Alberto Moore.

16 MR. MOORE: I would vote no.

17 MS. BETTINI: Chris Sheafe.

18 MR. SEAFE: Yes.

19 MS. BETTINI: Cody Ritchie.

20 MR. RITCHIE: Yes.

21 MS. BETTINI: Fletcher McCusker.

22 CHAIRMAN McCUSKER: I vote yes.

23 So the motion, by five to one, carries.

24 MR. COLLINS: Now it's you.

25 CHAIRMAN McCUSKER: Let's make sure

1 everybody's okay with what just happened.

2 So the motion was to nominate Mark to replace
3 you.

4 MR. MOORE: Right.

5 CHAIRMAN McCUSKER: It was seconded. And
6 there were majority affirmative votes. So he would be the
7 new Secretary over your objection.

8 MR. COLLINS: For two years from today.

9 MR. SEAFE: Do we have a Chairman question?

10 CHAIRMAN McCUSKER: Yeah. That's the last
11 and only --

12 MR. IRVIN: I would like to make a motion we
13 not make a change and we reaffirm Fletcher for Chair.

14 MS. COX: Second.

15 MR. COLLINS: I think that's wonderful, guys.

16 There's no specific reaffirmation. He serves
17 now through the 28th of June next year. And unless you
18 want to remove him, he serves through that time.

19 MS. COX: Well, we don't --

20 CHAIRMAN McCUSKER: There's a motion and a
21 second. Are they withdrawing it?

22 MR. COLLINS: That's fine. You can do that.
23 I'm just suggesting to you that doesn't extend the
24 term.

25 MR. SEAFE: Let's call the question here.

1 Just say we affirm.

2 CHAIRMAN McCUSKER: All in favor say aye.

3 (The Board voted unanimously in favor.)

4 CHAIRMAN McCUSKER: I abstain. Oh, my God.

5 Okay. This is the time we've reserved for
6 call of the audience.

7 Michelle, any questions?

8 I would entertain a motion to adjourn.

9 MS. COX: So moved.

10 CHAIRMAN McCUSKER: Second to that?

11 MR. IRVIN: Second.

12 CHAIRMAN McCUSKER: All in favor say aye.

13 (The Board voted unanimously in favor.)

14 (Record closed at 5:24 p.m.)

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