

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

Tucson, Arizona

February 28, 2017

1:00 p.m.

REPORTED BY:

John Fahrenwald, RPR

Certified Reporter No. 50901

KATHY FINK & ASSOCIATES

2819 East 22nd Street

Tucson, Arizona 85713

(520)624-8644

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APPEARANCES:

BOARD MEMBERS:

- Fletcher McCusker, Chair
- Chris Sheafe, Treasurer
- Mark Irvin, Secretary
- Jannie Cox
- Edmund Marquez
- Jeffrey Hill

ALSO PRESENT:

- Mark Collins, Board Counsel
- Brandi Haga-Blackman, Operations Administrator

* * * *

BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, Room 222, in the City of Tucson, State of Arizona, before JOHN FAHRENWALD, RPR, Certified Reporter No. 50901, on the 28th day of February, 2017, commencing at the hour of 1:00 p.m.

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P R O C E E D I N G S

(Meeting commenced at 1:00 p.m.)

CHAIRMAN McCUSKER: We're going to call this meeting to order. 1:00 o'clock by the official Rio Nuevo clock.

And thank you, everyone.

Mr. Irvin, do you want to lead the pledge?

(Pledge of Allegiance recited.)

CHAIRMAN McCUSKER: Brandi, you get to call the roll.

MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN McCUSKER: I'm here.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Here.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Here.

MS. HAGA-BLACKMAN: Jeff Hill?

CHAIRMAN McCUSKER: Mr. Hill is absent, probably doing tax work, we understand.

Cody Ritchie, I think everyone knows resigned last month. That's the Speaker's appointment. We know that

1 Speaker Mesnard is interviewing candidates. Hopefully by
2 this time next month we'll have a speaker appointment made.

3 You have in front of you the transcription from the
4 meeting of January 24th. These are verbatim transcriptions.
5 Any questions, comments, changes, or additions?

6 MR. MARQUEZ: I move to approve.

7 CHAIRMAN McCUSKER: Second, please.

8 MR. IRVIN: Second.

9 CHAIRMAN McCUSKER: All in favor aye.

10 (ayes.)

11 This is time set for Executive Session. I
12 would need a motion to recess.

13 MR. IRVIN: So moved.

14 MS. COX: Second.

15 CHAIRMAN McCUSKER: All in favor say aye.

16 (ayes.)

17 We should be back here in an hour.

18 (The Board recesses for Executive Session at
19 1:02 p.m.)

20 (The Board reconvenes for the public meeting
21 at 2:23 p.m.)

22 (Mr. Hill is present.)

23 CHAIRMAN McCUSKER: We are going to
24 reconvene. We need a motion to reconvene, please.

25 SECRETARY IRVIN: So moved.

1 MR. MARQUEZ: Second.

2 CHAIRMAN McCUSKER: All in favor, say aye.

3 (ayes.)

4 Thank you for bearing with our Executive
5 Session.

6 You can see we have a lot of stuff going on
7 and we have a slow-talking lawyer.

8 Where is our slow-talking lawyer?

9 I'll try and pick up some tailwinds here with
10 my remarks. Just a couple of things that people ask me
11 about all the time.

12 Caterpillar is on everybody's radar. I think
13 everyone knows we hired SmithGroup out of Phoenix as the
14 architect. We have hired Sundt as the contractor. Most of
15 the early work between now and June will be on the site,
16 site prep, site engineering. We have retained a firm to
17 scope for us the issues around the landfill, so Sundt will
18 be bidding out estimates to remove and remediate the
19 landfill debris, not only in the Caterpillar parcel but the
20 adjoining parcels.

21 So the first time since I've been on the Rio
22 Nuevo Board we have been talking about the "A" Mountain
23 landfill, we will soon have a hard estimate on the cost of
24 actually removing and remediating those landfill projects.

25 So the architects have been meeting with

1 Caterpillar staff, and they will start meeting with the
2 community and others probably next month; that should move
3 along pretty quickly. They want to occupy their new space
4 in March of 2019.

5 A couple of legislative things that seem to
6 be working out. You probably followed with great interest
7 if you're downtown developing -- the Representative Leach's
8 bill, which would really challenge the GPLET, which we used
9 extensively develop in Tucson.

10 And I can tell you that we're very grateful
11 to Representative Leach for his cooperation in this.
12 We've alerted him to the issues it creates for Rio Nuevo and
13 downtown Tucson. It certainly affects Caterpillar; but also
14 a number of our other projects. He's assured us that as the
15 bill advances, it would do no harm to Rio Nuevo. So we are
16 expecting maybe to see that amended in the senate, but we're
17 working with him and other legislative leaders to make sure
18 that the GPLET stays alive for Tucson.

19 This is hotel day, an unbelievable day for
20 Rio Nuevo, to have the opportunity to talk about something
21 we've always dreamed was impossible, impractical, the
22 opportunity to launch not one, but two new hotels. We'll
23 work through those diligently with you in the public
24 meeting. And as you can tell from our agenda, we indeed
25 have a lot of stuff going on.

1 So, Dan, without further adieu, let's have
2 you up for the financial report.

3 MR. MEYERS: Dan Meyers, the CFO of Rio
4 Nuevo.

5 As of January 31st, our cash reserves that
6 are unrestricted about \$13 million. Our commitments, again,
7 and as of January 31st, which obviously subject to change
8 here, about \$20 million, and that includes some estimates
9 for financing both the Greyhound and the Caterpillar
10 building.

11 We have not yet received our TIF allocation
12 for November, usually there's about a two-month lag. I was
13 alerted today we'd be getting it any day and it's going to
14 be about a million dollars, which is pretty much our budget.

15 Of that, I just want to remind the Board that
16 of the million dollars we get in every month, \$800,000 is
17 set aside to pay for the bonds. They're usually payable in
18 July. And there's no set aside in April -- excuse me -- in
19 May and June, so our available revenue usually pops up quite
20 a bit towards the end of our fiscal year.

21 Any questions?

22 CHAIRMAN McCUSKER: There are none, Dan.

23 Thank you very much.

24 Item 7. Scott? I don't know if I should
25 steal any of your thunder, but previewing this, or just let

1 you go.

2 MR. IRVIN: Let him go.

3 MR. COLLINS: Okay.

4 MR. STITELER: Okay. Good afternoon, Board.

5 My name is Scott Stiteler -- I just spilled some water. I
6 cannot believe that in the next few months, fewer than six
7 months, we're going to open the AC Hotel.

8 And, gulp -- today we're going to talk about
9 a second hotel at the Depot Plaza site, Moxy, which I'm very
10 excited to talk about. I often share these stories with my
11 wife and kids: Samantha, 18, her response when we talked
12 about another hotel was: Dad, you're insane. Dad, your
13 nuts.

14 Henry is 5, and his response -- later that
15 night, I was reading my book and he whispered in my ear:
16 will it have a slide?

17 And so to the first comment with Samantha,
18 nuts, yes; and then sadly, there will not be a slide.

19 We're going to talk about five things now:

20 One, the AC Hotel; two, much needed
21 improvements to the 200 Block -- or the HUB block; three,
22 the Depot Plaza Hotel; four, our modification and agreement;
23 five, timing.

24 I'll start with timing.

25 We don't have much time. So there is a lot

1 of pressure on us with what we're going to discuss today to
2 understand it. Hopefully, the Board is comfortable with it
3 and then move as quickly as we can because we are on a
4 time -- time is not our friend with the AC Hotel opening in
5 four or five months and we have a lot of work to do to
6 modify the agreements.

7 AC Hotel.

8 So, our current schedule is to open by the
9 end of August.

10 As I've shared with many people, it's on
11 time, it's on budget, and it has become a real force in the
12 Marriott family of brands. I think the community is going
13 to be thrilled with the finished product. I can't wait to
14 invite all of you into it and see it live the end of August.

15 Two, improvements to the 200 Block.

16 The 200 Block is about a 20,000 square foot
17 building. We've spent about 9 -- a little over \$9 million
18 to date, and we're prepared to spend another \$3.2 million at
19 some point this year for improvements that include a
20 substantial roof improvement, bathrooms, back of house,
21 finishing the two vacant spaces, and then a completely new
22 experience on the south side of the building that will build
23 that relationship between the lobby and main entry to the AC
24 Hotel and the guests that are arriving in the back of the
25 building. I'll show you some renderings in a moment.

1 Three, Moxy.

2 So Marriott, much like AC about three years
3 ago, very few people had heard of the brand, and we started
4 to get excited when we heard which cities and which
5 developers were committing to AC, cities like Miami and New
6 York and Denver, et cetera.

7 And AC is a more mature guest profile. It's
8 still in that moderate price range, about \$150 average daily
9 rate. Moxy slides below that at about \$125 average daily
10 rate; it's millennial-driven, and it, much like AC, is
11 becoming a brand that is coveted by many developers, which
12 means, again, Cherry Creek was just announced.

13 Seattle, Washington across from Amazon's
14 headquarters, four Moxy's in New York City, two of them
15 under construction, the developer, Lightstone, has committed
16 for over a billion dollars to build Moxy, a brand that no
17 one had heard of a year ago -- Atlanta, New Orleans, Kansas
18 City, San Diego, San Francisco -- in Europe, about 20
19 properties -- Milan, Oslo, Frankfurt.

20 All right. We can talk about the agreement
21 now.

22 I'm going to show you some pictures and then
23 we'll talk about the agreement.

24 Can this be expanded, Leo?

25 So on the left side of the screen, AC Hotel,

1 8 stories, 137 rooms, about 210 parking spots. As we move
2 to the right, the 200 Block improvements, we cross Congress
3 and we have the One North Fifth apartment building, and then
4 to the right, Depot Plaza site, Moxy Hotel -- about 110
5 rooms and likely 40 or 50 apartments.

6 Next slide, please.

7 CHAIRMAN McCUSKER: I think if you hit the
8 maximize button, you'll get up in the right corner, the
9 little square.

10 Now that un-maximizes.

11 MR. STITELER: Okay. AC, we've seen this
12 rendering many times. August opening. We couldn't be more
13 pleased with where we are on this project, our lender feels
14 the same way.

15 Marriott, that's a relationship that started
16 about four years ago with our company, and it feels like
17 we've known them for decades; it's the kind of relationship
18 where they use words like "unconditional support" with our
19 endeavors. We're very lucky with our relationship with that
20 company.

21 The next slide, please.

22 This would be the south side of the 200
23 Block. The roof you see is a brand new roof that extends
24 from Fifth Avenue westerly almost to Elvira's. Much of the
25 east side of the building will be demolished on the inside,

1 all of the exterior space will be demolished and replaced
2 and heavily upgraded -- happening some time this year.

3 Next slide. Thanks for helping, Miguel.

4 The front of Playground, part of the
5 Playground will expand into the former Bianco space. We
6 will announce a new concept between Bianco and HUB.

7 HUB sorely needs upgrades. All back of house
8 upgrades. And a new concept in-between HUB and Elvira's,
9 and Elvira's at the end of the block.

10 Okay, I'm really excited about the next
11 slide, please.

12 And this is Moxy. Again, millennial-driven.
13 It layers in perfectly with what AC is going to deliver on
14 price and experience. It works well in entertainment
15 districts.

16 We have Hotel Congress across the street, a
17 lot of entertainment happening there, the Train Whistle, et
18 cetera, and this is just a great fit for that type of
19 setting.

20 Boy, we've come a long way in that picture
21 with AC in the background, the 200 Block building, One North
22 Fifth and then Moxy.

23 Moxy sits on the Depot site, the foundation
24 below it will accommodate up to a 10-story building.

25 Ideally, from a timing standpoint, we're prepared to start

1 early 2018. Gulp, again. I can't believe we're saying
2 that; but I think it's plausible, probably likely.

3 And because the foundation is finished -- or
4 far enough along, the build, unlike AC, which is about 19
5 months, would be closer to 12 months.

6 Okay. We've talked about AC, the 200 Block,
7 Moxy, timing.

8 And now let's talk about our modification.

9 We can go to the next slide, Miguel, please.

10 Let me touch upon what we've spent to date
11 and then what we're about to spend.

12 AC Hotel is a \$36 million build. We've spent
13 \$25 million through last month. Over the next 5 months,
14 we'll spend the next 11, and then open the 200 Block,
15 to-date about a \$9 million spend.

16 Improvements, that would start this year and
17 coincide with the opening of AC, another 3-million plus.

18 And the Depot project, hotel, some
19 apartments, about a \$24 million spend.

20 None of this includes what has happened at
21 the Rialto block or the One North Fifth apartment block.

22 On to the next slide, please. If you can
23 expand this just a little bit, maybe to a hundred percent.

24 All right. Trying to simplify this
25 discussion.

1 Rio Nuevo has a commitment to Five North
2 Fifth of \$4.3 million this summer on the AC project. We are
3 prepared to make that go away, which would allow Rio Nuevo
4 to reallocate that capital on other very important projects.

5 That requires us -- which was not part of the
6 prior slide -- to provide \$4.3 million of additional capital
7 into our project and a few other conditions that the bank
8 has requested that we've agreed to.

9 Two. Improvements and renovations to the 200
10 Block, a little over \$3 million. It's bid. It's designed.
11 And we are in a position to start in late May; and it's
12 about a hundred-day project.

13 We have a busy year ahead.

14 Three. The Rio Nuevo commitments to date.
15 We have to go back about 10 years. I'll try and do this
16 quickly.

17 Depot Plaza is -- the new MLK building, the
18 One North Fifth apartment building, and where we would build
19 the next hotel.

20 About 10 years ago, the City, Rio Nuevo, our
21 company, made a long list of commitments to that project.
22 Some of them happened, some of them have not happened, and
23 we're revisiting those.

24 From our standpoint in that agreement, the
25 major commitment on our part in 2006 to 2010 -- a very

1 difficult time in Arizona in real estate, not very much
2 happening downtown -- we followed through and built out the
3 empty One North Fifth building and about 9,000 square feet
4 of spec retail, which is where Miguel and Sonya from
5 FORSarchitecture's office is located and a few other
6 businesses. That was just shy of a \$10 million spend -- a
7 very, very scary time.

8 Rio Nuevo's obligation in that agreement
9 would go away as part of this agreement.

10 Four. A commitment to build a new hotel.
11 And a commitment to build that hotel next year and be able
12 to talk about it with a lot of traction this year, which
13 means we would immediately go into design on that project.
14 We've actually started that process.

15 All right. Five. How is this paid for?

16 What we're looking to do is recover a portion
17 of some of our spend from TIF revenue to Rio Nuevo. It
18 would have a cap of about \$12 million. On the projections
19 on the next page that we provided, if you run it through
20 when TIF expires, it's about \$5.6 million, which is the way
21 we have underwritten this transaction. And the revenue
22 would come from AC tax, the 200 Block tax, and Moxy, when
23 it's constructed.

24 Those are the five main parts of it. I'll go
25 over 6 through 9 quickly.

1 43 parking spots. Thankfully, we have some
2 spaces already in the Depot Garage, which we use for the
3 apartments. We need additional spots to build a hotel.

4 Typically, that's about -- for 110 to
5 130-room hotel, which is our range on Moxy, we would need
6 about 90 spots.

7 We're going to be able to use some of the
8 apartment spots; we're short about 45 spots. We're not
9 asking for any subsidy on those spots, we just need to work
10 with Rio Nuevo and the City on some type of agreement for an
11 additional 43 spots. And we would pay whatever market rate
12 is required.

13 We've already talked about the total new
14 spend. The \$31 million is on top of the 45-plus that we
15 have spent to date.

16 The projection on the next page shows,
17 through the TIF, based on our number, AC, Moxy, the 200
18 Block businesses, about \$5.6 million of support. And then
19 it's structured thus far with two agreements, an agreement
20 on each block, the Depot block, the 200 AC block, that they
21 stand on their own -- on their own merit.

22 Okay. We can -- the next page we can go
23 there for a moment. This was a projection through second
24 half '17 through the end of 2025, the three tax drivers
25 being the AC, 200 Block, and Depot.

1 If we need to talk about that after my
2 presentation, happy to.

3 And that is the end.

4 So if we can work together, get this
5 approval, I can't emphasize enough the 1-2 punch that an AC
6 Hotel and a Moxy Hotel together at the same intersection
7 will provide. It sends a message to employers from other
8 cities that are making decisions on whether or not to move
9 to Tucson, and they're seeing those combinations in their
10 community. They're already familiar with what AC is and
11 what Moxy is, and that's something we very much want to
12 deliver and can deliver.

13 If you have any questions, I'm happy to
14 answer them.

15 CHAIRMAN McCUSKER: Let's talk a little bit
16 about the parking situation. The City controls that garage;
17 we don't. We settled with the City and they're paying us
18 back for those construction costs but we have little or no
19 influence over the parking. So you've presented this to the
20 City? Are they favorably disposed toward the parking
21 solution? What can you say about the parking?

22 MR. STITELER: It's a complicated subject.
23 So favorably disposed -- I'm speaking for the City, which
24 I'm not sure that I can -- based on our meetings, yes, they
25 would like to work with us; however, because of the existing

1 bond, there is a cap on how many spots can be controlled by
2 the private sector.

3 In my last meeting with the City, we talked
4 about our ability to just lease the spots at market and
5 would that upset that cap, and they seem to be very open to
6 that.

7 They also wanted us to work with Rio Nuevo,
8 and your counsel, and perhaps bond counsel, for City and Rio
9 Nuevo on that garage to come up with a solution.

10 CHAIRMAN McCUSKER: Is that our bond, Mr.
11 Collins?

12 MR. COLLINS: It is, Mr. Chairman.

13 MR. STITELER: It hasn't been discussed by
14 the City with bond counsel in about a year.

15 Our -- because we can do it at market, and
16 quite frankly because we need it for the hotel, we're lucky
17 it's only 40 spots and not another 90 spots.

18 There's just not room for it. We are hopeful
19 that there is a creative solution. But I think it will
20 require the City, Rio Nuevo, and ourselves, to get creative
21 and make sure we don't do anything to upset the bond.

22 CHAIRMAN McCUSKER: Questions for Scott?

23 MS. COX: I just want to make sure I'm really
24 clear. We, Rio Nuevo, don't expend the \$4.3 million on the
25 garage. We get that back to reinvest. We give up the TIF

1 revenue from the 200 Block that we're getting now -- that's
2 existing TIF revenue that we would be giving up until 2025.
3 We would be giving up the future TIF revenue from the two
4 hotels through 2025. That equates to 5.6 million
5 approximately. So what we're giving up is the TIF we have
6 now, and the future TIF, and we're getting back \$4.3 million
7 and we're getting two hotels, and an upgraded 200 block.

8 Is that -- I just want to make sure it's not
9 too good to be true.

10 MR. STITELER: That's close. But I just want
11 to make sure that there's no gray area in this.

12 If the TIF is extended in the agreement --
13 the draft agreement that our counsel has been working with
14 your counsel on, we would still be eligible to receive half
15 of the TIF revenue after 2025 until we arrived at
16 \$12 million.

17 \$12 million as a fraction of the
18 \$75 million -- is that's about 16 percent, if I'm doing my
19 math right? I think I'm close. And then the 5.6, if the
20 TIF is not extended is about 8 percent of the total project
21 spend.

22 So we've been sensitive to making sure that
23 these percentages are in line with some of the other
24 projects that have received support.

25 It's -- this is, in my estimation, one of

1 those rare win/win/win opportunities. Hope you agree.

2 And daunting. When Samantha said, Dad,
3 you're nuts. I mean, this is -- my partners, who are
4 tremendous, the Chellgren family and the Dabdoub family, we
5 just spent two days back east talking about today. And we
6 went deep on it. And it is daunting when we haven't opened
7 hotel one. We are excited about it, we have high
8 expectations to already start spending -- which we've done
9 -- and now committing to another hotel.

10 And the next presenter is going to discuss a
11 third hotel.

12 But downtown's come a long way and properly
13 located, sensibly-priced hotels, there's room for more than
14 one. Knock on wood.

15 CHAIRMAN McCUSKER: Mr. Collins, can we talk
16 about the legal structure of this for a minute?

17 MR. COLLINS: Sure.

18 CHAIRMAN McCUSKER: Scott, standby in case we
19 have any follow up.

20 This is a unique structure for us. I don't
21 know that we've done this before. We are using
22 site-specific sales tax in other situations: we have with
23 Gadsden; we are with City Park. So I'm assuming that the
24 legal answer is, yes, we can "rebate" -- my word,
25 site-specific sales tax back to a developer to encourage

1 development.

2 MR. COLLINS: As long as the property is
3 owned by the government.

4 CHAIRMAN McCUSKER: So we would have to take
5 title to the properties --

6 MR. COLLINS: Correct.

7 CHAIRMAN McCUSKER: -- for at least the
8 period the GPLET provides.

9 MR. COLLINS: Correct.

10 One of the things that you've got to do --
11 keep in mind that the AC Marriott Hotel, I believe the City
12 leased, and I think what's being contemplated for the Moxy
13 portion of what Scott's talking about would be a lease from
14 the District to his entities.

15 So it would be the ground, the fee title, if
16 you will, will be owned by governmental entity, City-owned
17 AC Marriott, District on Moxy. So, yes, you can do those.
18 The complicating component is the 200 Block.

19 CHAIRMAN McCUSKER: And Scott may have to
20 address this. Is there anything about the current AC
21 Marriott transaction that pledges or collateralizes those
22 TIF revenues in any matter to the City, to us?

23 MR. STITELER: No. And the 200 Block is part
24 of the GPLET also.

25 MR. COLLINS: Is it?

1 MR. STITELER: Yes, with the City.

2 MR. SHEAFE: Do you have financing, Scott, on
3 the 200 that would block this from transferring titles?

4 MR. STITELER: It was all -- no. We do not
5 have -- Grandpoint, our lender on the -- Grandpoint is our
6 lender on the 200 Block with a single note and deed of trust
7 and the AC Hotel. When we finish this summer, the GPLET --
8 we have a GPLET with the City on both the 200 Block and the
9 AC Hotel.

10 Which is helpful, I believe, right?

11 MR. COLLINS: It does help, yes.

12 MR. STITELER: Did I answer your question?

13 MR. SHEAFE: Yeah, it does. And I don't want
14 to get too much deeper because we're not here to try and
15 ferret out the details. But what you're saying is you've
16 already worked through that and you feel that what you are
17 proposing is something that mechanically works?

18 MR. STITELER: Yes, we are quite deep into
19 the conversation with Grandpoint and California. They flew
20 out last Friday and toured everything and it's going
21 exceptionally well.

22 CHAIRMAN McCUSKER: Scott, does the deal fall
23 apart without the parking? Is it subject to 45 additional
24 spaces?

25 MR. STITELER: Thanks for asking that.

1 It's going to be tough with a hotel. A hotel
2 guest is going to want a lender, the owner is going to want
3 to be able to drive into something close by and get into the
4 hotel quickly.

5 I mean, perhaps our fallback is if we had a
6 market rate monthly cancelable deal on the 40 spots, I know
7 that at a minimum doesn't upset the bond, so then we run the
8 risk that it could be taken away.

9 But I think we need them. But we have to
10 find some type of solution. We'll be as creative as
11 necessary.

12 CHAIRMAN McCUSKER: What's the Board's
13 pleasure?

14 MR. IRVIN: I don't mind going first. Having
15 worked on this thing for a while and working with Scott back
16 when we put the AC transaction together, I think he's been
17 incredibly sensitive to our needs to preserve capital. We
18 weren't left with a lot. And I think this does that for us.
19 It pledges revenue -- huge revenues that a lot of us
20 wouldn't be here without the hotel and some other stuff.

21 So, for me, I think it's a really good
22 creative solution in my mind. And I'd love to see us pursue
23 along the lines that Scott talked about.

24 CHAIRMAN McCUSKER: Mr. Collins, what action
25 would be required of us today? We obviously can't approve

1 it because there's still unmet conditions, particularly the
2 parking. But we can authorize it to go forward, kind of
3 subject to satisfactorily resolving the parking situation.
4 The rest of it we control: the use of TIF funds, the
5 amendments of our own agreements, you know, we can approve
6 all that. The only thing we can't deliver today on is
7 really the parking solution.

8 MR. COLLINS: Mr. Chairman, members of the
9 Board, what you might consider doing is making a motion
10 authorizing the executive officers and counsel to move
11 forward with the draft agreements that Mr. Stiteler's
12 attorney and I have put together, hopefully completing them
13 in a timeframe that satisfies his needs and on terms that
14 satisfy your needs, and bring those agreements back for
15 final approval to this Board.

16 MS. COX: So moved.

17 MR. MARQUEZ: -- second.

18 MR. IRVIN: -- second.

19 CHAIRMAN McCUSKER: Brandi, let's do a roll
20 call vote.

21 MS. HAGA-BLACKMAN: Fletcher?

22 MR. FLETCHER: Take me last.

23 MS. HAGA-BLACKMAN: Chris?

24 MR. SHEAFE: Did you say Chris?

25 MS. HAGA-BLACKMAN: I did.

1 MR. SHEAFE: Aye.

2 MS. HAGA-BLACKMAN: Mark?

3 SECRETARY IRVIN: Aye.

4 MS. HAGA-BLACKMAN: Edmund?

5 MR. MARQUEZ: Aye.

6 MS. HAGA-BLACKMAN: Jannie?

7 MS. COX: Aye.

8 MS. HAGA-BLACKMAN: Jeff?

9 MR. HILL: Aye.

10 MS. COX: Fletcher?

11 MR. FLETCHER: Aye.

12 CHAIRMAN McCUSKER: Enthusiastically, aye.

13 Is that 6 of us? 6-0, we passed that unanimously.

14 (The Board voted and motion passed 6-0.)

15 Scott, I'll personally commit to you to
16 talking about the City about the parking situation
17 immediately, so hopefully we can address that and move this
18 along. It's an unbelievable opportunity.

19 We all know what you mean to them and Tucson.
20 You showed it in spades today. Thank you very much.

21 MS. COX: Thank you, Scott.

22 MR. STITELER: You're welcome.

23 (Mr. Hill left the proceedings.)

24 CHAIRMAN McCUSKER: While we're on a roll, I
25 will take a little introduction for Caliber. I'm sorry that

1 you have to follow Scott. He's a big act to follow and he's
2 done an unbelievable amount for our downtown. You heard it
3 today, over \$70 million of personal capital.

4 We always knew that our work would attract
5 someone like you. We didn't it know it would be you
6 particularly, but we've heard over and over again
7 anecdotally how Tucson is attracting national development
8 attention in areas of retail, apartments, hotels.

9 For those of you that don't know Caliber,
10 Peter will introduce the firm -- they're Scottsdale-based, a
11 very well-heeled real estate investment fund and not unlike
12 what we're seeing from Marriott. They're interested in a
13 hotel property in Tucson.

14 So having said that, gentleman, Peter, take
15 it away.

16 MR. ANADRANISTAKIS: Thank you. I just need
17 a moment.

18 CHAIRMAN McCUSKER: We just need a name and
19 who you're affiliated with for the transcriptionist.

20 MR. ANADRANISTAKIS: Members of the board,
21 good afternoon. I have the pleasure of presenting on behalf
22 of Caliber. My name is Peter Anadranistakis. I'm the
23 President of the company.

24 CHAIRMAN McCUSKER: You need him to spell
25 that?

1 MR. ANADRANISTAKIS: S-m-i-t-h.

2 I have the pleasure of being joined by Roy
3 Bade, our executive vice president and our fund manager.
4 Between Roy and I, we have 50 years of development
5 experience. So like Socrates said, the more we learn, the
6 more we understand we know nothing; however, we do have some
7 good experience in this particular area.

8 It's an absolute pleasure to be here today
9 and, yes, it's a very hard act to follow, following Scott.
10 I will say that as you learned through presentation today,
11 one of the things that drew us to downtown Tucson -- we have
12 already made several investments in Tucson -- but what drew
13 us to downtown Tucson was Scott's crane in the air and the
14 great work that all of you have been doing.

15 I'm not going to read our disclaimer that we
16 typically have; however, we do have some business objectives
17 to communicate with you today.

18 One is, who is Caliber and what do we bring?

19 Second is, the excitement downtown and what
20 we're seeing downtown which we think is absolutely
21 tremendous.

22 Our experience in hotels and convention
23 centers, what we believe world class convention centers will
24 require including technology, and our expertise with
25 historical projects.

1 So briefly about Caliber, it's important to
2 understand what Caliber is. Caliber is comprised of 270
3 individual accredited investors. Why that is very important
4 is because individual accredited investors invest in bad
5 times, and they invest in good times. In bad times, they
6 like to buy existing real estate; and in good times they
7 like to develop real estate.

8 We have 270 active credit investors, we have
9 over 600 employees, we have 250 million in assets under
10 management and over 300 million in acquisitions, and we are
11 very diversified.

12 Today, we're going to talk about our hotel
13 strategy and our hotel portfolio. With that said, we own
14 apartment buildings, we own self-storage facilities, we own
15 commercial properties, and we own single-family homes.

16 We are hoping to bring an incredible team to
17 downtown Tucson. As you'll hear, we already do own some
18 real estate already in Tucson. We have Roy Bade, our
19 executive fund manager, and our executive vice president and
20 fund manager, who not only has significant development
21 experience, but has been a great friend of mine here in
22 Arizona and we work incredibly well together. We're very
23 passionate about Tucson. We call Tuesdays "Tucson
24 Tuesdays." So if you're on the I-10, you might see us
25 coming or you might see us going, but we are here on

1 Tuesdays. And we know it's not an option, but it's a great
2 start for us right now.

3 Myself, for 25 years in real estate, and I
4 have a strong technology background; Jennifer Schrader, one
5 of our co-founders, who has an incredibly strong design
6 background, great entrepreneur; Leland Harty, our chief
7 financial officer, you can read his resume; he's one of the
8 best around and we are very fortunate to have Leland; and
9 Chris Loeffler, our CEO and co-founder, who's a former
10 PricewaterhouseCoopers public auditing accountant.

11 I did want to talk about our core principles
12 for the Board members to know. I won't read all of them but
13 I'm happy to supply a copy of these. This is how we make
14 decisions. This isn't something that we just post in our
15 office. We focus on integrity, honesty, transparency,
16 responsibility, honor, and discipline.

17 We have won a number of awards. We did win
18 15 awards last year. I won't go over all of them, but we
19 are a "three-repeat" on the Inc. 500 and Inc. 5000, which
20 means for three years in a row we've either been named the
21 the 500 fastest growing companies in America, or the 5000
22 top fastest growing companies in America.

23 We're an Ace Award recipient, which means the
24 top 50 fastest growing companies in Arizona, top 50 largest
25 employers in Arizona.

1 Phoenix Chamber of Congress provided us the
2 Impact Awards for economic driver, one I'm particularly
3 proud is the Better Business Award finalist Torch Award for
4 Ethics.

5 Think Realty named us -- this is a national
6 recognition Commercial Investor of the Year. Because we are
7 a woman-owned business, most influential woman in Arizona,
8 Jennifer Schrader, was named that last year; Ernst & Young
9 Entrepreneur of the Year finalist; Scottsdale Chamber of
10 Commerce Sterlings Award winner; and our properties receive
11 design awards all the time.

12 Further recognition in the lodging industry.

13 (Mr. Hill returns to the Board).

14 Further recognition in commercial real
15 estate. We were named commercial real estate innovator of
16 the year for Landmark Leaders; and Lodging Magazine named us
17 the top 10 up and coming commercial hotel innovator.

18 In the media, we are often in the hotel
19 business, AC business, commercial executive, some national
20 publications and, of course, some local news stations.

21 We do foster very strong relationships with
22 community, City and state officials, so we are hoping to
23 have a very successful communication with you today. And we
24 do get asked to speak a lot of what we refer to as thought
25 leader conferences -- Exchange, being one of them, they're

1 based out of Los Angeles and they have one in Phoenix;
2 Alliances, which is an entrepreneur organization. And we do
3 give back a lot, either through United through Reading
4 Pipeline Worldwide, Arizona StandDown, and do offer meals at
5 our hotels for our veterans.

6 So one thing we always say at Caliber is the
7 only thing constant is change, and what you just want to
8 know about Caliber is we're a vertically integrated company.
9 And the benefit to our investors and potentially the benefit
10 to yourselves, having a vertically integrated company, we
11 handle the accounting and finance in-house we handle all the
12 property management in-house, all of our hospitality, we
13 have a hospitality managing partner, along with our internal
14 resources, we manage that in-house.

15 We have a Caliber Realty, which is a
16 brokerage. We have 10 commercial agents, 60 residential
17 agents, we have a wealth development division, an asset
18 acquisition division, and, of course, what's going to impact
19 and benefit Tucson, we have a commercial development and
20 construction company.

21 I do want to go over a few of our assets.
22 I'm going to start with -- one of my favorite properties on
23 the corner of Campbell and Prince right here in Tucson. It
24 wasn't a nice property not too long ago, and we feel it's a
25 premiere property in Tucson, an apartment community.

1 You can see the beautiful community spaces,
2 and beautiful pool area, and the renovations that we've done
3 inside the apartment building. We invite you to take a tour
4 of that property at any time.

5 One of my favorite properties in our
6 portfolio is the Hilton Tucson East on Broadway. We
7 recently acquired that property last year and Roy was just
8 there the entire day. We're doing a complete top to bottom
9 renovation on that entire property. And without getting
10 into too many details on the numbers, we're basically
11 putting in what we purchased it for. So we purchased it for
12 approximately 9 and a half million, and we are putting in
13 nine and a half million in renovations.

14 We own the Hilton at Phoenix Sky Harbor
15 Airport. On the docket today, communicated that Caliber
16 controls 51 percent of all the rooms in the Phoenix Airport
17 sub market. One of those properties is the Hilton, the
18 Phoenix Sky Harbor Airport. We also own the beautiful
19 Crowne Plaza at Phoenix Sky Harbor Airport -- and the
20 Holiday Inn Suites at the Phoenix Sky Harbor Airport. And
21 the Holiday Inn and Suites at Phoenix Sky Harbor Airport.
22 At that Holiday Inn and Suites, we have a beautiful
23 restaurant called Burger Theory. It's one of the top
24 performing restaurants in that chain. It is part of the
25 Intercontinental Hotel Group, IHG, which is Intercontinental

1 Hotels, Holiday Inns, Crowne Plazas, and is currently the
2 top performing Burger Theory in the entire chain.

3 And this particular restaurant won not only
4 won an award, it's recognized by IHG as the new brand
5 standard moving forward in the southwest.

6 We also own Hampton Inn Suites next to
7 Talking Stick Casino.

8 And we also own some properties in Alaska.
9 So when it's incredibly hot in Arizona, we enjoy these
10 economies of scale a go to Alaska and we have two properties
11 in beautiful Ketchikan, Alaska.

12 What we're proposing in Tucson we feel is
13 very special and we certainly deem complementary to Scott.
14 Again, it's one of the reasons that attracted us to
15 downtown. We feel a modern corporate atmosphere is
16 something that could be very well-utilized here in downtown
17 Tucson at the convention center site. We feel it should be
18 a special place, a place to gather, to meet, to collaborate
19 and stay to return time and time again.

20 We want to give the patrons who come for the
21 convention a reason to return. And we feel this particular
22 asset class and this particular property would integrate
23 very well with the existing positive energy and good works
24 that have already begun in downtown Tucson and soon to begin
25 as we heard today in downtown Tucson.

1 And our hotel management partner has been
2 involved with Marriott at the early stages. He was with
3 Bill Marriott when Bill had 20 hotels involved with Disney
4 and on the board of EuroDisney.

5 We believe a nice hotel that also has some
6 amenities on the inside, whether it's a microwave, a
7 toaster, little things that people can enjoy being inside of
8 the room and making things a little bit more comfortable and
9 give them a reason to come back and of course all the
10 standard amenities that are required, a world-class workout
11 facility, a nice pool.

12 And we have recognized, as all of you have
13 recognized, Tucson is quickly becoming recognized around the
14 world. And we also want to partner at this particular site
15 to replace the parking with a minimum ratio of 1.2; so
16 whatever parking is displaced, a minimum ratio of 1.2 to be
17 enhanced.

18 And in our proposal, our development
19 proposal, we're communicating partnering good faith the
20 design the needs of today while taking into account the
21 future needs of tomorrow.

22 I'm a big technology proponent. And I
23 believe with the advent of autonomous vehicles, today we
24 need parking at that site, maybe we need less in the future,
25 but we will be very pleased to partner with you so that not

1 only can create a parking structure that's required perhaps
2 if there isn't the need for parking in the year 2025 or as
3 much of a need, we can re-purpose that parking structure.

4 Again, just some pictures of one of the
5 proposals that we're communicating. And, as you can see my
6 favorite subject is food, so we feel it should be a special
7 food and beverage complement to what's happening in Tucson
8 and all the things regarding food and beverage.

9 And we also feel a great gathering place
10 should have a coffee shop. So we specifically want to have
11 a coffee shop where people could walk up to, and drive up
12 to, a place to gather. And we've even talked about putting
13 some of the memorabilia from the Rock and Roll Hall of Fame
14 that is currently in the convention center and this would
15 take care of that asset. And we are talking to a couple of
16 local musicians to partner with us with this coffee all-day,
17 everyday concept.

18 So speaking of technology, one of the things
19 that we feel we can enhance and assist with at the
20 convention center and at the hotel property is technology.
21 I would like to virtually introduce you to our chief
22 technology officer, our consulting chief technology officer,
23 Mr. Mark Vantage (phonetic). Mark is also a friend of mine.
24 He sold his last company to Electronic Arts. He became the
25 chief technology officer for EA Interactive for 14 months,

1 and he is passionate about using technology into real estate
2 and we would work together to infuse technology, not only
3 into the Tucson convention center real estate but also into
4 our hotel properties.

5 Mr. Sotirios Kotoulas, which is also a
6 business partner and friend of mine -- he literally is a
7 world-renowned architect and world-renowned designer. He is
8 one of the few folks that was accepted into Cooper Union in
9 New York City. He's done projects in Israel and China and
10 Dubai and New York and we hope soon to be Tucson, Arizona.

11 And, in addition, Sotirios's family and his
12 father is also a friend of mine is Alpha Masonry. You can
13 look them up; they've won national and international awards
14 both for historic restoration projects and have won awards
15 in 2005, 2007 and 2014. And the reason why we're
16 communicating that is we feel there is historical -- we
17 don't feel -- there is a historical component to this
18 particular site, specifically regarding that the Eckbo
19 installation that is there -- and we want to not only be
20 respectful, we would like to be part of the solution long
21 term for that installation. So, once again, we've got our
22 entire team behind us. And the entire team that I
23 mentioned, and I did mention world-class convention centers
24 in our research and our belief and with our hotel
25 hospitality management partner who is running convention

1 centers.

2 We feel there's three key things to have a
3 world-class convention center. It requires the integration
4 of technology, the integration of hospitality, and the
5 integration of food and beverage, and the reason to return
6 time and time again. I think downtown Tucson is reason to
7 return time and time again alone. But I feel that having
8 something that complements what's going on in downtown
9 Tucson is going to have this nice interchange.

10 We have the experience running the Portland
11 convention center, the Denver convention center, and our
12 hotel and management partner opened the Atlanta Marriott
13 Marquis that has over 300,000 square feet of convention
14 center space.

15 So some of the aspects in technology
16 integration, it can be what I refer to now as simple as
17 opening your hotel room from your smart phone. It used to
18 be really radical thinking two years ago and it's not quite
19 radically thinking now. Now, typically, you can log onto
20 the an app, you can select the room that you want, you can
21 bypass the front desk and you can go right to your room; but
22 also other technologies, including tablets, to not only
23 communicate what's happening inside the convention center,
24 but communicate when you are going to arrive, to see who
25 your friends are, to see who's checking in.

1 So to summarize Caliber's track record, for
2 this 125-unit hotel is -- we are a vertically integrated
3 full service company, we have approximately 300 million in
4 acquisitions since 2009; and we have approximately
5 250 million in assets under management; we're in multi asset
6 class, single family, multi-family, office, hospitality,
7 self-storage, and, of course, with new construction, and
8 been on the Inc. 500 and Inc. 5000 lists for the three years
9 running, and we hope to be a partner with Rio Nuevo.

10 Thank you.

11 CHAIRMAN McCUSKER: Let's walk through the
12 economics of the hotel and kind of what you intend to do,
13 what help we can give you. It's an extraordinary
14 opportunity and we agree your timing's perfect.

15 What does a project like this cost? how do
16 you finance it? How do we help?

17 MR. ANADRANISTAKIS: Yeah, thank you. So we
18 have a good, better, best scenario. And if we just focus on
19 the good, the overall cost for us to do the construction
20 under a bid scenario is approximately \$28 million on this
21 particular site and this particular project. There are some
22 better costs and better scenarios.

23 We feel that overall the project will have a
24 on a conservative basis, we're projecting a 60 percent
25 occupancy rate in the first year scaling up. We are

1 projecting \$125/night room rate, so a very reasonable room
2 rate. So our rent par is approximately \$81.25 on that.

3 So we're projecting approximately \$49 million
4 in revenue on a conservative basis generated on that
5 particular site, just from the hotel, just from the
6 restaurants, doesn't include other installations and
7 additional benefits to the convention center.

8 CHAIRMAN McCUSKER: Over what period?

9 MR. ANADRANISTAKIS: Over a seven-year
10 period. Yeah, thank you.

11 And, essentially, what we're asking for is we
12 want Rio Nuevo to continue to do the good work that they're
13 doing in downtown Tucson.

14 We don't require the money up front. We
15 would like two and a half million dollars at a minimum by
16 the year 2025. And we would like to negotiate in good faith
17 with Rio Nuevo Board regarding parking at that site to
18 address the specific parking needs for today and potentially
19 what may be there tomorrow.

20 CHAIRMAN McCUSKER: The structure of that
21 would be the conversation we just had with Scott and you
22 would participate in your site-specific sales tax?

23 MR. ANADRANISTAKIS: Correct.

24 CHAIRMAN McCUSKER: We would rebate our
25 portion of that to you?

1 MR. ANADRANISTAKIS: Correct.

2 CHAIRMAN McCUSKER: Through 2025?

3 MR. ANADRANISTAKIS: Correct.

4 CHAIRMAN McCUSKER: Questions for Peter?

5 MR. IRVIN: Peter, I obviously understand the
6 deal fairly well. I guess the piece that still is kind of
7 up there that we're still struggling with given the
8 discussions that we have to have with the City of Tucson,
9 with SMG, and obviously have to address your concerns and we
10 have our own as well.

11 Still struggling with the parking piece. and
12 I think it's going to be difficult for us to advance this
13 thing -- every component that you'd like to see advanced,
14 and that's probably one that I think is going to be a tough
15 for us to do today given the fact that we've not had some of
16 the other discussions that we need to have with some of
17 those other people.

18 So I understand completely what you want to
19 do and what you need to do, but I think it's probably the
20 kind of thing that we're going to have to step back on a
21 little bit and engage a few other people, i.e, SMG, i.e,
22 the City of Tucson, et cetera, so that we can collectively
23 come up with a decision what we want to do.

24 And one of those -- is not in my mind is
25 replacing the 1.2 parking. We already know we have a

1 parking issue with the Tucson Convention Center. So I think
2 kind of provides an interesting opportunity for us to sit
3 down with SMG and really talk about what that parking issue
4 is, and then I'll have a similar discussion with the City as
5 well.

6 And then obviously concurrent with that, we
7 have to figure out how do we fund this, and not only how do
8 we fund it, but what reoccurring revenue stream we have to
9 service a debt to cover that. So probably with that one
10 piece as a concern, I'm not sure I have a lot of other
11 concerns myself, but probably because I spent too much time
12 looking at it.

13 MR. ANADRANISTAKIS: Oh, thank you. And we
14 concur. And what we're hoping to do today is get the
15 agreement for the hotel portion so that we can get started.
16 It's something that we would like to get. We would like to
17 get the planning phase started, we've invited our architect,
18 our historical restorers, and our team is wanting to come
19 back next week and get started on the plan, and then
20 alongside of that in parallel conjunction, to discuss the
21 parking needs.

22 If there's more than a 1.2 required, we'd
23 like to discuss that with you in good faith and can
24 certainly see the need for greater parking today at the
25 site. So we're in complete agreement about parking.

1 MR. SHEAFE: I don't know how the rest of the
2 board will move, but it makes sense to get this process
3 started. And along with that would be a commitment that we
4 would cover the -- what we've talked about, the soft costs
5 participation in the event that the whole thing doesn't go
6 together.

7 It looks to me like it probably can. We're
8 going to have to get creative with the parking, and as Mark
9 I think said, I looked at it like we need to have kind of a
10 more comprehensive solution and we need to work with the
11 City and figure out how we're going to deal with a much
12 bigger parking issue than just the hotel. We're going to
13 need to get some flexibility from you guys, the economics
14 and how to work through that, so we're not running down a
15 rabbit hole here that we can't recover from financially.
16 But you know it makes sense to get this thing to begin to
17 coalesce, so --

18 CHAIRMAN McCUSKER: What the terms sheet
19 provides, we split the soft costs and it breaks up.

20 Do you want to hear from Mark? You want to
21 walk through the terms sheet? It sounds like we may vote on
22 the hotel piece on that.

23 MR. IRVIN: Sans the parking.

24 CHAIRMAN McCUSKER: And separate the parking,
25 per Peter's request and then come back to the parking

1 knowing that if we don't have a parking solution, it's not
2 going to work. It sounds like we are in the parking lot
3 business.

4 MR. COLLINS: Mr. Chairman, Members of the
5 Board, as we reviewed, there's a terms sheet that generally
6 outlines the nature of the transaction that Peter has been
7 discussing with you.

8 It would be -- you would provide a portion of
9 the eastern parking lot of the TCC as the site for this
10 hotel. That property would be conveyed to Caliber for
11 construction, would then come back to the District to be
12 leased on a long-term basis back to Caliber. There are
13 issues with that, as we've discussed, Irvin's mentioned
14 them.

15 Number one, that particular parking lot is
16 leased to the City of Tucson currently. So there will have
17 to be negotiations with the City of Tucson.

18 Number two, that particular lot also provides
19 security for the bonds that were issued in 2008 and that you
20 refinanced last year. So the bond holder will have to
21 approve that.

22 That being said, if those things can be
23 accomplished, then this would be -- we'd approach this very
24 similarly to what we've done on other parcels.

25 It's going to -- you've mentioned,

1 Mr. Sheafe, the sharing of the expenses.

2 Caliber is anxious to move this forward. It
3 needs to have certain work done. It wants to do an initial
4 investment. It has asked you to share in that initial
5 investment of up to \$125,000 if this deal doesn't go
6 through.

7 If the deal goes through, that's part of the
8 transaction -- I believe, Peter, that's part of the
9 \$28 million that you're talking about.

10 So the approach that I think I'm hearing from
11 the Board is that you are interested in pursuing the hotel
12 component.

13 You recognize that there are problems yet to
14 be solved with respect to the parking component. And as
15 your lawyer, I agree with all of that.

16 I would suggest to you that if I'm reading
17 you right that you make a motion authorizing the executive
18 officers to move forward with the hotel component, provided
19 that an agreement can be reached on the parking component
20 for this project; and provided that the City of Tucson, the
21 bondholders, and SMG, are in agreement on this process.

22 MR. SHEAFE: I would like to make the motion,
23 just slightly different but, one, that we authorize up to
24 \$125,000 in participation in the event that this thing does
25 not go forward, which releases Peter's group, Caliber, to

1 move forward.

2 And, secondly, we authorize the executive
3 officers to move forward on an agreement with Caliber, which
4 would eventually include both the parking and the hotel, but
5 immediately, the hotel. And that, subject to just one
6 thing -- and that is we need to have the City concur that
7 they're on board with this. And I think, probably because
8 we have one bondholder, we can have a rather short
9 discussion with that bondholder and solve those two problems
10 fairly quickly.

11 CHAIRMAN McCUSKER: That's a speech; that's
12 not a motion.

13 Mark, do we have -- we have a term sheet. Is
14 it as simple we approve the term simple sheet? Does it
15 address all the things that you've just identified?

16 MR. IRVIN: With the exception of the parking
17 component.

18 CHAIRMAN McCUSKER: Doesn't the term sheet
19 provide that parking is yet resolved?

20 MR. COLLINS: Yes. The term sheet that was
21 discussed in E Session provides for all of that and leaves
22 open the pieces about the parking.

23 CHAIRMAN McCUSKER: So we could just vote to
24 approve the term sheet as presented to us in Executive
25 Session. That's your cue.

1 MR. SHEAFE: So we amend the motion for the
2 term sheet as it was --

3 MR. HILL: I'll entertain a second. As we
4 have a motion on the floor.

5 MR. IRVIN: I'll second for conversation.

6 CHAIRMAN McCUSKER: We don't have a motion.
7 We have a conversation. Would somebody make a motion?

8 MR. MARQUEZ: I'll make a motion.

9 CHAIRMAN McCUSKER: No, you didn't make a
10 motion.

11 I said all all we got to do is approve the
12 term sheet. So somebody put this on the table and needs to
13 move that.

14 MR. MARQUEZ: I'd like to make a motion that
15 we approve the term sheet as discussed in Executive Session.

16 CHAIRMAN McCUSKER: Now we're Roberts Rules
17 of Order. Somebody second that.

18 MR. IRVIN: I'll second for conversation.

19 CHAIRMAN McCUSKER: Mr. Hill.

20 MR. HILL: Thank you, Mr. Chairman. Chris
21 had mentioned the City of Tucson, since they're in essence
22 the landlord released to them, and that we kind of in this
23 conversation presuppose that they would have to cooperate in
24 this endeavor. That always concerns me. The City of Tucson
25 is the largest can of worms ever foisted on a governmental

1 entity or a city in the history of mankind.

2 Having said that, I would hope that that
3 doesn't leave Rio Nuevo that job -- to negotiate that with
4 the City. As you remember, many, many, hours we went
5 through at the top of your office, I never want to do again.

6 So I'm hoping that that is left to the
7 developer and his good graces than are for the misery of
8 having put up with those people.

9 CHAIRMAN McCUSKER: We can assure you,
10 Mr. Hill, you will not be invited to those meetings.

11 MR. HILL: Thank you, Mr. Chairman.

12 CHAIRMAN McCUSKER: Mr. Irvin?

13 MR. IRVIN: Peter, one quick question for
14 you. So, you know, we obviously need to figure out the
15 parking. And I guess my question relates to how much
16 planning can you really do until we solve that piece for
17 you? I don't want to be running up a \$125,000 bill just for
18 the sake of running one up.

19 MR. ANADRANISTAKIS: Thank you, Mark.

20 It's our goal to work in transparency with
21 you and collaboration with you. and it's certainly not our
22 goal to waste anybody's time or money. So we don't want
23 this particular component, as Jeffrey communicated, to hold
24 us all up. We're hoping that you will assist us in any
25 communications and negotiations, et cetera. But we are here

1 to find creative solutions. So I can personally give you my
2 word and Roy's word that we're here to collaborate. It's
3 not a good use of our time, effort, or energy, to run a bill
4 at \$250,000 and ask you to reimburse us for 125.

5 We're here to do something special at the
6 convention center, which you've already helped. It's just
7 tying it all together. It's just tying everything together.
8 And we hope that you will assist us with the communication
9 with the City so that we can find a solution and
10 collaboration. We don't want the parking to inhibit this
11 process and this development. And you have my commitment
12 that it won't.

13 MR. IRVIN: I think we have our commitment.
14 I can't speak for Fletcher, but I've worked with him long
15 enough to know that moss doesn't grow on things that move
16 around like rocks. I think probably the first think
17 you're going to see us do is sit down with the City and have
18 some -- we've already had some discussions, but nothing
19 serious.

20 CHAIRMAN McCUSKER: Mr. Marquez?

21 MR. MARQUEZ: I just want to take a taxpayer
22 perspective and -- I'm excited about this. I believe I'm
23 correct in saying that Tucson is one of the largest cities
24 in the country that does not have a hotel connected to its
25 convention center. This is a big deal. And the fact that

1 for so many different deals that we see that we are asked to
2 put money forth up front, this is literally the deal in
3 which really beyond \$125,000 that we're putting into this
4 initial piece, we're not asked for money upfront and the
5 money generated to repay it, to I guess to put in our
6 2.5 million comes from the sales tax that is generated from
7 the hotel that we currently do not have.

8 So I'll tell you from what I've seen in your
9 presentation, I'm very, very impressed. I'm excited as a
10 Tucsonan, born and raised, to see a company of your Caliber,
11 pun intended, coming to Tucson with a deal that you're
12 presenting to us that we didn't go search for. I just want
13 to say thank you for presenting the deal to us.

14 MR. ANADRANISTAKIS: Thank you, Edmund.
15 We're honored to be here, it's a great community, it's a
16 great opportunity and it's a great city.

17 MR. HILL: Call for the question.

18 CHAIRMAN McCUSKER: We have a motion and
19 second on the floor. Brandi, call the roll.

20 MS. HAGA-BLACKMAN: Chris?

21 MR. SHEAFE: Aye.

22 MS. HAGA-BLACKMAN: Mark?

23 SECRETARY IRVIN: Aye.

24 MS. HAGA-BLACKMAN: Edmund?

25 MR. MARQUEZ: Aye.

1 MS. HAGA-BLACKMAN: Jannie?

2 MS. COX: Aye.

3 MS. HAGA-BLACKMAN: Jeff?

4 MR. HILL: Aye.

5 MS. HAGA-BLACKMAN: Fletcher?

6 CHAIRMAN McCUSKER: Aye.

7 By 6-0, we've approved the term sheet.

8 (Vote taken and motion carries, 6-0.)

9 We will get busy post-haste. Mr. Hill and I
10 will make a beeline to City Hall and negotiate that parking.

11 I agree with them this is an unbelievable
12 opportunity for us. I think your timing is perfect. We
13 have unbelievable activity at the convention center.

14 If I'm not mistaken, we've sold out the last
15 6 concerts and we're averaging about 4,000 fans for hockey.
16 We are definitely on the hunt. And we know a convention
17 center hotel will make a huge difference. So thank you very
18 much.

19 MR. ANADRANISTAKIS: Thank you very much.

20 CHAIRMAN McCUSKER: Item No. 9, I think we
21 can move quickly on this. We just need to give counsel some
22 instructions.

23 Mr. Collins?

24 MR. COLLINS: Mr. chairman, members of the
25 Board, you have approved this project quite some time ago.

1 The component, the construction component, \$3.075 million,
2 has not yet closed. It is imminent.

3 And my request is that you instruct me to
4 proceed forward and quickly -- executive officers and close
5 this transaction as soon as possible.

6 MR. IRVIN: I'll make that a motion.

7 MR. SHEAFE: I think we already had that
8 instruction in place. Wouldn't we just continue to --

9 CHAIRMAN McCUSKER: Refresh our instructions
10 to you to --

11 MR. SHEAFE: Refresh it.

12 CHAIRMAN McCUSKER: Post-haste to close this
13 transaction.

14 MR. COLLINS: That works.

15 CHAIRMAN McCUSKER: All right. Item 10, same
16 thing, right?

17 MR. COLLINS: Same thing.

18 Mr. Sheafe, I'm going have to ask you to step
19 down on item 10.

20 CHAIRMAN McCUSKER: Don't go far.

21 Same kind of thing. We are just instructing
22 you to move as long as there's no substantial changes to the
23 documents, we're prepared to close.

24 MR. COLLINS: No substantial changes to the
25 documents other than what I discussed with you in executive

1 session; yes, sir.

2 CHAIRMAN McCUSKER: Thank you very much.

3 Items 11 and 12, I think we can combine.

4 We're looking for some board authority here to spend a
5 little money on due diligence on these parcels we currently
6 option from the County. We want to do a Phase 1, we want to
7 do some environmental, we want to do some archaeology, we're
8 going to spend a few bucks.

9 Mr. Irvin?

10 MR. IRVIN: I think we already ordered a
11 title report on these?

12 MR. COLLINS: Correct.

13 MR. IRVIN: So we got a title report. The
14 next thing we've got to do is actually get a survey to go
15 with that. And we probably need to do a Phase One report
16 and see what that has to say. I know there's probably some
17 archeological that's got to be done.

18 I could think of a whole litany of things
19 that probably need to be done on both of these parcels. And
20 it seems to me we probably need an authorization, like the
21 survey is not that much money -- some of these other reports
22 are -- but I am thinking we probably need 20, 25 thousand at
23 a minimum?

24 CHAIRMAN McCUSKER: For both or each?

25 MR. IRVIN: For each.

1 CHAIRMAN McCUSKER: Does the County have any
2 of this stuff already or -- Mr. Moffat's here.

3 ** speaker -- We don't have much cultural.
4 We do have a survey on the Broadway property. Our surveyors
5 did it but we do have that.

6 CHAIRMAN McCUSKER: In other words, we still
7 have to do a lot of work.

8 MR. SHEAFE: Let me just summarize this real
9 quickly. I think we say, one:

10 We authorize counsel to communicate with the
11 County to get all the information we've got, and if there
12 are doubts, we would authorize up to 25,000 per property to
13 complete the exploration that's necessary to put us in a
14 position where we understand what we've got there.

15 CHAIRMAN McCUSKER: Sounds like a motion.

16 MR. IRVIN: That's a motion; I'll second
17 that.

18 CHAIRMAN McCUSKER: All in favor say aye.

19 (Ayes.)

20 That passes unanimously.

21 (The Board voted and motion carries, 6-0.)

22 Quickly, Item 13. I think everybody knows
23 the city counsel unanimously approved Rio Nuevo engaging in
24 what we all call the remnant properties, that's the -- along
25 Broadway widening. There will be some number of properties

1 that eventually we can acquire and repurpose.

2 We have enthusiastically received a response
3 from the New York based Project for Public Spaces to help us
4 with this effort. They have done unbelievable accounting
5 projects of similar nature around the country. They are
6 clearly the expert in this space. The project estimation is
7 \$75,000.

8 That's all it would be for them to
9 participate with us immediately through the outcome of this
10 revitalization. The only thing I'm looking for today is
11 authorization to engage the Project for Public Spaces in an
12 amount not to exceed \$75,000.

13 MS. COX: So moved.

14 MR. COLLINS: Mr. Chairman, and members of
15 the Board, that's a service. That's something that can be
16 solely procured if it is authorized by appropriate members
17 of the executive board -- executive officers. Because
18 \$75,000 worth of a service, that falls within the
19 procurement code. There is in your procurement code a sole
20 source exception which could apply here.

21 So if the motion were modified so that it
22 were to move forward provided that the procurement code was
23 complied with, I think that would work.

24 MS. COX: I move that we move forward
25 assuming the procurement code is applied -- complied with.

1 MR. COLLINS: Yes.

2 CHAIRMAN McCUSKER: So somebody second it.
3 Who seconded the original motion?

4 MS. COX: No one.

5 CHAIRMAN McCUSKER: Okay. So somebody second
6 --

7 MR. SHEAFE: Second.

8 CHAIRMAN McCUSKER: It's an amended motion to
9 proceed with the engagement of the project for public spaces
10 as long as we don't violate our own procurement code.

11 You have a motion and a second. Discussion.

12 Mr. Irvin?

13 MR. IRVIN: First of all, you know, I've had
14 a chance to drive this section quite a bit and look at it a
15 bunch. Although I'd like a different process, I think from
16 the City of Tucson, the process we have is the process we
17 get.

18 One thing that I would be remiss in saying --
19 or not saying is that one of the things that has been a
20 concern is all the cooks in the kitchen up and down the
21 Broadway corridor. And I think we have made it abundantly
22 clear to the City and to the RTA that we've got some
23 buildings other people do not have, but we don't want to do
24 anything that would in any way, shape, or fashion, slow that
25 project down. So I just know we've talked about that, but I

1 think it's important just to mention that to the audience.

2 CHAIRMAN McCUSKER: We should mention, too,
3 it has nothing to do with the roadway itself. It doesn't
4 affect the engineering of the road, the width of the road,
5 or the landscaping, or the intersections.

6 This is to contemplate how we deal with the
7 remnant properties, tie them together, and create unique
8 renovation opportunities. That's it.

9 Mr. Marquez?

10 MR. MARQUEZ: Sorry. Just a quick question.
11 Is the New York-based Project for Public Spaces for the
12 75,000, it says they coordinate. What do they do for us?

13 CHAIRMAN McCUSKER: They will run all the
14 envisioning process, all the public input, they will consult
15 with us on each individual parcel about its potential uses
16 and reuses. We'll learn from other projects they have
17 experienced with.

18 Moreover, these are highly thought of people
19 by every stakeholder: The City, the historians, the Broadway
20 owners. They really bring a neutral voice to what's been
21 very contentious. And I think it will bring everybody
22 together on a common vision.

23 MR. MARQUEZ: It's up to the 75 number?

24 CHAIRMAN McCUSKER: Yeah. I think the motion
25 was it can't exceed \$75,000.

1 All in favor say aye.

2 (All ayes.)

3 Opposed, nay.

4 Thank you. We passed that unanimously.

5 (The Board voted and Motion carried 6-0.)

6 Okay. So we've set aside a time for a
7 financing hearing. We're obligated to do that when the
8 District is issuing debt -- we currently have before us.

9 Do I need to adjourn the regular meeting or
10 still in the regular meeting?

11 MR. COLLINS: Mr. Chairman, my opinion is you
12 do not need to artificially adjourn. We can call the public
13 hearing now on the Greyhound financing. You've met my
14 partner, Tim Stratton, before. I'm going to let him talk to
15 you about it. It's way too complicated for me.

16 CHAIRMAN McCUSKER: Are there any calls to
17 the audience? Brandi? Any speakers? No?

18 Okay. So let's call the hearing to order for
19 the Greyhound bus station financing.

20 MR. STRATTON: Thank you, Mr. Chairman,
21 members of the Board. This is a public hearing which we are
22 required to have for the issuance of taxes and bonds under
23 the Tax Equity and Fiscal Responsibility Act of 1986, part
24 of the IRS code. This is colloquially known as a "TEFRA
25 Hearing," T-E-F-R-A Hearing.

1 Notice of the hearing was published in the
2 newspaper in accordance with the federal statutes. So this
3 is the opportunity for the public to comment on the issuance
4 of the tax-exempt loan.

5 In this case, that we're contemplating for
6 the Greyhound Bus terminal project. That loan will be in
7 the amount not to exceed \$2,315,000, paid for as the Board
8 authorized by lease revenues and other revenues of the
9 District, which may be used to secure the loan.

10 The financing will mature not later than
11 2028. With that, Mr. Chairman, I would entertain any
12 questions from the Board or yourself, or the public, if
13 there are any.

14 CHAIRMAN McCUSKER: Let's touch a minute on
15 the 2028 issue. Obviously, the current plans for us to
16 sunset in 2025, so I think as we have discussed with you and
17 our financial staff, we would basically self-amortize this
18 over the -- the TIF. And we don't need a balance due if
19 indeed we sunset the end of 2025. So even though it's a
20 10-year term, it will be fully amortized and paid by the end
21 of 2025.

22 MR. STRATTON: That's correct. The way the
23 loan is structured, it's callable at any time. So if the
24 District were to decide to pay off the entire balance in
25 five years, it would have the ability to do so without

1 paying a prepayment penalty.

2 CHAIRMAN McCUSKER: And this is under the
3 interest parameters we established as a Board.

4 ATTENDEE: That's right. If you recall some
5 time ago, we adopted a resolution authorizing the executive
6 officers to move forward to negotiate a financing
7 transaction. This will fall ultimately when it is put
8 together and closed, which we hope to happen relatively
9 quickly. That would fall within the parameters of the
10 resolution which we've previously adopted.

11 CHAIRMAN McCUSKER: Any questions?

12 MR. SHEAFE: Remind me, the construction was
13 paid for -- ?

14 CHAIRMAN McCUSKER: Rio Nuevo was paid for in
15 cash, so we're just reimbursing ourselves.

16 MR. SHEAFE: And the security, it goes beyond
17 the Greyhound facility and the lease we have with Greyhound,
18 correct?

19 MR. STRATTON: Absolutely.

20 CHAIRMAN McCUSKER: And look to our revenue
21 sources from elsewhere as part of the collateral. But the
22 lease payments will be a little short, at least paid off in
23 seven years, so we'll have to pay out the difference.

24 So I need a motion to authorize us to issue
25 \$2,315,000 worth of tax exempt bond.

1 MR. IRVIN: So moved.

2 MS. COX: Second.

3 CHAIRMAN McCUSKER: Is that good? Everyone
4 good? All in favor say, aye.

5 (The Board voted and motion carries, 6-0.)

6 CHAIRMAN McCUSKER: Thank you very much.

7 No calls to the audience.

8 Brandi, we need to a motion to adjourn.

9 MR. HILL: Just very quickly, I just want to
10 remind the members in the audience that we just talked about
11 three hotels.

12 The weakness in our efforts the last few
13 years, according to the auditor general, is a lack of hotels
14 downtown and a lack of focus. And I think we did both in
15 the last few months since then. And I think our detractors
16 in the public should know that that was said in the auditors
17 general's report, and I think we're meeting it, and I want
18 to congratulate the board in trying to preempt some of our
19 normal criticism with that observation. Thank you, Mr.
20 Chairman.

21 MR. COLLINS: Here, here.

22 CHAIRMAN McCUSKER: Motion and second to
23 adjourn. All in favor say, aye?

24 (ayes.)

25 CHAIRMAN McCUSKER: See you next month. Nice

1 job.

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C E R T I F I C A T E

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

John Fahrenwald, RPR