MEETING OF THE BOARD OF DIRECTORS

February 24, 2015
1:00 o'clock p.m.

Tucson, Arizona

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

KATHY FINK & ASSOCIATES, INC.
2819 East 22nd Street
Tucson, Arizona  85713
(520) 624-8644    Fax (520) 624-9336
APPEARANCES:

BOARD MEMBERS PRESENT:

Fletcher McCusker, Chairman
Jeffrey Hill
Chris Sheafe
Mark Irwin
Jannie Cox
Cody Ritchie

Mark Collins, Board Counsel
Michelle Bettini, Operations Administrator

*    *    *    *

BE IT REMEMBERED that the Meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on the 24th day of February 2015, at the Arizona State Building, 400 West Congress, Room 222, Tucson, Arizona, commencing at the hour of 1:00 o'clock p.m.

*    *    *    *

*    *    *    *

*    *    *    *

*    *    *    *
CHAIRMAN McCUSKER: Call the meeting to order at 1:03 p.m.

We'll do the pledge.

(Pledge of allegiance.)

CHAIRMAN McCUSKER: Michelle, call the roll.

MS. BETTINI: Jeff Hill.

MR. HILL: I'm present.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Present.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Likewise.

MS. BETTINI: Jannie Cox.

MS. COX: Here.

CHAIRMAN McCUSKER: Mr. Irvin just walked in.

We'll note him as here.

MS. BETTINI: Mr. Irwin present.

CHAIRMAN McCUSKER: As far as you know, Mr. Ritchie's on his way?

MS. BETTINI: He said he's almost there.

CHAIRMAN McCUSKER: Okay. So you have the transcripts from the January 27 meeting. Any comments, questions or changes?

If not, I would need a motion to approve.
MR. SHEAFE: So moved.

MS. COX: Second.

CHAIRMAN McCUSKER: All in favor say aye.

(Board responds en masse aye.)

CHAIRMAN McCUSKER: Any opposed?

(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: Okay. We have Executive Session scheduled on the agenda. We need a motion to recess to Executive Session.

MR. SHEAFE: So moved.

CHAIRMAN McCUSKER: Need a second.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: All in favor say aye.

(Board responds en masse aye. Motion moved, seconded and passed.)

(In Executive Session.)

CHAIRMAN McCUSKER: Do I have a motion to reconvene? Somebody?

MR. IRVIN: Second.

MS. COX: So moved.

CHAIRMAN McCUSKER: All right.

That's Ms. Cox, Mr. Irvin second.

All in favor say aye.

(Board responds en masse aye. Motion move, seconded and passed.)
CHAIRMAN McCUSKER: Following our agenda item five, people have asked me to kind of update the public on a number of things we're working on that may not be on the agenda for decisive action today, but we've talked about them. I think, generally, people track these and follow us, but just a couple of quick updates.

In prior meetings we have announced our interest in a Phase II of the Tucson Convention Center. Mr. Irvin and I remain the appointed liaisons to that project. We have engaged Swaim and Associates as architects. That was a decision made in the last meeting. We've had a couple of meetings with them to begin to decide the scope. We've elected to invite some stakeholders to participate with us in scoping that project. That is end users of the TCC. So we're going to do a small focus group with a number of people that use this. We're specifically targeting the competition hall space, the remaining bathrooms, the meeting rooms, and the opportunity maybe to develop a junior ballroom.

So we remain committed to TCC and its progress. The response to the arena remodel has been quite extraordinary. Bookings they tell me are up, international interest is up, and people really
appreciate the work that was done there. So we'll move pretty rapidly. I think by April we should see a scope that we can bring to the Board to define budget, like we did with Phase I.

We'll probably present to you a menu of two or three different choices. So it will, you know, be item A will be so much work and so much money, and we'll show you three or four different ways to skin that. So we'll continue to press on what we all know is our primary component.

We have updates from Mr. Bourne on the Thrifty Block. If you have been by there you don't see a lot of activity. I can tell you that most of that is internal, particularly to the building that they call the annex building. They've pretty much gutted that and are substantially through the renovation of that building.

If you have been by recently, you will see windows have been punched out on the east side. That was a windowless building. And Mr. Bourne has indicated his intention is to relocate his headquarters office to that building. So we know they are working. We haven't seen it in the space between the trading post and the annex itself, but, indeed, they are meeting their obligations to us in terms of the work
and money they are putting into that complex.

I'll let Mark update you on the AC Hotel. I get questions, Mark, on when they are going to break ground.

Just quickly, I think the last thing from me, as it pertains to some of the recent headlines and the conversations between us and the Fox Theatre, thank you. Wendy and Craig are both here today. We're all working diligently to try and make certain that the Fox is successful.

We were successful in December on buying out the National Trust for historic preservation. That was one of our primary goals and has been for as long as I've been on the Board. That window opened for a short period of time. We did execute that agreement. So the relationship now is directly between the Rio Nuevo District and the Fox Theatre Foundation. And we're working through the language associated with a new deal that would include terming out the debt, newer lease terms.

And you probably all have seen some of the excitement around covenants that we've asked for, what our attorneys will call restrictive covenants in terms of major decisions the Fox Board can and can't make without our input. I think we'll see that on the March
And, Mark, anything you can tell us briefly on what's going on with the AC and --

MR. IRVIN: Working drawings are underway. We kind of hoped we would see groundbreaking in, you know, late March, early April. Probably looks like it's going to be May when they start moving dirt around. They're working on trying to get the final working drawings, tying to get that stuff done.

So we're basically on schedule, and I think we talked about that being there 17 to 18 months from April. And I still think we're on schedule for that to occur.

CHAIRMAN McCUSKER: So we'll keep you updated on all those things. You see those pop up on future agendas.

Michelle, Dan's traveling, so you're going to give us the financial report.

MS. BETTINI: Yes, sir.

Michelle Bettini, Operations Administrator for the Rio Nuevo. In front of you you have an update through January 31st of our finances.

In all three of our accounts we have approximately $7.9 million. We still have $75,000 with the City of Tucson. We are still holding that for the
retention for the TCC arena. We have a total of 7.9 in all accounts, including the TCC.

With our commitments, we have about with 7.24 in commitments we need to pay out still. Those include the Mission Gardens, AC Hotel, Streetscapes. We have approximately 1.1 million left to pay out on the TCC remodel. Again, we've only gone through January for our payments.

CHAIRMAN McCUSKER: Any questions of Michelle?

Thank you very much.

Item seven, the January 8th Memorial.

To remind people of where we were with this project, I think in our October meeting we had a presentation from the folks behind this project asking us to participate, along with the City and the County, in the development of a January 8th Memorial located at the current site of the County Courthouse, the Roy Place Building. We took affirmative action in that regard subject to some legal advice that we were seeking from both the Attorney General's Office and the Goldwater Institute.

So Mr. Collins, if you'll update us on where we are with those requests.

MR. COLLINS: Mr. Chairman, Members of the
Board, Mark Collins, one of the attorneys for the District.

Yes, I inquired of the Goldwater Institute. I've asked the Goldwater Institute to comment upon my analysis that this District is not subject to the gift clause. They declined.

Recently, the Attorney General has responded by saying the District doesn't qualify under the statutes to be able to ask for an Attorney General's opinion. I can take issue with that, but they are the ones that make that decision. They have said that if a legislator were to make that inquiry, then they could render an opinion.

But that's where we stand. It remains my opinion that while you were subject to several limitations on how you expend money, the Arizona Gift Clause is not one of them.

CHAIRMAN McCUSKER: Will you inform us and the public in the meeting, kind of go through what we are authorized to spend money on?

MR. COLLINS: Yeah. It's a little complicated, but I'll try to be simple about it.

Generally speaking, this Board, the District, is authorized to spend money on two things. The primary component, which is the TCC. You are also
authorized to expend money on secondary components.
The secondary components are structures or property that is within the District and that this Board determines are necessary or beneficial to the primary component and that they are on site. I said that twice.

You can spend money on property or structures in the District if you make the determination that they are beneficial to the primary component. The closer to the TCC the more beneficial, one would say. So you can spend money that way.

You have two sources of income principally. The State's funds, the State TIF revenues, you have to spend on publicly-owned property; others you aren't so limited.

So the presentation that the January 8th Memorial did back when the Board authorized 75,000 subject to third-party confirmation about the gift clause, what they are building is on public property. I believe it's on County property. It's properties maintained by the City of Tucson. So that's where you are.

After having said that, let me add one more thing. Since the January 8 Memorial presented to this Board, I've had communications with them, and the
process that they are following is a procurement process. They are seeking to get ideas and architects to design the memorial, and they are going about it just like you folks did with the arena parcel. So to the extent they are spending public money, they are doing it through a procurement process, much like you folks are used to.

CHAIRMAN McCUSKER: Stay there for a minute vis-a-vis the motion.

So the motion we made was to approve this funding subject to the opinion of the AG and consultation with Goldwater. We've really not received either.

MR. COLLINS: True.

CHAIRMAN McCUSKER: So it seems to me it would require a whole new action, right, if we wanted to pursue this investment?

MR. COLLINS: Correct. And it was third-party confirmation, as I read the motion, reread the motion. The Attorney General was the one specifically mentioned, told you what they said, went ahead and did Goldwater as well, and they declined. So it would require, yes.

CHAIRMAN McCUSKER: All right.

What's your pleasure?
MR. SHEAFE: Mr. Chairman, given that nobody wants to tell us for sure, and our own counsel is telling us we are not in violation of the gift clause and we already made a decision to make that investment, it seems to me only appropriate that a motion be put forth, which I am currently doing, that the 75,000 be authorized without the restriction of the gift clause review.

MR. IRVIN: I'll second.

CHAIRMAN McCUSKER: Is that clear?

MR. COLLINS: It is.

CHAIRMAN McCUSKER: Any questions, comments? Sir.

MR. COLLINS: My only thought would be, during the questions and comments, I don't know whether you want to authorize that immediately, whether you want appropriate documentation or what. But that motion gives me the direction that I need short of that.

MR. IRVIN: I might add, I'm pretty sure that they've already started spending that money.

MR. COLLINS: They have.

MR. IRVIN: They're probably been waiting on us to clear up. So I didn't make the motion, but I would hope we didn't have that those kinds of timing
restrictions on it.

CHAIRMAN McCUSKER: Do you see the need for an agreement between us and them as to what they intend to do with these funds?

MR. COLLINS: Michelle, you've received invoices, yes?

MS. BETTINI: No.

MR. COLLINS: Oh, you haven't?

MS. BETTINI: No.

CHAIRMAN McCUSKER: My suggestion would be that there be something very simple that requires January 8 Memorial to submit invoices and the District then to pay them up to the $75,000. Given their use of the money, it's in the procurement process, I think that give us some protection about public funds. So if your motion is to instruct me to --

MR. SHEAFE: The motion is so amended.

MR. COLLINS: Okay.

CHAIRMAN McCUSKER: That would need to be seconded.

MR. IRVIN: Yes.

CHAIRMAN McCUSKER: The amendment would be to authorize you to draft an agreement as to how this money will be used and invoiced?

MR. COLLINS: Right.
JUDGE ISRAEL: Mr. Hill.

MR. HILL: Mr. Chairman, in discussion on other areas, I would hope, once again, we would confine ourselves to brick and mortar; that we're not going to be funding some boondoggle party or something that's not brick and mortar.

MR. COLLINS: Mr. Hill, the presentation that the January 8 Memorial made some time ago is that this would be seed money to get the architect on Board to do the brick and mortar. It's not for a party.

But it is -- the RFP or RFQ -- forgive me, I don't recall which it was -- went out nationally for firms to do the design, there were some limits on travel expenses. And as I recall, and I may be off by a few bucks, but it's, like, five -- or 5000, $7500 total travel expenses for the various people. And then the people that are winnowed by the evaluation committee, they come back again, there may be another 5000. It's that kind of expense, Mr. Hill, that they are going to be using.

MR. HILL: Okay.

CHAIRMAN McCUSKER: Michelle, call the roll.

MS. BETTINI: Jeff Hill.

MR. HILL: No.

MS. BETTINI: Chris Sheafe.
MR. SHEAFE: Yes.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Yes.

MS. BETTINI: Jannie Cox.

MS. COX: Yes.

MS. BETTINI: Cody Ritchie.

MR. RITCHIE: Yes.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Yes.

By a vote of five to one, motion cares.

(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: Mark, if you will expedite that agreement.

MR. COLLINS: Yes, Your Honor.

CHAIRMAN McCUSKER: Streetscape project.

This has turned out to be more complicated than any of us imagined, but in the settlement agreement with the City we did commit to expend $750,000 for Streetscape improvements downtown. We've also entangled ourselves with our own procurement code in this process. We can't just give somebody $750,000, so we're going to have to procure the work.

Part of the conversation has been to use third parties to do that. As we discussed in Executive Committee earlier today, we can also take advantage of
the intergovernmental agreement we have with the City
of Tucson and procure under their procurement code,
which would include their current list of open
contractors.

So we need some direction from the Board so
we can proceed with counsel to draft the appropriate
agreements to get these projects underway.

MR. SHEAFE: Mr. Chairman, I propose that we
authorize counsel to put together an agreement with the
City that accomplishes several things. First, it
accomplishes the ability to complete the work so that
the dollars actually go into hard improvements; and
that we receive, because this is a settlement issue,
dollar for dollar credit against that settlement
obligation. And I would leave the rest of that
agreement open to counsel to work it out so that
functioning it works smoothly without trying to put
other preconditions on it, since it's a bit of a
negotiation to get that done.

CHAIRMAN McCUSKER: Is that a motion or was
that a story?

MR. SHEAFE: A story about a motion.

CHAIRMAN McCUSKER: Let's talk about it for a
minute. Maybe we can come back with something more
precise.
We have a process in place that we used for the TCC. We had contractors that had a scope of work, the City has to concur, they did their work, they sent us a bill, City cosigned the invoice, we paid the invoice. Seems to me we have procedurally the systems in place, Chris, to do exactly that.

And can you incorporate that same process, Mark, in agreement to deal with the Streetscape fund.

MR. COLLINS: Yes. It's very similar to what you folks did at the TCC and very similar to what Treasurer Sheafe was talking about. Except the difference between the TCC and the Streetscape, the District owns the TCC. So you contracted -- the District contracted with the contractors, and the -- you recall GNP one and GNP two and all of that sort of thing.

This would be a little bit different because virtually all of the improvements of Streetscapes and so on and so forth are going to be either on or adjacent to City right of way or easements and so forth. So it can be very similar. Just the contracting party would be the City as opposed to the District, and it should be able to run very smoothly, Mr. Sheafe, as you suggested. I think we can do that.

CHAIRMAN McCUSKER: Can we simply make a
motion to instruct you to draft the agreements accordingly?

MR. COLLINS: You can. And I would urge and I think -- and bring it back to you folks for final approval at the next meeting. That shouldn't be a problem.

CHAIRMAN McCUSKER: Okay.

MS. COX: I would like to be sure we have some say over who the project manager is.

MR. COLLINS: If I may address that, Mr. Chairman.

The current draft allows the District to designate a project manager within 15 days of the agreement being signed. We could change that and make that part of the agreement.

I would advise you against that just because you would like to be able to change it perhaps. But that's certainly part of the deal.

MS. COX: Okay.

MR. SHEAFE: Just to add a comment, I think there's every possibility it may turn into two or three projects, meaning it's actually three different things going on. We call it one project, but it's really this little project and that, and that may be different on each of those three. So that's why we need a lot of
flexibility in what you draft.

MR. COLLINS: The outline that has been discussed involves phases, which is what I believe you're talking about.

CHAIRMAN McCUSKER: Do you want to try a motion in 25 words or less?

MR. IRVIN: Why don't we have Mark make the motion. You can just say "I do."

MR. SHEAFE: I think that would and a good idea.

MR. IRVIN: Mark, what do you think?

MR. COLLINS: If I don't know if I can do in 25 words or less.

But you might consider making a motion to direct me to work with the City to create an agreement that will fulfill the District's obligations under paragraph 12 of the settlement agreement, which is the Streetscape, and that it be done in such a fashion as to expedite -- too many words already -- to expedite the process to do that.

How is that for you?

MR. SHEAFE: That's fine.

MS. COX: Second.

MR. COLLINS: I'm sorry. And that would be subject to your final approval, yes.
CHAIRMAN McCUSKER: Your appropriate response would be "so moved."

MR. SHEAFE: So moved. But, yeah, we don't want --

MR. IRVIN: My response is I second it.

MR. SHEAFE: I want to make clear we're giving you authorization to draft agreement in accordance with paragraph 12 of the settlement agreement that gives the flexibility necessary to get this done quickly.

MR. COLLINS: Yes, sir.

MR. SHEAFE: And we get dollar for dollar credit for every dollar we pay in against the settlement amount, which was $750,000.

MR. IRVIN: I still second it.

CHAIRMAN McCUSKER: We have a motion and second.

Michelle, call the roll.

MS. BETTINI: Jeff Hill.

MR. HILL: Aye.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Aye.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Aye.

MS. BETTINI: Jannie Cox.
MS. COX: Aye.

MS. BETTINI: Cody Ritchie.

MR. RITCHIE: Aye.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Aye.

(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: By a vote of six to zero, motion appears to pass.

Thank you very much for that.

The arena site, I think everyone in this community knows that it's deeply saddened by the announcement that Alfie Norville passed away just a couple weeks ago from complications from hip surgery. We want to take a moment to really express our gratitude to her and to the Norville family for the efforts they've made toward the Gem Show in this community. I think our interest in these projects, to a large extent, go back 30 years when Alfie envisioned and was the founder of the initial Gem Show.

So given that, Nor-Gen has asked for a brief extension of our feasibility period, which I think only makes sense under the circumstances.

Mark, do you have anything more specific? Is it a 30-day request?

MR. COLLINS: Yes.
CHAIRMAN McCUSKER: Go ahead.

MR. COLLINS: Mr. Chairman, Members of the Board, I communicated with Pat Lopez, who represents Nor-Gen in this particular matter, and specifically they've asked for a 30-day extension both of the feasibility period and the title evaluation period.

The current feasibility period expires on April 27th. That would extend that feasibility period to May 27th. The title commitment period currently expires on March 5th of this year. That would extend it -- if you do 30 days, that gets us to April 4th, which is a Saturday. I would recommend that we not extend it to a Saturday, but we make it to the following Monday, April 6th.

MR. IRVIN: Make a motion to approve that.

MS. COX: Second.

CHAIRMAN McCUSKER: All in favor say aye.

(Board responds en masse aye.)

CHAIRMAN McCUSKER: Any opposed? Nay.

(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: So that's probably something you're doing in writing, Mr. Collins?

MR. COLLINS: Yes. Mr. Chairman, Members of the Board, what I will do is, as counsel for this Board and Mr. Lopez is counsel for Nor-Gen, we will
memorialize that and submit that with our signatures to
the escrow office.

CHAIRMAN McCUSKER: Item 10, we've been
working with the Rialto Theatre for several months now
on a possible acquisition of the theatre from the Rio
Nuevo District. They've had an appraisal, they've had
conversation with their lenders. They are not
entirely, ready but pretty close to being ready.

So we can hear where they are or you could
opt to give them some more time. What's the Board's
pleasure?

MR. IRVIN: I guess I'd like to ask if they
are ready? Because I think we had a little bit of a
miscue and miscommunication. I'll take some blame for
that.

But I had been telling the Board, don't worry
about it, they've got their big fundraiser coming up on
Saturday. They weren't ready. They said, is there a
way we can kind table this, and I said sure, that's
fine. And meanwhile, I didn't realize they had talked
to you. You said, no, we'll plan to see you at the
deal.

So I'm not sure if they are ready. If they
are ready, fine; if they are not ready, I would rather
table, but --
MR. PARKER: We're ready.

MR. IRVIN: Okay.

CHAIRMAN McCUSKER: All right.

We'll go ahead.

MR. PARKER: I'm Hubert Parker, the Rialto Theatre Foundation Board President. And I appreciate you guys letting us talk to you today.

If you would, I would like to use this board to just put everything in perspective for you.

CHAIRMAN McCUSKER: Please do.

And for the Board, we do have letter in our packet.

Michelle, are these out there if anybody wants one?

Do that little a sideways so the public can see it. Kind of slant it.

MR. PARKER: Can everybody kind of see it?

CHAIRMAN McCUSKER: No.

MR. COLLINS: They are the important ones.

CHAIRMAN McCUSKER: You can turn it. We can see it at the side. That will work.

MR. PARKER: Okay. We've had a number -- we've had a proposal to you, we've got an appraisal, and I want to just do the big picture. I think it would help to put everything in perspective.
We've had a lot of numbers thrown around.

I'm going to start with this one.

CHAIRMAN McCUSKER: Say that number out loud so it gets into the Minutes.

MR. PARKER: $2,250,000. This is the IGA strike price for the purchase of the theatre at the end of our 40-year lease.

MR. COLLINS: No. No.

A VOICE: Strike price today.

MR. PARKER: This number goes to zero at the end of our 40-year lease.

At the October meeting we said we would get an appraisal, and we did, and it came back to this number.

MR. COLLINS: Say it.

MR. PARKER: Which is 1,075,000.

CHAIRMAN McCUSKER: This is not your appraisal, this is the bank's?

MR. PARKER: This is the bank's appraisal.

And according, this is a lease-fee interest, the value of the theatre, again, based on the IGA. Okay.

Within this appraisal there's this figure.

CHAIRMAN McCUSKER: Say them out loud.

MR. PARKER: I will. It's hard for me to write and talk.
CHAIRMAN McCUSKER: Only way to get in the Minutes.

MR. PARKER: $1,750,000. Basically, a fair value of the property today.

But for this to be basically relevant, that has to go away, the IGA, because nobody is going to pay $1,750,000 for something that we can maybe buy for 1.3 in 10 years or something.

CHAIRMAN McCUSKER: Go back to zero in 40 years.

MR. PARKER: Correct. So our meeting -- we've talked about this and I got some recommendation that I took to heart that said, what is the best theatre the foundation can do. So I took that to heart, went back to our bank, went back to the Board, and I said, what's the most we can -- they came back 1,300,000.

MS. COX: Hubert, may I ask, did you just speak with one bank or did you talk to other banks?

MR. PARKER: We have a banking relationship, line of credit with National Bank of Arizona.

But with this figure now there's a covenant they are going to put on us, okay, to lend us this money. They are asking us to raise 300,000 in two years to build out a green room, an office space within
the footprint of the theatre. That way -- right now we're encumbered with renting this, the building behind the Rialto, paying about $3700 a month. And we went back and talked about it, said we can do this. So the foundation is willing to commit to investing $1,600,000 into the theatre.

I want to ask you, say we have -- when I say "we", the foundation, Rio Nuevo, downtown, has a really good thing going right now. The east side of downtown is rocking, to use a term. We have a first class Executive Director, we have an excellent staff, we have a dedicated and enthusiastic Board, and we also have -- and I don't use this term lightly -- up and down the whole ladder quite a passion for what we're doing. And you can ask -- go up and ask them.

James, you will find James in the marquee making sure the bar is kept stock in one of our many sold-out shows. Or ask Gretchen, who is head of our security, who came up to me during the Marty Stuart show and said, can you point out the couple that are here from England, I want to move them up to a couple of vacant seats in the front row, which she did.

So I'm asking the Board, Rio Nuevo, to accept our proposal offer to purchase the theatre. Take $1,300,000, reposition it where you think it will best
be utilized, and let's all celebrate success.

Thank you.

CHAIRMAN McCUSKER: To be clear, Hubert, the National Bank of Arizona committed to a $1.3 million loan?

MR. PARKER: Yes, sir.

CHAIRMAN McCUSKER: All of that purchase price would come from the bank?

MR. PARKER: Yes, it will.

CHAIRMAN McCUSKER: Is there any conditions other than -- is there any --

MR. PARKER: Other than the 300,000 we have to raise, no.

CHAIRMAN McCUSKER: How quickly could they close?

MR. PARKER: Within 60 days.

MR. IRVIN: What happens, heaven forbid, if you are unable to raise that $300,000 for the green room and the admin office, what happens then?

MR. PARKER: That would be a discussion between us and the National Bank of Arizona. We will raise it. We're confident of that.

MR. IRVIN: That's the one piece that makes me a little bit nervous.

CHAIRMAN McCUSKER: Well, he's right. We've
got the money.

    MR. PARKER: You got the money. It's between us and the bank.

    CHAIRMAN McCUSKER: It's 200 grand over the appraisal, and it's the most the bank's going to give you.

    MR. PARKER: That's it.

    MR. IRVIN: Couldn't tell from reading this, and I'm glad you clarified it, it sounded like, you know, you're ready to buy it, but you're going to have wait 24 months.

    It wasn't clear to me when I read this if the bank was in for a million three, but they weren't going fund it till you raised the 300, which you just said that's not the case. It's the side agreement with you guys and the bank, and in 60 days you're ready to close.

    MR. PARKER: That's correct.

    MR. IRVIN: You've been in there since day one. Probably not a lot of huge inspection; if there is, you guys are responsible for it.

    MR. PARKER: We're buying as-is.

    CHAIRMAN McCUSKER: So Chris, the offer that is in our packet, the bank appraisal came in at a million 75. The option strike price is $2,250,000.
That diminishes annually to zero over the term of the lease. So if we leave the lease in place, at some point we get nothing. The 1.750 is market value if it did not have the underlying lease.

So they've offered us $1.3 million, which would be totally funded by the National Bank of Arizona. The bank has a condition on them that they have to raise an additional $300,000.

MR. PARKER: We have two years, 24 months.

We'll do that.

MR. SHEAFE: I didn't realize you had the 24 months.

CHAIRMAN McCUSKER: You would close within 60 days.

MR. PARKER: Yes, sir.

MR. IRVIN: Tell you what I like about it, you know, A, it's nice to see the Rialto doing well, have weathered probably toughest storm you guys could weather. I like what you guys are doing. I tell you, for me, I look at that $1.3 million, and I think Fletcher's comments about, you know, adopting that San Diego model, which we actually did on the AC Marriott, actually exceeded that. And I just kind of look at than 1.3 and I see that I could probably do about $8 million worth of development that we might be able
to prompt downtown. I think it's a good way to go.

I will say this. One of the things that I
would need to ensure was in the contract, and Chris
would have this exact same issue, we're both licensed
real estate brokers in the State of Arizona. We're not
being paid anything to serve on this Board, much less
in this sale. We have no fiduciary duty to the
foundation in this transaction, and that just -- Mark
knows that standard language. But I'm going to insist
that that language is in there to protect both Chris
and myself, because that is a requirement that we
disclose that, regardless of being compensated or not.

CHAIRMAN McCUSKER: Mark, if we approved
this, you still have to write a purchase agreement?

MR. COLLINS: Yes.

CHAIRMAN McCUSKER: That would be subject to
kind of standard real estate terms and law, as-is,
where-is, and it goes into escrow.

MR. RITCHIE: Mr. Chairman, are we to vote on
this today?

CHAIRMAN McCUSKER: We can do whatever we
want. We can ponder on it.

You were talking about that for a minute. Is
there likely anything that's going to change for this
offer between now and March or --
MR. PARKER: Nothing is going to change.

CHAIRMAN McCUSKER: Bank's all in?

MR. PARKER: Banks all in. This is the best we can do.

MR. RITCHIE: Mr. Collins, what's your recommendation on this, wait to vote on this, vote on it conditionally?

MR. COLLINS: The agenda is such that you can vote on this today. If you decided to make a motion to authorize the attorney for the foundation, Rialto Foundation, and me to prepare the documents necessary to do this deal, including the language that Mr. Irvin mentioned, we can. I don't think there's any problem. Mr. McGrath and I do can do that by the next meeting, bring it back to you, and you can authorize the execution.

MR. RITCHIE: When I made that motion, I think this is a win-win.

Curtis, I applaud you. I think you guys are the shining light in the Rio Nuevo District. You know, I started going down there when Paul and Jeb tried to get that thing started almost 20 years ago. And to see where you guys have come, and Mike and Hubert, it's very encouraging. Get that money and the leverage to redevelop. This is a proverbial win-win. This is
fantastic.

MS. COX: I would like to echo what Cody says, that I recall four years ago when we talked about the Rialto, and I toured the Rialto with Curtis, and there was a lot of -- huge concern, are we going to get through the next six months of operation, and for good reason. And you weathered all of that and have come out, as Cody said, a shining star on a east end of downtown. And I think it's outstanding.

So I commend all of you for what you have accomplished through really tough times.

MR. IRVIN: I don't know if that motion's been seconded. I would definitely second that motion.

I would also mention that if anybody doesn't know, the Rialto has their big fundraiser on Saturday. I think tickets are only, what, 75 bucks.

MR. PARKER: 125 for a couple.

MR. IRVIN: I bought mine. If you see me there, as Curtis knows, that I buy everything. So got to be there for that. You can wear jeans if you want to.

MR. PARKER: Yes, you may.

CHAIRMAN McCUSKER: Mr. Collins, historically, I have been recused from issues around the Rialto. I was a guarantee of their debt in 2009,
Would it satisfy yourselves that enough time has lapsed that I can vote?

MR. COLLINS: Yes. Mr. Chairman, I'm confident that the -- your conflict terminated, I want to say, in January of '10, and it's my analysis that the tail on that conflict has expired. So in my judgment you are not conflicted now.

CHAIRMAN McCUSKER: We have a motion and second.

Any questions, further comments?

Michelle, call the roll.

MS. BETTINI: Cody Ritchie.

MR. RITCHIE: Yes.

MS. BETTINI: Jannie Cox.

MS. COX: Yes.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Absolutely.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Yes.

MS. BETTINI: Jeff Hill.

MR. HILL: Aye.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Aye.

(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: So by a vote of six to
zero, you can buy yourselves a theatre.

We'll instruct Mr. Collins to prepare the necessary documents between now and the next meeting. You're going to be busy.

MR. PARKER: Thank you very much. Thank you very much. Congratulations.

A VOICE: Thank you all very much.

CHAIRMAN McCUSKER: This thread's a little different. We're talking about $126,50 in item number 13.

And I assume, Mark, 13 and 14 are kind of the same thing? Is there something in 14 that does not pertain to 13? I know we have the -- I skipped 12, didn't I?

MR. COLLINS: Yeah.

CHAIRMAN McCUSKER: Skipped everything.

MR. COLLINS: Skipped 11.

CHAIRMAN McCUSKER: Let me come back to -- I'm having too much fun with the Rialto.

Mission Garden, project item 11. We think we're dangerously close to having an agreement that everybody can move forward on.

And just to clarify for the Board and the public, we can avoid some of the procurement issues that we're having with the Streetscape by assigning to
the Friends of Tucson Birthplace the existing contracts
between the contractor and architect and the District
that were properly procured. And you've been working
on language that accomplishes that.

We have basically an agreement, per the
settlement, to fund $1.1 million. You have a document
that's pretty close if we instruct you to move forward.
I think we've had some questions about the scope of the
work. So go ahead.

MR. COLLINS: Mr. Chairman, Members of the
Board, the draft of the agreement that you've seen and
that we have discussed is the final version or the last
version that was provided to the Friends of Tucson
Birthplace folks. It specifically mentions the
$1.1 million commitment that you folks made to the City
in the settlement agreement. I believe with the -- the
biggest hurdle that we had was procurement, and the
money that you were expending is public money. Public
money needs to be spent appropriately, and procurement
is part of that.

A long time ago, I want to say 2005, there
were -- there was procurement the City did for both a
contractor and for a design professional that were
procured and entered into. Those agreements were
suspended for quite some time.
And what the agreement that you have seen and that the Friends of Tucson Birthplace have received, contemplates the District assigning its interest in those contracts to Friends of Tucson Birthplace. And the contractor's releasing the District from any further obligation, thereby, in the opinion of Mr. Schmalz and me, we can satisfy the procurement requirements that way.

The agreement that you have seen and that I've reviewed with you includes a scope that is attached to it. It rounds up $1,100,000. It has some entries in it. The way the agreement is currently written, however, the Mission Gardens will have to come back to you to get approval for each step of the way. You're committing 1.1 million to the Friends, but there is a process by which you can elect to take a bigger hand in how that money is spent or not. But that's up to you.

CHAIRMAN McCUSKER: Clarify that for us, because -- how do we fund these projects?

Is it similar to what we just did on the Streetscape and the TCC?

MR. COLLINS: Right.

CHAIRMAN McCUSKER: So there will be procured contractors, there's an agreed upon scope, they do the
MR. COLLINS: Yeah.

CHAIRMAN McCUSKER: When we hit 1.1, we're done?

MR. COLLINS: Correct.

CHAIRMAN McCUSKER: We have a scope attached to the agreement, which, generally, I think we agree to. So the issue would be if they wanted, I guess, to change the scope or to do something differently with the money.

MR. COLLINS: The contract will be between Friends and the contractor. And there will be invoices from the contractor to Friends, which Friends will then get to the District. And the District has, as I recall, 14 days to make those payments.

It's a three-party agreement now. We also have the City involved in this for the same reason that we had the City involved in most of these agreements that arise out of the settlement agreement, because your commitment of $1.1 million in the settlement was not to Friends, but it was to the City of Tucson. This you will be committing 1.1 million to Friends subject to the terms of the agreement, and the City is a party to it, because I want make sure the 1.1 million that you fund to this credits dollar for dollar against the
Chairman McCusker: I don't know how the rest of you feel, but I don't want to do this month in, month out till they spend the money. Seems to me, if we've agreed upon the scope, the only thing we would be concerned is if they make a material change to that scope, otherwise, we would authorize them to go forth and spend the money.

What do you all want to do?

Mr. Irvin: I agree.

Mr. Sheafe: They've given us kind of the outline budget. Frankly, that outline budget had to have been guessing at elements. They are going to put the details into it, and that will be evident in the invoices that they turn in. And we can let that continue as long as we have dollar for dollar credit and as long as we stop the payments when we get to 1.1 million, then we fulfilled the settlement agreement.

Chairman McCusker: Do you have the scope attachment?

Mr. Collins: I do.

Chairman McCusker: Can we talk about it in the open session?

Mr. Collins: Sure.
MR. SHEAFE: What I was referring to, you've got a $600,000 line in there which refers to a toilet.

CHAIRMAN McCUSKER: Bill, can you speak to this, Mr. O'Malley?

MR. O'MALLEY: Sure.

CHAIRMAN McCUSKER: Come on up. We need to see a copy of it.

MR. O'MALLEY: Chairman, Board members, Bill O'Malley.

CHAIRMAN McCUSKER: Stand by, Bill. Let me read the scope into the record, and if you will help clarify for us.

So this is an attachment to the contract, Exhibit B, scope of work. As Mark said, $.1 million. So Phase I, items A and B, you have architects, storage, electrical, plantings. Obviously, it's a garden, so we would hope to see that. Some landscaping, small project management fee. That's the first 300 grand.

The second phase you have $600,000 -- I think that's probably our big question -- assigned to the interpretive structure and restrooms. And landscaping, water, harvesting, additional parking, equipment and project management.

So probably the thing that needs the most
clarification is the $600,000 interpretive structure and restrooms.

Anybody want any other --

MR. IRVIN: No. That's it.

MR. O'MALLEY: That interpretive structure, we're calling it the educational center, was actually part of the original construction.

CHAIRMAN McCUSKER: State your name again.

MR. O'MALLEY: I did. Bill O'Malley with Friends of Tucson Birthplace.

The $600,000 for the interpretive structure was part of the original construction documents from Mission Garden. And it includes approximately 1500-square-foot building that has toilets, some additional storage space, some exhibit space, work room slash conference room.

CHAIRMAN McCUSKER: How many square feet did you say?

MR. O'MALLEY: Approximately 1500 square feet.

And that building would be used both for exhibit materials, interpretation, meetings and administration of the garden by the Friends of Tucson Birthplace.

It also includes about a 1500-square-foot
ramada, open-air structure adjacent to it, where a lot
of the educational programs for the garden would occur.

These numbers were based on the cost
estimates prepared by Lloyd Construction and used as
part of the -- these estimates were based on the
construction cost estimates from Lloyd Construction
back when the walls were built.

MR. SHEAFE: Bill, that's really -- you got a
1500-square-foot building. It's not going to cost you
$400 a foot to build basically a demonstration and a
bathroom. And it's hard to estimate these things, so
I'm not being disrespectful in the comment.

You're going to refine these numbers as you
figure out what you're going to do. You've been do
doing this a long time. You're not going for waste
money.

MR. O'MALLEY: Yes.

MR. SHEAFE: The idea is to give you the
freedom to make the most judicial choices you can make
to move this project along as far as you can, make sure
that we fulfill our commitment with our 1.1 million.
If you spend more than that, you guys will figure out
other resources to take care of it. We've settled with
the City, and you get as much as -- as big a bang for
those bucks as you can possibly arrange.
MR. O'MALLEY: Right.

MR. SHEAFE: That's really the intent of the motion.

MR. O'MALLEY: Right. The Friends have an obligation, through our agreement with the City and the County, to complete the planning of the garden by the end of next year.

So that's our plan.

CHAIRMAN McCUSKER: Would you want any further detail on that?

MR. SHEAFE: I don't think it's appropriate at this time.

CHAIRMAN McCUSKER: I believe we can entertain a motion.

We don't have a motion, do we?

MR. COLLINS: You don't.

CHAIRMAN McCUSKER: All right.

MR. SHEAFE: Do you want to try that, Mark, with 25 words or less?

MR. IRVIN: Make a motion that we move forward, the same structure that we pretty much had put in place with the City, and instruct you to wrap up the agreements with the Friends of Tucson Birthplace.

MR. COLLINS: Excuse me. You're asking -- I guess what you're saying is that you're approving the
form of the agreement we discussed.

MR. IRVIN: Right.

MR. COLLINS: And that you are authorizing the executive officers to execute that agreement when it is finalized so that it can move forward.

MR. IRVIN: Sounds good. Yes.

MS. COX: Second.

MR. IRVIN: Sorry. I was listening to Chris too much and got a little verbose.

MR. COLLINS: We'll do that.

CHAIRMAN McCUSKER: Mr. Irvin made a motion, as dictated by counsel, seconded by Jannie.

Michelle, call the roll.

MS. BETTINI: Jeff Hill.

MR. HILL: Aye.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Aye.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Aye.

MS. BETTINI: Jannie Cox.

MS. COX: Aye.

MS. BETTINI: Cody Ritchie.

MR. RITCHIE: Aye.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Aye.
(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: Okay. The west side parcel, item number 12.

Mark, do we actually know where the deed is?

MR. COLLINS: Not only do we know where the deed is, it's been in escrow, it's been executed by the Mayor. And there are only a couple of things that you folks need to decide and we can close escrow, so title for the west side parcel will be in the name of the District.

One of the conditions of this transfer has been that the District give to the City, give back to the City an easement so that -- access easement to the monitor well that lies on the Mission Avenue right at the north of the property. You have seen that easement. It is drafted in such a way that it is appurtenant to City property and, thus, continues on.

You need to decide whether you want to grant that easement. My recommendation is that you do.

You also have to decide whether to go forward with the landfill cap maintenance agreement that I have worked on with the City.

Generally speaking, a landfill cap is just that, dirt on top of the property. This property was a landfill. This dirt is a cap on that landfill. There
is some maintenance requirements for that.

The City's Environmental Services Department has offered, and the agreement that we have discussed makes the Environmental Services authorized, and will continue to maintain that cap until you folks decide to develop the property. You need to decide whether you want to proceed forward with that.

CHAIRMAN McCUSKER: So the only thing we need to do is finish this with the City to approve the easement for the well and for monitoring purposes and approve the cap agreement?

MR. COLLINS: Yes. And I would add to that --

CHAIRMAN McCUSKER: We've seen those --

MR. COLLINS: We have.

CHAIRMAN McCUSKER: -- and approved them as presented.

MR. IRVIN: The title insurance issue.

MR. COLLINS: That you have given me instruction on, and that's all I need.

CHAIRMAN McCUSKER: Do you need these in separate motions or do you need --

MR. COLLINS: I'd also ask that you authorize the execution of these documents by the executive officers. You could do them all in one motion, but
based on my understanding of instructions from the Board, the monitor well may be something that you want to address separately.

MS. COX: Mark, is that easement going to be contingent on that well being -- continuing to need monitoring, so that when they stop monitoring the well the easement goes away?

MR. COLLINS: Currently, Ms. Cox, it is not. Currently, it is perpetual.

I don't see a problem with the City agreeing to make the easement terminate if and when the requirement that that well be monitored terminates. In other words, it would coterminous with that obligation. I do not see the City having a problem with that.

CHAIRMAN McCUSKER: So the motion would have to be to approve subject to that change.

MR. COLLINS: Yes.

CHAIRMAN McCUSKER: Because the current document doesn't contemplate that.

MR. COLLINS: Correct.

CHAIRMAN McCUSKER: Let's take up the well first.

Jannie, do you want to move that we adopt that subject to --

MS. COX: Yes. I move that we adopt the
easement agreement that we discussed contingent upon
the easement ceasing when the City ceases to monitor
the well.

MR. COLLINS: Understood.
CHAIRMAN McCUSKER: Second, please.
MR. SHEAFE: Second.
CHAIRMAN McCUSKER: All in say favor say.
(Book responds en masse aye.)
(Motion moved, seconded and passed.)
CHAIRMAN McCUSKER: The cap agreement is
exactly as we saw in Executive Session?
MR. COLLINS: Correct.
CHAIRMAN McCUSKER: Motion to approve that.
MR. IRVIN: So moved.
MS. COX: Second.
CHAIRMAN McCUSKER: All in favor say aye.
(Book responds en masse aye. Motion moved,
seconded and passed.)
MR. COLLINS: I would ask, Mr. Chairman,
Members of the Board, that you authorize the executive
officers to execute those once I finished them.
MR. SHEAFE: So moved.
MR. IRVIN: Second.
CHAIRMAN McCUSKER: All in favor say aye.
(Board responds en masse aye.)


(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: Move to 13, 14. I was so anxious about this $126.

Are they, in fact, the same thing, 13 and 14?

Is there something we need to do on 13 first and then --

MR. COLLINS: They are separately agendized because they are different properties. They are adjacent to each other.

As some of the members of the Board that have been on here longer, the history of these are kind of -- I won't say tortured, but it's at the very least interesting. You own the duplex, the District owns the duplex.

CHAIRMAN McCUSKER: This is behind the Presidio on the --

MR. COLLINS: Yes. It's to the west.


CHAIRMAN McCUSKER: Court and Washington.

MR. COLLINS: And you -- the District also owns the Presidio museum and restrooms. It's a separate parcel. Title came a little bit differently, but the genesis of them was about the same. They've
always been talked about at the same time, but they are separate topics.

CHAIRMAN McCUSKER: Who operates the museum?

MR. COLLINS: The City.

CHAIRMAN McCUSKER: Do we lease it to the City or --

MR. COLLINS: Yeah. The District leases the District's property to the City. The City own the Presidio itself, but the District owns the annex building, which includes the restrooms and museum.

CHAIRMAN McCUSKER: Gift store, whatever, the museum proper?

MR. COLLINS: Yes. The District leases that property to the City.

CHAIRMAN McCUSKER: Gotcha. We've had a request from the Presidio Trust, which are the operators under agreement with the City, correct?

MR. COLLINS: No, not quite.

CHAIRMAN McCUSKER: Okay. Go on.

MR. COLLINS: All right. Let's stay with item 13.

The Presidio Trust, as far as I know, doesn't yet have an agreement with the City. The City and Presidio Trust are negotiating an agreement by which the Tucson Presidio Trust will manage not only the
Presidio, but also the annex, I'll call it. It's
Presidio museum and office and restrooms. They are
negotiating that agreement. It is not yet an
agreement, but it's going to happen soon. I've seen
the final draft. Mayor and Council will be seeing it
shortly.

CHAIRMAN McCUSKER: That's nothing to do with
us.

MR. COLLINS: That has nothing to do with you
directly.

CHAIRMAN McCUSKER: So they have requested of
us, as the owners, permission to renovate the historic
building.

MR. COLLINS: It's the duplex, which is
adjacent to the other parcels.

CHAIRMAN McCUSKER: So they are going to do
that with contributions from the community and
volunteers, particularly from the assistance of Cox
Communications.

So, one, they are asking us for permission to
do the renovation.

MR. COLLINS: Right.

CHAIRMAN McCUSKER: That's an item in and of
itself, which as the owners, we have to grant.

MR. COLLINS: Yeah.
CHAIRMAN McCUSKER: And as I understand it, the renovations have been sanctioned by the Historical Commission.

MR. COLLINS: Yeah. That's my understanding as well. Based upon my communication, that is true, that the Minor Historical Committee has approved what these folks are proposing to do.

The agenda item 13 is clean up, renovation of the exterior of the building. And Mr. Chairman, as you say, they need permission, otherwise, they'll be trespassing on District property.

CHAIRMAN McCUSKER: Also, you can't just throw stucco on this historical building. So it has to meet certain standards. But Mr. Mabry's okay with all that.

And they've asked us to pay the design fee, $126.50.

MR. COLLINS: Correct.

CHAIRMAN McCUSKER: So to the Board, do you want to entertain that together or do you want to give them permission to deal with it separately?

Clearly, we're getting supplies, labor, you know, renovation to historical standards, and we're not having to pay. So why wouldn't we approve that?

MR. SHEAFE: So moved. That we approve the
work on the building as presented earlier.

CHAIRMAN McCUSKER: Second, please.

MR. IRVIN: I'll second that.

CHAIRMAN McCUSKER: Going to talk about the fee in a minute.

All in favor say aye.

(Board responds en masse aye.)

CHAIRMAN McCUSKER: Opposed? No.

(Motion moved, seconded and passed.)

CHAIRMAN McCUSKER: So the subsequent request is to pay the design fee.

MS. COX: So moved.

MR. SHEAFE: Actually, I think it's a permit fee.

CHAIRMAN McCUSKER: Some on the Board have expressed concern that this is a slippery slope. We start paying design fees, then everybody's going to want us to pay for something. This is, in fact, Rio Nuevo property. And that's $126.

MS. COX: So moved.

CHAIRMAN McCUSKER: I'm not hearing a second.

MR. SHEAFE: All right. Let's see if we can make this a little simple.

It's our property. It is a fee to the City.

I was originally pushing to say the City ought to pay
their own fees, since they benefit as well.

CHAIRMAN McCUSKER: Wait a minute. Is it a fee against the --

MR. SHEAFE: They waive it.

CHAIRMAN McCUSKER: However, they may or may not have been --

MS. COX: The motion on --

CHAIRMAN McCUSKER: Motion died for lack of second.

MR. SHEAFE: This is a new motion.

I'm going to propose that we agree to pay this fee for the benefit of getting the work done on our building, under the condition that we not be asked for one more penny on this project and that it be clearly noticed that the only reason we are willing to consider it is because we own the building and the work is being provided bow pro bono.

CHAIRMAN McCUSKER: Nobody's jumping at that one. It will die without a second.

MS. COX: Second.

CHAIRMAN McCUSKER: Okay. Anybody want to discuss this? Are you ready to vote on this?

MR. IRVIN: I would like to.

CHAIRMAN McCUSKER: $126.

MR. IRVIN: I agree with Chris. I don't
think it's the money, it's kind of the principal of the thing.
I think this is another example of something the District has no business owning. You know, we look at how we've repositioned our discussions with the Rialto, so they are taking that and they'll own it, allow us to reposition. I think the same thing applies here.
I have no idea what this stuff is worth. I know it's historic; some of it is, some of it isn't. I would love to see at some point in time the Presidio Trust come back to us with a proposal to own this thing. Of course, I think they need to work on the financial stability, which the Rialto has, obviously, already done.
So with that caveat, that's all I've got to say.
CHAIRMAN McCUSKER: In the meantime, we've authorized the work.
Chris made a motion and has a second to pay the permit fee of $126.50.
All in favor say aye.
(Board responds en masse aye.)
CHAIRMAN McCUSKER: Any opposed? Nay.
(Motion moved, seconded and passed.)
CHAIRMAN McCUSKER: Okay. Item 14. Mark,
I'm still confused. Does this have anything to do with
item 13?

MR. COLLINS: You actually don't at this
point.

I just want to point out to the Members of
the Board at this point, the lease that you have for
this property is kind of orphaned property. You get
paid five dollars a year for it, and it is an annual
lease and it renews automatically, unless you decide to
terminate it in advance of the date, which is next
week. So you've got it for one more year. The City's
leasing it, you get another five bucks.

The City is in the process, as I mentioned to
you, of negotiating an arrangement with the Tucson
Presidio Trust whereby they will maintain that
property, as well the Presidio. And in that agreement
the District is being named an additional insured for
everything they do. We're not a party to that
agreement, we don't have to approve anything with that
agreement, but I wanted you to be aware of it. That's
where that's going.

CHAIRMAN McCUSKER: You all know, I think,
but this is part of the entanglements we inherited from
the old Rio Nuevo. This is -- what did the District
spend on this Presidio project, four-and-a-half million dollars?

MR. COLLINS: Yeah.

CHAIRMAN McCUSKER: And we lease it to the City for five dollars a year.

MR. COLLINS: Well, $751,000 of District money was spent -- 751,907, to be precise -- to acquire the Presidio for the City.

CHAIRMAN McCUSKER: I think additional millions of dollars went into the renovation.

MR. COLLINS: Yes. Yes.

CHAIRMAN McCUSKER: I agree with Mark. It would it be nice to unentangle ourselves in this at some point. But in the meantime, we do own the building and the bathrooms and the property next door, which is in disrepair.

Do we need to authorize you to extend this five-dollar lease?

MR. COLLINS: No, you don't have to. That's the thing, it's an automatic renewal. There may be -- at this point in time the agreement between the City for managing the Presidio and your property has not been approved by Mayor and Council. Currently, it does not list the District as a party.

I've expressed my opinion that it doesn't
have to list the District as a party, as long as the District is listed as an additional insured, because the agreement between the City and the Presidio Trust is not a lease. It specifically says it's not a lease, that's is use agreement and operating agreement. So they're not a subtenant, they don't need your approval.

CHAIRMAN McCUSKER: Okeydoke.

Item 15. Counsel advised us that this is adjacent to a Humberto HSL project where Chris Sheafe and I are recused. We will recuse ourselves from this item.

But, just generally, let me comment on the idea. We've been approached by the City, the City owes us $22 million, they've suggested to us that they might like to trade some land in exchange for a debt reduction. They've identified this parcel, but there are other opportunities which I believe we'd be very interested in pursuing, which we can sell, re-purpose, redefine, do a deal with a developer.

But since this is adjacent to and may somehow bundle up with HSL, Chris and I will step down.

So, Mr. Irvin, you're in charge, and I'll come back.

MR. IRVIN: So a little history.

You know, Jannie Cox and I had a chance to
meet with a number of people on City staff and showed a
number of different items and issues in and around the
TCC. One of which came to light was the parcel behind
the Symphony Hall. The City has had it appraised.

We've expressed an interest in potentially
reducing the debt on the parking garage where they owe
us $22 million. There's been an appraisal that the
City has secured and provided to counsel. I've had a
chance to review that appraisal. There's actually two
numbers that are associated with it. One is part of
the larger overall TCC, which is really not
appropriate, and the one is a standalone parcel, which
is really what I think we're interested in.

To me, I think it's a smart parcel for us to
explore. It still requires -- if this Board approved
it, it will still require the City to agendize it and
go and get the Mayor and Council to approve it.

But they have had it appraised. The
standalone price is 1.89 million. I reviewed that
appraisal, I talked to the appraiser, and I'm
comfortable with that appraisal.

I can tell you that, currently, that 1.2-acre
site is being used as a parking garage that has 141
spaces on it. We've had discussions with many people
about that parcel, you know, the University of Arizona,
we've had discussions with a number of different
developers, including Humberto Lopez. I don't
personally, right now, have my mind made up at all on
who's the best person for us to have the discussions
with about that parcel. There's probably a lot that
the Board should reach out to and have a discussion
with about that.

But here is a parcel that is sitting there,
that is just sitting there. It's within and surrounds
our primary component. I think it's an important piece
on the chessboard for us. It allows us to maybe be
part of some bigger discussions. I think in the future
we will have some other discussions about some other
things that surround the TCC arena, but for now I think
this is a good opportunity for us as a Board to acquire
a piece, grab a spot on the chessboard, so that we can
start to move some of those pieces around. Right now
we don't have that. I think if we're going to get some
things happening downtown on that side, it's only going
to happen because of us.

Fletcher's right. We've had a number of
discussions with the Mayor, some of the Council people,
and just -- we've got a number of parcels sitting
downtown. They are parcels that are not being
utilized. If there's not plans for those, you got to
put those in the hands of somebody who will make
something happen with them.

I think it's a perfect opportunity for us, because there is a desire on the part, best we can
tell, on Mayor and Council to reduce as much debt as
they possibly can. And, in my mind, this is us taking
a parcel that really we're just swapping ownership in
one for ownership in another, and one that we can
re-purpose.

So I would like to see us move forward with a
of purchase of this property, and entertain a motion
and any further discussions.

MS. COX: According to the agenda, it doesn't
say that action can be taken.

MR. COLLINS: Yeah, it is.

MS. COX: It does?

MR. IRVIN: Yep.

MR. COLLINS: Possible action.

MR. IRVIN: Possible action.

MR. RITCHIE: Mark, can you repeat the
motion, please?

MR. IRVIN: I would like to see a motion,

Cody, that the Board would authorize us to approach the
City and say, we would like to buy this parcel, we've
reviewed your appraisal, and subject to Mayor and
Council approving it, we want to move forward with the purchase of this parcel at $1.89 million, and a swap of debt that they currently owe us for Depot Garage.

Mark, did I summarize that properly?

MR. COLLINS: Yes, you did.

Mr. Secretary, Mr. Chair at the moment, I would think that you would want to authorize the discussions so that representatives of this Board could work with the City, Mayor and Council and their representatives to define any other terms before the agreement is prepared. But you might want to also authorize the preparation of an agreement to bring back to you next month, if that's what you wanted to do.

MR. IRVIN: I think that's a great part to add to the motion.

I also would like to see Jannie Cox involved in those efforts as well. I'm not sure if anybody else on the Board would like to be involved in that. I know that we may have some issues relative to quorum. I'm not sure how that impacts us with two of the members that are gone.

But I think Jannie has been pretty involved in a lot of this stuff, and I would like -- Jannie, I don't feel how you feel, but I would love to see you included in continuing those negotiations.
MS. COX: I would definitely like to be part of those discussions. But I'm just questioning whether or not we need a motion to proceed or can we just direct you to --

MR. COLLINS: Yeah. If you want to proceed with --

MR. IRVIN: Possibility of a --

MS. COX: To discuss possibility of requirement. So we can take action?

MR. COLLINS: Yes.

MS. COX: Then so moved on the aforementioned.

MR. RITCHIE: This is not binding. This is just to negotiate.

MR. IRVIN: So Cody -- counsel, please chime in here. So what I would expect would happen is we would instruct counsel to go back to the City Attorney, Mike Rankin, and advise him that the District would like to move forward and ask them to place that on the agenda for City Council. Once the City Council takes it up, they'll come back to us and say, hey, yea or whatever. Then at that point in time, based upon what they say --

MR. RITCHIE: This is land City owns?
MR. IRVIN: This is land the City owns, correct. And my hope that is we find some others like this, Cody, that --

MR. RITCHIE: Well, the question being, it would be swapped for land. Is that the next phase of it?

MR. IRVIN: Yeah. So what would happen is the counsel says, hey, that's fine, we agree with that. And what would happen next is we would instruct counsel to draft agreements and go back and forth with the City's attorney, at which point in time it would come back to us for approval. We would -- again, we would swap debt on one for ownership in the other.

MR. COLLINS: Member Ritchie, just for your benefit, perhaps the audiences, paragraph -- or section five of the settlement agreement with the City obligates the City to make annual payments to the District for quite some time. In 2014 it's 183,000 a year, 2016 it's 285 a year, then those payments increase by four percent every year thereafter.

What the City is looking for, as I understand it, is some relief from those obligations in exchange for title to this property going to the District.

MR. IRVIN: When they come back we would have to allocate the 1.89 against that current debt
structure that they owe us and recast that debt at that
time. So they would have to come back to this Board to
approval the final documents.

MR. HILL: Question on the motion.

MR. IRVIN: Yes. Do you want to call for it?

MR. HILL: Yes.

MS. COX: We don't have a second for the
motion.

MR. RITCHIE: One point.

MR. IRVIN: Counsel, do we have a motion and
second?

MR. COLLINS: Yes. He's called for the
question.

MR. RITCHIE: Can you withdraw that, Jeff,
and make it again in a second, so I can ask one
question?

MR. HILL: Sure.

MR. RITCHIE: Why did our two other members
have to recuse themself?

MR. COLLINS: Because of me.

MR. IRVIN: Because of our mean old attorney.

MR. COLLINS: Because of me. There has been
discussion of possibly bundling this property up in a
transaction with Mr. Lopez or HSL Properties, and Board
member Sheafe and McCusker are conflicted out.
There is no indication at this point that that's where this is going to go, but I'm a nervous lawyer when it comes to conflict issues, and that's why I've suggested that they recuse themselves.

MR. IRVIN: Would you like to call for the question?

MR. HILL: I would, Mr. Chairman.

MR. IRVIN: Call roll.

MS. BETTINI: Cody Ritchie.

MR. RITCHIE: Aye.

MS. BETTINI: Jannie Cox.

MS. COX: Aye.

MS. BETTINI: Jeff Hill.

MR. HILL: Aye.

MS. BETTINI: Mark Irvin.

MR. IRVIN: Aye.

(Motion moved, seconded and passed.)

MR. IRVIN: You can have your chair back.

MS. COX: Who seconded?

MS. BETTINI: You did.

MR. IRVIN: I believe she made the motion and I seconded.

MR. COLLINS: I think it's the other way.

MR. IRVIN: Okay. I'm still in charge.

Fletcher has vacated.
Do we have any calls to the audience?

No calls to the audience.

Need a motion to adjourn.

MR. HILL: Move to adjourn.

MS. COX: So moved.

(Motion moved, seconded and passed.)
CERTIFIED REPORTER'S CERTIFICATE

STATE OF ARIZONA ☐
COUNTY OF PIMA ☐

BE IT KNOWN that I took the foregoing proceedings; that I was then and there a Certified Reporter, CR No. 50218, in the State of Arizona; that said proceedings were reduced to writing by me.

WITNESS MY HAND this 25th day of February 2015.

___________________________
ANTHONY C. GARCIA, RDR, CR
Certified Reporter No. 50218