

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

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

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1 APPEARANCES:

2 BOARD MEMBERS PRESENT:

3 Fletcher McCusker, Chairman

4 Jeffrey Hill

5 Chris Sheafe

6 Mark Irwin

7 Jannie Cox

8 Cody Ritchie

9

10 Mark Collins, Board Counsel

11 Michelle Bettini, Operations Administrator

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

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P R O C E E D I N G S

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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.

1 MR. SHEAFE: So moved.

2 MS. COX: Second.

3 CHAIRMAN McCUSKER: All in favor say aye.

4 (Board responds en masse aye.)

5 CHAIRMAN McCUSKER: Any opposed?

6 (Motion moved, seconded and passed.)

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

10 MR. SHEAFE: So moved.

11 CHAIRMAN McCUSKER: Need a second.

12 MR. IRVIN: Second.

13 CHAIRMAN McCUSKER: All in favor say aye.

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

16 (In Executive Session.)

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

19 MR. IRVIN: Second.

20 MS. COX: So moved.

21 CHAIRMAN McCUSKER: All right.

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

23 All in favor say aye.

24 (Board responds en masse aye. Motion move,
25 seconded and passed.)

1 CHAIRMAN McCUSKER: Following our agenda item
2 five, people have asked me to kind of update the public
3 on a number of things we're working on that may not be
4 on the agenda for decisive action today, but we've
5 talked about them. I think, generally, people track
6 these and follow us, but just a couple of quick
7 updates.

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

22 So we remain committed to TCC and its
23 progress. The response to the arena remodel has been
24 quite extraordinary. Bookings they tell me are up,
25 international interest is up, and people really

1 appreciate the work that was done there. So we'll move
2 pretty rapidly. I think by April we should see a scope
3 that we can bring to the Board to define budget, like
4 we did with Phase I.

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

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

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

1 and money they are putting into that complex.

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

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

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

21 And you probably all have seen some of the
22 excitement around covenants that we've asked for, what
23 our attorneys will call restrictive covenants in terms
24 of major decisions the Fox Board can and can't make
25 without our input. I think we'll see that on the March

1 agenda.

2 And, Mark, anything you can tell us briefly
3 on what's going on with the AC and --

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

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

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

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

19 MS. BETTINI: Yes, sir.

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

23 In all three of our accounts we have
24 approximately \$7.9 million. We still have \$75,000 with
25 the City of Tucson. We are still holding that for the

1 retention for the TCC arena. We have a total of 7.9 in
2 all accounts, including the TCC.

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

9 CHAIRMAN McCUSKER: Any questions of
10 Michelle?

11 Thank you very much.

12 Item seven, the January 8th Memorial.

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

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

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

1 Board, Mark Collins, one of the attorneys for the
2 District.

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

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

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

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

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

23 Generally speaking, this Board, the District,
24 is authorized to spend money on two things. The
25 primary component, which is the TCC. You are also

1 authorized to expend money on secondary components.
2 The secondary components are structures or property
3 that is within the District and that this Board
4 determines are necessary or beneficial to the primary
5 component and that they are on site. I said that
6 twice.

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

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

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

23 After having said that, let me add one more
24 thing. Since the January 8 Memorial presented to this
25 Board, I've had communications with them, and the

1 process that they are following is a procurement
2 process. They are seeking to get ideas and architects
3 to design the memorial, and they are going about it
4 just like you folks did with the arena parcel. So to
5 the extent they are spending public money, they are
6 doing it through a procurement process, much like you
7 folks are used to.

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

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

14 MR. COLLINS: True.

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

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

24 CHAIRMAN McCUSKER: All right.

25 What's your pleasure?

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

9 MR. IRVIN: I'll second.

10 CHAIRMAN McCUSKER: Is that clear?

11 MR. COLLINS: It is.

12 CHAIRMAN McCUSKER: Any questions, comments?

13 Sir.

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

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

22 MR. COLLINS: They have.

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

1 restrictions on it.

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

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

7 MS. BETTINI: No.

8 MR. COLLINS: Oh, you haven't?

9 MS. BETTINI: No.

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

17 MR. SHEAFE: The motion is so amended.

18 MR. COLLINS: Okay.

19 CHAIRMAN McCUSKER: That would need to be
20 seconded.

21 MR. IRVIN: Yes.

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

25 MR. COLLINS: Right.

1 JUDGE ISRAEL: Mr. Hill.

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

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

11 But it is -- the RFP or RFQ -- forgive me, I
12 don't recall which it was -- went out nationally for
13 firms to do the design, there were some limits on
14 travel expenses. And as I recall, and I may be off by
15 a few bucks, but it's, like, five -- or 5000, \$7500
16 total travel expenses for the various people. And then
17 the people that are winnowed by the evaluation
18 committee, they come back again, there may be another
19 5000. It's that kind of expense, Mr. Hill, that they
20 are going to be using.

21 MR. HILL: Okay.

22 CHAIRMAN McCUSKER: Michelle, call the roll.

23 MS. BETTINI: Jeff Hill.

24 MR. HILL: No.

25 MS. BETTINI: Chris Sheafe.

1 MR. SHEAFE: Yes.

2 MS. BETTINI: Mark Irvin.

3 MR. IRVIN: Yes.

4 MS. BETTINI: Jannie Cox.

5 MS. COX: Yes.

6 MS. BETTINI: Cody Ritchie.

7 MR. RITCHIE: Yes.

8 MS. BETTINI: Fletcher McCusker.

9 CHAIRMAN McCUSKER: Yes.

10 By a vote of five to one, motion carries.

11 (Motion moved, seconded and passed.)

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

14 MR. COLLINS: Yes, Your Honor.

15 CHAIRMAN McCUSKER: Streetscape project.

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

23 Part of the conversation has been to use
24 third parties to do that. As we discussed in Executive
25 Committee earlier today, we can also take advantage of

1 the intergovernmental agreement we have with the City
2 of Tucson and procure under their procurement code,
3 which would include their current list of open
4 contractors.

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

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

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

22 MR. SHEAFE: A story about a motion.

23 CHAIRMAN McCUSKER: Let's talk about it for a
24 minute. Maybe we can come back with something more
25 precise.

1 We have a process in place that we used for
2 the TCC. We had contractors that had a scope of work,
3 the City has to concur, they did their work, they sent
4 us a bill, City cosigned the invoice, we paid the
5 invoice. Seems to me we have procedurally the systems
6 in place, Chris, to do exactly that.

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

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

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

25 CHAIRMAN McCUSKER: Can we simply make a

1 motion to instruct you to draft the agreements
2 accordingly?

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

7 CHAIRMAN McCUSKER: Okay.

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

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

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

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

19 MS. COX: Okay.

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

1 flexibility in what you draft.

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

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

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

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

11 MR. IRVIN: Mark, what do you think?

12 MR. COLLINS: If I don't know if I can do in
13 25 words or less.

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

21 How is that for you?

22 MR. SHEAFE: That's fine.

23 MS. COX: Second.

24 MR. COLLINS: I'm sorry. And that would be
25 subject to your final approval, yes.

1 CHAIRMAN McCUSKER: Your appropriate response
2 would be "so moved."

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

5 MR. IRVIN: My response is I second it.

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

11 MR. COLLINS: Yes, sir.

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

15 MR. IRVIN: I still second it.

16 CHAIRMAN McCUSKER: We have a motion and
17 second.

18 Michelle, call the roll.

19 MS. BETTINI: Jeff Hill.

20 MR. HILL: Aye.

21 MS. BETTINI: Chris Sheafe.

22 MR. SHEAFE: Aye.

23 MS. BETTINI: Mark Irvin.

24 MR. IRVIN: Aye.

25 MS. BETTINI: Jannie Cox.

1 MS. COX: Aye.

2 MS. BETTINI: Cody Ritchie.

3 MR. RITCHIE: Aye.

4 MS. BETTINI: Fletcher McCusker.

5 CHAIRMAN McCUSKER: Aye.

6 (Motion moved, seconded and passed.)

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

9 Thank you very much for that.

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

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

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

25 MR. COLLINS: Yes.

1 CHAIRMAN McCUSKER: Go ahead.

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

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

15 MR. IRVIN: Make a motion to approve that.

16 MS. COX: Second.

17 CHAIRMAN McCUSKER: All in favor say aye.

18 (Board responds en masse aye.)

19 CHAIRMAN McCUSKER: Any opposed? Nay.

20 (Motion moved, seconded and passed.)

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

23 MR. COLLINS: Yes. Mr. Chairman, Members of
24 the Board, what I will do is, as counsel for this Board
25 and Mr. Lopez is counsel for Nor-Gen, we will

1 memorialize that and submit that with our signatures to
2 the escrow office.

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

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

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

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

23 So I'm not sure if they are ready. If they
24 are ready, fine; if they are not ready, I would rather
25 table, but --

1 MR. PARKER: We're ready.

2 MR. IRVIN: Okay.

3 CHAIRMAN McCUSKER: All right.

4 We'll go ahead.

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

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

10 CHAIRMAN McCUSKER: Please do.

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

13 Michelle, are these out there if anybody
14 wants one?

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

17 MR. PARKER: Can everybody kind of see it?

18 CHAIRMAN McCUSKER: No.

19 MR. COLLINS: They are the important ones.

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

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

1 We've had a lot of numbers thrown around.

2 I'm going to start with this one.

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

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

8 MR. COLLINS: No. No.

9 A VOICE: Strike price today.

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

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

15 MR. COLLINS: Say it.

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

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

19 MR. PARKER: This is the bank's appraisal.
20 And according, this is a lease-fee interest, the value
21 of the theatre, again, based on the IGA. Okay.

22 Within this appraisal there's this figure.

23 CHAIRMAN McCUSKER: Say them out loud.

24 MR. PARKER: I will. It's hard for me to
25 write and talk.

1 CHAIRMAN McCUSKER: Only way to get in the
2 Minutes.

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

5 But for this to be basically relevant, that
6 has to go away, the IGA, because nobody is going to pay
7 \$1,750,000 for something that we can maybe buy for 1.3
8 in 10 years or something.

9 CHAIRMAN McCUSKER: Go back to zero in 40
10 years.

11 MR. PARKER: Correct. So our meeting --
12 we've talked about this and I got some recommendation
13 that I took to heart that said, what is the best
14 theatre the foundation can do. So I took that to
15 heart, went back to our bank, went back to the Board,
16 and I said, what's the most we can -- they came back
17 1,300,000.

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

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

22 But with this figure now there's a covenant
23 they are going to put on us, okay, to lend us this
24 money. They are asking us to raise 300,000 in two
25 years to build out a green room, an office space within

1 the footprint of the theatre. That way -- right now
2 we're encumbered with renting this, the building behind
3 the Rialto, paying about \$3700 a month. And we went
4 back and talked about it, said we can do this. So the
5 foundation is willing to commit to investing \$1,600,000
6 into the theatre.

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

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

23 So I'm asking the Board, Rio Nuevo, to accept
24 our proposal offer to purchase the theatre. Take
25 \$1,300,000, reposition it where you think it will best

1 be utilized, and let's all celebrate success.

2 Thank you.

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

6 MR. PARKER: Yes, sir.

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

9 MR. PARKER: Yes, it will.

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

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

14 CHAIRMAN McCUSKER: How quickly could they
15 close?

16 MR. PARKER: Within 60 days.

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

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

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

25 CHAIRMAN McCUSKER: Well, he's right. We've

1 got the money.

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

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

7 MR. PARKER: That's it.

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

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

18 MR. PARKER: That's correct.

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

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

23 CHAIRMAN McCUSKER: So Chris, the offer that
24 is in our packet, the bank appraisal came in at a
25 million 75. The option strike price is \$2,250,000.

1 That diminishes annually to zero over the term of the
2 lease. So if we leave the lease in place, at some
3 point we get nothing. The 1.750 is market value if it
4 did not have the underlying lease.

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

9 MR. PARKER: We have two years, 24 months.
10 We'll do that.

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

13 CHAIRMAN McCUSKER: You would close within 60
14 days.

15 MR. PARKER: Yes, sir.

16 MR. IRVIN: Tell you what I like about it,
17 you know, A, it's nice to see the Rialto doing well,
18 have weathered probably toughest storm you guys could
19 weather. I like what you guys are doing. I tell you,
20 for me, I look at that \$1.3 million, and I think
21 Fletcher's comments about, you know, adopting that San
22 Diego model, which we actually did on the AC Marriott,
23 actually exceeded that. And I just kind of look at
24 than 1.3 and I see that I could probably do about
25 \$8 million worth of development that we might be able

1 to prompt downtown. I think it's a good way to go.

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

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

15 MR. COLLINS: Yes.

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

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

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

23 You were talking about that for a minute. Is
24 there likely anything that's going to change for this
25 offer between now and March or --

1 MR. PARKER: Nothing is going to change.

2 CHAIRMAN McCUSKER: Bank's all in?

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

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

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

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

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

1 fantastic.

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

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

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

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

17 MR. PARKER: 125 for a couple.

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

22 MR. PARKER: Yes, you may.

23 CHAIRMAN McCUSKER: Mr. Collins,
24 historically, I have been recused from issues around
25 the Rialto. I was a guarantee of their debt in 2009,

1 2010. Would it satisfy yourselves that enough time has
2 lapsed that I can vote?

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

8 CHAIRMAN McCUSKER: We have a motion and
9 second.

10 Any questions, further comments?

11 Michelle, call the roll.

12 MS. BETTINI: Cody Ritchie.

13 MR. RITCHIE: Yes.

14 MS. BETTINI: Jannie Cox.

15 MS. COX: Yes.

16 MS. BETTINI: Mark Irvin.

17 MR. IRVIN: Absolutely.

18 MS. BETTINI: Chris Sheafe.

19 MR. SHEAFE: Yes.

20 MS. BETTINI: Jeff Hill.

21 MR. HILL: Aye.

22 MS. BETTINI: Fletcher McCusker.

23 CHAIRMAN McCUSKER: Aye.

24 (Motion moved, seconded and passed.)

25 CHAIRMAN McCUSKER: So by a vote of six to

1 zero, you can buy yourselves a theatre.

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

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

7 A VOICE: Thank you all very much.

8 CHAIRMAN McCUSKER: This thread's a little
9 different. We're talking about \$126.50 in item number
10 13.

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

15 MR. COLLINS: Yeah.

16 CHAIRMAN McCUSKER: Skipped everything.

17 MR. COLLINS: Skipped 11.

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

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

23 And just to clarify for the Board and the
24 public, we can avoid some of the procurement issues
25 that we're having with the Streetscape by assigning to

1 the Friends of Tucson Birthplace the existing contracts
2 between the contractor and architect and the District
3 that were properly procured. And you've been working
4 on language that accomplishes that.

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

10 MR. COLLINS: Mr. Chairman, Members of the
11 Board, the draft of the agreement that you've seen and
12 that we have discussed is the final version or the last
13 version that was provided to the Friends of Tucson
14 Birthplace folks. It specifically mentions the
15 \$1.1 million commitment that you folks made to the City
16 in the settlement agreement. I believe with the -- the
17 biggest hurdle that we had was procurement, and the
18 money that you were expending is public money. Public
19 money needs to be spent appropriately, and procurement
20 is part of that.

21 A long time ago, I want to say 2005, there
22 were -- there was procurement the City did for both a
23 contractor and for a design professional that were
24 procured and entered into. Those agreements were
25 suspended for quite some time.

1 And what the agreement that you have seen and
2 that the Friends of Tucson Birthplace have received,
3 contemplates the District assigning its interest in
4 those contracts to Friends of Tucson Birthplace. And
5 the contractor's releasing the District from any
6 further obligation, thereby, in the opinion of
7 Mr. Schmalz and me, we can satisfy the procurement
8 requirements that way.

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

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

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

23 MR. COLLINS: Right.

24 CHAIRMAN McCUSKER: So there will be procured
25 contractors, there's an agreed upon scope, they do the

1 work, they invoice us, we write them a check?

2 MR. COLLINS: Yeah.

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

5 MR. COLLINS: Correct.

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

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

16 It's a three-party agreement now. We also
17 have the City involved in this for the same reason that
18 we had the City involved in most of these agreements
19 that arise out of the settlement agreement, because
20 your commitment of \$1.1 million in the settlement was
21 not to Friends, but it was to the City of Tucson. This
22 you will be committing 1.1 million to Friends subject
23 to the terms of the agreement, and the City is a party
24 to it, because I want make sure the 1.1 million that
25 you fund to this credits dollar for dollar against the

1 settlement agreement number.

2 CHAIRMAN McCUSKER: I don't know how the rest
3 of you feel, but I don't want to do this month in,
4 month out till they spend the money. Seems to me, if
5 we've agreed upon the scope, the only thing we would be
6 concerned is if they make a material change to that
7 scope, otherwise, we would authorize them to go forth
8 and spend the money.

9 What do you all want to do?

10 MR. IRVIN: I agree.

11 MR. SHEAFE: They've given us kind of the
12 outline budget. Frankly, that outline budget had to
13 have been guessing at elements. They are going to put
14 the details into it, and that will be evident in the
15 invoices that they turn in. And we can let that
16 continue as long as we have dollar for dollar credit
17 and as long as we stop the payments when we get to
18 1.1 million, then we fulfilled the settlement
19 agreement.

20 CHAIRMAN McCUSKER: Do you have the scope
21 attachment?

22 MR. COLLINS: I do.

23 CHAIRMAN McCUSKER: Can we talk about it in
24 the open session?

25 MR. COLLINS: Sure.

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

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

5 MR. O'MALLEY: Sure.

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

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

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

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

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

25 So probably the thing that needs the most

1 clarification is the \$600,000 interpretive structure
2 and restrooms.

3 Anybody want any other --

4 MR. IRVIN: No. That's it.

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

8 CHAIRMAN McCUSKER: State your name again.

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

11 The \$600,000 for the interpretive structure
12 was part of the original construction documents from
13 Mission Garden. And it includes approximately
14 1500-square-foot building that has toilets, some
15 additional storage space, some exhibit space, work room
16 slash conference room.

17 CHAIRMAN McCUSKER: How many square feet did
18 you say?

19 MR. O'MALLEY: Approximately 1500
20 square feet.

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

25 It also includes about a 1500-square-foot

1 ramada, open-air structure adjacent to it, where a lot
2 of the educational programs for the garden would occur.

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

8 MR. SHEAFE: Bill, that's really -- you got a
9 1500-square-foot building. It's not going to cost you
10 \$400 a foot to build basically a demonstration and a
11 bathroom. And it's hard to estimate these things, so
12 I'm not being disrespectful in the comment.

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

17 MR. O'MALLEY: Yes.

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

1 MR. O'MALLEY: Right.

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

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

8 So that's our plan.

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

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

13 CHAIRMAN McCUSKER: I believe we can
14 entertain a motion.

15 We don't a have a motion, do we?

16 MR. COLLINS: You don't.

17 CHAIRMAN McCUSKER: All right.

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

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

24 MR. COLLINS: Excuse me. You're asking -- I
25 guess what you're saying is that you're approving the

1 form of the agreement we discussed.

2 MR. IRVIN: Right.

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

6 MR. IRVIN: Sounds good. Yes.

7 MS. COX: Second.

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

10 MR. COLLINS: We'll do that.

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

13 Michelle, call the roll.

14 MS. BETTINI: Jeff Hill.

15 MR. HILL: Aye.

16 MS. BETTINI: Chris Sheafe.

17 MR. SHEAFE: Aye.

18 MS. BETTINI: Mark Irvin.

19 MR. IRVIN: Aye.

20 MS. BETTINI: Jannie Cox.

21 MS. COX: Aye.

22 MS. BETTINI: Cody Ritchie.

23 MR. RITCHIE: Aye.

24 MS. BETTINI: Fletcher McCusker.

25 CHAIRMAN McCUSKER: Aye.

1 (Motion moved, seconded and passed.)

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

4 Mark, do we actually know where the deed is?

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

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

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

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

23 Generally speaking, a landfill cap is just
24 that, dirt on top of the property. This property was a
25 landfill. This dirt is a cap on that landfill. There

1 is some maintenance requirements for that.

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

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

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

14 CHAIRMAN McCUSKER: We've seen those --

15 MR. COLLINS: We have.

16 CHAIRMAN McCUSKER: -- and approved them as
17 presented.

18 MR. IRVIN: The title insurance issue.

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

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

23 MR. COLLINS: I'd also ask that you authorize
24 the execution of these documents by the executive
25 officers. You could do them all in one motion, but

1 based on my understanding of instructions from the
2 Board, the monitor well may be something that you want
3 to address separately.

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

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

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

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

17 MR. COLLINS: Yes.

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

20 MR. COLLINS: Correct.

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

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

25 MS. COX: Yes. I move that we adopt the

1 easement agreement that we discussed contingent upon
2 the easement ceasing when the City ceases to monitor
3 the well.

4 MR. COLLINS: Understood.

5 CHAIRMAN McCUSKER: Second, please.

6 MR. SHEAFE: Second.

7 CHAIRMAN McCUSKER: All in say favor say.

8 (Board responds en masse aye.)

9 CHAIRMAN McCUSKER: Opposed? Nay.

10 (Motion moved, seconded and passed.)

11 CHAIRMAN McCUSKER: The cap agreement is
12 exactly as we saw in Executive Session?

13 MR. COLLINS: Correct.

14 CHAIRMAN McCUSKER: Motion to approve that.

15 MR. IRVIN: So moved.

16 MS. COX: Second.

17 CHAIRMAN McCUSKER: All in favor say aye.

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

20 MR. COLLINS: I would ask, Mr. Chairman,
21 Members of the Board, that you authorize the executive
22 officers to execute those once I finished them.

23 MR. SHEAFE: So moved.

24 MR. IRVIN: Second.

25 CHAIRMAN McCUSKER: All in favor say aye.

1 (Board responds en masse aye.)

2 CHAIRMAN McCUSKER: Opposed? Nay.

3 (Motion moved, seconded and passed.)

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

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

7 Is there something we need to do on 13 first and

8 then --

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

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

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

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

20 MS. BETTINI: Washington.

21 CHAIRMAN McCUSKER: Court and Washington.

22 MR. COLLINS: And you -- the District also
23 owns the Presidio museum and restrooms. It's a
24 separate parcel. Title came a little bit differently,
25 but the genesis of them was about the same. They've

1 always been talked about at the same time, but they are
2 separate topics.

3 CHAIRMAN McCUSKER: Who operates the museum?

4 MR. COLLINS: The City.

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

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

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

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

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

18 MR. COLLINS: No, not quite.

19 CHAIRMAN McCUSKER: Okay. Go on.

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

22 The Presidio Trust, as far as I know, doesn't
23 yet have an agreement with the City. The City and
24 Presidio Trust are negotiating an agreement by which
25 the Tucson Presidio Trust will manage not only the

1 Presidio, but also the annex, I'll call it. It's
2 Presidio museum and office and restrooms. They are
3 negotiating that agreement. It is not yet an
4 agreement, but it's going to happen soon. I've seen
5 the final draft. Mayor and Council will be seeing it
6 shortly.

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

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

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

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

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

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

22 MR. COLLINS: Right.

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

25 MR. COLLINS: Yeah.

1 CHAIRMAN McCUSKER: And as I understand it,
2 the renovations have been sanctioned by the Historical
3 Commission.

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

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

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

16 And they've asked us to pay the design fee,
17 \$126.50.

18 MR. COLLINS: Correct.

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

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

25 MR. SHEAFE: So moved. That we approve the

1 work on the building as presented earlier.

2 CHAIRMAN McCUSKER: Second, please.

3 MR. IRVIN: I'll second that.

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

6 All in favor say aye.

7 (Board responds en masse aye.)

8 CHAIRMAN McCUSKER: Opposed? No.

9 (Motion moved, seconded and passed.)

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

12 MS. COX: So moved.

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

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

20 MS. COX: So moved.

21 CHAIRMAN McCUSKER: I'm not hearing a second.

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

24 It's our property. It is a fee to the City.
25 I was originally pushing to say the City ought to pay

1 their own fees, since they benefit as well.

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

4 MR. SHEAFE: They waive it.

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

7 MS. COX: The motion on --

8 CHAIRMAN McCUSKER: Motion died for lack of
9 second.

10 MR. SHEAFE: This is a new motion.

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

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

20 MS. COX: Second.

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

23 MR. IRVIN: I would like to.

24 CHAIRMAN McCUSKER: \$126.

25 MR. IRVIN: I agree with Chris. I don't

1 think it's the money, it's kind of the principal of the
2 thing.

3 I think this is another example of something
4 the District has no business owning. You know, we look
5 at how we've repositioned our discussions with the
6 Rialto, so they are taking that and they'll own it,
7 allow us to reposition. I think the same thing applies
8 here.

9 I have no idea what this stuff is worth. I
10 know it's historic; some of it is, some of it isn't. I
11 would love to see at some point in time the Presidio
12 Trust come back to us with a proposal to own this
13 thing. Of course, I think they need to work on the
14 financial stability, which the Rialto has, obviously,
15 already done.

16 So with that caveat, that's all I've got to
17 say.

18 CHAIRMAN McCUSKER: In the meantime, we've
19 authorized the work.

20 Chris made a motion and has a second to pay
21 the permit fee of \$126.50.

22 All in favor say aye.

23 (Board responds en masse aye.)

24 CHAIRMAN McCUSKER: Any opposed? Nay.

25 (Motion moved, seconded and passed.)

1 CHAIRMAN McCUSKER: Okay. Item 14. Mark,
2 I'm still confused. Does this have anything to do with
3 item 13?

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

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

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

23 CHAIRMAN McCUSKER: You all know, I think,
24 but this is part of the entanglements we inherited from
25 the old Rio Nuevo. This is -- what did the District

1 spend on this Presidio project, four-and-a-half million
2 dollars?

3 MR. COLLINS: Yeah.

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

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

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

11 MR. COLLINS: Yes. Yes.

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

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

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

25 I've expressed my opinion that it doesn't

1 have to list the District as a party, as long as the
2 District is listed as an additional insured, because
3 the agreement between the City and the Presidio Trust
4 is not a lease. It specifically says it's not a lease,
5 that's is use agreement and operating agreement. So
6 they're not a subtenant, they don't need your approval.

7 CHAIRMAN McCUSKER: Okeydoke.

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

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

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

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

24 MR. IRVIN: So a little history.

25 You know, Jannie Cox and I had a chance to

1 meet with a number of people on City staff and showed a
2 number of different items and issues in and around the
3 TCC. One of which came to light was the parcel behind
4 the Symphony Hall. The City has had it appraised.

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

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

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

22 I can tell you that, currently, that 1.2-acre
23 site is being used as a parking garage that has 141
24 spaces on it. We've had discussions with many people
25 about that parcel, you know, the University of Arizona,

1 we've had discussions with a number of different
2 developers, including Humberto Lopez. I don't
3 personally, right now, have my mind made up at all on
4 who's the best person for us to have the discussions
5 with about that parcel. There's probably a lot that
6 the Board should reach out to and have a discussion
7 with about that.

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

21 Fletcher's right. We've had a number of
22 discussions with the Mayor, some of the Council people,
23 and just -- we've got a number of parcels sitting
24 downtown. They are parcels that are not being
25 utilized. If there's not plans for those, you got to

1 put those in the hands of somebody who will make
2 something happen with them.

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

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

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

15 MR. COLLINS: Yeah, it is.

16 MS. COX: It does?

17 MR. IRVIN: Yep.

18 MR. COLLINS: Possible action.

19 MR. IRVIN: Possible action.

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

22 MR. IRVIN: I would like to see a motion,
23 Cody, that the Board would authorize us to approach the
24 City and say, we would like to buy this parcel, we've
25 reviewed your appraisal, and subject to Mayor and

1 Council approving it, we want to move forward with the
2 purchase of this parcel at \$1.89 million, and a swap of
3 debt that they currently owe us for Depot Garage.

4 Mark, did I summarize that properly?

5 MR. COLLINS: Yes, you did.

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

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

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

22 But I think Jannie has been pretty involved
23 in a lot of this stuff, and I would like -- Jannie, I
24 don't feel how you feel, but I would love to see you
25 included in continuing those negotiations.

1 MS. COX: I would definitely like to be part
2 of those discussions.

3 But I'm just questioning whether or not we
4 need a motion to proceed or can we just direct you
5 to --

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

8 MR. IRVIN: Possibility of a --

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

11 MR. COLLINS: Yes.

12 MS. COX: Then so moved on the
13 aforementioned.

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

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

25 MR. RITCHIE: This is land City owns?

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

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

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

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

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

24 MR. IRVIN: When they come back we would have
25 to allocate the 1.89 against that current debt

1 structure that they owe us and recast that debt at that
2 time. So they would have to come back to this Board to
3 approval the final documents.

4 MR. HILL: Question on the motion.

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

6 MR. HILL: Yes.

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

9 MR. RITCHIE: One point.

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

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

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

17 MR. HILL: Sure.

18 MR. RITCHIE: Why did our two other members
19 have to recuse themselves?

20 MR. COLLINS: Because of me.

21 MR. IRVIN: Because of our mean old attorney.

22 MR. COLLINS: Because of me. There has been
23 discussion of possibly bundling this property up in a
24 transaction with Mr. Lopez or HSL Properties, and Board
25 member Sheafe and McCusker are conflicted out.

1 There is no indication at this point that
2 that's where this is going to go, but I'm a nervous
3 lawyer when it comes to conflict issues, and that's why
4 I've suggested that they recuse themselves.

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

7 MR. HILL: I would, Mr. Chairman.

8 MR. IRVIN: Call roll.

9 MS. BETTINI: Cody Ritchie.

10 MR. RITCHIE: Aye.

11 MS. BETTINI: Jannie Cox.

12 MS. COX: Aye.

13 MS. BETTINI: Jeff Hill.

14 MR. HILL: Aye.

15 MS. BETTINI: Mark Irvin.

16 MR. IRVIN: Aye.

17 (Motion moved, seconded and passed.)

18 MR. IRVIN: You can have your chair back.

19 MS. COX: Who seconded?

20 MS. BETTINI: You did.

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

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

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

25 Fletcher has vacated.

1 Do we have any calls to the audience?

2 No calls to the audience.

3 Need a motion to adjourn.

4 MR. HILL: Move to adjourn.

5 MS. COX: So moved.

6 (Motion moved, seconded and passed.)

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STATE OF ARIZONA)
) ss.
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