

1 RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

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7 BOARD MEETING

8
9 Tucson, Arizona

10 May 30, 2017

11 2:00 p.m.

12
13 REPORTED BY:

14 John Fahrenwald, RPR

15 Certified Reporter No. 50901

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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, in the City of Tucson, State of Arizona, before JOHN FAHRENWALD, RPR, Certified Reporter No. 50901, on the 30th day of May, 2017, commencing at the hour of 2:00 p.m.

P R O C E E D I N G S

1
2 CHAIRMAN McCUSKER: We're going to call this
3 meeting to order.

4 It's 2:00 straight up and down on the official Rio
5 Nuevo clock.

6 So Mr. Irvin is inbound. I have not heard
7 from Mr. Hill. We do have a quorum.

8 Mr. Marquez, lead the pledge.

9 (The pledge was recited.)

10 CHAIRMAN McCUSKER: Brandi, call the roll,
11 please.

12 MS. HAGA-BLACKMAN: Edmund Marquez?

13 MR. MARQUEZ: Here.

14 MS. HAGA-BLACKMAN: Jannie Cox.

15 MS. COX: Here.

16 MS. HAGA-BLACKMAN: Chris Sheafe?

17 MR. SHEAFE: Here.

18 CHAIRMAN McCUSKER: You're mumbling.

19 MS. HAGA-BLACKMAN: Mark Irvin and Jeffrey
20 Hill, inbound.

21 CHAIRMAN McCUSKER: You have the
22 transcription from the April 25th meeting. Any comments,
23 questions?

24 If not, we need a motion to approve.

25 MS. COX: So moved.

1 MR. MARQUEZ: Second.

2 CHAIRMAN McCUSKER: All in favor say "aye."

3 (Ayes.)

4 Those will be posted.

5 This is the time set for Executive Session.

6 We need a motion to go to exec.

7 MS. COX: So moved.

8 MR. MARQUEZ: Second.

9 CHAIRMAN McCUSKER: All in favor say "aye."

10 (ayes.)

11 (The Board convenes for exec session.)

12 (Mark Irvin and Jeffrey Hill join the public
13 proceedings.)

14 CHAIRMAN McCUSKER: We need a motion to
15 reconvene.

16 MR. SHEAFE: So moved.

17 CHAIRMAN McCUSKER: Second, please.

18 MR. MARQUEZ: Second.

19 CHAIRMAN McCUSKER: All in favor say "aye."

20 (Ayes.)

21 CHAIRMAN McCUSKER: Okay. We're back in
22 business. Thank you for your patience.

23 You can tell we have a lot going on in little
24 old Rio Nuevo.

25 My shirtsleeves are rolled up -- I didn't realize that

1 until somebody pointed it out to me -- but indeed, today is
2 a shirtsleeve rolling up day for Rio Nuevo.

3 We are going to talk with Sundt, our
4 contractors for the Caterpillar site, about the unbelievable
5 work they're doing for all of us on the West Side.

6 We have some bids that have come in. We have
7 opportunities downtown, which include such iconic brands as
8 CVS, Loft theaters, and Chris Bianco, and we'll talk about
9 that today.

10 We're going to talk to the diocese about the
11 unbelievable work they're doing at Cathedral Square.

12 In a note to developers -- and you'll see it in the
13 agenda a couple times today as it relates to the TCC hotel
14 project and to the Dabdoub projects -- we have inadvertently
15 discovered an invaluable tool in our little quiver.
16 Sometimes desperation can be a good thing.

17 Since we took over Rio Nuevo in about 2012, we've only
18 spent \$20 million. It seems like we've spent hundreds of
19 millions of dollars, but when you boil it all down, we've
20 advanced several hundred million worth of projects with only
21 a \$20 million investment of our own money.

22 That's because five years ago, we elected to
23 partner. The old way was a fool's folly for the government
24 to build and operate these iconic monolithic structures that
25 was never going to do anything to increase our sales tax

1 base.

2 If you look at other successful TIFs, particularly San
3 Diego, Oklahoma City, others, their model was to partner
4 with private developers. And, of course, private developers
5 bring private lenders. And in our view, much more
6 sustainable budgets are created when they are private
7 sector-driven, not public sector-driven.

8 So we began to hang a shingle outside and say
9 we're open for business. And we've been extraordinarily
10 lucky to partner with pretty much everybody which is
11 developing downtown.

12 One of the things I've learned with San Diego
13 is we don't get to pick these developers; they picked us.
14 They bought property downtown, pieces of garbage properties
15 that they're renovating now to extraordinary parcels. And
16 we've had a little bit of luck with things like Marriott and
17 Chris Bianco and other things.

18 But indeed, our intent going forward is to
19 partner. The most valuable commodity is our ability to
20 improve your cash flow by rebating back to your site
21 specific sales tax.

22 And we hadn't done that before. We did it with the AC
23 Marriott. Historically, we've invested cash into
24 developer's equity pool. That's what we did with City Park,
25 it's what we did with Gadsden, and we were happy to do.

1 You will hear today we're going to spend six
2 to eight million dollars just on preparing the Caterpillar
3 site, a substantial amount of the cash we have left.

4 So we began to talk about ways we can help private
5 sector development without a lot of cash available. We made
6 a petition to the legislature. Anybody that tracks Rio
7 Nuevo knows that we met with the governor and legislative
8 leadership about the idea of extending the TIF or the idea
9 of a single appropriation to support particularly
10 Caterpillar.

11 We were asked to wait. We work for the
12 State, so we wait. We may go back next term, next session,
13 hopefully. Governor Ducey has offered to support us in our
14 endeavors to create economic development.

15 In the meantime, we're looking at an
16 organization that has \$14 million in cash. And Dan will
17 confirm that here in a minute in his report. We net about
18 \$2 million a year above the old debt service that the old
19 Rio Nuevo saddled us with. So over the life of the TIF,
20 we'll make another 19- or \$20 million.

21 So for all of us sitting up here over the
22 remaining seven years of our TIF life, we have about
23 35 million bucks. However, we believe we can leverage that
24 into \$300 million or \$400 million of activity by being smart
25 in how we partner.

1 And we're going to talk about a lot of those today.

2 I will tell you, if you're a downtown
3 property owner and you want to do a project that creates TPT
4 tax, sales tax, and you need some help, you should come see
5 us because we will figure it out.

6 What the banks have told us about these tax
7 rebates is they create debt service coverage ratios, which
8 makes it easier for them to lend money. So the banks like
9 the programs, the developers like the programs, the State
10 likes the programs. We like it because we're basically
11 giving developers their own money back instead of putting up
12 cash to enable a development.

13 So those people that think we just sit up
14 here and pick winners and losers, come on down. If you own
15 property, you want to develop something, we're happy to talk
16 to you. We're going to see a lot of that today and
17 hopefully we can advance some pretty significant projects.

18 So, Dan, I might have stolen your thunder, so
19 see how close I am to reality.

20 MR. MEYERS: Dan Meyers, CFO for Rio Nuevo.

21 Although this is May 30th, this information
22 I'm presenting is as of April 30th. And we've got some
23 pretty big things going on, it's going to adjust us a little
24 bit. So as of today -- or, rather, April 30th, we had
25 \$11.8 million in banks that's available for use.

1 We set up our payment for our debt service in 10
2 installments. We made about \$800,000 a month. And that
3 stops on April 30th every year. So the TIF money we receive
4 in May and June stays 100 percent with Rio Nuevo; we don't
5 have to put any of that aside.

6 So I anticipate that being about \$1.7 million
7 after we pay our operating expenses for May and June.

8 So if we add that to the 11.8, we're about 13.5, right
9 in that vicinity.

10 As far as commitments, we've got about \$11.8
11 million on the books now. Our February TIF revenue was 850,
12 which is about \$150,000 below our budget. However, when
13 Brandi and I scrutinize what we receive, we only see things
14 that somebody may have filed late, or there may have been a
15 change in their accounting staff and that they don't file
16 properly, and we have to go on and search for how to get
17 that money restored. And it eventually comes back to us,
18 but sometimes it's a matter of months until we get it back.
19 That's why our TIF revenue jumps around so much; it's fairly
20 unpredictable.

21 But it's a lot more predictable now that we
22 have a way of reviewing than it was four or five years ago
23 when I just got here, so I think we really do a much better
24 job of monitoring that.

25 What's happened since April 30th is the Greyhound

1 terminal got refinanced, and we picked up 1.8, 1.9 million
2 on that.

3 We funded Marist for 350,000 and we paid some for costs
4 for Caterpillar and other projects.

5 MR. SHEAFE: When is the 2 million due?

6 MR. MEYERS: I believe that's due on Friday.

7 MR. SHEAFE: This coming Friday?

8 MR. COLLINS: Arguably Saturday.

9 MR. MEYERS: Do you have any questions?

10 Oh, one more thing. The other thing is, we're still in
11 the process of working on the budget. There's a lot of
12 stuff going on. I think I've got a pretty good draft I'd
13 like to go over with Chris later this week and get that out
14 for comments for the rest of the Board.

15 CHAIRMAN McCUSKER: Dan, thank you very much.
16 Edmund?

17 MR. MARQUEZ: I have a question on the
18 \$170,000 on the TCC remodel. Are we done there? Or are
19 there still some outstanding . . . ?

20 MR. MEYERS: There's still retention, a few
21 other things hanging out there. I don't think there's a
22 whole lot more. But I'd like to get that wrapped up.

23 MR. MARQUEZ: Yeah. Thank you.

24 MR. MEYERS: Thanks.

25 CHAIRMAN McCUSKER: Let's move on to

1 Caterpillar. I'm going to reverse the order and take item 8
2 first and talk about the lease. Then we'll move to the
3 piece developed by Sundt on the site prep.

4 To remind everybody what we're doing as part
5 of the enticement for Caterpillar's relocation of their
6 mining division to Tucson, Rio Nuevo made a number of
7 commitments. One of those Chris just asked about, that's
8 the upfront cash that we committed to Caterpillar, \$2
9 million.

10 We also agreed to build to suit their headquarters
11 building and then lease that back to Caterpillar. That's
12 about the extent of that conversation nine months ago.

13 Then we made a 392-page lease, then, out of that. In
14 other words, down to the stake that we started with.

15 We have gotten Big Caterpillar, as Caterpillar
16 corporate, to guarantee the divisions' lease that was an
17 important piece for us that's working its way into the
18 documents. That obviously makes it much more financeable to
19 have a Fortune 500 company behind it, not just the division
20 of a Fortune 500 company behind the lease. And we're
21 working through the financing piece of that as we speak. So
22 obviously we agreed on a budget. That budget now is
23 \$43 million.

24 Rio Nuevo will borrow that money either directly from a
25 commercial lender, or we will issue bonds -- at least

1 revenue bonds, and then Caterpillar's lease will be the debt
2 service on those obligations. We've agreed, then, we
3 wouldn't mark that up. I think we did propose \$50,000
4 handling fee for just the work of managing the Caterpillar
5 lease.

6 So we are dangerously close to having the lease, but I
7 would say they're not there today, Mr. Collins. That is a
8 safe way to put that.

9 So update us and the public on where you are
10 with Caterpillar and what we have to do to wrap this up.

11 MR. COLLINS: Mr. Chairman, Members of the
12 Board, you're accurate when you say we're not there yet. I
13 sent a draft lease to Caterpillar on the 17th of December.
14 I received their first comments on the 19th of this month.

15 I have returned my comments to them. We have ways to
16 go.

17 However, I think that the primary component is the
18 financing that you just talked about. It needs to be -- the
19 rent component of the lease is made up principally of the
20 \$43 million that Caterpillar has agreed to repay the
21 District for, the cost of refinancing -- or financing that
22 and an interest rate.

23 And the interest rate is a sticking point. And it is
24 such a sticking point that, in my opinion, you ought not to
25 be spending any more money on Caterpillar until you have a

1 signed lease, because only when you have that signed lease
2 would we then be able to go out and finance that \$43 million
3 and the rest of the cost.

4 So that's where we are with the lease. It's doable.
5 We've got ways to go.

6 CHAIRMAN McCUSKER: It is a chicken and egg
7 kind of thing, though, right? You can't finance without the
8 lease. You can't complete the lease without understanding
9 the financing. So at some point, these things have to meld
10 more specifically at the same time.

11 MR. COLLINS: Correct. And obviously, one of
12 the biggest issues is tying down an interest rate.

13 We've all lived through an interesting time of interest
14 rates. Fortunately, we're pretty flat right now on the
15 rates that would be applied here. But Caterpillar wants a
16 special rate, and so it's not going to be that simple.

17 So to your point, Mr. Chairman, I think what needs to
18 happen is there needs to be a conceptual agreement on
19 exactly how much Caterpillar is going to pay in addition to
20 the \$43 million, what interest rate they're going to pay.

21 Once those terms are decided upon, we lawyers
22 can craft the language to do that.

23 MR. SHEAFE: Is your problem simplified if
24 Caterpillar were to say we will negotiate the interest rate
25 and we accept whatever we negotiate?

1 MR. COLLINS: Sure. But that's kicking the
2 can down the street because you can't -- you can't take that
3 back to the bank.

4 MR. SHEAFE: Why not? If the rate is
5 negotiated and built into the lease, then Caterpillar
6 accepts that risk.

7 MR. COLLINS: And then what if Caterpillar
8 says, no, I'm not doing anything over 2 percent?

9 MR. SHEAFE: Well, yeah, I'm suggesting if
10 they agree to that. If they do not agree to that, then that
11 throws it back to where --

12 MR. COLLINS: Yes, I agree with that. I
13 agree with that. I think, conceptually in my mind, anyway,
14 if -- for example, if this Board was going to -- if
15 Caterpillar wanted a 3 percent interest rate, which is below
16 market today -- if Caterpillar wanted a 3 percent interest
17 rate, the Board could secure financing, pay extra money to
18 be able to secure that interest rate, and all of that could
19 be written into the lease. And the lease would then address
20 what happens if there's a spread between the 3 percent and
21 the actual cost.

22 As you know, Mr. Sheafe, probably better than
23 I do, that can be crafted in language. But there's got to
24 be an agreement on what the components are. We know we've
25 got 43 million bucks, we know there's going to be some cost

1 of issuance. The interest rate's the big deal.

2 CHAIRMAN McCUSKER: Will you walk through the
3 rest of the lease for us, its term, option to purchase, just
4 kind of the nonfinancing pieces, Mark, just to refresh?

5 MR. COLLINS: Yes.

6 CHAIRMAN McCUSKER: And while you're doing
7 that, generally, you have an agreement on those nonfinancial
8 issues as you kind of tick them off?

9 MR. COLLINS: Well, as you allude, the lease
10 is roughly 90 pages long.

11 CHAIRMAN McCUSKER: I was a couple hundred
12 over.

13 MR. COLLINS: So it's a 25-year lease
14 currently. There had been discussions of shortening that
15 lease, and those discussions have been in connection with
16 the findings. But 25 is as long as you can lease it.

17 The rent is the biggest component that hasn't been
18 decided upon. The guarantee by Big Cat -- this lease is
19 between the District and Surface Mining and Technology's
20 Division.

21 Caterpillar corporate, or "Big Cat" as I have called
22 it, has agreed conceptually to guarantee the lease. We have
23 provided the language of that guarantee to Caterpillar, Big
24 Cat and Little Cat. I don't know what their position is on
25 it, but it's a straightforward guarantee.

1 The lease requires the District to build the facility
2 in accordance with the plan and specifications that Phil
3 Swaim, and Sundt, and SmithGroup have been working on with
4 this Board and with Caterpillar. All of that is in these
5 lovely 90-some-odd pages.

6 CHAIRMAN McCUSKER: And they do have an
7 option to purchase?

8 MR. COLLINS: Yes. The option to purchase is
9 available to them. To exercise the option, they have to pay
10 you the unpaid balance of the 43-plus, and any other charges
11 that may have been -- they may have incurred.

12 This is unlike a real live rental where you
13 might do present value. This is you guys are incurring \$43
14 million plus, \$43 million is being financed, and so they
15 would have to pay the balance of that. The 43 million
16 currently would be amortized over 25 years, plus interest.

17 CHAIRMAN McCUSKER: They can exercise that at
18 any time?

19 MR. COLLINS: Correct. They could.

20 For a variety of reasons, it's unlikely they would do
21 it before 8 years. And based upon the terms of the lease,
22 they have the benefit from excise tax, not only for the
23 first 8 years, but years 9 through 15 as well. So it's
24 unlikely in my mind that they're ever going to exercise that
25 option short of 15 years.

1 CHAIRMAN McCUSKER: How much time do you
2 believe it will take to finalize the lease?

3 MR. COLLINS: I'd like to think we can get it
4 done by the middle of next month.

5 CHAIRMAN McCUSKER: Mr. Marquez.

6 MR. MARQUEZ: I know there are a lot of
7 moving pieces to this. This is such a -- I will call it a
8 complicated deal for a non real estate guy here.

9 I just want to publicly say thank you to you
10 and Fletcher. You guys have been really trying to expedite
11 this and move this deal along. It's such a big victory for
12 Tucson. So just thank you. And hopefully we can get the
13 other side as well to work on expediting so we can get this
14 deal done sooner than later.

15 MR. COLLINS: Thank you, Mr. Marquez. It's
16 complicated even for the people who have been doing this
17 awhile.

18 CHAIRMAN McCUSKER: I'll reserve my next
19 question for Sundt. But I think they were planning on
20 having heavy equipment on that site, like, Monday, so if we
21 delay even two weeks, it could create some implications for
22 the whole project.

23 MR. COLLINS: It could. But when you get
24 back to that agenda item, that's a roughly \$7 million GMP.
25 And that's spending \$7 million of your money without a

1 signed contract from Caterpillar.

2 And you guys have the authority to do that.
3 As your lawyer, I'm advising you not to do that, however.

4 CHAIRMAN McCUSKER: Often, on a unfinished
5 item where we believe you might wrap it up between now and
6 the meeting, we have authorized the executive officers to
7 complete the work.

8 This is probably not the kind of thing I would suggest
9 that we allow anyone, other than the full Board, to review.
10 So the next meeting, I believe, is June 20th.

11 MR. COLLINS: That's right.

12 CHAIRMAN McCUSKER: I can certainly call a
13 special meeting.

14 MR. COLLINS: Yes.

15 CHAIRMAN McCUSKER: And would if you get the
16 lease done before that.

17 MR. COLLINS: Yeah.

18 CHAIRMAN McCUSKER: Unless somebody wants to
19 argue with counsel, I tend to agree, we should not advance
20 the Notice to Proceed until we have a lease signed by both
21 parties.

22 MR. IRVIN: I wholly concur.

23 MS. COX: Me too.

24 CHAIRMAN McCUSKER: So go forth and write a
25 lease and we'll schedule a special meeting. I'll find what

1 that does to --

2 MR. COLLINS: Right.

3 Mr. Chairman, Members of the Board, you have
4 previously authorized my office and the executive officers
5 to do that. Now that Caterpillar is engaged on the
6 lease-writing effort, I'm hopeful that the turnarounds
7 happen more quickly.

8 CHAIRMAN McCUSKER: Thank you.

9 Back to the Caterpillar site prep item.

10 Sundt is here. These guys have done an
11 heroic amount of work in a short amount of time. I think
12 none of us really understood the treachery we were getting
13 into on that side, but the landfill has turned out to be
14 worser and deeper than we ever imagined.

15 Caterpillar has insisted not only that that
16 be remediated, but we create a buffer around any human
17 contact with the former landfill. Besides the floodplain,
18 the main sewer line runs right through this property. You
19 probably couldn't have picked a worse site to build a
20 building on.

21 In spite of that, we have a manageable
22 project. Everybody remains excited about the reasons they
23 picked this site, which is its iconic history in terms of
24 Tucson's origins, its viability being on the streetcar line,
25 and the opportunity to activate the West Side, all the

1 things we got into this.

2 So we asked Sundt in the last meeting to go
3 ahead and get some hard bids on what they would need to do
4 to prepare for this and they have done that.

5 Ian, introduce yourself and walk us through
6 the I guess it's two GMPs we're looking at.

7 MR. McDOWELL: Sure. Thank you, Mr.
8 Chairman, Members of the Board.

9 First off, my name is Ian McDowell. I'm the
10 vice president of Sundt Construction. I'm the director of
11 our Tucson office.

12 It has been an interesting process for us as
13 well. We've certainly learned a lot about landfills. And
14 it's certainly, as you've alluded to earlier, a complicated
15 process when you're talking about things you can't see under
16 the ground.

17 And regarding the GMP process, we did go out and
18 identified 12 possible bidders we thought were good
19 candidates for this project. In the end, we received 6
20 bids, wound up interviewing 3 of the candidates, and we've
21 selected the appropriate candidate for the project.

22 Obviously, our ability to identify that subcontract
23 will depend on us getting notice to proceed and us executing
24 a successful contract with that potential bidder. But we
25 think we've got a really good plan and path to get us where

1 we need to be at the appropriate time.

2 CHAIRMAN McCUSKER: Go through the GMPs with
3 us. You have something and were going to show us a
4 PowerPoint?

5 MR. McDOWELL: Sure. There's 3 components of
6 the GMP that we've divvied up into two separate GMPs.
7 There's really three components that are very deeply
8 intertwined.

9 There's the remediation of the landfill. The
10 landfill can be between 25 and 30 feet deep in places.
11 Obviously, we have to remove all that landfill material.

12 There's actually some material on the top of
13 the landfill that can be used, which we have a plan to do.
14 That material will likely go and be placed over the area
15 where the second major part of the GMP is happening, which
16 is the sewer work.

17 All of this -- the last piece I'll throw in
18 there is the mass grading component, which you see there the
19 Caterpillar is identified as GMP 1. That portion is
20 essentially built up to construct the site in a way that
21 achieves the Caterpillar design, so what we've been working
22 on with SmithGroup and everybody else.

23 So suffice to say these three components are
24 deeply intertwined: You pick up a bucket of dirt in one
25 area and move it to a different direction. All of this will

1 be executed simultaneously with the intent to being ready to
2 work on the building pad on or about the middle of October
3 of this year.

4 CHAIRMAN McCUSKER: What do we do to the
5 schedule if we back up a couple weeks?

6 MR. McDOWELL: So it was actually the ninth
7 was the day we expected to have ironed out on the site. If
8 we back up a couple of weeks, there are things if you'd like
9 us to we can do to keep it moving administratively, just
10 getting paperwork done, agreements executed -- agreements
11 negotiated, but not executed.

12 So there are certain things that we can do in
13 the interim to keep the momentum going and put us in the
14 best possible position to move forward when we do move
15 forward and give us notice to proceed. Certainly, as we
16 move further past the ninth, it will impact our ability to
17 deliver the building pad in October.

18 CHAIRMAN McCUSKER: Mr. Collins, I'm assuming
19 we can approve the GMP subject to the finalization of the
20 Caterpillar lease. I wouldn't necessarily need to agendize
21 these again if the Board is so inclined to approve them,
22 only if and when the final lease is completed. Then we kind
23 of automatically kick in. Is that . . . ?

24 MR. COLLINS: Mr. Chairman, Members of the
25 Board, I'm going to step into Ian's territory here a little

1 bit. But I think what you would do is authorize the GMPs
2 that he's just spoken about, but not issue a notice to
3 proceed on those GMPs yet.

4 It's my understanding -- and Ian can jump in. If you
5 authorize the GMPs, and he can continue with some of the
6 administrative stuff as he talks about negotiating the
7 contracts with the subcontractors, doing those sorts of
8 things, while on another track we're working on the lease
9 with Caterpillar, with the target being, as he says, the
10 ninth, as close as we can get to that -- I don't want to
11 build anything else, but there may be some flex in that.
12 But it's got to get done very shortly.

13 And I think the other component that Ian --
14 I've talked to Ian about, if you notice in the GMPs, the
15 \$1.6 million there, that's under the Caterpillar column. If
16 that isn't done at the same time -- these wizards at Sundt
17 can make it all work, but it's going to cost more money and
18 it's going to take more time.

19 So I think everybody's motivated -- certainly
20 everybody in this room is motivated to have that 1.6 done at
21 the same time as Ian has programmed it out. We need some
22 confirmation, however, from Caterpillar that that 1.6 is
23 coming out of their construction budget.

24 MR. SHEAFE: We're assuming, then, that gets
25 solved in the satisfaction of the lease, correct?

1 MR. COLLINS: Correct.

2 MR. SHEAFE: We have the negotiated,
3 signed-off that covers the 1.6?

4 MR. COLLINS: Yes. In fact, I didn't mention
5 it, but the draft that I have now sent back to Caterpillar
6 specifically includes that number as being part of the
7 construction component of the overall budget.

8 Mr. Chairman, Members of the Board, you've
9 seen the project budget several times. Phil Swaim knows it
10 by heart, I think. It's a roughly \$36 million construction
11 budget, and the issue is whether that 1.6 comes out of that
12 36.

13 CHAIRMAN McCUSKER: Here's a harebrained
14 idea.

15 MR. COLLINS: Goody.

16 CHAIRMAN McCUSKER: I guess it goes to
17 whether or not we intend to develop that site with or
18 without Caterpillar. Because if that was the case, there'd
19 be no reason for us not to invest in this remediation and
20 site prep.

21 We're not wasting money just remediating -- the whole
22 thing has always been part and parcel Caterpillar. It was
23 never our intent to do anything other than Caterpillar. But
24 would it be imprudent of us if we are so inclined to
25 authorize that \$4.8 million gets them to work even though we

1 may not end up with Caterpillar there?

2 If we did that, you couldn't combine the grading,
3 though, because that is totally a Caterpillar item.

4 MR. COLLINS: Yep.

5 MR. SHEAFE: Would it be appropriate to just
6 have a motion to approve the GMP, which would allow the
7 administrative and not issue notice to proceed, restrict
8 that, and then if he's successful, I think, Mr. Chairman, it
9 would be your prerogative to call an immediate special
10 session, because this is big enough that you'd need to take
11 action right away.

12 CHAIRMAN McCUSKER: Make that a motion.

13 MR. SHEAFE: The motion is to approve the
14 GMPs, and reserve the Notice to Proceed and not approve that
15 as an action by this Board.

16 MR. HILL: I don't think you can put in
17 motion negatives.

18 MR. SHEAFE: Approve the GMPs without
19 approving the Notice to Proceed. The Notice to Proceed will
20 require additional action by this Board.

21 MR. MARQUEZ: Can I get clarity on that?
22 We're moving forward with spending on the GMPs?

23 CHAIRMAN McCUSKER: No. We're authorizing
24 the GMPs, but not issuing the Notice to Proceed. They can't
25 start actual work until they issue a Notice to Proceed.

1 MR. COLLINS: Sundt is going to incur some
2 expenses to do this, but it's not in that neighborhood of
3 what we're talking about, the \$4 million and 1.6.

4 MR. MARQUEZ: So that's the administrative
5 costs?

6 MR. COLLINS: Yes.

7 MR. MARQUEZ: So we're still waiting for the
8 lease?

9 MR. COLLINS: Yes.

10 CHAIRMAN McCUSKER: I don't have a second for
11 that motion.

12 MR. IRVIN: I'll second it.

13 CHAIRMAN McCUSKER: So the conversation is to
14 approve GMP 1 and 2.

15 MR. COLLINS: Just 1 and 1A.

16 CHAIRMAN McCUSKER: And for people that don't
17 know the jargon, "GMP" means guaranteed maximum price.

18 So this is an agreement we're making with
19 Sundt whereby our exposure is no more than what they've
20 identified it is; however, we would, before we issue a
21 Notice to Proceed, call a special meeting for that purpose,
22 and that can occur only with the completion of the
23 Caterpillar lease.

24 Brandi, call the roll.

25 MS. HAGA-BLACKMAN: Edmund Marquez?

1 MR. MARQUEZ: Aye.

2 MS. HAGA-BLACKMAN: Jannie Cox?

3 MS. COX: Aye.

4 MS. HAGA-BLACKMAN: Chris Sheafe?

5 MR. SHEAFE: Aye.

6 MS. HAGA-BLACKMAN: Mark Irvin?

7 MR. IRVIN: Aye.

8 MS. HAGA-BLACKMAN: Jeffrey Hill?

9 MR. HILL: Aye.

10 MS. HAGA-BLACKMAN: Fletcher?

11 CHAIRMAN McCUSKER: Aye.

12 (The Board voted and motion passes 6-0.)

13 So by 6-0, we've kicked the can down the
14 road.

15 So do what you need to do to keep things moving along.
16 We'll probably have a special meeting as soon as we can to
17 issue the notice.

18 And to echo Mr. Marquez, thank you very much, thanks to
19 Sundt and all the hard work you're doing for this project.
20 You know, it's going to really represent the company and
21 community very well. We're very grateful.

22 MR. McDOWELL: Thank you. And let us know if
23 we can do anything to help.

24 CHAIRMAN McCUSKER: Thanks again.

25 Okay. Item 9.

1 In the recruitment of Caterpillar, and a little chat I
2 had with Governor Ducey one day, the State is putting up
3 \$4 million. And we're -- offered to put up \$2 million to
4 defray the cost of Caterpillar's relocation of some 500
5 people to Tucson. It was part and parcel to the incentives
6 that allow us to prevail over Denver.

7 That money is not here.

8 MR. COLLINS: Well, according to the
9 development agreement, this Board agreed to pay that
10 \$2 million within 30 days of when the State paid their
11 \$4 million. That 30 days expires on June 6th, so it's
12 Saturday.

13 MR. IRVIN: What kind of agreement do we have
14 if something goes goofy with Caterpillar?

15 MR. COLLINS: We have -- the development
16 agreement contemplated that you would have the same type of
17 agreement -- you, the District, would have the same type of
18 agreement with Caterpillar that the Arizona Congress
19 Authority has. After looking at that, there was too much
20 brain damage for me.

21 So what we've done is, we've prepared an agreement that
22 says if there's a breach of the Caterpillar ACA agreement,
23 it's a breach of your agreement.

24 There are clawback provisions in the agreement with the
25 ACA. If certain conditions are not satisfied, Caterpillar

1 has to pay back all the portion of the \$4 million.

2 The agreement that I've drafted for you folks
3 is similar to that. It is an agreement like the lease that
4 is between Rio Nuevo, the District, and SM&T, the division.

5 There is, however, a stand-alone guarantee by Big Cat.
6 That's where we are on that one.

7 CHAIRMAN McCUSKER: Most of that I recollect
8 was tied to employment. So, if, indeed, they don't go
9 forward and they don't employ anybody, they have breached
10 the agreement, we would have to get it back if we advance
11 it.

12 MR. MARQUEZ: They haven't signed the lease.
13 Have they signed the agreement?

14 MR. COLLINS: No.

15 CHAIRMAN McCUSKER: Well, yes, we have a
16 development agreement.

17 MR. COLLINS: We have a development
18 agreement, but we don't have a separate agreement. It's
19 drafted; I'll get it to them. I just haven't had a chance
20 to do that.

21 CHAIRMAN McCUSKER: On the 2 million.

22 MR. SHEAFE: If we submitted the 2 million
23 subject to them signing and returning that agreement, that
24 would solve that side of it?

25 MR. COLLINS: I believe so. I quite frankly

1 think that's good enough, in my opinion.

2 MR. SHEAFE: Are you wanting a motion for
3 that?

4 MR. HILL: Question: I believe they've been
5 moving people in here left and right?

6 MR. COLLINS: They have been.

7 MR. HILL: Yeah. So it's not like they're
8 all sitting in Milwaukee waiting for us to vote on this
9 thing?

10 MR. COLLINS: No. There are a whole bunch of
11 folks at 97 East Congress.

12 MR. SHEAFE: Mr. Chairman, I would propose
13 that we make the \$2 million payment, because I think it's
14 very important that we perform according to what the
15 agreement is, and that we submit the document and make that
16 receipt of that 2 million dependent on returning the
17 agreement. That gives us the same protection as the ACA
18 has, and that we do that on time.

19 MR. IRVIN: I'll second that.

20 CHAIRMAN McCUSKER: Okay. The motion is that
21 we advance the \$2 million subject to the finalization of the
22 written agreement which Mr. Collins will expedite.

23 Brandi, call the roll.

24 MS. HAGA-BLACKMAN: Edmund Marquez?

25 MR. MARQUEZ: Aye.

1 MS. HAGA-BLACKMAN: Jannie Cox?

2 MS. COX: Aye.

3 MS. HAGA-BLACKMAN: Chris Sheafe?

4 MR. SHEAFE: Aye.

5 MS. HAGA-BLACKMAN: Mark Irvin?

6 MR. IRVIN: Aye.

7 MS. HAGA-BLACKMAN: Jeffrey Hill?

8 MR. HILL: Aye.

9 MS. HAGA-BLACKMAN: Fletcher McCusker?

10 CHAIRMAN McCUSKER: Aye.

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

12 Okay. By that, we're sending Caterpillar 2 million
13 bucks. Mr. Collins, not until you finish the agreement.

14 So for those people watching the clock, I'm
15 going to table the items 11, and 12. Those are the County
16 items. We're not far enough along to have that conversation
17 yet.

18 We're going to move to the Caliber
19 presentation, Peter, thank you very much.

20 We have previously engaged with Caliber out of
21 Scottsdale with the idea of putting in a convention center
22 hotel on the grounds of the Tucson Convention Center. A lot
23 of work's been done in the interim and hopefully we can
24 advance that today.

25 MR. ANADRANISTAKIS: Good afternoon, Members

1 of the Board. I'm Peter Anadranistakis, President of
2 Caliber. I was here before. And we were asked -- first of
3 all, I'd also want to thank the Rio Nuevo Board for great
4 back and forth feedback and communication.

5 We did receive approval to proceed with an agreement.
6 And as part of that back and forth recently, there was a
7 request to propose a site selection for where the proposed
8 hotel would go.

9 So here we have on the screen a picture of
10 the TCC, an aerial view of the TCC. And you'll see in the
11 orange border in the bottom right-hand corner -- which I'll
12 refer to as the southeast corner of the site -- we believe
13 this is an excellent location for what we're proposing to be
14 a minimum 120-room hotel at that site.

15 I can get into great detail as to why we feel that
16 particular location is excellent. However, for the benefit
17 of time, I'll go over just a few points.

18 One is, it already builds on the good work we
19 feel of what's already been done by the Rio Nuevo Board. So
20 opposite to that location is the hockey arena and new
21 entrance way, and it's a beautiful entrance way for those
22 people who have been inside of there. So there's somewhat
23 what we might refer to "bookends" that a little bit.

24 Secondly, again, we're proposing a convention center
25 hotel. And by utilizing this area, patrons will literally

1 be able to walk directly through the hotel right into the
2 convention center and vice versa.

3 Thirdly, we feel it will have a minimum
4 disruption to the site through the construction phase so
5 that hockey patrons won't feel a major construction, arena
6 goers won't feel that, people enjoying the Leo Rich Theater,
7 et cetera.

8 And finally, we feel that it will -- we are
9 hoping to minimize any short-term parking needs that might
10 be required at that, utilizing this particular site. And
11 I'll let the Rio Nuevo Board get into that further should we
12 need to.

13 We feel it's an excellent location and feel it will
14 cause minimum disruption in parking and utilization at the
15 TCC.

16 Thank you.

17 MR. MARQUEZ: Great to see you again, Peter.
18 Really interesting area.

19 MR. ANADRANISTAKIS: Thank you.

20 MR. MARQUEZ: Really cool area.

21 MR. ANADRANISTAKIS: Thank you.

22 MR. MARQUEZ: So in regard to the parking, I
23 see Glenn here from SMG.

24 Is this parking lot enough to sustain a hotel
25 and convention center? Or are you planning on building

1 multiple levels of parking on top of that?

2 MR. ANADRANISTAKIS: Well, as part of the
3 original agreement, we were in discussions with your board
4 to also collaborate on a parking structure.

5 I believe there may be some further
6 discussions as far as what the size of that structure will
7 be, and I'll let your esteemed board figure that out. So
8 for the time being, we would like to get started on the
9 project.

10 And we feel that this particular site, at least we can
11 get started in conjunction and collaboration while those
12 decisions are being made for the parking structure and the
13 size.

14 CHAIRMAN McCUSKER: There's already parking
15 challenges there. We put a hotel and a restaurant and a
16 bar. We're going to exacerbate that, so clearly we need to
17 sit down with the City about some sort of solution.

18 It may be that you just do another level, or
19 two more levels, and triple those spaces. I think parking
20 in general -- what we didn't want to do is bog them down
21 with our conversation with the City and whomever about a
22 parking structure. But it's not going to work without some
23 additional parking.

24 So, Mr. Collins, you might know, is that
25 parcel they've identified within the lease of the City?

1 MR. COLLINS: It is.

2 CHAIRMAN McCUSKER: This is a triparty
3 conversation. We own the property, but we lease it to the
4 City. They specifically lease that parking area and SMG
5 manages that. They benefit from the revenue. So it's
6 really almost a four-way conversation about how to resolve
7 the parking with Rio Nuevo, the City, and SMG.

8 MR. COLLINS: In the near term, the agreement
9 that you have in front of you provides for 75 parking spaces
10 when the hotel goes up for a period of five years.

11 In the meeting of February 28th, when this
12 Board authorized the executive officers and me to work with
13 Peter and his group to put together the agreement that you
14 have in front of you, subject to solving the parking
15 component. The parking component was back in February, a
16 very big deal. And what we did and have done is separate or
17 uncouple it from the rest of the agreement.

18 We're going to have -- we, the Board, is going to have
19 to make an arrangement with SMG and the City to provide 75
20 spaces while they're constructing it. What we're talking
21 about is renting 75 spaces. And as Peter has pointed out to
22 me, that's not a whole lot of spaces on that eastern parking
23 lot.

24 MR. MARQUEZ: So will the language in your
25 agreement here change, because it says the District shall

1 make 75 parking places available?

2 MR. COLLINS: Correct. That's an obligation
3 you as a Board will take on to provide the developer with
4 those parking spaces until this parking garage -- if that's
5 what happens -- is built.

6 MR. SHEAFE: We have in our prerogative the
7 ability to make that commitment to Caliber without
8 necessarily knowing the details of exactly how we're going
9 to do it?

10 MR. COLLINS: Correct.

11 CHAIRMAN McCUSKER: Well, you do and you
12 don't. You've leased it to the City. I don't believe we
13 can make that decision without consulting the City.

14 MR. COLLINS: Mr. Chairman, Members of the
15 Board, what you have in front of you is the draft agreement
16 between Caliber and the District.

17 And if you look at page 2, it's paragraph 3, are the
18 contingencies. And I think that's what -- I think maybe
19 that answers your question, Mr. Marquez.

20 This entire agreement is contingent upon the
21 City approving the termination of the sublease of that
22 space, the bondholders approving this change, right, and the
23 City working with the District and the developer to clarify
24 the zoning requirements, and then we all agree upon the form
25 of a GPLET lease, okay?

1 So, it's all intertwined. It's a -- in my humble
2 opinion, a fabulous use of space that's not being utilized
3 already. But it's going to be a 3, 4-way deal, as you say,
4 Mr. Chairman.

5 MR. SHEAFE: Let me repeat the position. I
6 want to make sure that I'm not jumping ahead here.

7 What I think Peter wants is to get enough assurance
8 from this Board so he can move forward on a lot of his soft
9 costs. And we have a little bit of a chicken or egg
10 circumstance here. We're not going to have all the answers.

11 So my comment was directed towards the issue
12 that if we collectively say we're willing to take on the
13 effort to figure out how we're going to supply those 75
14 spaces for five years, and we pass a motion that says we'll
15 do that, is that sufficient for Peter to be able to go
16 forward with his project? And I believe that's what your
17 agreement here is attempting to accomplish?

18 MR. COLLINS: I think perhaps the way to go
19 about this is I can walk you through the main components of
20 that agreement.

21 You have authorized the preparation of this agreement.
22 You have already authorized the execution of this agreement,
23 provided that it addresses the public parking. So I would
24 suggest, subject to the Board's approval, we can -- very
25 quickly, there's a few highlighted sections of what's in

1 front of you.

2 CHAIRMAN McCUSKER: Let's stay with the
3 parking issue for a moment.

4 MR. COLLINS: Okay.

5 CHAIRMAN McCUSKER: And Glenn is here. I
6 don't know of any conversation that we've had with the City
7 about any of this. So we really can't commit to this
8 until -- we can commit to figure it out. We can commit to
9 go talk to the City and we can commit to negotiate something
10 with the City. We can commit to the City that if we do
11 this, we'll replace those spaces. There's a lot of things
12 we can do, but committing parking that they control I don't
13 think is one of those.

14 So we might ask Glenn, you know, put you on the spot,
15 Glenn. But there's really been no conversation with you
16 about dedicating space to this project.

17 Is that a safe assumption?

18 MR. GRABSKI: Glenn Grabski, Manager, TCC.
19 No, there has not been any conversations with me.

20 MR. MARQUEZ: In regards to Peter's soft
21 costs, we've already committed up to half of the \$250,000 of
22 the initial investment. So where do we stand with regards
23 to that expense? And can we continue going forward knowing
24 we're on the hook for \$125,000?

25 MR. ANADRANISTAKIS: If I could just comment.

1 I, too, have rolled up my sleeves. Roy Bade,
2 who's here, our Executive Vice President, rolled up his
3 sleeves. We brought in our architect from New York to
4 collaborate with Phil Swaim. We're all rolling up our
5 sleeves to make this deal happen in good faith.

6 So just to be very blunt, we're not here to
7 spend your money or our money. We feel in good faith that
8 this is going to happen. We feel in good faith that this is
9 an excellent site because it does minimize impact.

10 And as Glenn mentioned, we can't have those
11 conversations with him to discuss parking and means of
12 egress and impact until we get an agreement from the Board
13 that says, yes, we're going to give you 75 spaces.

14 I have --

15 MR. SHEAFE: Let's make sure that the context
16 is right because I may have misstated what I intended.

17 Obviously, we don't have the right -- and
18 Fletcher's obviously correct. We don't have the right to
19 make a commitment about something we don't control.

20 What I intended to say was we would make the
21 effort to complete those negotiations successfully so that
22 we could make that commitment.

23 And I believe you're referring to the --

24 MR. ANADRANISTAKIS: Saying the same thing.

25 MR. COLLINS: Mr. Chairman, Members of the

1 Board, the agreement contemplates precisely that. It is all
2 contingent upon agreement with the City, and to the extent
3 necessary, agreement by this Board's bondholders.

4 What this would do, if you voted to proceed
5 with it and to execute it, would be they would start
6 incurring the soft costs and move in the direction of
7 building that hotel, while we would work with the City and
8 Glenn, and satisfy those requirements.

9 MR. SHEAFE: So the motion would properly be
10 to approve this agreement?

11 MR. COLLINS: Correct.

12 MR. HILL: I guess we're still on the
13 parking.

14 How many spaces does the TCC lose with the
15 construction of your hotel?

16 MR. ANADRANISTAKIS: That's a great question.
17 We're actually not sure at this point. That's why we're
18 looking to proceed in good faith to first answer Mr.
19 Marquez's question. We've been keeping costs at a minimum.

20 It's my time, and Roy's time, and
21 friends-and-family discount time from our architect working
22 hard to try to make this happen, because it's not our intent
23 to walk away and leave you with the bill for \$125,000. It's
24 our intent to collaborate and work together.

25 So to be very frank, if we were to walk away

1 right now, I would be incredibly disappointed. It would be
2 sad. We looked at some other deals. But we would want to
3 come back another day and really have very minimal -- as far
4 as costs are concerned, to answer your question, I hesitate
5 to guess. But if I'm guessing and I look at that size, if
6 you want me to guess -- and I could tell you that there's a
7 strong opportunity to proceed at that particular location,
8 that's why we chose it -- and have 75 parking spaces at that
9 site. However, I need to feel good about spending my
10 hard-earned money, and Roy's, and yours, and good citizens
11 of Tucson -- who I've grown to love Tucson very much -- to
12 proceed.

13 So if somehow we can come to an agreement where we can
14 operate in good faith -- I'll feel really good in that
15 agreement. It states in the next 90 days we can get a site
16 survey. I really want to proceed with a number of these
17 items. I really want to start spending some money and come
18 back to you with a plan that might say we have all the
19 spaces that we need at that site.

20 Roy?

21 MR. BADE: Hello. This is Roy Bade.

22 Mr. Hill, the answer is, in this scenario,
23 none of the existing spaces would be used by that particular
24 site. So we're not impacting, under this scenario, any of
25 the existing spaces. You think we will likely have a few

1 that are? Yes. We put in there minimal. Is that 3 or 4,
2 we change a drive arounds. Those things may happen, but it
3 would be a minimal effect on the existing parking.

4 MR. HILL: So implicit I guess I thought we
5 were trading 75 for 75, but that's not true?

6 MR. ANADRANISTAKIS: Originally what we were
7 looking at is we were looking at different locations for the
8 hotel.

9 And as we continued to walk the grounds -- so were
10 looking at the east parking lot. So one of the logical
11 places you might put it is on the east side or the west
12 side. So what we were communicated is saying for every
13 parking space that we would displace, we would replace with
14 a ratio of 1.2. So if we took away 10 parking spaces, we
15 would have 12 parking spaces.

16 And then we started communicating saying, you
17 know what? There's a shortage of parking. The Rio Nuevo
18 Board communicated there's a shortage of parking at the site
19 to begin with. How about if we built a larger parking
20 structure? Would you collaborate with us to do that? And
21 we said of course we would.

22 To Roy's very good point, this site has, from
23 what we can see currently, either somewhere between zero to
24 three parking spaces disrupted.

25 And that's one of the reasons why we chose

1 this site is because it is, in our opinion, underutilized.
2 It is, in our opinion, not an area that's used for parking
3 or for people to sit and relax or have a cup of coffee and
4 enjoy. It's a space that, in our opinion, makes exceptional
5 good sense to put a 120-unit hotel and hopefully have either
6 minimal or no disruption to parking at all whatsoever.

7 MR. HILL: I'm glad that's true. I was
8 thinking we were losing 75. The other thing I remember from
9 Mr. Stiteler's hotel projects that when we talked about
10 parking, there was always a percentage of parking spaces we
11 were going to get a guaranteed market rate paid towards
12 that, so we knew we had that cash flow. That language is
13 not here. And what's the difference, I guess?

14 MR. COLLINS: Well, 75 spaces versus 220
15 spaces. And we're not spending the money that we -- the
16 District isn't spending the money to build a hotel -- a
17 garage as we did in Stiteler --

18 MR. HILL: 4 million.

19 MR. COLLINS: The 4 million. It's Caliber's
20 nickel that's spending that money.

21 MR. HILL: So we don't need that.

22 MR. COLLINS: No. And we struggled -- and I
23 think that the executive officers will agree with me that we
24 struggled to try and make the parking garage, if you will,
25 work with this hotel.

1 But for these guys to make a hotel work, it needs to
2 start moving, and so we decoupled the two, with that being
3 the only remedy.

4 CHAIRMAN McCUSKER: So that collectively the
5 powers that be can deliver the parking, the project stops
6 because it doesn't work right, Peter, without it, unless you
7 can -- if you -- probably what you need to find out is can
8 you park on that side?

9 MR. ANADRANISTAKIS: That's an excellent
10 point.

11 You know, if you can't make that commitment, perhaps
12 what we can do is at least proceed to the next phase, which
13 is spending some dollars to be able to get that site --

14 CHAIRMAN McCUSKER: Mark, what's involved?
15 This would be a ground lease?

16 MR. COLLINS: It would. And that's all in
17 your contingencies.

18 CHAIRMAN McCUSKER: We own the property. The
19 City agrees to separate from the City lease --

20 MR. COLLINS: And it's all subject --

21 CHAIRMAN McCUSKER: And we have previously
22 negotiated the rebate piece of this. So if it's built, we
23 have an agreement on how we can participate in the project.

24 MR. COLLINS: Right. It would be -- it's all
25 set forth in that agreement. I'm happy to walk you through

1 it. We went through it and the term sheet back in February.
2 But what would be happening is that title would go from the
3 District to Caliber.

4 They would spend 20-plus million dollars, if
5 I remember correctly, to build the hotel and amenities. It
6 would then be conveyed back to the District and leased to
7 Caliber. And Caliber would receive the incremental, which
8 in this case would be a hundred percent of TPT revenue until
9 the end of the 2025.

10 MR. MARQUEZ: Is the contingency language, is
11 it broad enough to give us the time to have the conversation
12 with the City about the 75 spots?

13 MR. ANADRANISTAKIS: Well, I believe the
14 contingencies are in the agreement for that particular
15 reason.

16 MR. MARQUEZ: I'm sorry. It's more of a Mark
17 Collins question.

18 MR. COLLINS: I believe you have the
19 flexibility you need. You may reach a point where the City
20 says, No way. Game over.

21 MR. MARQUEZ: I'd like to make a motion. I'd
22 like to make the motion to approve the agreement so that we
23 can move forward in good faith with Caliber.

24 MR. SHEAFE: Second.

25 CHAIRMAN McCUSKER: Any further conversation?

1 The challenge we have -- and it's really on me, I
2 guess -- is the City hates to be boxed in when we do
3 something. If we approve something, they feel like, oh, my
4 God, now we're obligated.

5 No one's ever had the conversation about how
6 we resolve these parking situations. So I think it's
7 inherent that we immediately get with City and say, How can
8 we figure this out together? And that's like tomorrow.

9 Because they -- it doesn't work without them. However,
10 if we put a hotel there, I think the site selection is
11 brilliant. I think the project gets enhanced. I think
12 we've got to get with the barrio neighborhood because we're
13 building across the street from Cushing Street Bar and the
14 barrio. And I think we've got to have a conversation about
15 traffic. And you've got to have a conversation about
16 parking.

17 And all those things could screw this up.
18 But selecting that particular site makes a lot of these
19 things easier, in my opinion. But we've got to get after
20 them immediately so you guys know what we are doing.

21 MR. ANADRANISTAKIS: Thank you for the
22 motion. If I close by saying that we are very hopeful,
23 we're trying to be mindful of this site and the District
24 that's there. We believe we can find 75 spaces at that site
25 that don't exist today.

1 We could be wrong. So we certainly don't want this to
2 be a if a parking structure proceeds or not. We feel that
3 we can be part of the solution for a parking structure. We
4 would appreciate any communications you would have with the
5 City. We definitely do not want the City to feel boxed in.

6 And we feel by proceeding and moving forward, we're all
7 collectively, along with the City, Rio Nuevo, Caliber, will
8 come to a good decision and we'll find a solution.

9 CHAIRMAN McCUSKER: We're talking about valet
10 parking. There's a lot of things we could do. We have a
11 motion.

12 MR. IRVIN: I think our first conversations
13 were in October. We sat down really early in November and I
14 know we bounced all around this site looking for the right
15 place. I would have never thought of that one. That's a
16 great choice. I didn't see that coming. I think that's
17 really a much better choice from some of the other ones we
18 talked about.

19 Hats off.

20 MR. ANADRANISTAKIS: Thank you.

21 MR. MARQUEZ: Just one last point. I believe
22 if my data is correct and what I've heard, we are the
23 largest city with a convention center that does not have a
24 hotel in the United States.

25 MR. ANADRANISTAKIS: From our research, you

1 are one of very few major metropolitan centers that we've
2 researched that has a convention center that doesn't have
3 these types of amenities.

4 CHAIRMAN McCUSKER: We have a motion and
5 second to approve the development agreement, which has
6 contingencies related to us working on the satisfactory
7 agreement with the City.

8 This doesn't need to be triparty in your opinion, Mr.
9 Collins; it's just a matter of us reaching a satisfactory --

10 MR. COLLINS: The risk that you run here is
11 that the evaluations comes up that it can't build it or the
12 City simply says, no, your risk is \$125,000, with a
13 possibility of having a 120-room hotel on a dormant portion
14 of your primary component. So that's how I kind of look at
15 it.

16 CHAIRMAN McCUSKER: Brandi, call the roll.

17 MS. HAGA-BLACKMAN: Edmund Marquez?

18 MR. MARQUEZ: Aye.

19 MS. HAGA-BLACKMAN: Jannie Cox?

20 MS. COX: Aye.

21 MS. HAGA-BLACKMAN: Chris Sheafe?

22 MR. SHEAFE: Aye.

23 MS. HAGA-BLACKMAN: Mark Irvin?

24 MR. IRVIN: Aye.

25 MS. HAGA-BLACKMAN: Jeffrey Hill?

1 MR. HILL: Mr. Chairman, I would like to
2 explain my vote.

3 I think it's a great proposal. One of the things that
4 I think we have to occasionally try and think of, you're not
5 going to believe that, but there are detractors out there of
6 Rio Nuevo, all kind of stupid stuff in various rags and
7 anyplace else they can get it. And I could see a headline
8 "Rio Nuevo votes to wipe out TCC parking places with evil
9 developer." So that's why if you can grab that stuff and
10 throttle it and throw it away before they have an
11 opportunity to do it, you don't have to go through that
12 abuse and neither do we.

13 This time I'm happy to vote "aye."

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

15 MR. ANADRANISTAKIS: Thank you.

16 CHAIRMAN McCUSKER: Gabby, you can't use that
17 headline. She's feverishly typing over there.

18 Thank you, Peter. You guys have been great
19 to work with and we really hope we can pull this off.

20 Table item 11, and 12. While we're on a
21 roll, item 13, which is really multiple conversations we've
22 had with the extraordinary team of Marcel Dabdoub and Ron
23 Schwabe.

24 To catch everybody up in previous meetings, this
25 developer group has presented a number of the iconic

1 structures they are acquiring downtown and asked us to
2 participate; we indeed did to the tune of about
3 \$4.3 million.

4 On projects like the Chicago Store, and 123 South
5 Stone, the former Bring Funeral Home. We are totally
6 aligned at the hip with this developer. They are doing
7 retail. And they're also now talking to some iconic brand
8 names retail on these particular sites.

9 (Board member Marquez temporarily exits proceedings).

10 As I explained in my introductory remarks, they've been
11 intrigued with the possibility of converting our cash
12 commitment to a tax rebate commitment, which when you look
13 at our balance sheet, is a very smart thing for us to
14 consider. So we kind of packaged this as a single agenda
15 item to look at the commitments that we've made to Dabdoub
16 Schwabe and maybe to reengage in that conversation along a
17 tax rebate plan.

18 I'll go through some of the opportunities
19 they have but I think the rumor mill's been rampant. We can
20 confirm that CVS is under letter of intent to move into the
21 Chicago Store. Would be a extraordinary development for
22 downtown Tucson. It's one of the signs of a real urban life
23 when a drugstore makes that kind of commitment.

24 We have medical services now thanks to TMC
25 and El Rio. And to have CVS downtown would be

1 extraordinary. They've got parking issues as well. They've
2 also had conversations which the press has been a little bit
3 ahead of us on, but indeed we are in a dialogue with the
4 Loft theater about a satellite location to bring the Loft
5 downtown onto this block. And of course we've been talking
6 about returning the iconic Chris Bianco to Tucson. And all
7 of that is because of these developers.

8 So Marcel and Ron, if you guys want to come
9 up and present your plan, we're excited that you're here.

10 MR. DABDOUB: Thank you, Mr. Chairman, thank
11 you members of the Board.

12 We would like to just start with an update -- oh,
13 Marcel Dabdoub, and my partner, Ron Schwabe.

14 We would like to start with just sort of an update as
15 to where we are with the projects that have already been
16 presented. This is one of the quotes from one of our
17 tenants. As you might remember, Brings was a funeral home.

18 When we bought it we really didn't know what it was
19 going to turn into, but we really believed it could turn
20 into a really cool retail hub and just sort of off of
21 downtown, just off the main thoroughfare of downtown. And
22 it really has turned into something great.

23 Here we have Katie Peterson, who is opening
24 up a vintage and housewares store. We have Teresa Delaney,
25 who started up Cultivate; and they're operating on a

1 significant portion of the second floor. Cindy Ballesteros,
2 with Territory Magazine, is officing there. We have Exo
3 Roast, which opened up a couple of weeks ago.

4 (Mr. Marquez returns to the proceedings.)

5 We have Owl's Club, we have the Escape
6 Room -- so it's turned into this great mix of tenants that
7 we're all excited about. And it turned into something we
8 really didn't expect.

9 And I think it's part of the same -- you
10 know, coming from the same place of general enthusiasm for
11 being in a downtown Tucson and being in a place that's urban
12 and pedestrian friendly.

13 So we're pretty much almost fully leased up. I think
14 we have a couples of spaces there that and are still
15 available and we've been talking to several tenants, but
16 that project is pretty much completed.

17 Arizona Hotel. The UPS store opened maybe about a
18 month ago or so. And, you know, they've been really excited
19 about what happens with the rest of that -- of the retail
20 space in that building. Before UPS, when this deal was
21 approved in it previous arrangement, we were maybe about
22 24 percent leased on the commercial side.

23 Now, with UPS, we're just under 33 percent leased.
24 It's just off downtown, just off Congress, so it doesn't get
25 the same attention that a lot of people from Congress get.

1 We've been talking to several tenants and we're confident
2 that we're going to be leasing it up. People are concerned
3 about the construction that's going to be going on across
4 the street.

5 I think that would be an opportunity to set up a
6 business before you get all that, but that's where we are.
7 With the Chicago Store -- like Chairman McCusker said, we do
8 have a signed LOI with CVS. They are going before the real
9 estate committee on June 14, so that's a pretty important
10 date for us. We've given all the support that we could in
11 terms showing all the projects that are coming online. It's
12 a big move for them. Because you don't have, right now, the
13 pedestrian traffic counts that they normally look for in
14 sort of a downtown location. But I think they're doing a
15 lot of foresight thinking. If we don't do this now, if we
16 wait for the traffic count then it's going to be more
17 difficult to find a space that actually works for us. CVS
18 locations are typically about 12,000 square feet. This
19 building is 21,000 square feet. So it really is an
20 out-of-the-box move for them. And we're really excited
21 about this moving forward. Statistically, once it gets
22 approved by the real estate committee, then the chances of
23 this moving forward are really, really high. So we're
24 really looking forward to seeing what the results of that
25 real estate committee meeting are.

1 123 South Stone. We -- like Chairman
2 McCusker said, we do have a signed LOI with Chris Bianco for
3 a concept that would basically take up the whole first floor
4 of that building with the exception of two smaller retail
5 locations that are further down Ochoa...

6 And the goal would be to put the second floor to be
7 office, so we're going to be rehabbing that building -- the
8 entire building as well.

9 So that's basically a rundown of the projects that were
10 approved and we'd like to -- well, first of all, talk about
11 the new structure we're proposing.

12 In total, there's been a total funding of
13 \$5,050,000 that's been approved for these projects. And
14 we're proposing to cancel that funding and just do what was
15 previously a 15-year lease, extend the term of that lease to
16 the extent that if and when the Rio Nuevo District gets
17 extended. And we would basically just be participating in
18 actual sales tax revenue that's generated in these
19 properties.

20 None of them were generating any sales tax when we
21 acquired Brings, 123, Chicago Music Store had closed down.
22 So the intention would be to participate in actual sales tax
23 dollars that are generated from these properties and same as
24 the previous structure. We -- none of this would kick in
25 until the day they start generating sales tax. So this is

1 not something we would be benefiting from unless and until
2 we start producing sales tax on these sites.

3 The two additional locations that we'd like to submit
4 for your consideration are these four buildings that start
5 with -- jacks and end with Wig-O-Rama.

6 Again, these four properties are generating zero sales
7 tax dollars. We are in conversations with someone who
8 would -- someone who would open up a restaurant/bar concept
9 on the first location.

10 As you may know, restaurant/bar concepts with
11 a liquor license tend to produce the highest sales tax
12 dollars per square foot. So we're excited about those types
13 of opportunities; but at the same time, we recognize the
14 importance of complementing those opportunities with other
15 types of uses just because we can't -- especially before the
16 hotels are built, we're concerned about oversaturation with
17 certain types of use. So we have been in conversations with
18 the Loft.

19 At this point in time we don't have anything.
20 They have indicated willingness to allow sales tax charged
21 for the ticket sales. But even still it's hard for that to
22 with somebody who can generate \$500 a square foot for a
23 restaurant/bar concept. So we're actively in discussions
24 with them. And we're trying to see if we can come up with a
25 solution that would allow for a user like that that doesn't

1 generate the same sales tax per square foot to still open up
2 a location downtown.

3 These are just some historic pictures of what it used
4 to look like. We're hoping to remove the existing facade to
5 expose the brick construction. So we're excited about this
6 project.

7 And then the next project is 44 East Broadway. We have
8 a proposal that assumes a redevelopment of the parking lot
9 that's right next to 44 East Broadway, as well as the
10 parking lot that's right behind it.

11 It would result in about 80,000 square feet of what we
12 would consider headquarter office space.

13 We know that Rio Nuevo's been doing a lot of work
14 talking to prospective employers and there's really not
15 enough opportunities for somebody to occupy what we call
16 open-style, open plan, Class A office space in the core of
17 downtown.

18 So if it is on a spec basis, it's something
19 that we would -- that we still feel would be occupied when
20 the next big employer wants to make a commitment to
21 downtown, make a commitment to Tucson, and to have their
22 office space in downtown area.

23 These are just -- you know, the other reason we're
24 excited about this opportunity is because this would
25 activate the retail on Ochoa. And we understand especially

1 with this hotel that's being closed by Caliber, there's a
2 proposal to really reactivate the retail along Ochoa so that
3 becomes a new pedestrian route from the convention center
4 towards downtown Tucson up until Scott.

5 We have spoken to Holualoa. And they're excited about
6 doing retail on the Ochoa side of their property right in
7 front of the cathedral.

8 This is rendering of what that property would
9 look like. We would have retail at the very first floor.
10 And we would do a pop out on the existing 44 building that
11 could also be maybe a reception area for the four stories of
12 headquarter office space on the upper floors, or it could be
13 retail.

14 We've had -- we've shown that site to the regional real
15 estate guys for Starbucks as well; so we're really exploring
16 a lot of retail opportunities.

17 This would be -- this is a view of the connection
18 between the two buildings over Jackson. We have had limited
19 conversations with the City of Tucson. It would be a
20 possibility to build over Jackson in order to allow for that
21 connection. And then what you would see just be a rooftop
22 garden that just gets shared by those two buildings,
23 basically on the fourth floor, on the top of the fourth
24 floor of that building. And that's basically a run down of
25 where we are.

1 CHAIRMAN McCUSKER: So to be clear, the only
2 thing you're asking of us is the sales tax that you yourself
3 generate?

4 MR. DABDOUB: That's right.

5 CHAIRMAN McCUSKER: Somebody want to make a
6 motion?

7 MR. SHEAFE: Number one, I think the motion
8 ought to apply the projects we've already approved; is that
9 not correct?

10 CHAIRMAN McCUSKER: I was being facetious.
11 But conceptually, for a minute, why wouldn't we do this?

12 MR. SHEAFE: That's the whole point.

13 CHAIRMAN McCUSKER: They're getting more than
14 the cash; but it's sales tax they have to generate and
15 they're talking about an entire four square block retail
16 development smack in the middle of downtown. This is
17 exactly the kind of thing that we were destined to approve.
18 So the devil's in the details.

19 Mr. Collins, what do we have to do to -- can
20 we just approve all of this in one single motion and tell
21 you to go fix it? Or do we have to look at each of these
22 projects?

23 MR. COLLINS: Mr. Chairman, there really
24 three components, three chunks here.

25 These gentleman originally had -- Arizona Hotel brings

1 Chicago Store and 123 South Stone they brought to you. And
2 shortly after that, the Gus Taylor building, which makes up
3 the \$5 million of commitments that Marcel was talking to you
4 about. You have approved the purchase/lease option
5 agreement structure on all of those.

6 Indeed, you closed the one on Bring but you authorized
7 them on all of them.

8 The two new ones --

9 CHAIRMAN McCUSKER: Stay there for a minute.
10 All we would have to do is amend our approval converts up
11 front cash to tax rebate.

12 MR. SHEAFE: The motion would be to authorize
13 counsel to repair the document, to change from the original
14 plan, to the rebate plan.

15 MR. COLLINS: And then bring them back to you
16 guys.

17 MR. SHEAFE: Yeah.

18 CHAIRMAN McCUSKER: And they have to come
19 back?

20 MR. SHEAFE: Well, probably someone's got to
21 approve.

22 MR. IRVIN: Yeah.

23 CHAIRMAN McCUSKER: The documents themselves
24 come back.

25 MR. SHEAFE: We can approve them, essentially

1 the deal.

2 MR. COLLINS: You can authorize me to move
3 forward.

4 CHAIRMAN McCUSKER: I think where you were
5 going with that is the new properties then would require a
6 separate approval.

7 MR. COLLINS: Yeah, I think you ought to keep
8 them segregated. We'll call them the old bunch, which is
9 the Arizona Hotel, Brings, Chicago Store, along with Gus
10 Taylor, and 123 South Stone. You've authorized all of
11 those. So you could make a motion to change the structure
12 of each of those to the new proposed structure or the new
13 structure that's been proposed by Marcel and Ron.

14 MR. IRVIN: Two questions. First, we'd also
15 had a discussion about caps. Is there a cap discussion in
16 here? And then the other thing we had a discussion is about
17 legal fees.

18 That's for Collins. We'll get you in a
19 second, Marcel.

20 MR. SHEAFE: Unless you want to volunteer to
21 take care of the legal fees.

22 MR. COLLINS: The caps that have been
23 proposed for 236 South Scott, which is Brings, right?

24 MR. DABDOUB: That's correct.

25 MR. COLLINS: Is \$1.86 million.

1 The proposed cap on 123 South Stone is \$1.575 million.

2 The proposed cap on 130 to 128 East Congress, which is
3 the Wig-O-Rama, et cetera, is \$5.95 million, and the Arizona
4 Hotel is \$3.1 million.

5 I think it's because of those caps, if no other reason,
6 that you'd want to see the agreements back.

7 CHAIRMAN McCUSKER: What do those total? The
8 total caps?

9 MR. COLLINS: 12 or 13 million bucks.

10 CHAIRMAN McCUSKER: And you guys are
11 investing like 35 million, 30 million in these projects?

12 MR. DABDOUB: That's correct; that's the
13 current estimation.

14 CHAIRMAN McCUSKER: You didn't make a motion
15 you were fixing to make a motion.

16 MR. SHEAFE: The motion would be to authorize
17 counsel to proceed to prepare documents that would convert
18 from the original deal to the tax rebate structure proposed
19 by Marcel.

20 MS. COX: Second.

21 CHAIRMAN McCUSKER: That would be subject to
22 final Board review.

23 MR. IRVIN: And legal fees.

24 CHAIRMAN McCUSKER: It's not in his motion so

25 --

1 MR. SHEAFE: I'm authorizing the legal fees
2 to do that in my motion.

3 MR. IRVIN: Reimbursement.

4 CHAIRMAN McCUSKER: You guys are talking in
5 circles.

6 MR. DABDOUB: If I may I'd like to make a
7 proposal. When this was structured originally, very tidily
8 Mark Collins, suggested let's come up with one template and
9 then if we can agree with that template then we're basically
10 just using that same template for the other deals. We did
11 close on Brings.

12 So an offer we would like to make is it would
13 require an amendment to that one deal that was approved so
14 we are offering to cover the District's -- if it makes sense
15 if the deal makes sense under the new structure for Rio
16 Nuevo, we're proposing to cover the District's legal
17 expenses for the amendment on a deal that was basically
18 already -- already signed and closed.

19 MR. IRVIN: One of the concerns that we've
20 got -- and Marcel you're not going to be the only person
21 that comes and talks to us. We're in Cat's preservation
22 mode.

23 So what we'd ask counsel to do is to come up
24 with a template of what he thought these transactions were
25 going to entail. And I think what I'd like to see is a

1 reimbursement not just on the deal we've already approved
2 and makes sense but on any deal going forward.

3 CHAIRMAN McCUSKER: He's asking you to pay
4 the legal fees for the new agreements.

5 MR. COLLINS: Certainly. The new template or
6 all agreements?

7 MR. IRVIN: All agreements. Whatever those
8 are. If it's a template, that's fine.

9 MR. COLLINS: My concept --

10 CHAIRMAN McCUSKER: He's not talking to you.

11 MR. DABDOUB: I just want to make sure I
12 understand what he is asking.

13 The deals that were approved under the old structure,
14 the legal fees that have been incurred, have been incurred
15 on both sides of the transaction.

16 I don't -- I believe that that template has been
17 finalized and we went ahead and closed on Brings. With
18 respect to the change that we're proposing, it is a cash
19 preservation proposal that we are making to Rio Nuevo,
20 because we're canceling funding that was previously
21 approved.

22 And we're also offering to cover the legal fees for the
23 one deal that was approved because it's going to require an
24 amendment on something that has to be changed at our
25 request. So that's understood.

1 We would also be happy to cover the legal fees if
2 you're okay with that.

3 For the template for the new deal. My
4 understanding is that our attorney was drafting that
5 template in order to save money for the District. I don't
6 know if, Mark, you're not able to confirm that?

7 CHAIRMAN McCUSKER: You're pushing Robert's
8 Rules of Order.

9 We have a motion and a second unless it
10 doesn't have anything to do with legal fees -- is to
11 authorize the conversion of projects from cash up front to
12 rebate in the arrears unless you want to withdraw that
13 motion or amend the motion with legal fees.

14 MR. HILL: Include the legal fees to
15 articulate.

16 CHAIRMAN McCUSKER: So finish your thought.

17 MR. DABDOUB: So any legal fees incurred by
18 the District in order to draft and or review an amendment
19 for the one property that was closed, we're happy to cover
20 those legal fees. And we're also happy to advance the legal
21 fees in the drafting and/or review of the template. I
22 believe our attorney was drafting that template for the new
23 structure and that that template had already been drafted,
24 and there's going to be fees incurred with review on your
25 part for that template. Because this is intended to be a

1 win-win for both sides, we would not want that to extend to
2 any the additional review that would be required but we're
3 open to that conversation.

4 MR. HILL: Questions on the motion he
5 articulated on the amount.

6 CHAIRMAN McCUSKER: The current motion is to
7 approve the projects.

8 MR. HILL: I offered an amendment. Needs a
9 second.

10 MR. IRVIN: Include the --

11 MR. HILL: Include the legal fees that he
12 articulated that they're willing to produce on the change on
13 the already accepted agreement.

14 CHAIRMAN McCUSKER: Mr. Collins, you're going
15 to bill all this you're following this.

16 MR. COLLINS: Yes, sir. I believe the
17 amendment is to the legal fees to undue or redo Brings and
18 the legal fees to create the template as we go forward on
19 the other projects.

20 CHAIRMAN McCUSKER: We have an amended motion
21 and a second.

22 Brandi, call the roll.

23 MS. HAGA-BLACKMAN: Edmund Marquez?

24 MR. MARQUEZ: Aye.

25 MS. HAGA-BLACKMAN: Jannie Cox?

1 MS. COX: Aye.

2 MS. HAGA-BLACKMAN: Chris Sheafe?

3 MR. SHEAFE: Aye.

4 MS. HAGA-BLACKMAN: Mark Irvin?

5 MR. IRVIN: Aye.

6 MS. HAGA-BLACKMAN: Jeff Hill?

7 MR. HILL: Aye.

8 MS. HAGA-BLACKMAN: Fletcher McCusker?

9 CHAIRMAN McCUSKER: Aye.

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

11 We've approved as Mr. Collins so elegantly
12 stated, "the old bunch" as amended.

13 MR. SHEAFE: You approved the amendment.

14 CHAIRMAN McCUSKER: Thank you, sir. I've got
15 a good mentor.

16 Brandi, call the roll on the motion as
17 amended.

18 MS. HAGA-BLACKMAN: Edmund Marquez?

19 MR. MARQUEZ: Aye.

20 MS. HAGA-BLACKMAN: Jannie Cox?

21 MS. COX: Aye.

22 MS. HAGA-BLACKMAN: Chris Sheafe?

23 MR. SHEAFE: Aye.

24 MS. HAGA-BLACKMAN: Jeff Hill?

25 MR. HILL: Aye.

1 MS. HAGA-BLACKMAN: Fletcher McCusker?

2 CHAIRMAN McCUSKER: Aye. Thank you, sir.

3 Okay.

4 MR. COLLINS: Now, you've got the new bunch.

5 CHAIRMAN McCUSKER: Oh, boy.

6 MR. SHEAFE: This is 14. For everybody's
7 information. That's the new group.

8 CHAIRMAN McCUSKER: Wig-O-Rama's properties
9 -- we're calling them and 44 East Broadway. The proposal is
10 the same, no cash, we would commit site-specific sales tax
11 up to a maximum amount. The attorneys will draft the
12 documents, bring them back to the board.

13 MR. SHEAFE: I proposed we approve both
14 projects for moving forward. We authorize our lawyer to
15 move forward with the documentation necessary to have the
16 applicant.

17 MR. MARQUEZ: Second.

18 Brandi, call the roll.

19 MS. HAGA-BLACKMAN: Edmund Marquez?

20 MR. MARQUEZ: Aye.

21 MS. HAGA-BLACKMAN: Jannie Cox?

22 MS. COX: Aye.

23 MS. HAGA-BLACKMAN: Chris Sheafe?

24 MR. SHEAFE: Aye.

25 MS. HAGA-BLACKMAN: Mark Irvin?

1 MR. IRVIN: Aye.

2 MS. HAGA-BLACKMAN: Jeff Hill?

3 MR. HILL: Aye.

4 MS. HAGA-BLACKMAN: Fletcher McCusker?

5 CHAIRMAN McCUSKER: Aye.

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

7 So there you go. You guys are unbelievable. Thank you
8 very much.

9 While we're doing God's work, I'm going to postpone the
10 Leo Rich item. Bishop Kicanas has been patiently waiting.
11 I think he has to be some place. Just to update everyone on
12 the Cathedral Square Project, if you haven't driven down
13 Ochoa between Church And stone lately, you should. If you
14 want to stop by and pay a visit to the remodeled chapel.

15 The work the diocese is doing on that block
16 is quite extraordinary. The bishop met with me several
17 months ago to see how we might participate. I suggested
18 kind of offhanded that maybe they ought to build a
19 restaurant and then we would benefit from the sales tax of
20 that. So they are advancing that project and have a
21 specific proposal for us.

22 So Bishop Kicanas thank you very much.

23 BISHOP KICANAS: Thank you very much, Mr.
24 McCusker.

25 It's a joy to be able to stand before you and all of

1 the Rio Nuevo Board.

2 First of all, to say thank you for all you're doing. I
3 arrived in Tucson in 2001. And just today listening to all
4 the development that's going on; it's quite encouraging and
5 hopeful for our city which we all feel great pride in.

6 I want to present a project that has everything to do
7 with partnership and economic development. So first of all,
8 I'd like to speak about the diocese' commitment; and
9 secondly, to talk about what Rio Nuevo's commitment might
10 be; and third, talk a little bit about what the economic
11 development potential is from this partnership.

12 And finally, to make a request.

13 So first of all, with regard to the diocese's
14 participation in this project: As you know, the diocese of
15 Tucson has also identified with downtown Tucson from the
16 earliest times.

17 Our first cathedral was on the site of the Poncho Villa
18 statute now. And that was moved then to Stone Avenue and is
19 right in the heart of the Rio Nuevo District and also in the
20 heart of our downtown.

21 When we talked about the fact that the cathedral
22 square, which should be a beautiful and contributing partner
23 in downtown Tucson, I was quite embarrassed to see what our
24 cathedral square looked like. It was in a state of great
25 disarray although historic because, as you know, the diocese

1 of Tucson's cathedral square has been a part of Tucson's
2 development from very beginnings.

3 Ochoa Street, which is the street that borders on
4 Cathedral Square was originally the territorial buildings.
5 Estevan Ochoa was, as you know, mayor of the territorial
6 area. And he was very proud of the territory and what he
7 was able to contribute. The diocese purchased those
8 property and in its place built several historic buildings,
9 each over a hundred years old. Including Marist College
10 which, happily, one of the most iconic buildings in Tucson
11 because it was the first desegregated school in the state --
12 it is the tallest adobe structure -- happily, we're going to
13 be able to restore through your help and through the work of
14 the Foundation for Senior Living -- you're well aware of
15 that project.

16 The Chapel, as Mr. McCusker said, has been totally
17 renovated. Everyone who has seen it has been quite
18 impressed. It will serve not only worship purposes, but
19 also for performance -- small concerts, because it's
20 acoustically a perfect space. And already we've been able
21 to hold several concerts there.

22 As you know, the City of Tucson unanimously approved
23 the fact that the cathedral hall, also historic, could be
24 torn down because it had no reasonable economic use; it was
25 built at a time when the cathedral was a very small

1 community and the diocese was very small.

2 Even if we were able to spend the 3- to
3 \$4 million of the cost to restore that building, it would be
4 basically unusable for a diocese that comprises 450,000, a
5 minimum number of Catholics, and covers 43,000 square miles.

6 So right now, we are in the process of building a
7 4-story building in the place of that cathedral hall, which
8 would have the offices of the cathedral, conference center.
9 And on the second floor, something that we have desperately
10 needed and I think would also be highly beneficial to our
11 community is a 500-person conference and education center,
12 which could host any number of events, perhaps even
13 contributing to the Gem Show and other activities that could
14 be used in that new facility.

15 The third and fourth floors of course would
16 be the offices of the diocese because we sold -- the
17 Catholic Foundation sold our building to make feasible the
18 possibility of renovating Marist College; and that work is
19 about to begin.

20 So the diocese is planning to spend 17-plus million
21 dollars on the renovation and revitalization and
22 beautification of the Cathedral Square.

23 Obviously, we are totally dependent on our
24 people's generosity. But I'm quite encouraged that we are
25 well on the way to raising the monies necessary to do this

1 project.

2 That 17 million does not include the renovation of the
3 oldest building on the square, which is the rectory; that is
4 almost completed as well and would be in addition to that
5 17 million.

6 And the chapel was approximately about an \$800,000
7 renovation that took place.

8 So when cathedrals are renovated, there is also a spur
9 to economic development. That's been true in almost every
10 city because the cathedrals are always very centrally
11 located. I don't know how the bishops decided where the
12 center of life would be in the community, but they were very
13 good at it. So this kind of renovation of the cathedral
14 square has great potential to spur economic development.

15 Within the hall itself, within the cathedral,
16 education and conference center and building, we also hope
17 to have a coffee house, which would not be Starbucks, but
18 even better, where sandwiches and so on could be had.

19 We've talked to several people and there is, in the
20 packet that you've been given, a group that is very
21 interested in this project.

22 They love the location, they think it has great
23 potential, and it will certainly bring in tax revenues to
24 the Rio Nuevo, and to the City, and the State.

25 Part of this project really calls for some kind of

1 enhancement of lineages and corridors within the downtown
2 area. You all have -- are working very hard to do something
3 with our Tucson Convention Center. And I'm delighted to
4 hear that there are efforts to build some hotel space
5 downtown.

6 You know, the Catholic community has many conferences.
7 And many people have approached us to have conferences here
8 in Tucson, but it's impossible because there is no downtown
9 hotel adequate to house these smaller conventions of 3-, 4-,
10 500 people.

11 So it's encouraging that there is some efforts now to
12 develop those hotel spaces here in downtown Tucson.

13 What we would like Rio Nuevo to consider is the
14 possibility of enhancing this historic street, Ochoa Street,
15 which is in the very center of downtown and is a link
16 between the Tucson Convention Center and the good activity
17 that's going to be happening there and this historic walk
18 along Ochoa Street, which is where the territorial buildings
19 and where some of the other development is taking place.

20 You just heard Ron Schwabe and Marcel Dabdoub
21 talk about some developments along Ochoa Street, which would
22 have retail potential. And I think a beautified and
23 enhanced corridor and linkage would certainly spur that
24 interest of people coming in to take this retail space.

25 It would also be a way of connecting the

1 Tucson Convention Center and the restaurant district, which
2 currently there are no really nice avenues, linkages,
3 corridors, by which people can navigate our downtown. Our
4 thought is that, in keeping with the partnerships, the
5 development of the Cathedral Square on the diocese part,
6 that Rio Nuevo would consider the possibility of enhancing
7 that linkage, which has huge potential retail benefits.

8 In the booklet, you will see some of the possible
9 enhancements that take place from the diocese part.

10 We are not able currently to bring any of our
11 people in any numbers to downtown Tucson; we simply don't
12 have any space for that. The new conference and education
13 center will allow gatherings of our community for 500
14 people, which as you know, our diocese covers 43,000 square
15 miles. And we draw people from all over Southern Arizona.

16 And were we be able to hold conferences and events at
17 the conference center, this would bring in a good number of
18 people on an annual basis.

19 And on page 24, we've listed some of the possibilities.
20 We figured a \$25 per person contribution to the downtown
21 area. And you can see over a five-year total -- and this is
22 really a very conservative figure because you're not talking
23 about Catholic conferences that could take place in downtown
24 Tucson because they would want to be in the cathedral area
25 because most Catholic conferences have to make use of

1 Catholic cathedrals, so these would be national conferences
2 not just even local.

3 The site -- the Cathedral is certainly one of
4 the most visited centers in Tucson. And drawing people to
5 that area by a renovated and revitalized square, if there
6 were good linkages, if there were good corridors for people
7 to navigate, it could be a tremendously helpful.

8 If you look at the next several pages it shows some of
9 the developments that are anticipated. You've already heard
10 some of the them in the presentation prior to this. On the
11 following pages is a little look at some of where downtown
12 corridors have been established in cities with great retail
13 benefit. So what we're asking Rio Nuevo to consider -- and
14 this is located on page 18 -- is to contribute a million
15 dollars toward the enhancement of the corridor between TCC
16 and Stone Avenue.

17 The breakdown of that request is found on the next
18 pages, page 20. And page 19 shows kind of the design. So
19 it wouldn't be just asphaltting the street, but it would be
20 narrowing the street. The City has already agreed to that.
21 And secondly, to not have parking on the street, so that
22 there will be free movement and access along the street and
23 a real avenue that would draw people to this particular
24 area, which is why I think the developers like Mr. Schwabe
25 and Mr. Dabdoub and Mr. Kasser have expressed a strong

1 interest in this kind of development for the interest of
2 drawing retail support to the community.

3 We've talked to Mike Kasser and Omar Mireles
4 from HSL. As you know, Mike Kasser owns the ground
5 underneath the parking lot and HSL Properties owns the lease
6 for that parking lot.

7 I think everybody agrees that's an eyesore;
8 it's something if a street were beautified would have to be
9 improved. And they are open to looking at that possibly.
10 They seem quite willing to see how that could be done. And
11 many cities have done that. You can walk by parking lots
12 and not even know what they are because there's such a nice
13 facade.

14 Part of the request also is for Rio Nuevo to just talk
15 to the City about the possibility of purchasing a
16 right-of-way which would allow this expansion and
17 development of Ochoa Street.

18 It's estimated by the City -- and we're not sure how
19 strong that estimate is -- the estimate is for \$200,000 as a
20 way of purchasing that right-of-way.

21 That's our request to the Rio Nuevo Board, one which I
22 think you will find quite beneficial in the long term for
23 the taxation that is really the foundation for what Rio
24 Nuevo is able to achieve and accomplish in our City.

25 So that's our -- be very open to questions. There's a

1 number of people here that will be able to help answer any
2 of those questions if you have them.

3 CHAIRMAN McCUSKER: Bishop Kicanas, my first
4 thought was you've missed your calling, but indeed you
5 probably haven't.

6 BISHOP KICANAS: No one fell asleep on my
7 homily so that's pretty good.

8 CHAIRMAN McCUSKER: And very well done.
9 Thank you. Any questions for Bishop Kicanas?

10 MR. MARQUEZ: I have a question for you,
11 Mr. Chairman.

12 I'm looking through our Streetscape budget
13 for Scott. It looks like with Scott there was a portion of
14 it -- this was before my time on the board, but it shows
15 \$55,000 spent. Was that for the street by the old
16 Providence headquarters?

17 CHAIRMAN McCUSKER: Scott Avenue -- we
18 committed as part of the settlement agreement to invest in
19 Scott between Congress and Pennington. So that's currently
20 in the works. It's been subbed out to the City's Department
21 of Transportation now. I think they're going to begin this
22 month on that. So that 750's been sitting in there
23 committed to redo Scott Avenue, which would be winnowed
24 sidewalks, extended cafes, it will be a beautiful street.
25 Historically, we wanted to stay out of the Streetscape

1 business because it didn't really prove up the economic
2 development. And I think there are some exceptions that are
3 noteworthy. One is the appeal this does by opening up that
4 square, which is currently walled off. It's not
5 approachable, nobody goes there from the Ochoa side so in
6 terms of activating that street has huge potential. They
7 have agreed, like many of the charitable organizations
8 you're talking to, to charge sales tax on concessions and
9 food and beverage from their little cafe.

10 But when you think about the other
11 presentation we just had on Ochoa, in my view, this is a
12 worthwhile conversation. And I like the idea -- in fact, I
13 had a brief conversation with the City -- I would approach
14 them about Rio Nuevo acquiring basically Ochoa -- the
15 right-of-way to Ochoa. We could invest in it whether we do
16 or not because it's publically owned. But it might be more
17 interesting if we in fact owned that section. And I think
18 we could have a lot of influence on Kasser and HSL.

19 So I think it's a very intriguing project. I
20 think they hit on a lot of the marks on economic
21 development; otherwise, we kind of discourage streetscapes.
22 I think I discouraged you the first couple of conversations.

23 BISHOP KICANAS: Right. No, it makes sense.
24 You don't want to just beautify a street but you want it to
25 add benefit.

1 CHAIRMAN McCUSKER: But I think they've
2 responded by addressing things that make it much more
3 appealing economically.

4 BISHOP KICANAS: Another thing that's
5 somewhat in the planning stage, as I understand it, TEP is
6 talking about the possibility of putting retail on that
7 parking lot, which is on Ochoa, which would be another
8 option. And again, the more pedestrians that come through
9 there or interest in visitors stopping by and seeing this
10 area, the more interest obviously retail companies are going
11 to be having.

12 MS. COX: If I could add. It's my
13 understanding from what I learned from you is that the
14 street would be narrowed to 20 feet wide, much like Scott
15 is, so there would be one car each direction and no parking
16 on the street.

17 BISHOP KICANAS: No parking. The City has
18 agreed to that. That weren't making much money on those
19 parking meters anyhow; so they've agreed that there would be
20 no parking. Originally, the concept was to make it a
21 pedestrian street but in order to have a pedestrian street,
22 you have to have 60 percent of the owners on the property
23 and right now there's only two owners. And Mr. Kasser is
24 hesitant about that, which is understandable. He wants that
25 property of parking lot if in fact something were to happen

1 in the future that it would add benefit, but maybe he's open
2 to further conversation.

3 MS. COX: How did you come about the million
4 dollars mark for that?

5 BISHOP KICANAS: If you look at page 20, it
6 breaks down those figures.

7 Actually, Kevin Hall is here. If you have any
8 questions about the actual figures.

9 MS. COX: Okay. Thank you.

10 CHAIRMAN McCUSKER: Is it safe to say this
11 project won't get built without us?

12 BISHOP KICANAS: No, it won't.

13 CHAIRMAN McCUSKER: It's investing in a road
14 which your benefactors are probably not that keen on. The
15 City's not going to do that.

16 BISHOP KICANAS: We would contribute about
17 107. If you notice on page 20, it's 1,170,000. And we'd be
18 open to taking up that 170,000 that would be soft costs.

19 MR. SHEAFE: What is your timing?

20 BISHOP KICANAS: As soon as possible. We're
21 going vertical hopefully within the next few weeks. I think
22 if we can do this commensurate with what's going on at
23 Marist College and what's happening at Cathedral Square, it
24 would be hugely beneficial rather than to wait.

25 MR. SHAHEEN: We have between us and I guess

1 the station for senior living, we're basically on the same
2 track to build. So it's about the street would be built in
3 the next 16 --

4 CHAIRMAN McCUSKER: Please identify
5 yourselves for the transcriptionist.

6 MR. SHAHEEN: John Shaheen is the properties
7 manager; Larry -- works with Diversified; Richard Faith Tom
8 (phonetic) is the architect and Kevin Hall is also with
9 Diversified.

10 CHAIRMAN McCUSKER: Mr. Marquez.

11 MR. MARQUEZ: Bishop, if we decide not to do
12 this, what will that side of the street look like? And
13 who's having discussions with the City in regards to what
14 their next move in regards to maintenance or paving it?
15 What would it look like without Rio Nuevo's involvement?

16 BISHOP KICANAS: About as ugly as it
17 currently looks I'm afraid. I think -- you know, what this
18 benefits I think immensely is the attraction of people and
19 the attraction of retail.

20 Because people do not want to gather on a street that
21 looks currently like -- and if even it was just paved, it's
22 an ordinary street. This would be a classic city place for
23 people to walk, to gather, and to shop, to get from TCC over
24 to, eventually, Scott Street, and over into the restaurant
25 district.

1 MR. MARQUEZ: The one piece that I do like --
2 just to give an opinion -- I do like the fact -- I saw your
3 economic impact study, and those are a lot of people that
4 attend church -- sometimes, you know, gosh, you go to church
5 and you may not stay and have a sandwich or something, I
6 like the fact that it would activate your parishioners.
7 They would stay downtown, maybe have a sandwich, have a
8 coffee. And I see Peter in back of the room and I also
9 think about the investment into the area that we look to
10 activate that area for a hotel as well. Because right now
11 there's not a lot going on in that street.

12 CHAIRMAN McCUSKER: There are a couple of
13 benchmarks that I look at. One is leverage, \$17 million of
14 their money, a million dollars of our money. That's a 17
15 times leverage. When you look at ROI, because of the added
16 restaurant, it does produce about a 15 percent return over
17 the period of the lease.

18 So these are kind of things that we would
19 like at if we weren't investing in the street, just the
20 project. It's consistent with how we've looked at other
21 private developments. The twist is we're in investing in a
22 streetscape.

23 MR. IRVIN: Just a couple of things.

24 First off, I appreciate the conservative
25 approach using 25 bucks rather than \$30. As I think you

1 probably know we typically use a number of 30 because we --
2 our research has shown that's kind of what people spend once
3 they come downtown. So I appreciate that.

4 I'd also kind of key in on what Fletcher
5 talked about. And that is, you know, when we look at what
6 we've done already with the TCC, with the arena, and some
7 other things we'd like to do there, and with the hotel, and
8 what have you and all and the development that is
9 surrounding this area, and especially given that you're
10 across the street from our primary component, to me, it
11 seems like something that makes a lot of sense for us to
12 look at. So I appreciate your conservative numbers. I do
13 have a question for counsel.

14 Mr. Collins.

15 So what hurdles do we have with this deal? Because
16 it's not a -- do we need to take ownership of something?
17 How does that work if we go forward?

18 MR. COLLINS: I don't know how exactly how to
19 make it work. You've got the same limitation that you had
20 with the FSL.

21 As the chairman mentioned --

22 CHAIRMAN McCUSKER: We're investing in a
23 public street. So the street's owned theoretically by the
24 City of Tucson.

25 MR. COLLINS: Theoretically, if that's where

1 the investment is going, then it could be in the street.

2 That is publically owned.

3 CHAIRMAN McCUSKER: Right.

4 MR. COLLINS: And I think it's more than a
5 thoroughfare; I think they own fee title to it as opposed to
6 just a right-of-way. So it will require some nuances of the
7 agreement. I don't fully understand how that breaks down
8 the million dollars.

9 But you've got to keep an eye on the fact if it's not
10 owned by a government, then it's got to be nonTIF dollars.

11 That's the same hurdle we have with FSL. Because if
12 the million dollars -- if FSL is unable to get it from the
13 federal home loan bank, then you guys are going to have to
14 commit a million nonTIF dollars. So I figure I can do
15 anything, I can create anything.

16 MR. SHEAFE: One way or the other, the street
17 is going to be owned by the government whether it's us or
18 the City.

19 MR. COLLINS: Yeah, if you owned the entire
20 street and all the money was going to the street --

21 MR. IRVIN: Are there procurement issues on
22 this as well? How does that work in your mind?

23 MR. COLLINS: Not if you don't own the
24 property while the building is going up.

25 MR. SHEAFE: But the question is --

1 MR. IRVIN: Relative to the street
2 improvements.

3 MR. COLLINS: Yeah, you would absolutely have
4 procurement issues.

5 CHAIRMAN McCUSKER: This million 170, that's
6 the actual investment you're going to make into the
7 streetscape. So those improvements will be made so the
8 streetscape --

9 MR. COLLINS: Before you fund?

10 MR. SHEAFE: And you have the agreement with
11 the City to do that if you have the money; is that correct?

12 MR. SHAHEEN: Yeah. They agreed to close the
13 street to narrow the street. And they told us to go find a
14 way to improve it, yes, they will take care of that.

15 CHAIRMAN McCUSKER: I think you can resolve I
16 think this is easier than the FSL project; that's a public
17 street. We're investing in a public street. So if we're
18 going to do it we've got to figure that piece out.

19 MR. IRVIN: A question for the bishop.

20 Is something that if we needed you to, we
21 liked it, would you be able to fund it. And after the
22 project's complete, we could come in and invest at that
23 point in time? Is that a possibility?

24 BISHOP KICANAS: I don't think so. I think
25 the challenge for us currently is to make sure we can raise

1 the \$17 million. Actually it's more like 18 million when
2 you put all the whole project in.

3 CHAIRMAN McCUSKER: Mr. Marquez.

4 MR. MARQUEZ: Mr. Collins, is it okay to be
5 putting an investment towards a church that would then
6 invest in a street; or should we as Rio Nuevo simply invest
7 in the street? Would it be an agreement to simply, we'll
8 agree to improve this part of the street?

9 MR. COLLINS: Mr. Marquez, Members of the
10 Board, my suggestion is that if you were interested in
11 pursuing this -- and I know that like everything else you
12 get presented, it's better soon rather than later --

13 I really do think you could authorize moving forward
14 with trying to figure out how to do this.

15 The Chairman may be right, maybe it's simple. But I
16 don't have it in my head exactly how we can do it.
17 Especially, if it's the bishop says the million dollars is
18 needed during the construction process because that's a
19 problem.

20 CHAIRMAN McCUSKER: Same problem we have with
21 FSL.

22 MR. COLLINS: Well, not so much. We bought a
23 sidewalk.

24 CHAIRMAN McCUSKER: We can buy a street.

25 MR. SHEAFE: We are improving. How are our

1 funds being used to improved Scott?

2 MR. COLLINS: I don't have any idea,
3 Mr. Sheafe. I don't understand this deal yet; that's my
4 problem.

5 MR. SHEAFE: That's the same deal.

6 CHAIRMAN McCUSKER: Scott's the same
7 argument. But it was invested in a public street. We can
8 improve every public street.

9 MR. MARQUEZ: Not with a church though.

10 CHAIRMAN McCUSKER: The church doesn't own
11 the street.

12 MR. MARQUEZ: I understand, but it depends
13 where our monies go.

14 CHAIRMAN McCUSKER: It's all going into the
15 street. That's the only way it works.

16 MR. MARQUEZ: Directly to the street.

17 CHAIRMAN McCUSKER: Well, let's see if we're
18 even interested in pursuing it first.

19 MR. SHEAFE: Let me ask -- just one other
20 issue. It would seem to me that if we have an improved
21 right of way like this and dramatically improved where a lot
22 of pedestrian traffic is created, there will be other uses
23 put to the neighboring properties. The diocese certainly
24 has their plan complete, but you've got other properties
25 there that would respond to this, I would think in a number

1 of retail because that's what happens when you get a
2 pedestrian --

3 CHAIRMAN McCUSKER: One of the things we
4 didn't talk about -- but what if that cobblestone kind of
5 attractive streetscape carried all the way from Church to
6 Scott, the whole street was streetscape, walkable, like one
7 of the pictures -- sidewalk cafes, bike paths, pedestrian
8 walk ways, shade. It totally changes the character of the
9 street. And if we do this, we're doing 2/3 of it. And I
10 think these private developers would probably be very
11 interested in working with us on taking Ochoa all the way to
12 TEP. But, you know --

13 MR. SHEAFE: How do you want to proceed?

14 CHAIRMAN McCUSKER: Well, somebody's got to
15 make a motion to proceed, or we have a very nice chat with
16 the bishop.

17 MR. MARQUEZ: I'd like to make a motion to
18 authorize counsel and the executive committee to further
19 research the possibilities of investing in the streetscape
20 on Ochoa.

21 MR. IRVIN: I think we meant executive
22 officers.

23 MR. MARQUEZ: What did I say?

24 MR. IRVIN: Committee. We don't have --

25 MR. MARQUEZ: Oh, yeah. No committees.

1 Executive officers.

2 MS. COX: Second.

3 CHAIRMAN McCUSKER: So that's a motion only
4 to look at the possibility. Right? So I understand it's
5 not authorizing any commitment.

6 MR. COLLINS: Are you interested in
7 authorizing exploring and bringing something back to you?

8 MR. MARQUEZ: Yes. So amended.

9 MR. COLLINS: Okay.

10 CHAIRMAN McCUSKER: I'm not tracking this.
11 So there's a million dollars in there some place.

12 MR. COLLINS: Correct.

13 CHAIRMAN McCUSKER: Is the motion to -- if
14 it's legal, authorize and proceed; or if it's not legal, or
15 we can't do it obviously, we wouldn't proceed.

16 MR. COLLINS: If I understood the motion
17 correctly if it's legal, if you will --

18 CHAIRMAN McCUSKER: You want to determine
19 that first? That's my question for you. His motion
20 currently is just to have you research the legality and we
21 have a second for that.

22 So unless someone wants to amend that or you
23 want to withdraw that it, that's all we're doing.

24 MR. SHEAFE: Let's amend the motion to --
25 will you accept the amendment?

1 MR. MARQUEZ: Let's hear it first. Sure,
2 I'll accept an amendment.

3 MR. SHEAFE: In the interest of time that,
4 first, a million dollars will be proposed amount; and
5 secondly that if it is legal, we will move forward rapidly
6 to set up a plan for how we would fund it on the assumption
7 that it would be approved by the Board at our next meeting,
8 whatever that is.

9 CHAIRMAN McCUSKER: That's an amendment. We
10 need a second.

11 MS. COX: Second.

12 MR. HILL: The million is somewhat nebulous.
13 Do we use the words cap of a million or up to a million
14 dollars?

15 MR. SHEAFE: I set the amount at 1 million,
16 not less not more.

17 MR. HILL: Okay. All right.

18 CHAIRMAN McCUSKER: Okay. So we have an
19 amendment to the motion to authorize a million dollars if
20 indeed the project can be legally managed.

21 Brandi, call the roll.

22 MS. HAGA-BLACKMAN: Edmund Marquez?

23 MR. MARQUEZ: Aye.

24 MS. HAGA-BLACKMAN: Jannie Cox?

25 MS. COX: Aye.

1 MS. HAGA-BLACKMAN: Chris Sheafe?

2 MR. SHEAFE: Aye.

3 MS. HAGA-BLACKMAN: Mark Irvin?

4 MR. IRVIN: Aye.

5 MS. HAGA-BLACKMAN: Jeff Hill?

6 MR. HILL: Aye.

7 MS. HAGA-BLACKMAN: Fletcher McCusker?

8 CHAIRMAN McCUSKER: Aye.

9 (the Board voted and motion carries, 6-0.)

10 So we passed the amendment.

11 The amendment is subject to the motion, which is to
12 instruct counsel to determine if we in fact can legally make
13 this investment.

14 Brandi, call the roll.

15 MS. HAGA-BLACKMAN: Edmund Marquez?

16 MR. MARQUEZ: Aye.

17 MS. HAGA-BLACKMAN: Jannie Cox?

18 MS. COX: Aye.

19 MS. HAGA-BLACKMAN: Chris Sheafe?

20 MR. SHEAFE: Aye.

21 MS. HAGA-BLACKMAN: Mark Irvin?

22 MR. IRVIN: Aye.

23 MS. HAGA-BLACKMAN: Jeffrey Hill?

24 MR. HILL: Aye.

25 MS. HAGA-BLACKMAN: Fletcher McCusker?

1 CHAIRMAN McCUSKER: Aye.

2 (the Board voted and motion carries, 6-0.)

3 So 6-0, we passed the motion and the amended
4 motion. We'll get back to you post-haste on the legality of
5 this.

6 BISHOP KICANAS: Thank you very much, I
7 appreciate all your time.

8 CHAIRMAN McCUSKER: I skipped over the Leo
9 Rich item. It should be a pretty quick item. I think
10 everybody knows we're in conversations with groups that are
11 interested in both the Music Hall and the Leo Rich. In
12 order for us to do some of the architectural work, we need
13 to do a 3D laser stand very similarly to what we did in the
14 arena. The cost of that is \$24,000.

15 So we really can't take any potential renovation of the
16 Leo rich further without authorizing the laser scan.

17 MR. IRVIN: I think it would be great to hear
18 from Glenn on Leo rich.

19 CHAIRMAN McCUSKER: Mr. Grabski.

20 Let me set the stage a little for you.

21 We have been approached by a possible donor who is
22 willing to contribute a significant amount of money to
23 enhance the Leo Rich.

24 Like we know with all of our properties at the TCC, is
25 outdated and in need of some significant repair. Some of

1 that would be acoustics, some of that could involve
2 renovation of the hall itself, reconstructing the stage,
3 lots of opportunities. We walked through with architects
4 who were kind of stymed because they really don't have a set
5 of plans to operate from.

6 The donor piece of this is what makes it really
7 interesting is that we have a substantial
8 contributor/benefactor who's interested in coinvesting with
9 us.

10 So Mr. Grabski.

11 MR. GRABSKI: The history of the Leo -- It
12 was I think it was originally designed as more of a
13 community theater facility. It does not have a fly down,
14 which means you can't bring the scrims in and out, it's all
15 on a hard pipe. It's 511 seats. You're talking about all
16 the different assets up on the campus, that is perhaps the
17 one that has taken the least toll as far as abuse over the
18 years as you walk around, but it still obviously needs
19 updating. It's part of the Eckbo plaza landscape as far as
20 I'm concerned -- you look out from the north end of the
21 arena. I think it's a beautiful little building. It serves
22 a lot of different purposes. So I would love to see -- we
23 can complete drawings of the buildings. We are still
24 scrounging those up across the board. So anything that can
25 help us in that would be great.

1 MR. IRVIN: Do you have ideas what you think
2 needs to be done there?

3 MR. GRABSKI: Honestly my attention towards
4 the buildings were more towards the other buildings, not the
5 Leo. To me, that was the one that needed the least amount
6 of loving to begin with. I thought it was -- obviously, the
7 arena was doing great, the convention center needs it.

8 My initial thoughts when I was putting
9 together my thoughts for the campus and what's good for the
10 campuses was to deal with the buildings that could generate
11 more revenue. So the ballrooms, meeting rooms, convention
12 center, 2200 seats in the Music Hall, as opposed to 500
13 seats in Leo.

14 MR. IRVIN: My understanding it was your
15 least profitable venue for a lot of reasons, notwithstanding
16 the number of seats the biggest --

17 MR. GRABSKI: We are very competitive
18 rentwise there. I think right now, I think for nonprofits,
19 \$700 -- I mean for-profits; nonprofit is 550. So it does a
20 lot of business for a lot of nonprofit businesses. That's
21 what most of it is on campus, everything from ballet -- it's
22 the home of the Arizona Friends of the Chamber Music and
23 Desert Song Festival.

24 CHAIRMAN McCUSKER: Except for an anonymous
25 donor who didn't blink an eye when we suggested they might

1 have to put up \$2.5 million to get our attention we probably
2 wouldn't be focused on this theater. I think we'd move to
3 the Ex Hall, the Music Hall and the Plaza. But they're
4 specifically and only interested in the Leo.

5 MR. IRVIN: Obviously, that's a City-owned
6 facility, not owned by the District. But still it's on the
7 campus, and part of the TCC.

8 And with that, I'll make a motion that we
9 approve \$24,000.

10 MR. SHEAFE: Second.

11 CHAIRMAN McCUSKER: Am I right about the
12 number, Mark, is that \$24,000 proposal?

13 MR. COLLINS: I believe that's right.

14 CHAIRMAN McCUSKER: So we have a motion and a
15 second to approve \$24,000 for a laser scan of the Leo Rich.
16 All in favor say, aye.

17 (Ayes.)

18 Opposed, nay. Thank you. We've approved
19 that.

20 Let's move to our little building on Broadway.

21 It's no secret to anybody following Rio Nuevo. We are
22 engaging in the so-called Sunshine Mile.

23 We are in a conversation with the City and the RTA to
24 take possession of the so-called remnant properties and
25 renovate them as retail.

1 Some of us believe that if we're serious about that, we
2 may in fact want to establish a Rio Nuevo location right
3 smack in the middle of the Sunshine Mile. We would vacate
4 the State lease premises and move into renovated quarters
5 along Broadway.

6 We have a contract on a building. Since it's real
7 estate, we keep it confidential; but it's about \$260,000
8 purchase, 3,000 square feet in change, which would allow us
9 to move the Rio Nuevo headquarters to the Sunshine Mile.

10 Not a whole lot more we can say, is there?

11 MR. IRVIN: No. And, you know, it's probably
12 a building that, Chairman, I think it's going to take a
13 hundred to \$150,000 to renovate. I think our initial review
14 of that building is it's one that would allow us to actually
15 hold these meetings on the Broadway corridor.

16 Have we done a hundred percent of our diligence on the
17 building? No, we haven't. The basic agreement that we have
18 with the seller is that we'd be given a reasonable amount of
19 time to do our diligence on that. We've got a sharing
20 agreement on there for reimbursement of surveys and
21 environmental reports and those kinds of things.

22 It's a building that -- we've looked at a lot
23 of buildings on the Broadway core and this is an interesting
24 and unique building.

25 What I'd like to propose or make a motion is

1 that the Board authorize us to spend up to \$275,000 to
2 acquire this building, or at least enter into the formal
3 purchase agreement to do so.

4 During our due diligence period, which will
5 take us probably at least 45 days. Between now and then we
6 could come back to the Board with a full budget of what this
7 deal would look like and ask for your overall permission.
8 So we're asking for really just permission now to enter into
9 escrow on to this building and start that process.

10 CHAIRMAN McCUSKER: It's a motion, I believe.

11 MR. IRVIN: It is.

12 CHAIRMAN McCUSKER: It will die without a
13 second.

14 Dan, what's our current rent here? Do you know?

15 MR. MEYERS: About \$14,000 a year.

16 CHAIRMAN McCUSKER: 1200 a month, 1300.

17 MR. MEYERS: We pay quarterly, so yeah.

18 CHAIRMAN McCUSKER: Okay. That motion died
19 without a second. Moving on.

20 Fox Theater Board of Directors.

21 MR. IRVIN: So Tom is an attorney here in the
22 law firm here in town. The Rio Nuevo Board has counsel,
23 correct me if I'm wrong, a couple of seats that we're
24 allowed to propose to the Fox Theatre. Tom has been
25 interested in this for some time. And he actually is very

1 involved there a lot of things downtown. I think he'd be a
2 great addition. The first question I always ask somebody,
3 do you understand what your duties are as a board member and
4 are you ready to go and meet those obligation.

5 And he has advised me that is in fact true,
6 and he is very much excited about it. I've also had the
7 chance to talk to the Fox. And they're very excited about
8 his joining as well. So with that, I'd like to make a
9 motion that we move Tom Laue to the Tucson Theater
10 Foundation Board of Directors.

11 MS. COX: Second.

12 MR. MARQUEZ: Second. Mr. Collins, we have
13 three seats over there; is that right?

14 MS. COX: Five.

15 CHAIRMAN McCUSKER: Five seats?

16 MR. COLLINS: I think it is five. And I
17 don't recall how many you have appointed.

18 MR. IRVIN: One.

19 MS. COX: No, we've got three on there.

20 MR. IRVIN: Who are they?

21 CHAIRMAN McCUSKER: Bruce Dusenberry is one
22 of them. And Dan Cavanaugh.

23 MR. COLLINS: You're got room.

24 CHAIRMAN McCUSKER: My question do we have a
25 seat still available?

1 MR. COLLINS: I believe so.

2 I confessed to not have checked when we got to this
3 agenda item, but I'm 90 percent confident that you have open
4 seats.

5 CHAIRMAN McCUSKER: Assuming we have an open
6 seat, you have a motion and second to appoint Tom Laue to
7 the Fox board.

8 All in favor say "aye."

9 (Ayes.)

10 Any opposed, nay. Okay. That motion
11 carried.

12 Jannie, do you want to update us on the
13 downtown annual event?

14 MS. COX: Yes. In the interest of time, I
15 will just let everyone know that our second annual Downtown
16 Now will take place on November 1st. It will be at our
17 primary component again, the Tucson Convention Center.

18 One problem, if you will, that we had last year was it
19 would have been nice to be able to have each -- I know that
20 when we started inviting people, I know Edmund put in his
21 personal list of contacts for invitations. I put in
22 probably a couple hundred. And -- but because of the open
23 meeting law we really weren't able to reach out to other
24 board members. And I'm wondering, can within the open
25 meeting law this year, can we have Brandi, say, reach out to

1 board members and ask them for contact lists to help us in
2 our invitation process.

3 MR. COLLINS: Might be able to structure
4 that; that's a spoke in the wheel problem. Let me visit
5 with Brandi and give it some thought. Most of my brain
6 power has been on Caterpillar.

7 CHAIRMAN McCUSKER: The question is basically
8 all of us be allowed to submit potential invitees.

9 MS. COX: We requested, not allowed.

10 CHAIRMAN McCUSKER: Requested to submit
11 invitees. I guess we wouldn't know if they were ever
12 invited or not because it would create a serial email.

13 MR. COLLINS: Yeah, that's the problem.

14 CHAIRMAN McCUSKER: But is there a way they
15 can go inbound to you or to Brandi --

16 MR. COLLINS: They can go inbound to Brandi.
17 And Brandi and I can make sure there's not any follow up
18 with you guys.

19 CHAIRMAN McCUSKER: That seems to work.
20 Let's get that memorialized in an email. And if you can,
21 ask each one of us to submit potential invitees to the
22 downtown now event.

23 MS. COX: It will take place on November 1st,
24 from 5:30 to 7:30. Once again, the first 300 tickets to the
25 event will be free to the community.

1 And then they will be \$20 -- which is what we did last
2 year and it worked out really well.

3 What we do at Downtown Now, for those who
4 might not have experienced it, is that we celebrate all of
5 the great things that have happened in our downtown, like
6 three new hotels, Hexagon's headquarters moving downtown,
7 the progress that's been made on Caterpillar since last
8 year, all of the wonderful things that Ron Schwabe and
9 Marcel Dabdoub are doing. There's so much more to report.

10 Last year was very, very well attended. We
11 had 900 reservations. And it poured buckets of rain.
12 Poured rain like you'd never seen for the half hour when
13 people were supposed to be coming into the beginning. So we
14 lost probably a hundred people. But we had 800 people there
15 on a first-time event.

16 So it was very well will attended, very informative.
17 It was a really -- it was like an annual -- a living annual
18 report. And we will do the same this year. Brandi will be
19 very involved again. And we are partnering or copresenting
20 with Downtown Tucson Partnership. So it will be copresented
21 by Rio Nuevo and Downtown Tucson Partnership.

22 CHAIRMAN McCUSKER: And people interested in
23 sponsoring --

24 MS. COX: And anyone interested in
25 sponsoring, we are certainly accepting sponsorships for the

1 event. Contact me, please.

2 CHAIRMAN McCUSKER: Any questions for -- it
3 was a great event and I think everyone will be lucky.
4 Remember we were talking about what are we going to talk
5 about next year?

6 MS. COX: I know well.

7 CHAIRMAN McCUSKER: We don't have to worry
8 about that.

9 This is the time we have set aside for call of the
10 audience.

11 Brandi, I think I saw a couple of cards.

12 MS. HAGA-BLACKMAN: There's one card. Any
13 others?

14 You can give them to me.

15 (audience members approach the podium.)

16 CHAIRMAN McCUSKER: You're a duo? Caleb and
17 Kyle.Cushing Street skate park.

18 Come on up, you guys have been really
19 patient. Thanks for hanging in there. Tell the
20 transcription your names.

21 ATTENDEE: My name is Caleb.

22 ATTENDEE: My name is Kyle.

23 CHAIRMAN McCUSKER: Last names?

24 ATTENDEE: Caleb Gutierrez. Kyle Araishi.

25 So, yeah, we're here to propose a project that we've

1 been working on since October. And we have been working
2 with the City, ADOT, and Parks and Rec to build Tucson's
3 first shaded skate park underneath the Cushing Street
4 underpass: the underpass underneath the freeway where the
5 light rail go to Mercado, to point A to B, whatever you want
6 to call that.

7 And we got the City's approval and ADOT's approval, and
8 Park's and Recs. And now we're working with the Tucson Park
9 Foundation to help us get a nonprofit to get funding because
10 that's our only issue right now is funding.

11 So we're here to ask Rio Nuevo if you guys are willing
12 to help us out to make this project come to life.

13 CHAIRMAN McCUSKER: We don't get to interact,
14 do we? So, yeah, if you would put something together for
15 us.

16 ATTENDEE: Yeah, I brought a proposal. I
17 brought six.

18 CHAIRMAN McCUSKER: That's fine; just give it
19 to our attorney there.

20 ATTENDEE: It explains everything from
21 benefits of how the younger youth can get transportation
22 there by the streetcar; shade, being the health issue with
23 the sun in Arizona; and this is the first under the bridge
24 shaded skate park in Arizona. Phoenix doesn't have one.
25 There's tons all over the world in the US: New York, London,

1 Seattle, California.

2 So this is really big and huge for Tucson I think
3 because we have really good talent and such a creative youth
4 like skateboarders and any athletes that want to be
5 involved. So this is a great way for them to achieve their
6 --

7 CHAIRMAN McCUSKER: I'll commend you for
8 bringing it to us. Leave it with us and we'll get it back
9 to you.

10 ATTENDEE: Just also -- just the fact that
11 the skate park being there, that whole area is starting to
12 develop and everything. You have the Mercado right there
13 and, you know, the light rail, just like add more people to
14 ride the light rail to get over there.

15 ATTENDEE: If you guys have any questions for
16 us --

17 MS. COX: Thank you. Good job.

18 CHAIRMAN McCUSKER: Need a motion to adjourn.

19 MS. COX: So moved.

20 MR. IRVIN: Second.

21 CHAIRMAN McCUSKER: All in favor say "aye."

22 (Ayes.)

23 (Proceedings conclude at 5:35.)

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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