

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

Tucson, Arizona

August 22, 2017

1:00 p.m.

REPORTED BY:

John Fahrenwald, RPR

Certified Reporter No. 50901

KATHY FINK & ASSOCIATES

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BOARD MEMBERS PRESENT:

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

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 22nd day of August, 2017, commencing at the hour of 1:00 p.m.

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P R O C E E D I N G S

CHAIRMAN McCUSKER: Okay we're go to call the meeting to order. It is 12:59 on the official Rio Nuevo smart phone.

You get to lead the pledge, Mr. Sheafe.

(Pledge was recited.)

MS. COX: You do that as well as Edmund does.

CHAIRMAN McCUSKER: Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Here.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Here.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: I'm here.

For those of you in the audience, you noted we have a lengthy executive agenda; it could take us as much as an hour. So you're going to be sitting here by yourself until roughly 2:00 o'clock.

We tend to be pretty accurate about our timing. But if you want, you can certainly hang out or come back ten to 2:00 or so, we should be back.

1 You have the board meeting minutes at this
2 points from the July 25th meeting. Is there a motion to
3 approve?

4 MR. IRVIN: So moved.

5 MS. COX: Second.

6 CHAIRMAN McCUSKER: We've approved the
7 transcripts.

8 We've set a time aside for recess.

9 MR. IRVIN: So moved.

10 MS. COX: Second.

11 (The Board recessed for Executive Session.)

12 (The Board reconvened at 2:27 p.m.)

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

15 SECRETARY IRVIN: So moved.

16 MS. COX: Second.

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

18 (Ayes.)

19 CHAIRMAN McCUSKER: Thank you for hanging in
20 there with us. You can tell we've got a very busy agenda --
21 and a very busy day, which is great news for Rio Nuevo, and
22 great news for the City of Tucson.

23 I'm just going to touch quickly on some
24 things that you are probably interested in that aren't
25 necessarily agendized today and we know people are

1 following -- and you're always welcome to go to our website,
2 rionuevo.org and you can always track projects by projects.

3 Quick update on Caterpillar. If you haven't
4 been out to their site, I encourage you to drive by. You're
5 not allowed on the site anymore, but it's extraordinary the
6 amount of dirt work that's associated with the remediation
7 of that 50-year-old landfill and the replacement of that
8 trash with clean fill. So they're making great progress.
9 You can see it over there. We're still on track for that
10 project.

11 We're going to talk later today -- the City
12 council has also decided to remediate some of the City-owned
13 land in and around the Caterpillar site. So lot of landfill
14 work going on over the next six months.

15 Also, if you're driving by that corner, the
16 containers for the Mercado Annex have been placed -- most of
17 them. And you can see the arc of the welder above the fence
18 as you drive by. They are still on track; that's 15,000
19 square feet of new retail. We expect that to be open
20 hopefully before Thanksgiving.

21 AC Marriott is literally days away from their
22 opening and certificate of occupancy.

23 I don't know that we have a hard date yet.

24 Do we, Mark? Have we heard an official --

25 MR. IRVIN: He sent me an official date. I

1 think we are still 10 days away -- kind of the last word of
2 that.

3 CHAIRMAN McCUSKER: The Marist. If you drive
4 downtown, you saw the extraordinary demolition of the former
5 diocese office. It literally came down in about two days.
6 That's obviously a Rio Nuevo supported project.

7 And I know that a lot of historians are
8 really thrilled to see the scaffolding around the Marist
9 College. So after 15 years of that thing fading to dust,
10 that's being restored. And we got a very nice note from
11 them that none of that would have happened without Rio
12 Nuevo.

13 The Cathedral Square, again, if you're
14 driving by the church, is redoing much of the square north
15 of the cathedral. The chapel is done; it's quiet beautiful.
16 And you'll begin to see them working on the project for
17 their new convention hall.

18 We will issue the -- what we call the Broadway
19 parcel. That's the parcel across the street from TEP.

20 And, Mr. Collins, what's the intended release date
21 on that? Do we have an idea when it will go on?

22 MR. COLLINS: Mr. Chairman, Members of the
23 Board, it's imminent.

24 I think that -- I haven't had a final discussion
25 with the folks from Pima County, but I don't anticipate any

1 problems from them. I would hope that we would have it out
2 within the next 10 days.

3 CHAIRMAN McCUSKER: Right from the horse's
4 mouth. Thank you very much. We're following up from a
5 meeting last week with Ray Flores' family and Flores
6 Concepts.

7 We have agreed in principle to help them
8 reactivate two spaces on Congress and continue to enhance
9 the Zen Rock experience. We would hope that we would close
10 on that between now and the next Rio Nuevo meeting.

11 So all of that is kind of extracurricular to
12 today's agenda. But I think I counted the other day driving
13 around there are eight projects currently with Rio Nuevo
14 signage on them, which is really quite remarkable.

15 Dan, do you want to give us your financial
16 update?

17 MR. MEYERS: Sure. I'm Dan Meyers, CFO of
18 Rio Nuevo.

19 So to start with our annual audit is well
20 underway. The field work is done. Fletcher and I met with
21 the auditors a couple of weeks ago and went over some
22 questions. So right now we're just waiting on some last
23 minute numbers to come in, primary the TIF revenue that we
24 would have earned in June that we collect in September; so
25 most of that work is behind us.

1 From a cash standpoint, at the end of July we
2 had about \$8.5 million in unrestricted funds. Our TIF
3 revenue remains stable at about a million dollars a month.
4 The money we received a couple weeks ago for May was
5 950,000. So I still expect this to come in really close to
6 our \$12 million budget for this last fiscal year.

7 Of the \$8.5 million we have in the bank,
8 we've also -- out of that, we paid some upfront costs to
9 Caterpillar that we will be getting a bunch of that back
10 when the financing goes through, so that will free up some
11 cash as we move into other projects. I'm not sure when
12 that's exactly going to happen. So until that comes about,
13 I might want to be a little careful with how much money
14 we're giving away, but I think that should happen fairly
15 soon.

16 CHAIRMAN McCUSKER: To that point, we expect
17 to agendize that in our September meeting. We may actually
18 call a special meeting just for the purpose of the
19 resolutions required to release those bonds.

20 So it's a \$45 million and change package --
21 forty-three of that of course is the Caterpillar building,
22 and then the other fees and charges associated with that.

23 So, knock on "luminite," we hope to do that in
24 September.

25 MR. MEYERS: Okay. Just a couple other

1 points. The Greyhound's pretty much wrapped up and I should
2 have a final accounting for that by the next board meeting.

3 And a few remaining costs trickled in on the
4 TCC. I should have that wrapped up as well.

5 As then as Brandi and I get information from
6 the State on our TIF revenues specifically by merchant --
7 she and are both following up on people that apparently are
8 not filing the TPT form properly. And we should be getting
9 some nice cash in from there as those people amend their
10 reports.

11 Any questions?

12 CHAIRMAN McCUSKER: Dan, on the Tucson
13 Community Center remodel, you're showing \$20,900 left in
14 that.

15 Is that what would be the amount remaining in
16 that project?

17 MR. MEYERS: Yeah. There's a few more
18 invoices to come in that I know of, but I think they should
19 be in here.

20 CHAIRMAN McCUSKER: So we didn't end up -- we
21 were looking maybe at a six figure surplus, but obviously
22 that didn't happen.

23 MR. MEYERS: No, I don't think it's going to
24 do that.

25 CHAIRMAN McCUSKER: Any questions for Dan?

1 MR. MEYERS: Okay. Thank you.

2 CHAIRMAN McCUSKER: Dan, thank you very much.

3 Item No. 7.

4 If you follow City Council meetings, you do
5 know that they've joined with us in the renovation of the
6 West Side. It's an exciting time, I know, for our friends
7 at Menlo Park with the whole West Side in general and the
8 the City of Tucson finally getting around to remediating the
9 infamous landfill west of the freeway.

10 So the City Council approved in a recent meeting
11 \$7 million to remediate their portions of the landfill,
12 which are south of the Caterpillar site, and west of the
13 Caterpillar site.

14 They also approved a \$600,000 item to
15 construct the extension of Avenida del Convento there which
16 will be the access to our Caterpillar project.

17 We promised an offer to the City that we would
18 handle those construction items for them through an IGA.

19 Mr. Collins, do you want to tell us kind of
20 how that works?

21 MR. COLLINS: Mr. Chairman, Members of the
22 Board, as Mr. Chairman has described, the City has received
23 bids to both construct Avenida del Convento, which will be
24 the entrance path to Caterpillar site, and to remediate
25 City-owned property that lies to the west and the south of

1 the Caterpillar site.

2 As we all know, the District bought the
3 Caterpillar site from the City, and much of the surrounding
4 property is still owned by the City.

5 Sundt is mobilized and actively removing debris
6 from the Caterpillar site. It makes an enormous amount of
7 economic sense to allow the City to ride the coattails, if
8 you will, of the District. The City has negotiated the
9 numbers that the Chairman has indicated: \$7 million
10 approximately to remediate the City land, \$600,000 to
11 construct the Avenida del Convento.

12 What would be entailed is a drafting of an
13 IGA between City and the District, which would authorize
14 Sundt and SmithGroup to do the work for the City.

15 Separate GMPs -- the City would reimburse the
16 District for the cost of doing Avenida del Convento and for
17 remediating the City property. There will also be change
18 orders for both of those entities.

19 My vision of it is that the IGA will be very
20 similar to what the District and the City did with the
21 renovation of the TCC arena. And that's the approach that I
22 think we would take to this.

23 MR. SHEAFE: So would you like a motion?

24 CHAIRMAN McCUSKER: What do we need from you
25 today? Just basically an authorization for you to finalize

1 the agreement, and for the executive officers to execute the
2 agreement?

3 MR. COLLINS: Yeah. To finalize the IGA, and
4 to issue whatever change orders are necessary to the design
5 professionals and the Sundt Construction.

6 CHAIRMAN McCUSKER: Talk a little bit about
7 the paying process. This is a lot of money. It's a City
8 project.

9 So are we going to advance funds and then be
10 reimbursed? Are we going to just pass these through to the
11 City? What's your --

12 MR. COLLINS: Well, my thought and I believe
13 what the Board has instructed me to do is to make it so that
14 it's -- when the bill comes in from Sundt or SmithGroup,
15 provided that it is approved by City and the District, the
16 money is paid by the City virtually immediately so that
17 Sundt gets paid and keep moving forward.

18 CHAIRMAN McCUSKER: It would have to go
19 through us? Or can it be paid directly to the County (sic)?

20 MR. COLLINS: It could be set up where it's
21 paid directly to Sundt. It might be easier that way. I
22 haven't talked with the City attorney on that particular
23 topic. It's a matter of what we want to set up in the
24 agreement.

25 CHAIRMAN McCUSKER: Any questions for

1 Mr. Collins?

2 So yeah, we need a motion to --

3 MR. MARQUEZ: I have a question.

4 CHAIRMAN McCUSKER: Mr. Marquez.

5 MR. MARQUEZ: More of a request. Obviously,
6 we're stewards of the taxpayer dollars. I would just
7 hope -- obviously, it sounds like a pass through of
8 responsibility for these payments made to Sundt. I would
9 just hope you build in some sort of protection for Rio Nuevo
10 just in the case the City did not pay the bills due to
11 Sundt.

12 MR. COLLINS: I think I can do that.

13 MR. MARQUEZ: Awesome.

14 MR. SHEAFE: So the motion would be to
15 authorize the drafting of the IGA to extend for both Avenida
16 del Convento and the two remediation parcels to the work
17 that's already being done with the appropriate protections
18 for the District in the event there's a delay in the payment
19 between contractor and the District, or -- well, it would be
20 the District -- and the District and the City -- excuse me.

21 MR. COLLINS: That's my understanding of the
22 motion.

23 MR. MARQUEZ: Second.

24 CHAIRMAN McCUSKER: All right.

25 Any clarification on that? Everybody understand

1 what we're about to do? Elaine's here from the City.

2 Anybody has a question of her?

3 If not, Brandi, call the roll.

4 MS. HAGA-BLACKMAN: Edmund Marquez?

5 MR. MARQUEZ: Aye.

6 MS. HAGA-BLACKMAN: Jannie Cox?

7 MS. COX: Aye.

8 MS. HAGA-BLACKMAN: Chris Sheafe?

9 MR. SHEAFE: Aye.

10 MS. HAGA-BLACKMAN: Mark Irvin?

11 MR. IRVIN: Aye.

12 MS. HAGA-BLACKMAN: Fletcher McCusker?

13 CHAIRMAN McCUSKER: Aye.

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

15 So by our votes of 5-0, we passed that
16 unanimously. We're happy to be a partner in that project.
17 And -- look out.

18 The Tucson Convention Center PAD -- if you're not
19 a developer and you don't know our jargon, that's a planned
20 area of development as a zoning -- basically site plan.

21 We've complicated the TCC hotel project, which, if
22 you're following us, we approved several meetings ago with
23 our friends from Caliber of Scottsdale to launch a 130-bed
24 hotel on the grounds of the Tucson Convention Center.
25 Indeed, we selected a site together that's on the southeast

1 corner of the TCC Ex Hall space.

2 As it turns out, the existing planned area of
3 development from 2009, which contemplated a hotel, was
4 deemed inadequate by the City and is requiring us to go back
5 through zoning.

6 So what we're discussing today is basically
7 authorizing -- or ratifying, since we've in fact started the
8 process. we really didn't have a lot of opportunity to
9 discuss it -- we've launched an amended PAD for the entire
10 TCC complex, which would place the hotel on the southeast
11 side.

12 There's very little expense associated with this,
13 right, Mr. Collins?

14 The City did waive the \$25,000 filing fee. So
15 most of this is just working with our various
16 representatives, appearing at a neighborhood meeting, and
17 then appearing in front of zoning, and ultimately the mayor
18 and council. So --

19 MR. COLLINS: Mr. Chairman, that's correct.

20 And Caliber's counsel, Keri Silvyn, is
21 pulling a laboring oar here too. So Caliber is -- rather
22 than running away from this additional hurdle, Caliber is
23 fully invested in this, which -- I think we ought to
24 consider ourselves fortunate.

25 CHAIRMAN McCUSKER: I didn't see anyone from

1 Caliber here today; but indeed, they've been extraordinary
2 partners. A lot of people would have walked away from this
3 project when it got complicated. We've had great dialogues
4 with the neighbors, the barrios, and the historic
5 neighborhoods surrounding the TCC.

6 This could become a project that involves
7 everyone that operates, lives, and works around there.

8 So basically I just need authorization,
9 Mr. Collins, yes, to advance the 2017 PAD for the Tucson
10 Convention Center?

11 MR. COLLINS: I would suggest a motion to
12 authorize the executive officers to take all actions
13 necessary to pursue and complete the effective amendment of
14 the Tucson Convention Center's PAD.

15 MR. IRVIN: Sounds like a great motion to me;
16 I like it.

17 MS. COX: Second.

18 CHAIRMAN McCUSKER: Okay. So, Mr. Collins,
19 motion that was seconded by Jannie, further discussion?
20 Brandi, call the roll.

21 MR. SHEAFE: One thing just to mention also
22 -- you know, we were a little disappointed in the fact that
23 we had to go through the zoning, but really appreciate the
24 City accelerating this and I think they've worked pretty
25 effectively. Our Chairman has done a yeoman's job securing

1 this process, so it really is a win.

2 MS. HAGA-BLACKMAN: Edmund Marquez?

3 MR. MARQUEZ: Aye.

4 MS. HAGA-BLACKMAN: Jannie Cox?

5 MS. COX: Aye.

6 MS. HAGA-BLACKMAN: Chris Sheafe?

7 MR. SHEAFE: Aye.

8 MS. HAGA-BLACKMAN: Mark Irvin?

9 MR. IRVIN: Aye.

10 MS. HAGA-BLACKMAN: Fletcher McCusker?

11 CHAIRMAN McCUSKER: Aye.

12 (The Board voted and motion carried 5-0.)

13 Okay. we're unanimous on that item.

14 No. 9, which is tied into that conversation -- we
15 had some timeframes, Mr. Collins, in our agreement with
16 Caliber; obviously, this will disrupt that.

17 So you're asking us to extend the current
18 development agreement we have with Caliber?

19 MR. COLLINS: Correct. Mr. Chairman, Members
20 of the Board, it's a rather simple amendment, the structure
21 of the development agreement. As it currently, stands
22 everything pivots off of an effective date of June 1 of this
23 year. There are requirements or conditions before this
24 agreement becomes effective.

25 One of them is to get this amendment to get the

1 City's approval, to get the bondholder's approval, and to
2 amend the lease.

3 The amendment to the development agreement bumps
4 back the appropriate deadlines to allow all of this to
5 happen and yet everything else in the development agreement
6 would proceed forward as though there had been no change.

7 CHAIRMAN McCUSKER: What's the impact on the
8 dates?

9 MR. COLLINS: The date -- the effective date
10 will -- for the vast majority of the agreement, the
11 effective date will be the date upon which mayor and council
12 approve the PAD amendment which, currently -- currently
13 scheduled to come to a vote in front of mayor and counsel at
14 their November 8th meeting.

15 So assuming that occurs, that would be the
16 trigger date for virtually all of the benchmarks and the
17 development agreement for the Caterpillar deal -- or,
18 Caliber deal.

19 CHAIRMAN McCUSKER: Any questions about the
20 extension?

21 We need a motion to extend.

22 MR. SHEAFE: So moved.

23 MR. MARQUEZ: Second.

24 MR. COLLINS: I would suggest that you amend
25 it and authorize the execution of it.

1 MR. SHEAFE: Okay. We'll change the motion
2 to amend the development agreement and authorize execution
3 by the executive officers.

4 MR. MARQUEZ: Second.

5 CHAIRMAN McCUSKER: Brandi, call the roll.

6 MS. HAGA-BLACKMAN: Edmund Marquez?

7 MR. MARQUEZ: Aye.

8 MS. HAGA-BLACKMAN: Jannie Cox?

9 MS. COX: Aye.

10 MS. HAGA-BLACKMAN: Chris Sheafe?

11 MR. SHEAFE: Aye.

12 MS. HAGA-BLACKMAN: Mark Irvin?

13 MR. IRVIN: Aye.

14 MS. HAGA-BLACKMAN: Fletcher McCusker?

15 CHAIRMAN McCUSKER: Aye.

16 (The Board voted and motion carried 5-0.)

17 Thank you very much. We are definitely in
18 the hotel business today.

19 Moxy hotel. Mr. Collins, I think this is
20 going to turn more into an update than action on our part,
21 given what we now know the status of this project.

22 But just to refresh everyone's memory, the
23 Marriott chain, before the AC Marriott actually opened,
24 committed with the same developers to open a Marriott Moxy
25 on the Depot Plaza/Depot Garage site. It's immediately west

1 of the Hotel Congress.

2 It's a three-way conversation between us, and the
3 City, and the developer. We had committed to rebate the TPT
4 tax -- or a portion of the TPT tax as a incentive for this
5 development. A lot of things had to occur with the City
6 regarding the site, and some history with the site, and,
7 ultimately, a GPLET. And we understand now that's moving
8 along.

9 So are we just kind of now on standby mode,
10 Mr. Collins, waiting for the City and the developer?

11 MR. COLLINS: Mr. Chairman, Members of the
12 Board, I think that's a fair summary.

13 There was a very substantive meeting early
14 last week between the developer and the City attorney's
15 office. They made some, as I understand it, significant
16 progress on their end of this deal.

17 Remember that a lot of resolutions and
18 actions have been taken by and among the City, the District,
19 and the developer, a lot of water under the bridge. And
20 what is now -- we're now all trying to do is to bring it all
21 together so that the Moxy Hotel can be built.

22 I think the District has authorized the agreement
23 you've just outlined, Mr. Chairman. There may need to be
24 adjustments to that depending on what the final deal with
25 the City works out.

1 I would expect that we would have those final
2 details for your regular meeting in September.

3 CHAIRMAN McCUSKER: We've authorized the
4 rebate?

5 MR. COLLINS: Yep.

6 CHAIRMAN McCUSKER: So, again, you're
7 authorized to finish the documents; we authorize to execute
8 them.

9 MR. COLLINS: Yes, consistent with the
10 discussions that we had in May of this year.

11 Again, at that time, the concept was that it
12 would be a District GPLET. The question would be whether
13 the City would abate. As you all know, the District cannot.

14 But as I understand the approach now, it's as
15 you've discussed. It would be a City GPLET, a City
16 abatement. And the District would then be rebating the
17 site-specific taxes.

18 CHAIRMAN McCUSKER: That's what they mean by
19 three-piece: public, private, and partnership.

20 MR. COLLINS: -- partnership.

21 CHAIRMAN McCUSKER: Thank you.

22 Item 11. This probably needs a little
23 history -- background as well -- both for the Board and the
24 public's sake.

25 I think everyone knows that we intervened in the

1 City development agreement with Gadsden and actually bought
2 the City's position with that development project.

3 Shortly thereafter, we agreed to launch what
4 we called the Mercado Annex, the MSA annex project. We
5 reference that in my update remarks, 15,000 square foot of
6 retail.

7 We basically split the cost of that
8 development with the developer and we will own that property
9 and lease it back to them. When we inherited this
10 property -- or acquired this property from the City, there
11 were four performance bonds, which were at risk at the time,
12 between the developer and the underwriter.

13 We allowed three of those to be released; we
14 maintained one of those. I believe it's the half million
15 dollar face amount bond, Mr. Collins?

16 MR. COLLINS: Correct, Mr. Chairman.

17 CHAIRMAN McCUSKER: And we have been kind of
18 vague with the developer on how he gets that bond ultimately
19 released.

20 So obviously they have launched a project. They
21 have made significant progress on the project. And they
22 have requested of us to, A, release that bond -- a big A --
23 or provide some clarity on how that bond does get released.

24 CHAIRMAN McCUSKER: Mr. Irvin? Sorry -- I
25 didn't see you.

1 MR. IRVIN: It's okay. I'm used to being
2 ignored.

3 So we had a \$1.154-, 55-thousand dollar bond
4 -- in total, four bonds -- of which we released just shy of
5 800,000. So there's about half a million left and
6 remaining.

7 We obviously get asked these things a lot in
8 our general course of business -- and, you know, I think I'd
9 like for Mr. Collins to chime in -- but what I generally see
10 on a release of funds like this is, you know, once we've
11 been granted a certificate of occupancy or a certificate of
12 substantial completion -- and that's what we would normally
13 see in the private sector -- and so I'm just curious, A, why
14 we would deviate from that; and, B what your thoughts are
15 and what your advice would be to us on those issues?

16 MR. COLLINS: Well, Mr. Secretary, your
17 experience in the private sector is similar to mine. Under
18 normal circumstances, there wouldn't be that release until
19 there was a certificate of occupancy.

20 That being said, this board can do what it
21 thinks is best in the interest of the development and the
22 District in general. You might consider -- I mean, the
23 Chairman suggested that perhaps there's been some lack of
24 clarity between the developer and the District on what it
25 will take to release this final bond.

1 And I would suggest -- first of all, I think
2 that's true. You might consider directing the executive
3 officers and counsel to work with the developer to set forth
4 clear standards for any release of that bond and handle it
5 that way.

6 My recommendation is, is that you not release the
7 bond until there's further progress.

8 MR. IRVIN: I concur.

9 CHAIRMAN McCUSKER: Mr. Marquez?

10 MR. MARQUEZ: We are \$3.4 million into this
11 deal, correct?

12 MR. COLLINS: Approximately, yes.

13 MR. MARQUEZ: I think obviously our role with
14 Rio Nuevo is to help spur economic progress/development in
15 the downtown area. I think we've been more than generous
16 assisting this developer with the City of Tucson releasing
17 three of four bonds.

18 I move that we wait until they have a
19 certificate of occupancy until we release that fourth bond.

20 CHAIRMAN McCUSKER: This would be your
21 opportunity to pay him back.

22 MR. IRVIN: Yeah.

23 MR. MARQUEZ: You still need me the rest of
24 the meeting.

25 CHAIRMAN McCUSKER: We don't have a second.

1 MR. IRVIN: So I'll second that for the sake
2 of conversation.

3 What I might suggest is a friendly amendment,
4 Edmund, is that we tie that to some sort of percentage. I
5 know that, as an example, the developer has held off a
6 little bit of the square footage -- it's not much. I want
7 to say it's like 10 percent -- so they don't miss anything
8 at the 11th hour. You know, would you consider something
9 like if they get 75 percent of C of O's? Are you okay with
10 something like that?

11 MR. MARQUEZ: 75 percent of the existing
12 leases?

13 MR. IRVIN: Correct.

14 MR. MARQUEZ: That are in place? I would
15 agree with that.

16 CHAIRMAN McCUSKER: Here's part of our
17 challenge. If I can, for a minute, advocate on behalf of
18 the developer.

19 These are multiple projects in multiple
20 sites. I assume -- I don't see anyone from Gadsden here,
21 but I assume they are going to be separate C of Os times 20
22 different villages.

23 So does that mean the first one? All of them?
24 Some percentage of them? You know, they may have half of
25 that up and blowing and going and creating all sorts of

1 activity, but we haven't released the bond. And I think
2 these are the issues we create for the developer, frankly,
3 without being crystal clear on how that works. I think the
4 leases are in fact in place. These properties have all been
5 committed to. We haven't seen those --

6 MR. COLLINS: I haven't seen any of the
7 leases. I've understood there are agreements, but I haven't
8 seen them.

9 MR. MARQUEZ: The bonds are our protection
10 against obviously the developer --

11 CHAIRMAN McCUSKER: It's a performance bond.
12 If they don't perform, the underwriter is obligated to --

13 MR. MARQUEZ: We've released three of the
14 four so far, correct?

15 MR. COLLINS: Correct.

16 MR. MARQUEZ: I thought we were like \$1.6
17 million in total bonds. We've released like 1.1, 1.2 --
18 there's like \$464,000 on the last bond?

19 MR. COLLINS: Correct.

20 MR. MARQUEZ: I just heard from an industry
21 expert that that's the normal route of --

22 MR. COLLINS: You have -- the remaining bond
23 is \$500,000. Just so you know, the number of bonds don't
24 track each of the components of this development directly.
25 There was -- if memory serves, there's a -- I want to say

1 there's a 500-, a 500-, and a \$600,000 bond. All but the
2 one 500 has been released.

3 The structure of this deal that the District took
4 over from the City was that Gadsden would get a credit of
5 \$464,436 when the Mercado Annex was completed.

6 MR. MARQUEZ: So back to the bond. We have
7 500,000 protection versus a \$3.4 million investment?

8 MR. COLLINS: Right.

9 CHAIRMAN McCUSKER: We also own the land. We
10 own the land. So if these guys screw this up, we own that
11 property. So it's not just a normal performance bond. What
12 the City had was something with no teeth in it absolutely.
13 They had -- the developer owned the land. The developer
14 didn't perform. The City's only options were to foreclosure
15 or force the performance bond. It's no situation we ever
16 want to find ourselves in, nor does anybody that is trying
17 to develop property.

18 When we negotiated this deal, we said part of
19 the reason we released those funds, we own this project; we
20 lease it back to this developer. So if it's not completed,
21 you've got a lot more collateral than \$500,000.

22 MR. COLLINS: And currently we receive
23 reports from the construction lender. Recall that, as
24 Mr. Chairman indicated, that the developers have to borrow a
25 little in excess of \$3 million of a construction component

1 --

2 CHAIRMAN McCUSKER: So if Mr. Hill was here,
3 he'd be thumping me right now. Because we have a motion and
4 a second and an offer.

5 MR. IRVIN: I was going to call for the vote,
6 but I don't have too much --

7 CHAIRMAN McCUSKER: -- the suggestion
8 Mr. Irvin made is to be more specific in your C of O motion
9 to tie it to some percentage completion.

10 I don't think there's a certifier of
11 substantial compliance --

12 MR. IRVIN: Certificate of substantial
13 completion from a general contractor. So I think you almost
14 have to tie it to a certificate of occupancy situation.

15 CHAIRMAN McCUSKER: On a percentage of the
16 project. Do we know enough to do that right now?

17 MR. COLLINS: If you can -- no, the answer to
18 your question --

19 MR. MARQUEZ: Can I amend my motion? To
20 authorize counsel to have discussions with the developer and
21 ties to a C of O and the release of the final bond?

22 CHAIRMAN McCUSKER: No. That's like a whole
23 new motion. So you can withdraw your motion --

24 MR. MARQUEZ: I'll withdraw my motion and
25 that is my motion.

1 CHAIRMAN McCUSKER: Okay. Let's start all
2 over again.

3 MR. IRVIN: You want to start with a new
4 motion?

5 MR. MARQUEZ: Yeah. I'd like to make a new
6 motion authorizing executive and counsel to have discussion
7 with the developer in regards to the release of the final
8 bond in connection to a C of O -- the obtaining of a C of O.

9 MR. IRVIN: You're talking a percentage?

10 MR. MARQUEZ: Just in connection with a C of
11 O. I'm leaving it up to you guys.

12 CHAIRMAN McCUSKER: Needs a second.

13 MR. IRVIN: I'll second.

14 CHAIRMAN McCUSKER: Any further conversation?
15 Mr. Collins, do you understand the motion? He's basically
16 inviting us to sit down with you and finalize this with the
17 developer.

18 MR. SHEAFE: It's the first time I've seen
19 you be speechless.

20 MR. COLLINS: The only thing I would suggest
21 is that the word -- that you amend that motion to say you've
22 authorized the executive officers and counsel to negotiate
23 the deal. I would suggest that you add to that the
24 authority to execute it, once it's negotiated.

25 MR. MARQUEZ: So amended. Can I say that?

1 CHAIRMAN McCUSKER: Yes, sir.

2 MR. IRVIN: So seconded.

3 CHAIRMAN McCUSKER: Brandi, call the roll.

4 MS. HAGA-BLACKMAN: Edmund Marquez?

5 MR. MARQUEZ: Aye.

6 MS. HAGA-BLACKMAN: Jannie Cox?

7 MS. COX: Aye.

8 MS. HAGA-BLACKMAN: Chris Sheafe?

9 MR. SHEAFE: Aye.

10 MS. HAGA-BLACKMAN: Mark Irvin?

11 SECRETARY IRVIN: Aye.

12 MS. HAGA-BLACKMAN: Fletcher McCusker?

13 CHAIRMAN McCUSKER: Aye.

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

15 Okay. So that's it's a YouTube moment.

16 I'm going to move 12 to the very end so we get
17 everything else done, and then I will step away.

18 Just for people that track conflicts of interest,
19 I have a declared conflict of interest with the owner of the
20 Hotel Arizona, Humberto Lopez; we are partners in a number
21 of businesses. So I have been recused from this, and not
22 even privy to the conversation.

23 But let's deal with the Fox Theatre Board of
24 Directors, Mr. Irvin, do you want to make that --

25 MR. IRVIN: Yeah. So we have currently Bruce

1 Dusenberry, Dave Volk, Tom Bender and Tom Laue as our four
2 of the five that are currently of the five that we're
3 authorized to put on the Fox board.

4 I've had a chance to visit with Craig
5 Sumberg, who advises me that Tom's probably going to step
6 down. He's having some, I guess, some health issues. So
7 we're going to be back at three.

8 Jeff Hill has proposed Jo Ann Sabbagh. I have not
9 met Jo Ann. I did talk this morning to Craig. He knows her
10 well. He has not had a chance to have her engage in signing
11 a board commitment form. I know the Board's received a copy
12 of her resume and that information.

13 I'd like to make a motion that we advance Jo Ann
14 to the Fox board subject to her meeting with -- obviously,
15 with the Board, and agreeing to live up to the commitments
16 that any normal Board member of the Fox Theatre would be
17 subject to.

18 MR. MARQUEZ: Second.

19 CHAIRMAN McCUSKER: Any conversation about
20 that? We have five total seats, I believe, Mr. Irvin?

21 MR. IRVIN: That's correct.

22 CHAIRMAN McCUSKER: This would be four with
23 the possibly of one stepping down. All in favor of
24 appointing Jo Ann to the Fox Theatre board, say "aye."

25 (Ayes.).

1 Opposed, nay.

2 All right. That passes unanimously.

3 I skipped over the Sunshine Mile. We do
4 indeed have an IGA going on, three-party IGA with the City,
5 Rio Nuevo District, and the RTA that's currently being
6 circulated amongst the other jurisdictions. So we're not
7 prepared to respond to that today. I do hope that's on the
8 agenda for the September meeting.

9 So I will, Mr. Irvin, hand the gavel over to you.

10 MR. IRVIN: Do you want to touch on 15?

11 CHAIRMAN McCUSKER: Yeah, we're going to
12 table 15. Our officer term's up next month, but we really
13 don't want to discuss that without the full board. So we're
14 going to table item No. 15.

15 I do have, Mr. Collins, an interesting request on
16 the Hotel Arizona item. We have a member of the audience
17 that wanted to speak specifically to this item. I told him
18 I wasn't sure that we could even do that because normally on
19 the way this is agendized the call is last. But I assume
20 that if --

21 MR. COLLINS: My only caution would be if
22 that's the only one and you want to take that out of order,
23 you can do that. But I caution the Board you can't be
24 interacting with the speaker. The speaker can say what the
25 speaker wants.

1 CHAIRMAN McCUSKER: So Mr. Irvin is going to
2 take over the chairmanship. If he's so inclined, he can
3 invite the speaker but it would be a traditional call to
4 audience, three minutes, no interaction, no debate, no
5 conversation.

6 MR. COLLINS: Correct. And, Mr. Chairman,
7 that would be Mr. Irvin's call.

8 CHAIRMAN McCUSKER: All right. I am
9 officially recused.

10 Brandi, do we have any other call to the
11 audience?

12 (no audible response.)

13 All right. So Mr. Irvin, you can take this right
14 through adjourn.

15 (Mr. McCusker leaves the Rio Nuevo board room and
16 Mr. Irvin chairs the remainder of the meeting.)

17 MR. IRVIN: Thank you.

18 So we do have a card from Brian Corbell. I
19 know it is a little out of tune, but I do think it's good
20 information for us to hear.

21 And, Brian, if you would come on up and
22 address us that would be great. And then we'll talk into
23 that item. You can also state your name.

24 MR. CORBELL: My name is Brian Corbell. I
25 head the company that owns and operates the River Park Inn

1 and the Pueblo Gem Show. We bought that property in 2003.

2 We've had some very good and some very
3 disappointing experiences in Tucson. I love all the people
4 I've dealt with in the City at every level; I think they're
5 terrific.

6 MS. COX: Brian, excuse me. Could you speak
7 up a little a little bit? I don't believe your microphone is
8 working. We can hear you -- barely, but I don't think the
9 audience can.

10 That's much better.

11 MR. CORBELL: I will speak closer. I head
12 the company that heads the River Park Inn Pueblo Gem Show.
13 We came here in 2003 and bought it after many years study of
14 the area. I knew the hotel business was awfully slow; I've
15 been in this business for over 50 years. And nevertheless,
16 because the gem show could carry the property, I decided to
17 go ahead.

18 I love Tucson. I knew it would some day be
19 great and I knew the people were terrific. At any rate, we
20 are a competitor of the Hotel Arizona. We competed with
21 them when they were open.

22 Nevertheless, I believe that it's essential
23 if the convention center's ever to be financially successful
24 that it be able to have conventions to come back to
25 downtown.

1 That is humanly impossible without the physical
2 presence of a hotel that is a headquarters hotel, meaning a
3 hotel which itself has tremendous function space. It is
4 absolutely impossible to economically build a hotel like
5 that. That was demonstrated earlier. But it's not going to
6 change; particularly in Tucson, where you don't have really
7 high rates.

8 Even if you do, most cities lose money on
9 convention hotels that they invested in. There's an
10 opportunity here, whether it's yesterday, today, or
11 tomorrow, to have a headquarters hotel. And that can allow
12 conventions to come back here.

13 When we had conventions downtown, they provided
14 really meaningful occupancy and rate to the hotels downtown.

15 And they were a tremendous help to all the
16 merchants -- more than they really understood -- until they
17 went away. They had people who spent a lot of money, food
18 and beverage, and tremendous sales tax benefits.

19 Now, just by way of background, I said I've
20 been in this business for 50 years. 50-some years ago, I
21 graduate from law school. At the time, I was working for a
22 big development company in Southern California.

23 I learned today a little about Fletcher's age
24 and I learned that I only have one decade on him. When
25 Fletcher was 14 years old, I was graduating from law school

1 and the company I worked for, for a couple years already
2 bought Sun Valley, Idaho, with lots of hotels and things.
3 And then fast forward another 10 years, when Fletcher turns
4 24, I'm 34, and I'm running a big hotel for a hotel company
5 in New York, 5,000 rooms, 4200 of those are convention
6 hotels, including the largest, 2,000 rooms, which later we
7 sold to Donald Trump, it was his first project.

8 And I learned there and later when we had a
9 700-plus room hotel in Orlando, 750 convention hotel in
10 Anaheim, big one in San Francisco, et cetera, we knew for
11 certain, from our experience, that if you have a lot of
12 function space you can be a headquarters hotel in those
13 towns.

14 We can get a headquarters hotel again and get
15 those things. Without them, we're never going to have a
16 real hotel town.

17 So I'm here to advocate -- and I've been
18 doing this for years any time there was a public meeting
19 like this, or privately meeting with people, to try to
20 educate them about the absolute fact of having to have a lot
21 of meeting space in order to be a hotel that conventions
22 sustain.

23 Thank you very much.

24 MR. IRVIN: Brian, thank you for coming and
25 talking to us.

1 So I joined this board a little over 7 and a
2 half years ago. One of the first decisions that we had to
3 make as a board is what do we do with the monolith big
4 convention-style hotel that was going to be built downtown
5 adjacent to the TCC. As everybody knows, that's a project
6 that did not move forward.

7 I think the Board at that time made a decision it
8 was better to see a whole bunch of hotels downtown and
9 spread that risk around than to try to do one big hotel all
10 by herself.

11 And I thought was a good decision then and
12 it's interesting to see all these years later that we've got
13 a bunch of hotels downtown. We all know about the AC,
14 that's 136 rooms. The Moxy is 108. Caliber is planning on
15 about 125. Caliber would be a great addition to the TCC
16 because it's on the TCC campus, which is our primary
17 component.

18 This hotel that we're going to talk about now is
19 actually a hotel that's got almost as many rooms as all
20 three of those do together: a little over 300 rooms.

21 It's been six years since it's closed and I
22 think probably everybody on this board has been focused on
23 trying to figure out a way to get this open. We know it's
24 not an easy process. We know the developer's actually got
25 to go through a couple of processes.

1 The first one is he's got to get some
2 approvals and some support from us; and then they've got to
3 go through the same situation with the City. And then,
4 obviously, knowing them, they will reach out and have some
5 discussions with the neighbors as well.

6 I know we've got a handful of people here with
7 HSL, including Jerry Fischer. And I see Omar Rouse back
8 there and Ted Hinderaker. And also know there are some
9 people that are here to visit with us and support as well.
10 So with that, I guess I would ask Jerry to come on up
11 forward and let's hear what you have to say.

12 MR. FISCHER: Thanks, Mark. And thank you to
13 the Board for your time today.

14 We're going to present a short presentation on --

15 SECRETARY IRVIN: I'm sorry, Jerry. Would
16 you mind for the record saying and spelling your name and
17 also your title with HSL.

18 MR. FISCHER: Certainly. Jerry Fischer,
19 Fischer. Jerry, J-e-r-r-y F-i-s-c-h-e-r, vice president of
20 the hotels for HSL properties.

21 So, again, I wanted to take this opportunity to
22 thank the Board not only for the tremendous work they're
23 doing for downtown. We're very, very excited as a hotel
24 community to have the AC opening in a matter of a couple of
25 weeks.

1 If you look at the potential of the Moxy
2 being developed on the TCC campus it's very, very exciting
3 as well and certainly the Caliber deal as well.

4 So Mark's point when you look at the totality
5 of those rooms, I think it's good for downtown. I think
6 when you look at Caterpillar and the other companies that
7 are coming for downtown, the demand for downtown, it's a
8 great time for those hotels.

9 I would tell you that when we looked at the
10 renovation of this hotel it was important for us internally
11 to look at this holistically and to look at this as: Did it
12 make sense for downtown? Did it make sense for the TCC
13 campus?

14 And one of the things that was important to
15 us is that we wanted to hear it from the outside. We wanted
16 to hear it from a third party-expert.

17 And so one of the things we did is commissioned a
18 study, had HBS feasibility and evaluation, and also their
19 sports and entertainment department go out and create a
20 feasibility study.

21 And it was important to us that they focus on
22 three areas: Number one, does it make sense to truly have a
23 convention center hotel with 30,000 plus square feet of
24 meeting space reopen in downtown Tucson?

25 But secondly, and most -- equally as

1 important was what does that do -- what does the opening of
2 that hotel do for the induced demand for the TCC? It's
3 critical for the long-term; it's critical to bringing large
4 conventions back into Tucson so that we can compete with
5 other regional competitive markets.

6 The third piece that we asked HBS to look at
7 is what the -- what is the true economic impact on the City
8 of Tucson, and particularly the CBD and downtown and the
9 campus of the TCC?

10 I'm happy to report that we did get the studies
11 back. And, by the way, Board, thank you for being patient.
12 I know we were on the agenda last month. So we were waiting
13 for a couple of components of that study to come back. I
14 can tell you that the studies on all three sort of cogs of
15 that wheel were very, very optimistic on the reopening of
16 the convention hotel, what that does for the downtown Tucson
17 economic environment.

18 That report along with today's presentation will
19 be available. I'll hand it over to counsel at the end of
20 our presentation on a thumb drive. You're more than happy
21 to do with it what you will, but we wanted to make that
22 public after today.

23 After an executive summary -- and I'm going to
24 make some comments throughout this presentation that are
25 reflective of some of the findings in the HBS study -- but

1 overall, I just wanted to give the audience and the Board a
2 summary of the existing asset, the existing hotel at 181
3 West Broadway's 155,179 square foot full-service facility.

4 I think the good news that -- as we all know
5 and many of you have lived in Tucson for years and years --
6 know that this hotel was built like a bunker. It's a very
7 good structure, probably overbuilt for what we need today,
8 but that's a good thing when you look at a full-service
9 convention hotel.

10 The other thing that we looked at when we
11 focused on reopening this asset was what brand does it make
12 sense to affiliate yourself with; it's important not only
13 from a convention perspective, but when you're driving room
14 nights to have a strong, strong brand behind you, i.e., a
15 Marriott or Hilton affiliated hotel.

16 I'm happy to report we have a great relationship
17 with Hilton Hotels; we have several hotels in our portfolio
18 that are Hilton branded right now, including the El
19 Conquistador Hilton.

20 Hilton was offered a letter of intent to
21 brand this hotel as a full service Hilton brand. We're
22 still in conversations what kind of Hilton brand that would
23 be, quite frankly. And when you look across their banner
24 when you go to hilton.com there's a myriad of options. But
25 we are in negotiations with them.

1 They're excited about downtown, they're excited
2 about the full service hotel, I think they're as bullish as
3 HBS is on bringing back a convention hotel to Tucson.

4 I think also important to note that in our
5 philosophy is that sort of entrepreneurial spirit of a
6 franchise company. The hotel would be reopened under a
7 franchise license with Hilton and operated by a nationally
8 recognized third party operator that run hotels around the
9 country. We like that idea because we think it's an
10 opportunity to really drive dollars to the bottom line.

11 Tentatively, the project is expected to open at
12 the end of 2019.

13 The hotel will feature -- it's presently 309 guest
14 rooms. And that's -- if you look at the HBS study, that's
15 what they program out is 309 rooms. It could be a little
16 less, given that we may take a couple of those rooms and
17 combine them to make a few more suites. But we're right at
18 that 300 number from a threshold perspective.

19 30,000 square feet of meeting space I think is
20 critical to mention again. Because when we look at regional
21 operators and regional competitors in the convention market,
22 like Albuquerque, for instance, the additional and opening
23 of the 30,000 square feet and making sure that we partner
24 well with the folks over at the TCC to sell all the space
25 together, that puts us right around 170,000 square feet of

1 true convention and meeting space within a campus of a
2 couple city blocks. I think that's critical for
3 decision-makers when they come to town. I think it's
4 critical for the companies and decision-makers that are
5 picking the city and being able to have that number of
6 square feet available when they make those decisions.

7 And lastly, on the summary, you know, at this
8 point, we are projecting a \$20 million renovation number.
9 That's right around \$65,000 a key, all in for all the space.
10 We think at this point we can do it for that number.

11 Certainly, as we get closer to the project and go
12 out and get hard bids, we'll have a firm grasp on that.

13 So we're lucky enough to have our partners from
14 Swaim Associates help us out on an architectural model and
15 rendering perspective.

16 And we worked hard on this. And I think
17 we're cognizant of what's happening around that campus and
18 around downtown what the new buildings that are being built
19 look like.

20 And I think at the end of the day we're
21 excited about what this hotel can look like, what it will
22 look like not only from an aesthetic tower perspective, but
23 what does that streetscape look like, is it an inviting
24 feeling to come down Broadway and get pedestrian traffic off
25 of Broadway into the hotel and over to the TCC.

1 So that's our model rendering at this point.

2 The left picture is also a model rendering of the
3 lobby. I don't know the last time someone sort of snuck in
4 that hotel, but that long lobby that's an east-facing look,
5 if you will, of the two-story remodeled lobby.

6 And then the picture on the right is actually
7 a true picture. We took some time over the last several
8 months and really considered what the end product of these
9 rooms could look like. And we actually went in and created
10 four new guest rooms. And from -- literally took it down to
11 not stud because it's block but -- or concrete -- but we
12 took it down to floor and the deck and we redid the entire
13 room. So I think we're excited about what kind of product
14 this can turn out to be in a very short time.

15 And I think the other important thing is, you
16 know, we talked about it in the past, but it is an existing
17 asset. It's not a situation where we have to do a ton of
18 site work. We don't have to come in and plan this out over
19 the coming years. I think it's an asset that we can go in
20 and renovate and quickly turn back to the public.

21 So a couple of these -- if you would be kind
22 enough to go to the next slide -- a couple of these are
23 referencing the HBS study -- and I mentioned it earlier -- I
24 think it's critical when you look at some of these regional
25 competitors for us to become more competitive we need more

1 square footage. And again, I think the idea holistically is
2 that when the hotel reopens that we're very, very strong and
3 good partners with the TCC and also Visit Tucson.

4 Brent's group -- and Glenn -- they've been
5 tremendously supportive of our other assets and other hotels
6 in Tucson. So we certainly think that will continue in the
7 future. But it's imperative to have that partnership.

8 Again, from the economic impact study, I think
9 this just shows you a historical demand from a number of
10 folks that come and attend events at the Tucson Convention
11 Center. I think the great news is that those numbers are
12 going up; the attendee numbers are going up.

13 I think the challenge is that when you look
14 at some of the decision makers, one of the challenges is
15 there's not enough hotel rooms downtown. And so I think
16 coupling the three hotels that are slated, the new builds,
17 and the AC opening, coupled with the convention hotels, I
18 think it makes the decision for a meeting planner that much
19 easier.

20 And then -- Brandi, if you go to the next
21 slide -- I think this is sort of the great news and the
22 telltale signs that as early as 2021, HBS anticipates that
23 there's going to be a 10,000 a night increase in room night
24 demand. I think that's critical because that's not 10,000
25 room nights that are just going to go to the renovated

1 hotel, those are 10,000 room nights of folks coming into
2 downtown and staying at the AC and the Moxy and the Caliber
3 getting their portion of those 10,000 rooms.

4 So I think given that the historical demand
5 and the increase of 10,000 room nights is pretty phenomenal
6 in such a short period of time.

7 As I mentioned, there's an economic impact portion
8 of the study and this is also very, very critical.

9 We asked them to look at not the impact of just
10 the hotel, but what it's going to do for downtown Tucson.
11 And I think, you know, when you look and break it down
12 through the net direct -- indirect and induced demand, you
13 know, 2017 dollars, I think that's a stabilized 2021 number,
14 2022 of, you know, \$11 million in induced in indirect
15 spending and direct spending that will really affect
16 downtown and the surrounding businesses.

17 So what -- we have to get to the heart of the
18 issue, right? You know, what we're asking of the Board is
19 we're not asking for a cash contribution to this project at
20 all and putting money into the project. We are asking for
21 the GPLET sort of be determined up to that 25-year period;
22 and then also we're asking that the District share of the
23 site-specific taxes through 2025.

24 MR. IRVIN: Do you want to have some of the
25 people that have come here in support talk and then give you

1 a chance to close? Or what are you thinking?

2 MR. FISCHER: Sure. Absolutely.

3 MR. IRVIN: I know we have pretty amazing
4 folks here that are all within a stone's throw of the TCC.
5 You want to call them up?

6 MR. FISCHER: Sure. In no particular order,
7 Mr. Hoffman?

8 SECRETARY IRVIN: Bob, when you come up, let
9 us know who you are.

10 MR. HOFFMAN: Sure. Bob Hoffman, President
11 of the Tucson Roadrunners hockey team. And hearing about
12 this project and the potential reopening of Hotel Arizona is
13 certainly exciting for us when you look at the number of
14 those room nights. We see that increase that's there and
15 what the Roadrunners have brought to the Tucson area.

16 Last year, right around a thousand room
17 nights that we provided to area when you talk about the
18 visiting teams coming in, stretching from Cleveland to the
19 Pacific Ocean, as well as you look at other things, visiting
20 teams, fans, the officials that come into town, four
21 officials per game out on the ice, that have to come here
22 and travel and stay at local hotels, and local -- different
23 spots here in Tucson.

24 So when you think of the services that can be
25 provided by that venue and the full service capability as

1 well as what that would mean in the downtown area from these
2 people staying right here within that stone's throw of the
3 Tucson Convention Center where the games are played, I think
4 it would be a huge impact for the Roadrunners for our
5 business, as well as for the entire area of Tucson.

6 SECRETARY IRVIN: Thank you.

7 MR. FISCHER: And if you will be kind
8 enough -- Glenn Grabski, with the Tucson Convention Center.

9 MR. GRABSKI: Glenn Grabski, general manager,
10 Tucson Convention Center. Probably stating the obvious.

11 It's been stated many times. The convention
12 center needs a hotel. Needed it for a long time.

13 We are missing out on a lot of business between
14 association and trade show business, the biggest hurdle and
15 obstacle that we face is that Tucson faces trying to sell
16 the TCC is there's no hotel space, especially within walking
17 distance.

18 The TCC, for the size of it, you're going to
19 need -- just a rough rule of thumb there's probably more
20 deeper studies you can do -- a minimum of 300 to 400 rooms.
21 So we need every room around there that we can get.

22 Once we get that in place, that type of
23 business is usually a couple of years in planning. So once
24 something starts coming online I know we're all anxious to
25 get out there and start selling it.

1 Thank you.

2 MR. FISCHER: Thank you. And I believe,
3 finally, Mr. DeRaad -- Brent DeRaad, if you'd be kind enough
4 to say a couple of words.

5 MR. DeRAAD: Sure. Mr. acting Chairman,
6 Members of the Board, good afternoon. I'm Brent DeRaad,
7 President and CEO of Visit Tucson. It's a pleasure to be
8 here in front of you and to support this project.

9 Again, as we take a look at -- and it's
10 already been stated. The absolute need for a convention
11 hotel to support the Tucson Convention Center -- I mean,
12 it's definitely there.

13 I need to thank you for your leadership,
14 thank you for bringing these hotel projects into downtown.
15 I know -- again, initially -- and Mark, you stated it very
16 eloquently -- there was a major proposal, 500-room plus
17 hotel in front of us at one point with the type of meeting
18 space that was referenced by Mr. Corbell earlier as well.
19 We still -- again, with the opening of Hotel Arizona and
20 with the type of renovation that they're taking about I
21 think it's certainly what we need.

22 Looking at the 20 million, how that would be
23 spent and what that would mean to the Tucson Convention
24 Center and what it would mean to downtown I think it's
25 really significant. I would encourage you to just keep your

1 minds open to the possibility of looking at a future similar
2 type of project as well. We really believe having at least
3 a thousand hotel rooms within walking distance of the Tucson
4 Convention Center is going to be absolutely crucial as we
5 move ahead.

6 There's obviously a lot of discussion about
7 what could happen with the convention center as well. But I
8 think what you're bringing to the table step by step by step
9 makes a great deal of sense. For us, in the short term,
10 being able to reopen the Hotel Arizona with 300-plus rooms
11 and with the meeting space -- and when you take a look at
12 the Tucson Gem Mineral and Fossil showcase, I think you're
13 going to see a huge benefit to that event and to many others
14 that are coming in as well. We just finished up again with
15 the Jehovah's Witnesses: 7 conventions, 31,500 hotel room
16 nights that were filled within this area. I can assure you
17 that if Hotel Arizona was open, many of those parishioners
18 would love to stay there as well.

19 You take a look at the Tucson Roadrunners and
20 some of the other projects that are out there as well, we
21 just see a lot of value.

22 So thank you for considering this, looking at
23 what's requested with -- again, the GPLET out there. I
24 think that certainly makes sense. And obviously your call
25 when it comes to Rio Nuevo's take from, you know, the

1 revenues that would come up here as well. Solid proposal,
2 we're very supportive.

3 MR. SHEAFE: A question for you.

4 MR. DeRAAD: Yes, sir.

5 MR. SHEAFE: You know, as I understand the
6 convention business, it kind of goes in tiers and it ties
7 back to the facilities that you've got.

8 I used to be on the board of directors of the
9 National Homeowners Association and there were only four
10 cities in the country that could even accommodate us; it
11 that was that big -- and sort of learned of how these thing
12 get done.

13 Does the addition of a convention center hotel to
14 our market put us in a little different league than we are
15 right now without it?

16 MR. DeRAAD: Yes, sir, Mr. Sheafe. I mean,
17 when we take a look at where we stand currently -- even
18 looking at Albuquerque, and Santa Fe, and some of these
19 other competitive centers, Palm, Springs, for example --
20 without having any hotel rooms currently within walking
21 distance of the center other than Mr. Corbell's property,
22 there's really no opportunity for us to bring in groups of
23 any size whatsoever.

24 For us, being able to reopen Hotel Arizona --
25 having, again, AC Marriott, the Moxy, some of these other

1 properties that you're looking at -- if we can assemble
2 anywhere from 500 to a thousand hotel rooms, it gives us a
3 much better opportunity to take a look at business that's
4 out there. It also gives SMG, which manages smaller
5 facilities throughout the southwestern United States, there
6 are groups that are meeting in these that facilities that
7 may very well be able to transition to Tucson, rotate
8 through to to multiple cities as well.

9 So for us being able to add these hotel rooms
10 into downtown -- and certainly it allows us to bring a true
11 convention into the facility.

12 MR. IRVIN: Edmund?

13 MR. MARQUEZ: Actually, it's not a question,
14 it's more of a statement.

15 This is a defining moment in history of
16 downtown and Rio Nuevo. I've been on this Board about two
17 and a half years and I'll tell you the number one thing I'm
18 asked in regards to is Hotel Arizona. People want to see
19 this open. We're the largest city in the country that has a
20 convention center without a convention center hotel.

21 And you can see, the words I think that we're
22 learning here today is induced demand and the fact we've got
23 Roadrunners, just conventions and concerts at the Tucson
24 Convention Center -- Caterpillar is now downtown, Hexagon is
25 moving downtown. This, again, is a defining moment. I like

1 the fact that there's no ask for any money up front. Again,
2 we're stewards of tax dollars. There's no tax money up
3 front being asked -- no monies from us up front. A
4 \$20 million investment.

5 A \$20 million investment and a hotel
6 delivered prior to -- have that income generated prior to us
7 even delivering back TPT dollars. And this, again, is a
8 hotel that shuttered not creating any taxable income -- or
9 not any sales tax for us now. This is a defining moment.
10 This is a big deal.

11 If I'm not too premature, I'd like to go
12 ahead and make a motion.

13 MR. IRVIN: I'd like to -- just before you do
14 that, Jerry, I just want to make sure to restate.

15 So your specific request of the District is
16 for a GPLET to be determined, whether we go on 8-year or 25,
17 and the site-specific taxes that are generated in the hotel
18 through 2025?

19 MR. FISCHER: Yes, sir; that is correct.

20 And if I may -- real quickly, just make one point
21 with regard, Edmund, to that \$20 million investment: I
22 think it's important to note that, you know, all of that
23 \$20 million is going to come from private equity and debt.

24 So I think that's important to note. And then
25 also, I believe, I may have stated that the -- we were

1 targeting the hotel that will open in December of '19; it's
2 really January of '19.

3 Again, I want to thank the Board for their time
4 and allowing us to present.

5 MR. IRVIN: You're focused on trying to get
6 it open for the Gem Show of '19?

7 MR. FISCHER: Yes, sir.

8 MR. SHEAFE: Just curious, but how much time
9 have you been able to put in to, say, we're real confident
10 of that 65,000 per room?

11 MR. FISCHER: You know, that's a great
12 question. So what we did when we talked to several brands
13 regarding how we would brand that hotel, one of the things
14 we always do is we bring them in to do a PIP, a Product
15 Improvement Plan.

16 So we actually had Hilton come in and walk
17 every square foot of that hotel. They produced the product
18 improvement plan for that hotel and then we put that sort of
19 against some placeholder dollars. So I think we're pretty
20 confident --

21 MR. SHEAFE: I mean, you've been able to
22 actually work through that and you feel pretty confident?
23 Because you have some major issues that you're dealing with
24 to be able to take care of both the exterior -- and I was
25 intrigued with the entry that you've got planned. So you're

1 going to leave it on the north side of the hotel, which is
2 interesting.

3 And I don't know what you're doing with the
4 parking. You didn't address that. But when you put all
5 this together, you still think you can get it done for
6 20 million -- you know, for people's -- everybody in the
7 audience probably knows, our company built the Ventana Hotel
8 and 20 million is not a lot of money when you're looking at
9 at the scale of what you're talking about.

10 MR. FISCHER: Sure. And, again, a great
11 question. I think from our perspective, particularly when
12 we do renovations -- as we just finished the Hilton El
13 Conquistador -- any time you have an existing building and
14 you go and renovate, you sort of find things that maybe you
15 don't want to see. But the reality is we're at a pretty
16 comfortable place having had Hilton engineers go through and
17 some of our own engineers go through.

18 MR. IRVIN: Jannie?

19 MS. COX: Jerry, you didn't talk about the
20 parking. And I know that when the hotel was alive and well
21 many years ago, parking was challenging then.

22 So what is your plan for parking for the
23 hotel?

24 MR. FISCHER: Sure. Well, the existing plan
25 right now is to utilize -- I think it's almost 400 spaces at

1 the existing garage on the corner of Broadway and --

2 MS. COX: So the same garage?

3 MR. FISCHER: Yes, ma'am.

4 MS. COX: And you believe that's adequate?

5 MR. FISCHER: We do. I mean, I think that if
6 you look at some of these, if it's convention business that
7 comes into town, normally convention travelers are not in a
8 vehicle. So there's a lot of complementary uses when it
9 comes to the convention person coming into town and not
10 having to have that ability to park, or needing that ability
11 to park.

12 MR. SHEAFE: Has there been any consideration
13 for the fact that that is such a key corner with the
14 streetcar and everything else that you may get far more
15 utility out of the first floor by transferring some of that
16 parking somewhere else? Because that's a very valuable
17 corner, one of the best corners in the entire area.

18 MR. FISCHER: Sure. Understood. I guess
19 that the way I would answer it today is that we love that
20 sort of campus approach to that whole area.

21 And so certainly we're open to talk the folks at
22 Rio Nuevo and the City on what's the best approach to make
23 that corner the sort of highest and best use.

24 MS. COX: Build something on top of that
25 garage.

1 MR. SHEAFE: If we made the agreement here
2 today it would be worth noting that that corner probably
3 would represent a lot of retail opportunity and that may
4 represent a lot of tax income that you might enjoy since we
5 would be turning that over to you.

6 MR. IRVIN: Any additional questions?

7 MS. COX: No.

8 MR. IRVIN: Edmund?

9 MR. MARQUEZ: I move to direct the executive
10 officers and counsel to draft agreements necessary to
11 acquire title to the Hotel Arizona, and lease it back to HSL
12 for up to 25 years; furthermore, the District will rebate to
13 HSL a hundred percent of the site-specific sales tax the
14 District receives from ADOR from that project until June of
15 2025.

16 MS. COX: Second.

17 MR. IRVIN: We have a motion and second.
18 Edmund, since you are making the motion, I'd like to propose
19 a soft amendment to that. I think you asked that the
20 executive officers go and review that, was that your motion
21 as well, that the executive officers wrap that up?

22 MR. MARQUEZ: Yes.

23 MR. IRVIN: You know, we're without Fletcher
24 on this one. And I know you've been involved in this. If
25 you would accept a friendly amendment that the executive

1 officers, which current consist of Chris and myself due to
2 Fletcher's conflict, that we would add you into that list to
3 help wrap that up as well?

4 MR. MARQUEZ: I would love to.

5 MR. IRVIN: Okay.

6 Mr. Collins, do you understand that?

7 MR. COLLINS: Yes, Mr. Irvin, I do.

8 SECRETARY IRVIN: Brandi, roll call.

9 MS. HAGA-BLACKMAN: Edmund Marquez?

10 MR. MARQUEZ: Aye.

11 MS. HAGA-BLACKMAN: Jannie Cox?

12 MS. COX: Aye.

13 MS. HAGA-BLACKMAN: Chris Sheafe?

14 MR. SHEAFE: Aye.

15 MS. HAGA-BLACKMAN: Mark Irvin?

16 MR. IRVIN: Aye.

17 (the Board voted and motion carries 4-0.)

18 Congratulations. We're in the hotel business
19 again.

20 I think that we've already done the call to the
21 audience. But I know we had somebody walk in late.

22 Brandi, are there any other cards?

23 MS. HAGA-BLACKMAN: No.

24 MR. IRVIN: I'd entertain a motion to
25 adjourn.

1 MR. MARQUEZ: Second.

2 MR. SHEAFE: So moved.

3 MS. COX: Second.

4 MR. IRVIN: All in favor say "aye."

5 (Ayes.)

6 We are adjourned.

7 (Meeting concludes at 3:43 p.m.)

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C E R T I F I C A T E

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

John Fahrenwald, RPR