RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

March 28, 2017

Tucson, Arizona

 Reported By:  Michael A. Bouley, RDR
                   Certified Reporter No. 50235

KATHY FINK & ASSOCIATES, INC.

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APPEARANCES:

BOARD MEMBERS:

Fletcher McCusker, Chairman
Mark Irvin
Jannie Cox
Edmund Marquez

ALSO PRESENT:

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

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, 400 West Congress Street, Suite 222, in the City of Tucson, State of Arizona, before MICHAEL A. BOULEY, RDR, Certified Reporter No. 50235, on the 28th day of March, 2017, commencing at the hour of 1:00 o'clock p.m.
CHAIRMAN MCCUSKER: Let's call the meeting to order. 1:02 Rio Nuevo time. We don't need him between now and --

MR. COLLINS: You need him for your quorum, don't you?

CHAIRMAN MCCUSKER: One, two, three, four.

(Pledge of allegiance recited.)


MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Here.

MS. HAGA-BLACKMAN: Ed Marquez?

MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN MCCUSKER: Here

MS. HAGA-BLACKMAN: We're not going to call Chris?

CHAIRMAN MCCUSKER: No.

MR. IRVIN: Why don't you text him? Just tell him to call after executive session.

CHAIRMAN MCCUSKER: You got Jannie?
MS. HAGA-BLACKMAN: Yes.

CHAIRMAN MCCUSKER: You have the transcriptions from the February 28th meeting. They have been sent to us in advance. They are verbatim. We need a --

MR. IRVIN: Approve.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All in favor, say aye?

(Board responds aye.)

CHAIRMAN MCCUSKER: Motion's approved.

This is the time we set aside for the executive session. We need a motion and second.

MS. COX: So moved.

MR. IRVIN: Second.

CHAIRMAN MCCUSKER: All in favor, say aye.

(Board responds aye.)

CHAIRMAN MCCUSKER: We should be back around 2 o'clock-ish.

(Recess for executive session.)

CHAIRMAN MCCUSKER: We need a motion to reconvene.

MS. COX: So moved.

CHAIRMAN MCCUSKER: Second, please?

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: We are reconvening at 2:15.

Thank you for your patience. We hate to be even 15
minutes late, but as you can see from our agenda, we have a lot of stuff going on. We're proud to be involved in your downtown.

We want to move to the agenda quickly. I do want to give you an update on some things that are not particularly on the agenda today.

But, a quick update on the Caterpillar project on the west side. We are engaged in site planning with our engineers. We are looking at the landfill issues, the sewer, power, water. We expect to have hard bids on all that in May, that we can react to regarding the eight and a half acre 150,000 square foot project for Caterpillar on the west side.

We were proud to be at the Greyhound terminal grand opening last week. They are -- love their new spot. They are doing great. Did a beautiful job. That's not a Rio Nuevo project that also enables the development of the former Greyhound lot, and Mr. Irvin will be pleased to know that the clock is now running on Norgen, so they have clearly a limited amount of time to develop what they have promised us they will develop. Actually, they are going to write you a big check.

MR. IRVIN: I want development. I don't want a check.

CHAIRMAN MCCUSKER: Yeah, I think we'd all like
to see development. A lot of inbound activities from apartments to hotels. We're moving in the -- ahead with Caliber. Caliber is in their due diligence mode regarding the 125-bed convention center hotel, which we intend to launch in partnership with them. And you'll see a lot of projects moving in the next few months that are partnered with private sector developers.

So Dan, you want to tell us how fast you're spending our money?

MR. MEYERS: I'm Dan Meyers, CFO of Rio Nuevo. Okay. As of the end of February, cash on hand was about 11.5 million. That's down. One primary reason is we didn't receive our November TIF allotment until March, so it was a month late. So that was a little over a million dollars. And then we received our December TIF allotment just last week, and that was a little over 1.1 million.

So again, our monthly budget, $1 million. I think overall for the year we are just a little below budget, but usually the first -- the spring months are pretty good. So I anticipate that -- getting to our budgeted amount.

Just a little -- a couple details here. The first line item, the funds held by Chapman for the Greyhound lease, that money will be disbursed to us here. They are doing the final closing on it and that will be
disbursed to us in the next couple weeks.

   Again, the Scion Bank balance is low because of the November TIF being received in March. Brandi and I have been reviewing the TIF collections for November and December. We are finding, you know, some merchants are late in paying or have gone a spell without paying, so we are turning those people over to City of Tucson. They do the legwork on that, and usually we get follow-up on those within a month or two.

   We're closing out the final payments to the Greyhound. We are waiting for the final retention billing and a couple change orders. Same thing with Tucson Community Center. We just got some retention to pay on that, a few other things outstanding. So that stuff is pretty much completed.

   Other than that, just same ol' same ol'. We'll get going on the budget the next fiscal year in the next couple weeks, get that approved, hopefully at the next meeting. Lucky. Just plugging along.

   Any questions?

   CHAIRMAN MCCUSKER: Some questions for Dan.

   Mr. Marquez?

   MR. MARQUEZ: Moving forward with all the different deals that we have working, do you have maybe like a five-year time line on income and expenses and
just kind of road map?

MR. MEYERS: I do.

MR. MARQUEZ: I'd love to see that. I don't
know if I need to see that in public session or if I need
to see that --

MR. MEYERS: Yeah, I have got to update it some.
I will update it after this meeting. But yeah, I've got
five-year projections out there, you know, trying to keep
our eye on the ball.

CHAIRMAN MCCUSKER: I think would be appropriate
as we look at the annual budget that maybe we look at a
five-year forecast. You know, the TIF, maybe even a
seven-year forecast. TIF sunsets in 2025. So Dan's been
doing the work kind of on the side. So I think all he
needs is for us to ask him to present.

MR. MEYERS: We have it as part of the
performance audit. We were asked to do that. So it's
there. It's a work in process, and I can certainly
update it.

MR. MARQUEZ: Great. Yeah, I'd love to see
it.

CHAIRMAN MCCUSKER: So we'll plan on adding that
to the '18, I guess, the fiscal '18 budget presentment.

MR. MEYERS: Sounds good.

CHAIRMAN MCCUSKER: Anything else for Dan?
Thank you very much.

MR. MEYERS: You bet.

CHAIRMAN MCCUSKER: Item 7 on the agenda, we are pleased to introduce to you some of our new friends from New York. The Project for Public Spaces is here. We've been touring the Sunshine Mile for the last couple of days, literally looking at virtually every property along that corridor, two-mile corridor. We've met with the City staff. We've met with the Regional Transportation Authority. We've met with a number of stakeholders along the Broadway corridor.

To refresh your memory, the mayor and council have approved us and PPS involvement in Sunshine Mile of the Broadway corridor. There are some 50 remnant properties, maybe more, that will end up affected by the widening. They do not all need to be demolished. So our objective is to try and revitalize as many of those as we can and convert them to taxpaying retail businesses.

Meg, if you want to come up and introduce yourself and talk about how successful you've been everyplace else. And welcome to Tucson.

MS. WALKER: Thank you. And I am Meg Walker, senior vice president at Project for Public Spaces, and I'd like to introduce my colleague Alessanadra Galletti, who is our architect, and we have worked a number of
projects together.

We are so happy to be here. This has been really actually a very interesting day and a half, and learning all about Sunshine Mile, meeting countless people at this point, stakeholders, and the City. So we've actually been, you know, drinking out of a firehose here the last couple days. So we've been absorbing a lot.

We do -- I came with a PowerPoint that's kind of about our place making process and how we apply it to streets and boulevards, and we call them streets as places. But I will give you a little bit of background before I launch into that.

So we are a nonprofit organization. We've been around for 40 years. And our mission is to transform public spaces so that they support communities' needs. And we always start with the community. We think about what -- you know, what is it that the community needs most and how can that public space support them in whatever it -- whatever it is, economic development, bringing the community together, creating a sociable place, whether it's public health or other reasons that they want to improve their public spaces or create new public spaces. And we call this place making.

So we -- a great public space to us is a place.
And we work on all different kinds of public spaces, everything from streets and boulevards to downtowns and waterfronts, parks and plazas, and, you know, whole districts. So we have worked on a number of mixed use developments, new mixed use developments and doing master plans, public space master plans. So it's all different types of work.

And I'm an architect and a planner. Alessandra is an architect and a landscape architect. And we have a number of -- we have a firm of about 30 various professions, really. We are not all designers and we're not all planners. We have writers. We have anthropologists. We have sociologists. So we think about, you know, how people are going to use public space in a lot of different ways.

So we see this as an opportunity to think about place making on the Broadway corridor on the Sunshine Mile, is about serving kind of a variety of different users, everybody from, of course, the people who own it and the businesses that are there, the people who live in the neighborhood, the folks who are not too far away, like the university students, people from the downtown. It's close by. And then what's the -- what's the bigger picture? Residents from all over Tucson, tourists, potentially.
So you think of kind of the layers of uses starting with the community. And so we've been learning about who these users are or potential users could be.

And then what kind of uses, what kind of activities could take place on the corridor that could actually serve the community? So we are thinking about opportunities for specific anchors, what retail nodes, opportunities for outdoor spaces that perhaps they need. Or, in looking at redevelopment sites, how can they also -- if they are redeveloped as, let's say, housing. Could they also have retail on the ground floor that provides services for the neighborhood?

So we are looking at all this on the two-mile corridor trying to figure out how you can develop nodes of activity and then connectors between the nodes. It's kind of our approach to this right now. And we're pretty early in thinking about it, but we already understand that there is one area toward the west that's going to be probably more university students because it's closer to the university. And the area on the east may have more housing for adults or for seniors or for empty-nesters with the kinds of uses that they would be interested in. So, that's kind of -- that's the big picture that we are looking at right now.

And then we're going to look at, you know, each
block, really, and how -- what -- how could you develop
it in terms of better, you know, pedestrian -- the
pedestrian, I suppose mobility, safety opportunities.
How can you -- if you have parking issues, how can you
solve the parking issue in front, in back? Can you do
shared parking? So we're going to be kind of looking at
the opportunities at that level, too.

So the big -- kind of big image identity of, you
know, vision for the corridor and then -- and then block
by block. You know, who are you going to serve on this
block and how are you going to provide something that,
you know, a retailer or a restaurant would find that, in
fact, a great place to be? Is it an opportunity for an
incubator space? Is it an opportunity for a new
restaurant to get started? Or small spaces where you
could have entrepreneurs who are doing their kind of
first -- first time they have had a brick and mortar
shop, for example?

So, you know, a lot of makers in Tucson. Can
you create places for them? So those are the sorts of
things we're talking about.

I will give you a -- I have a show that kind of
talks about place making --

CHAIRMAN MCCUSKER: Go for it.

MS. WALKER: I just don't want to go for too
long. How much time you want to give me?

CHAIRMAN MCCUSKER: Go for it.

MS. WALKER: So should I keep talking into the mic?

CHAIRMAN MCCUSKER: Yeah. Brandi, can you advance the frames? Can you advance?

MS. WALKER: I had an advancer, but I think its battery is dead.

You know what, I can take this out.

So then I can just talk like from here. Okay.

You can hear me?

So, we -- as I said, we have been around 40 years. We do work all over the world. We do all different types of public spaces, and particularly, you know, we work with communities. We believe the community is the expert. We start with the idea of place making, but what is a place and how is it different from space? And, our thought is that place is something that people become -- it's a physical space or a physical location that people become attached to.

And why do they become attached to it? And that's what we have to discover. What is it about, you know, the Sunshine Mile? There is certainly nostalgia, there's certainly history there, but why do people want to be there now? What's going to attract people there
now? And, develop that kind of emotional attachment.

And, we always say places are about people.

And, those that create them and those that use them.

It's -- it's not -- it's great to talk about historic architecture, that's fantastic. I am an architect and I'm a preservationist. I really -- I really respect, you know, the preservation of buildings. But we are here now to figure out what are the uses for these buildings and what are the uses for this neighborhood and how it -- are people going to become attached to this, to this corridor?

So, people kind of are often the place makers themselves. So we think that the community and the business owners can actually -- and work with partners and other stakeholders to actually do the place making. You know, you create the stage on which the place -- on which the place making happens, in a way. You want to create the stage for people to come together, for people to create, for people to create businesses. So, we're creating that kind of flexible space on which people can then do their thing as -- as time goes on.

And whether it's a market or, you know, an outdoor restaurant, or community events, we see places as having the opportunity for people to do a whole variety of things. So place making we think of as a
collaborative process that brings people together, create and sustain the public spaces and the hearts of their communities. And it really is an opportunity to bring people together. It really is an opportunity to create that kind of sociable gathering place we think that actually can make -- it's the difference between -- to me, you know, a suburban neighborhood that has no public space in it, everybody is living kind of isolated from each other.

When you give them a park or a community center where they can come together, suddenly it changes the whole dynamic of a neighborhood. Suddenly, people know each other. Neighbors know each other and they can interact with each other, and it breaks down barriers. So, we are all for finding opportunities for people to come together.

Our work is based on the work of William H. White, who wrote The Social Life of Small Urban Spaces. He also pioneered the idea of using time lapse film to observe how people use public spaces. And, he said it's hard to create a space that will not attract people. What is remarkable is how often this has been accomplished. So we find public spaces all over the world that are just -- they are empty. They have no -- you know, there's -- there's nothing going on. People
will design them, maybe they are even beautiful, but if
you -- if you can't figure out how to program them and
activate them, people aren't going to come.

So what attracts people, he said, it would
appear, is other people. And that kind of is like a
common sense thing. But, you know, would you ever go
into a restaurant where there is nobody there?

I had that experience the other night. Looked
in this restaurant and there is nobody there. I said,
I'm not going in there.

So, people feel the same way about parks and
public spaces and sidewalks, even. If nobody is walking
on the sidewalk, you don't feel comfortable walking on
that sidewalk.

And when you focus on place, you do everything
differently. You think about it more as opposed to
individual buildings or designs or things, or -- or just
-- yeah, or block by block. When you think about it more
as a place in a more holistic way, you approach things
differently.

And so just a little bit about how we kind of --
this is kind of our our approach to thinking about what
makes a public space great. What are its key attributes?
Uses and activities, comfort and image, access and
linkages and sociability. And we really need to have all
four of these to make a great place.

So uses and activities is really key because this was what keeps people coming back. What keeps people and will attract a variety of people. You want it to be active every day. You want it to be active all year round. You have summer issues here. You know, how can you use a space in the heat of the summer? Are there ways to get people to come in the summer? Are there ways to use a public space at night?

And you want to attract as diverse an audience as you can so -- because that will actually help to -- to round out the uses. Because older people might come in the afternoon, or seniors might be there in the morning. Families might bring their kids on a Saturday. And then you might have the millennials coming at midnight. So you think about who the users are to round out all those kind of potential year-round activities.

Access and linkage, of course, this is like a transportation project -- started as a transportation project, Broadway. We're trying to now make it into a place making project. But the transportation aspects are still really important because it's -- still it's got to be walkable. It's got to be bikable. You need to be able to get there. You need to be able to cross it on foot. And it's got to be connected to the neighborhoods
around it. So thinking about its linkages around it, not just as a thoroughfare, but how is it -- so, and then comfort and image. This helps people linger. If they are comfortable there, if they have the appropriate kind of seating, if it's movable, they have control of where they sit, if there is shade, if they feel safe there, if it feels friendly and inviting, that's a place that they will -- will stay longer in.

You don't want people just to come for 10 minutes and say, oh, this is a cool place. You want them to feel really comfortable there.

And finally, maybe most important of all, is sociability. Because you really wants folks -- we want these places to have a sense of community. We want folks to feel like they are going to have spontaneous interaction with other people, that they can meet their neighbors there. It's a place where folks from other parts of Tucson might come and feel comfortable being there because it's a welcoming place. So, it attracts a diverse audience who also feel comfortable. So the sociability is maybe the most important thing of all because that's what -- that's what -- you know, as I said, people attract people. It's because it feels sociable.

And then if you get this right, if you get your
place making right, it has a lot of benefits. It can --
as we talked about, it can promote a sense of comfort.
It can promote a sense of community. But it also can
promote health. It can get people walking. It can get
people outdoors. It actually often -- it's been proven
that public spaces that people enjoy and where they meet
their friends actually help mental health. They help
people's mental health. Can support your economic
develop goals. Can help start entrepreneurs get -- kind
of incubate entrepreneurs. And it should be accessible
and promote accessibility for everybody. So just some
kind of key ideas.

Yes, sir.

MR. MARQUEZ: This is great. This is fantastic, by the way. Just if we could get to more brass tacks.

MS. WALKER: Yeah.

MR. MARQUEZ: So what was the areas you looked at? You're from New York, came into Tucson. You saw our
two-mile stretch, Sunshine Mile. What area did -- that
had the most potential, not the area -- the area that you
saw where the two-mile stretch --

MS. WALKER: Yeah.

MR. MARQUEZ: -- that you were the most excited
about that may not be developed now, or maybe you can
see, maybe you saw the bones of the historic property.
What area excited you the most in regards to potential?

MS. WALKER: Well, there is different things. I think there is some areas where you could -- I want to show you. We'll just skip ahead to one of our concepts is called lighter, quicker, cheaper. Make things happen now.

So when you can actually take a space that's underutilized and start to program it immediately or do some kind of light development or have food truck rallies or have the community put on shows or events, festivals, we call this lighter, quicker, cheaper interventions where you can actually begin right now to transform a space and build enthusiasm about a project.

So we heard about the block between -- I forget what is it location-wise, it's where the -- it's near the --

CHAIRMAN MCCUSKER: Where the Panda restaurant used to be.

MS. WALKER: Yeah, where the Panda -- Panda restaurant used to be.

CHAIRMAN MCCUSKER: We call that the Panda block, yeah.

MS. WALKER: The Panda block.

CHAIRMAN MCCUSKER: Sunshine Plaza.

MS. WALKER: Sunshine -- they were calling it
Sunshine Plaza.

CHAIRMAN MCCUSKER: Used to be an empty lot. Then it was the Panda Chinese food restaurant. The City has torn it down. So now it's a vacant lot.

MS. WALKER: So we think you can have -- and, you know, they already have been having food truck rallies there. So it's -- it's on the north side. And the community has said that they really enjoyed, you know, the activities.

Well, you could step that up and start to get working with local partners or working with the community and have festivals, have music there, have -- you know, the goal -- along with the food trucks, you could do other things. You could have activities for kids there. So there could be kind of a regular programming. And that can actually kind of build some enthusiasm.

And we always really recommend that people start with this kind of simple programming, and they can do -- you know, we call it an interim public space. It's like what you -- you may even develop that parcel later, but in the meantime it can become something. This is like place making in action right away. So, and you can provide amenities or food trucks like that. You can have activities like, you know, art activities. You can do yarn balling and, you know, there is all kinds of things
that could happen there.

People were saying they would love to have some activities where kids could actually do drawings outdoors or have giant chalkboards on which they could write. You could have makers come and put on a maker festival there. You know, there's -- a community has a lot of different ideas. So this was one thing we were kind of excited about that they are already starting to do. So how to promote that, I think, is something you could talk about.

And then in terms of longer term, I think we were excited about the bungalows and the way that, you know, in terms of historic significance, that they could actually become a row of little restaurants or boutiques, where there's -- I mean that's a destination when you've got the whole --

CHAIRMAN MCCUSKER: Cherry, Broadway and Highland.

MS. WALKER: Yeah, Cherry and --

CHAIRMAN MCCUSKER: A number of turn-of-the-century properties there that could otherwise be torn down.

MR. MARQUEZ: Great.

MS. WALKER: And you could do cool things with those. I just wanted to show you this other tool that we use. We call it -- we were sort of doing this today with
some of the stakeholders. We like to think about how you create destinations all along your corridor. And thinking of it on a larger scale, we call this the power of 10 because it's about layering of activities and building up places.

So every city, we say, should have at least 10 great destinations. Broadway could be one of Tucson's greatest major destinations. Along that Broadway, you should have 10 destinations. Each one of those should have 10 places. Each one of those places should have 10 things to do. So in the end, you have like a thousand things to do along the Broadway corridor.

So, for example, this is New York City, but -- but there are 10 great public spaces in lower Manhattan. And this is one of them. This is Bryant Park, and it should have 10 places within it. And then each one of those places should have 10 things to do. So people are buying hotdogs and playing chess. They are meeting their friends by the fountain. They are playing bocce. They are getting food. They are eating outdoors. They are doing all these things in this one area.

So you think about this is a way of thinking about a corridor in a more manageable way. So we've been trying to identify what those -- doesn't have to be 10, could be six, could be 12. But whatever, you know. We
are trying to identify those locations along it.

So like the bungalow block is a -- could be a destination. A couple of those really lovely mid-century modern -- lovely may be the wrong word. They are kind of almost whimsical, actually, the plazas. You know, like the Solot Plaza and the -- I forget the name of the -- the Hoss Plaza and the Freeman Plaza. There are a few of them that have really kind of interesting mid-century modern architecture. Some of it's hiding behind whatever. It's layered over it. And they are tiny little parcels.

CHAIRMAN MCCUSKER: Tucson Tamale. These little very slender -- they will be starved of their frontage. So the City is obligated to acquire them. Before we showed up, the options were really to demolish them. So, can you take a section like that, a block long plaza with 20 small store fronts, create some new way to park and get in and out of it and activate 20 retail establishments? When we looked at the economics of the entire corridor, it's about a $5 million a year swing tax-wise.

MR. MARQUEZ: Well --

CHAIRMAN MCCUSKER: If we let it go, we lose about five million a year of sales tax. If we improve it, we might be able to improve $5 million of sales tax.
So not only is the sense of place important, but the economics of this are huge. And, I think they get that. We're not going to build a walkable tour of museums' profits, but we can take seven totally vacant unused bungalows and convert them into retail restaurant, and maybe we run a trolley, Edmund, that connects this to the, you know, Joesler Village in El Con.

So these are the kind of things very early for us that -- we came to this party very late. You know, when we were asked to engage in the Broadway widening debate over a year ago, and I think even before you were appointed to the board. In a public meeting we said no, we have no dog in this fight. However, when you guys figured out what you're doing with the roads, which could have been an eight-lane road with everything on the north side demolished, and we're very interested in the impact it has on TPT tax. Because this is in the Rio Nuevo district.

What we now know is the road decisions have been made. The road meanders now from Euclid to Country Club. It's no longer a straight street. It picks up some properties on the north, picks up some properties on the south, curves around the church, goes around Miles Elementary. You know, that's done. But at the end of the day now, you've got this fragmented retail strip
that, for the most part, will be vacant because of the roadway.

So what the City now authorized us to do is to go in with our private development friends and try and activate sections at a time. I think one of the things we've talked to them about is -- yesterday, was not trying to do the whole two-mile section at once, but pick a block or two blocks, and prove up these concepts. Then it's not just a park where you can go walk your dog and play chess, but it's going to attract people that spend money in stores that benefit our TIF district. And I think that's ultimately our challenge.

It's been very contentious, as you know. There is very hard-sided conversations on what was supposed to happen to this road, and I think we have kind of helped create some detente now around what could happen to these, these properties. And I don't know if you have other slides of work you've done.

MS. WALKER: I will show a couple of projects that are kind of --

CHAIRMAN MCCUSKER: Please do. I think that's really what attracted us.

MS. WALKER: These are just kind of simple things that you could do.

MR. MARQUEZ: While you were pulling that up, I
was just in Bryant Park in New York City in June. The one thing that you can't describe in a PowerPoint presentation was the energy in that park.

MS. WALKER: Right.

MR. MARQUEZ: And literally walking by there and there was something about the park that felt in a different rhythm than the streets of New York City. So I went to the Bryant Park, and she is describing it correctly. There were people eating lunch. There were the hotdog carts. There was the chess. There -- it was like 50 different things going on in one park, and had such a positive energy and it was a place that people I think were calm, compared to what they felt in New York City, and they were just -- they were activated in all these different activities. It was really neat to see.

It's funny that you mention it, because I walked by and I told my family we got to walk in here, there is something going on. And there was just everything going on.

MS. WALKER: Everything going on. And that's one of our earliest projects. So we did that in the late '80s and did the programming and came up with the idea of having, you know, all these different activities that we make it safe. Because before that, it was just a needle park. People were in there buying drugs and homeless
people had taken it over.

You know, and the funny thing is there's still homeless people in there. But you really don't notice them because they are overwhelmed by all the positive activity. They are playing chess with each other. You know, so they just blend in with everybody.

So it's -- it's a very, you know, welcoming place where everyone feels comfortable. So that's kind of always our goal is to make it -- not every place can or will be as vibrant as that place, but that is sort of like the ultimate goal.

And just some simple examples of place making. This was a project in Los Angeles where we were working for the transportation company, trying to figure out how to enhance bus stops. This was a bus stop in North Hollywood, and we are walking around in the community and they said, well, there's this empty lot next to this bus stop and maybe we can do something with the empty lot. They decided to locate a bus shelter there. That was the first step, instead of just a stick in the ground.

And then the local arts group said, well, we'll put a sign up here about our upcoming events. So that went next. And then the City owned the building to the -- to the right of that lot and they said, well, we'll rent it to a cafe that can then put an outdoor cafe
there. And suddenly, you have this -- you know, this
great space where it's a lot more than a bus stop but it
started as a bus stop.

And then once that went in, this public space
went in, a new furnishings company moved -- this store
moved in next door and Starbucks moved in across the
street. And suddenly, what was a really derelict kind of
dead downtown started to really come alive.

So, simple things like that can really actually
leverage, you know, more -- you know, attract new
businesses and really create a vibrant block in a, you
know, derelict kind of downtown. So that's just kind of
a small example.

And this is another example where we did a
lighter, quicker, cheaper intervention, we call it, in
downtown Detroit. There was a park that we worked on in
the early 2000s called Campus Marshes. But it wasn't
really getting people out of the building and it wasn't
attracting the residents. So we did a community -- a
number of workshops with the community and surveys to
find out what kinds of things they liked to do downtown.

And we kept hearing, well, we like beer garden,
we like beach, we like to play basketball. We thought
how do you do that in a downtown? Well, we did. We
created a beach and beach bar and grill. And suddenly,
it became this major attraction in downtown and it was
such a simple thing to do. It really didn't cost very
much. They were serving like more food in that little
beach bar and grill than any other restaurants in the
downtown.

MR. MARQUEZ: So if I could -- if I could just
butt in. I went there as well this summer.

MS. WALKER: You did?

MR. MARQUEZ: And there was a reggae party going
on. So you're walking in the center of -- and I text you
in the middle of this. I was showing you. I walked in
the middle of downtown, and you just felt -- you heard
the reggae drums and there was a reggae party, a beach
party in the middle of -- and all the people that are
working in all the tech businesses around downtown had
taken off their expensive dress shoes, rolled up their
pants, were walking around in the sand with a beer in
their hand in the middle of downtown. It was really
cool.

MS. WALKER: So that actually started to attract
people right away. So lunchtime, after work, come out
and they'd play games and have a beer. And then, we had
this prepared food. Now they are -- they have food
trucks. But we were experimenting with like getting
people out of their buildings at lunchtime to come and
meet each other for lunch outdoors, and there would be music.

And we -- then we even put in temporary basketball courts and so people will play -- the office workers will come out after work and they will meet some of the kids from the neighborhood and they will have these basketball tournaments after work. So that's getting the -- you know, the people from the -- you know, from the residents -- from the neighborhoods who weren't coming downtown at all.

So these simple things, they're kind of not -- not hard to do, but each -- each one is kind of -- it's got to be unique. It's got to be authentic. It's got to be the right thing for the neighborhood. We can't come in and just say we'll do a beach anywhere and say that's going to work. Or we'll, you know, put a basketball court anywhere. It's got to kind of work with that community.

So if the community says, well, we don't have playgrounds, for example, or there's no place to take our kids, maybe we can work with them to create the kind of playground they would really like to have, you know, on the court or in a safe place. But whatever, you know. But they need to kind of come up with the ideas, because they are going to be the users and hope to sustain it.
We hope they sustain it over time.

These kinds of things, these lighter, quicker, cheaper things can also evolve. They don't have to -- you don't spend a lot of money on them. Maybe they are there for a summer, the next summer you do something else. We thought that beach would only be there for the summer, but it was so popular they just keep bringing it back and bringing it back.

CHAIRMAN MCCUSKER: Think about Geronimo Court at Main Gate. You know, create that, little dinky stores, no reason for you to be there, but they activated this courtyard and now it's probably the busiest outdoor space along the Main Gate. But they are all fine food and beverages from the nearby location.

MS. WALKER: Yeah, that sounds like a terrific example.

CHAIRMAN MCCUSKER: So it's a kind of -- no one has really thought about this kind of activation along the strip. Now we know we are going to have some buildings, but what else do you do to create this sense of place that attracts people to it as a destination?

MS. WALKER: And then, of course, I mean, there is things that the commercial folks could do, your business owners can do more things outdoors or to engage the public space, or at least, you know, start to work --
or do -- do promotional events. Getting that kind of collective action going is really important.

We understand there is a Sunshine Mile Association, business association, and it has 50 businesses. And that's a really great start because they can start to work together. But you also have to get the businesses in just those plazas working together. You know, they don't even often talk to each other. So getting that kind of collective action, I think, is important.

And then how do you sustain it over time when -- when you're gone? You know, you created this thing, but, somehow, there is going to have to be some kind of management that will sustain it, a main street manager type thing or a bid or, you know, how can you sustain it over time. We always talk about 80 percent of the success of a public space could really be attributed to good management. And that's -- so that's going to be something we need to think about.

So, yeah.

CHAIRMAN MCCUSKER: They have worked in Seattle, Oklahoma City. I mean a lot of cities that we aspire to and how they have created this kind of economic development around indoor outdoor connectivity, transit. Oklahoma City is a great example of their works.
Seattle.

So it's just really an unbelievable opportunity for us to do this right, you know, to really activate that street. It may be some of the most important work we've ever done. I mean, you know, downtown is kind of organic in that regard. But drive down Broadway. It's a dead zone. You know, you look at these strip malls that are vacant waiting for the City to buy them out, buildings that are fenced around now because they are now owned by the City, you know, blocks of vacant buildings. That's what downtown looked like 10 years ago. And we've made the kind of difference we've had by partnering with private sector developers. And that's really the vision for Broadway. And they just bring it to us on steroids. And we are just really -- see, you're a fan and you didn't even know it.

MR. MARQUEZ: No. Those are two we already did. We did 19 cities in 25 days.

MS. WALKER: You did?

MR. MARQUEZ: And those were two of the most defining feelings I had was going down to Detroit, which impressed me, and then Bryant Park in New York City. And they -- they were alive. And you know, honestly, City of Tucson, the citizens deserve -- they deserve a two-mile stretch that's fantastic as you lead to our amazing
downtown. So I'm excited to you guys. I think it will be really neat what you guys come up with.

CHAIRMAN MCCUSKER: Any questions for Meg or Alessandra?

Thank you very much.

MS. WALKER: Thank you.

CHAIRMAN MCCUSKER: We are thrilled to have you.

MS. WALKER: We're happy to be here. Thank you so much. I mean, I think this is an exciting -- it's obviously a very challenging but also exciting project.

So, thank you.

CHAIRMAN MCCUSKER: We do have a little business to tidy up with them, and in the prior meeting we discussed their contract, which was estimated at the time to be $75,000. Unfortunately, I didn't include any travel in that. So the current estimate is about $87,500 for the entire project.

Mr. Collins, if I wander into some procurement issues, help me here. But under our procurement code, the treasurer and the chairman, that's Mr. Sheafe and I, we identify a vendor that's especially qualified, uniquely qualified, we can contract directly with them. The -- it's the obligation of the chairman and the treasurer to assure you that this does not need to be
competitively procured. And I believe that's the case
with this particular project. There really isn't another
Project for Public Spaces that's done the kind of work we
need them to do and in Tucson.

So, discuss just for a minute procurement code
issues.

MR. COLLINS: Sure.

CHAIRMAN MCCUSKER: And then we do have a
proposal of $87,500 to engage the Project for Public
Spaces to assist us and the other stakeholders in the
activation of the Sunshine Mile.

MR. COLLINS: Mr. Chairman, members of the
board, as you all know, services that you pay for with
public money generally have to be procured through
bidding process. There are some exceptions to that.
Professional service and a service license professionally
by the State of Arizona, like me, or Phil, you can
procure directly. These folks don't fall in that
category.

However, as I understand it, the mayor and
council authorized this Board to work on the projects
that Mr. Chairman is talking about and try to repurpose
the facilities that are being condemned so as to maintain
your income. Five million a year is a real number, and
-- and, to be allowed to do that, mayor and council said
thou shall engage Project for Public Spaces. And I
believe that falls then within another exception that you
have, Mr. Chairman, as just mentioned; that if the
treasurer and the chairman believe there is only one
source to provide this service, you can do it, you all
have to approve it, but they have to certify that there
is only one service.

I have prepared for them for signature a
document which says that. So does that answer your
question?

CHAIRMAN MCCUSKER: Yes, sir. Thank you very
much.

Any questions about the process, the contract?
I need a motion to approve.

MS. COX: So moved.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All those in favor, say
aye?

(Board votes aye.)

CHAIRMAN MCCUSKER: Those opposed, nay?

All right. That passes unanimously.

Meg, you're on the payroll.

MS. WALKER: Thank you, everybody.

CHAIRMAN MCCUSKER: I know Mr. Sheafe has
recused, Mr. Collins, on a number of items, I think 9,
10, and 11, but not 8. Is that correct?

MR. COLLINS: That's correct.

CHAIRMAN MCCUSKER: So we should probably do 8 and then, Mr. Sheafe, we can actually dismiss you unless you want to -- is there any call -- obviously, any call from the audience cards so we don't lose our quorum? But you're certainly welcome to hang around -- yeah, you'll step down for those items.


Let's get an update on where we are with the Avenida del Convento.

MR. COLLINS: Mr. Chairman, members of the board, as you know, one of the components of improving what I call the Caterpillar site is the improvement of Avenida del Convento, which runs down the western boundary of the property. The City has agreed to reimburse the district for those efforts, because it makes a huge amount of sense since you have mobilized Sundt for the construction and Smith Group for the design out there to utilize their services in connection with the design and then later the construction of Avenida del Convento.

Elaine and Phil have done enough work now to be able to say that the design of the extension will be $100,000 or less. This is money that would be evidenced
by an agreement, an IGA, between this board and the City. And the City would ultimately reimburse this board for that as well as the improvement. That's the City's contribution, if you will, to the -- improving the Cat parcel. So --

CHAIRMAN MCCUSKER: That's the design piece. Right?

MR. COLLINS: It just is the design piece. And, then, ultimately, the City will also reimburse us for the construction costs.

That will be -- Elaine and Phil have to do their magic to try and reduce that hundred thousand dollar number. And then once the design is done, we will get a bid from Sundt as to what that will cost for Sundt, since they are already out there. They are already mobilized, already doing all those things. The thought is the number is going to be -- it's going to be a better use of public funds. And that will require another motion before this board. That would be GMP, or gross maximum price, number two under the construction contract for Caterpillar.

So, today, however, it's just the design.

CHAIRMAN MCCUSKER: And capped at $100,000?

MR. COLLINS: Yes, sir.

CHAIRMAN MCCUSKER: You just need a motion to
MR. COLLINS: Yes, sir.

CHAIRMAN MCCUSKER: Any questions for Mr. Collins?

MR. IRVIN: No.

CHAIRMAN MCCUSKER: Someone move the item?

MR. IRVIN: I make a motion that we approve moving forward with an IGA with the City of Tucson for the design of the road and reimbursement of the costs related thereto.

MR. SHEAFE: Second.

CHAIRMAN MCCUSKER: All those in favor, say aye?

(Board members vote aye.)

CHAIRMAN MCCUSKER: Those opposed, nay?

That passes unanimously. You'll be back here -- they will be back to us when we actually know the cost of the road itself?

MR. COLLINS: Correct.

In the meantime, I will prepare that IGA. And I'm going to take the position that that motion authorizes the execution of that IGA.

CHAIRMAN MCCUSKER: All right. For the public record, we should acknowledge Mr. Sheafe has left the building.

MR. SHEAFE: I didn't leave the building.
CHAIRMAN MCCUSKER: Items 9, 10, and 11, he has a stated conflict of interest on so he's not allowed to participate. So we'll come back and do probably 10 first. Does that make more sense?

MR. COLLINS: Yes.

CHAIRMAN MCCUSKER: Item Number 10 is the discussion possible action regarding the AC Marriott, the 200 block. We would identify as The Hub playground space also owned by the same developer.

To refresh everyone's memory regarding our commitments to the AC Marriott, it's been two years, Mark? We committed $4.3 million to the garage portion of this project to Eagle Construction of the AC Marriott. We are thrilled to say that even before that Marriott opens, Marriott is prepared to commit to another hotel just literally two blocks north of that. So that's compelled us to enter into a new set of negotiations with Stiteler, Dabdoub and the developers regarding all three of their current projects.

So, we'll talk first about the AC Marriott and let Mr. Collins discuss the 200 block.

MR. COLLINS: Mr. Chairman, members of the board, the picture that you have up on the screen identifies in yellow the two projects that we're talking about. Number 4 is where the AC Marriott Hotel is being
constructed. Number 3 is the so-called 200 block of -- of Congress, Mr. Stiteler's entity 5 North Fifth Hotel, LLC owns both 4 and 3.

Back in 2014, the district committed -- made a commitment to buy the garage component of the AC Marriott Hotel, which is in the Square 4 there, for $4.3 million when a certificate of occupancy was issued. That $4.3 million is going to be due in July or August of this year.

And as I understand it, AC Marriott -- or Marriott is sufficiently excited about this that they would like to have another hotel in the area. So there's been discussion about the district, and we'll talk more about it later in the meeting, number 2 up there, that's a portion of the Depot Plaza garage. Staying on Number 4, however, we have discussed -- and we discussed in e-session an agreement to change the terms of the arrangement that the district has with 5 North Fifth to relieve the district from having to make that $4.3 million payment and, instead, the district would share or actually provide the sales tax revenue generated both by Property 4 and Property 3 over a period of time.

As a cap on that, I'll talk about that in a minute. But, so the district would get relieved of $4.3 million. Mr. Stiteler and his group are agreeing to
invest another $3.3 million in improving the 200 block.

That's Number 3 up there. And the district then is agreeing to provide 100 percent of the sales tax revenue on Blocks 3 and 4 blocks.

CHAIRMAN MCCUSKER: State sales.

MR. COLLINS: State sales taxes revenue. Yes, sir.

MS. COX: Or a portion of it?

MR. COLLINS: Yes, correct. It's -- the way the language in the agreement is written is what the district gets from ADOR the district gives to Mr. Stitler's Company, 5 North Fifth Hotel, LLC. And, that is capped at 7 -- let me get my number right -- $7.75 million. That's the combination of the $4.3 million and the contribution of the money that Mr. Stiteler is going to be putting into Number 3.

That's the nuts and bolts of that particular agreement. It's conditional. Even if you guys vote to approve this, nothing happens until the City agrees to accept title to the property to 3 and 4 and lease it back under a GPLET back to Scott and his group. And the City agrees to -- to not only that, but agrees to subordinate its 108 loan in connection with this transaction, and the construction and permanent financier for the AC Marriott is Bank of Tucson Grand Point Bank. They have to agree.
So all of those things have to happen before the District is relieved of its $4.3 million obligation.

But the step one is for you folks.

MS. COX: Mark, I have a question. The $4.3 million, although we would be relieved of having to put out that cash, that was also an investment --

MR. COLLINS: True.

MS. COX: -- that we were going to gain from?

MR. COLLINS: True.

MS. COX: I don't remember the exact details, but they were going to lease back the --

MR. COLLINS: We were getting paid for the rent. They were leasing.

MS. COX: They were lease -- we were lease back on the parking spaces?

MR. COLLINS: Correct.

MS. COX: Right. So that was an investment that we were going to have a return on?

MR. COLLINS: Right. We still -- right. Go ahead.

MS. COX: So we won't have that so we are -- we are relieved of the 4.3 million, but we are also relieved of the income that it would have generated?

MR. COLLINS: Keep in mind when you're thinking about that, Ms. Cox, that some of that money reduced the
right -- price that Scott had to pay to buy back the
project.

MS. COX: Okay. That's right.

MR. COLLINS: It was a complicated --

MS. COX: I remember that now.

CHAIRMAN MCCUSKER: Mr. Irvin and I probably
don't like each other because of what we went through for
that, but, yes, there is that component, but you're
right. There is some revenue lost in this transaction.

MR. IRVIN: We also had a period of time,
Jannie, where we did not charge rents for those parking
spaces. Just a normal -- I believe it was six months, if
I'm not mistaken.

MR. COLLINS: Yeah, it might -- I think that's
right.

MR. IRVIN: So for a period of time, we were not
going to charge for those space, just give them their
normal time to wrap up, expected that.

CHAIRMAN MCCUSKER: I show their agenda item
separately and it showed them on the map separately, but
I don't think we'd be having this conversation except for
the Moxy and our interests which we celebrated at the
last meeting was really the opportunity to launch another
hotel. We actually helped conceptually launch two hotels
in the last meeting, one at the JCC, the Marriott Moxy
down the street from the AC. So, the entire conversation contemplates 2, 3 and 4.

MR. COLLINS: It does. I'm happy to talk about 2.

CHAIRMAN MCCUSKER: Yeah. So I think before we vote on one without understanding the context of the other, go ahead and talk about the Number 2 on the map.

MR. COLLINS: And if you'll allow me a moment of irony. You've done all of this after the statute was amended requiring you to build a hotel. Right? I mean, now you're building two or three of them.

Okay. Number 2 there, just to make things confusing, for those who may not know, Number 2 is a portion of the Depot Plaza condominium and, currently, the City owns Number 2. The history of Number 2 is interesting, but, there is a dispute between the City and Mr. Stiteler and between the district and Mr. Stiteler about who owes whom what over Number 2.

There was a development agreement in 2006. There was an amended and restated development agreement in 2008. This board, over a period from 2003 to 2008, made various resolutions that arguably obligated the board to pay money to Mr. Stiteler. Short version is there is -- there are a lot of disputes about Number 2.

And, instead of fighting about those disputes,
what is ongoing right now is Mr. Stiteler is working with
the City and with this Board to allow Number 2 to become
the location of the new Moxy hotel. I said Moxy
somewhere along the way, but it's Moxy Hotel. And, as we
discussed in E session, that's a separate agreement.

CHAIRMAN MCCUSKER: He and his company would
acquire that property from the City?

MR. COLLINS: Yes.

CHAIRMAN MCCUSKER: So, title now becomes clear,
and any disputes are settled as a part of the new
agreement?

MR. COLLINS: Yes. As part of two agreements,
it will be -- and Mr. Stiteler has different disputes
with the City than he has with this Board. All of that
-- and that's a condition, settling those disputes with
the City is a condition of --

CHAIRMAN MCCUSKER: What are the economics of
that project, what's the cost of the hotel and --

MR. COLLINS: Mr. Stitler's staff are here if we
need to ask.

MR. MARQUEZ: 23 million for the Moxy. 38
million for AC Marriott, and 3.3 million improvements on
the 200 block, for a total of 64.3 million we get
invested in downtown?

MR. COLLINS: I agree with all that. But the
Moxy, though, the Number 2 up there, the approximate number is 23.877 to construct that. So the mechanics would be, that, Number 1, Mr. Stiteler's entity buys Number 2 from the City. Mr. Stiteler develops the Moxy hotel on that piece. Then there is going to be a GPLET between the City and Mr. Stiteler on Number 2.

CHAIRMAN MCCUSKER: Which has yet to be approved.

MR. COLLINS: It has yet to be approved.

CHAIRMAN MCCUSKER: Be a condition of our deal.

MR. COLLINS: Yeah, it has never --

MR. IRVIN: Very similar to what they did at the AC Marriott?

MR. COLLINS: Correct. Correct. As far as I know, no economics study has yet been done on Number 2. And as you folks remember from the Thrifty block, that has to be done in advance of the GPLET being finalized and all of that sort of thing.

CHAIRMAN MCCUSKER: Can we piggyback on that? Does it cover our economics as well, or is it really just designed to look at the costs of the GPLET versus the economic --

MR. COLLINS: It's the excise tax. It focuses just on the excise tax.
CHAIRMAN MCCUSKER: We want an economic analysis of our own. We should commission that apart and separate from --

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: -- whatever they are doing for the City?

MR. COLLINS: Correct. And that would be my suggestion, both with respect to Property 2 and respect to Properties 3 and 4.

CHAIRMAN MCCUSKER: And so the only thing we're contributing to 2, similarly to 3 and 4, is the sales tax rebate?

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: Do we call it a rebate?

MR. COLLINS: It is.

CHAIRMAN MCCUSKER: Somebody is paying the tax and then we return it to the developer as it's received?

MR. COLLINS: And the cap on Number 2, currently, in the current draft, is 4.775 million dollars, $4,775,000.

CHAIRMAN MCCUSKER: Separate cap, not a combined?

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: Everybody following this?

MR. IRVIN: Yep.
MS. COX: Yes.

CHAIRMAN MCCUSKER: So we could approve -- we could approve it all together, yes.

MR. COLLINS: You could. I would recommend against it.

CHAIRMAN MCCUSKER: So we can approve within -- in our own conditions of things?

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: We would approve 4 and 3, and then approve 2 separately?

MR. COLLINS: Correct.

MR. IRVIN: Requirement that they be done together?

CHAIRMAN MCCUSKER: Yeah, we could require as a condition that they be done together. That the City must approve and obviously settle, that the bank has to approve and obviously subordinate.

Then we get an economic analysis of all three projects.

MR. COLLINS: Yes, you could do that.

CHAIRMAN MCCUSKER: Does that slow you guys down? Just come talk to us about the timing, what you need. And, you know, I know there is some urgency with the Marriott.

We are transcribing this, so we need your full
name for the record.

MR. DABDOUB: Rudy Dabdoub.

Good afternoon.

MR. IRVIN: Rudy, ask you a question real quick, maybe simplify things a little bit. I mean, I think it's always been kind of my understanding -- can't speak for anybody else -- that these two transactions were linked together.

MR. DABDOUB: Correct.

CHAIRMAN MCCUSKER: And they were all three properties were linked together. So, you know, I know you guys are under some constraints. My guess is we are used to driving Mr. Collins crazy, so that's no problem. But I'm trying to be as cognizant of your deadlines and needs and then also knowing what our attorney has to do to get caught up with some of our goofiness.

So what I -- my guess is you probably want the AC deal done, like you can just move on with that one. And, you know, I'd like to get them both done at the same time, but I don't think that's really feasible from just the timing standpoint. I have no idea.

Mark, can you address that?

MR. COLLINS: Well, I think what you're asking about, Mr. Irvin, is the economics study component?

MR. IRVIN: Right.
CHAIRMAN MCCUSKER: We did one of those for the Thrifty block. Took like two weeks. Shouldn't be anything that we are doing that -- that was my question for Rudy. Anything you hear we are discussing that jeopardizes your schedule?

MR. DABDOUB: No.

MR. COLLINS: And I think, Mr. Chairman, members of board, I certainly can tee up one of those studies rather quickly. It's going to be a little bit different than City Park.

CHAIRMAN MCCUSKER: That was the GPLET analysis?

MR. COLLINS: That was the GPLET analysis.

CHAIRMAN MCCUSKER: We were lucky in that.

MR. COLLINS: And the City is going to do that, by the way.

CHAIRMAN MCCUSKER: But here we're looking at the economic impact of our rebate strategy --

MR. COLLINS: Right.

CHAIRMAN MCCUSKER: -- versus the economic upside that this development contributes to downtown.

MR. COLLINS: Right.

CHAIRMAN MCCUSKER: We have somebody that does that routinely. Right?

MR. COLLINS: Well, routinely maybe not, but we
can do that.

CHAIRMAN MCCUSKER: They're a professional service?

MR. COLLINS: There is professional services out there.

MR. IRVIN: Do you know what that study cost us, Mark, the last one?

MR. COLLINS: Oh, yeah. It was $2,500. This is going to be more expensive than that, but it was not a lot of money.

CHAIRMAN MCCUSKER: Rudy, anything else you want us to know? I think we're pretty educated now about the project, any -- anything weird going on with the City or anything that you're concerned about or --

MR. DABDOUB: Not at all.

CHAIRMAN MCCUSKER: Thank you, sir.

MR. DABDOUB: Thank you.

CHAIRMAN MCCUSKER: I think we are tracking you. I think you need two motions. We need a motion to proceed with 3 and 4 as discussed in the executive session. That would --

MR. IRVIN: Subject to the City of Tucson approval and economic study and a bank approval?

CHAIRMAN MCCUSKER: Right.

MR. IRVIN: And then, if nobody else is
concerned about linking these two together, I'm not, but
I think it's understood that we're going to do both of
these at the same time.

CHAIRMAN MCCUSKER: What you could do with 2 is
make 2 subject to 3 and 4.

MR. IRVIN: I will do that. I like that.

CHAIRMAN MCCUSKER: So do you have a motion? I
didn't hear a second.

MS. COX: Second.

CHAIRMAN MCCUSKER: Okay. So the motion is to
approve the AC Marriott 200 block.

MR. COLLINS: That subject to our discussion in
E session.

CHAIRMAN MCCUSKER: Pursuant to the discussion
in economic -- in executive session, subject to City
approval, bank approval and an economic analysis on
whatever -- let's do role call on both. That's a lot of
money.

Brandi?

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: I always get to go first, and I like
that. Yes.

MS. HAGA-BLACKMAN: Chris Sheafe?

Oh, forgot. Jannie Cox?

MS. COX: Yes.
MS. HAGA-BLACKMAN: Ed Marquez?

MR. MARQUEZ: Yes.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN MCCUSKER: Aye. So I noted four ayes, no no's. We passed that unanimously.

Now we can move on to Item 2 on the map, Item 9 on the agenda.

Mr. Irvin, you're on a roll.

MR. IRVIN: It's almost the exact same motion, Mr. Chairman. You know, it's going to require the City of Tucson approval. It's obviously going to require an economic study on our part. We're going to have the same issue with the lender. Lender to opine on that as well.

MR. COLLINS: Economic study.

MR. IRVIN: Then also -- you know, I don't know if we need to address this or not in the motion, but that should address all outstanding, you know, claims or potential suits for everyone to do that, but then we proceed as we discussed -- excuse me, as we discussed in executive session.

MR. COLLINS: Yes.

CHAIRMAN MCCUSKER: So make that motion.

MR. IRVIN: I make a motion we approved as we discussed in executive session subject to the City of Tucson's approval, the bank's approval, an economic study
and that the document addresses separate issues.

THE COURT REPORTER: I'm sorry. The document addresses?

MR. IRVIN: I want to make it contingent upon 3 and 4.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: Role call, Brandi?

MS. HAGA-BLACKMAN: Ed Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN MCCUSKER: Enthusiastically aye.

It's just astonishing that the work that you guys continue to do downtown. We are so glad to be your partner, and I can't wait to check into the Moxy.

MR. IRVIN: I don't know that they will let us in.

CHAIRMAN MCCUSKER: They'll probably stop us at the door.

MR. IRVIN: I think another thing about these transactions is these are two really different hotels. They are different sizes and offer different services,
and they are all very different, different sizes, different services, different rate structures. I mean, they're all just very different. This is a really, really, in my opinion, great mix and, I'm really tickled about this thing.

CHAIRMAN MCCUSKER: Got the tour with these two ladies from New York, live in New York, do place making all over the world. They are staying at the Hotel Congress, and they could not believe our downtown, and just the activity that was -- they have been there in the evening, never went there late night. Been in the morning. They are astonished at how active, you know, and we talked about things that are coming. It's really unbelievable what's happening.

MR. IRVIN: Thanks to the east side pioneers, I mean, you know, that's probably the one piece we needed in Tucson was a hotel. And to have not one but two on the east side that are so diverse and fit really I think really great demographics there. I mean, hats off. I could not be more excited about that.

CHAIRMAN MCCUSKER: Item 11, this is also a unbelievable opportunity for downtown, Rio Nuevo played a pivotal role in this. I will give you a brief summary of the conversations. Mr. Sheafe is also recused here as well. It's Item Number 1 on the map, which we now
affectionately know as City Park Development. It indeed has broken ground. If you haven't been by there lately, there are Caterpillar tractors, you know, for breaking ground on that project. It would not have happened without Rio Nuevo, and I don't believe the Hexagon relocation to that property would have happened without Rio Nuevo.

But in summary, Hexagon is a Swedish-based international mining technology company, and they are interested in relocating to our downtown. We competed with a number of other cities, not unlike we did with Caterpillar. And Rio Nuevo's interest in this project really made the difference. They are prepared to commit to a 50,000 square foot lease in the City Park complex. That takes all of Don's commercial space. This is now building, remember, that we own. So we leased up our building before it ever even got ground broke.

MR. IRVIN: Broke ground. Can't say that. It has broke ground.

CHAIRMAN MCCUSKER: Before it's completed for sure. There are some incentives involved in here. As we have discussed, you know, in order for Tucson to compete nationally and internationally, we are in the incentive game, like it or not. We've offered very minimal incentives to attract this company downtown. Parking is
a huge problem with this parcel. We've suggested that we
be willing to help buy some offsite parking in a public
garage, which we will be allowed to do. We've also
offered to abate or to reimburse the developer for the
first year's rent. So, our total obligation if you
approve this project would be about a million three. The
Sun Corridor economic analysis for this project
identifies this as a $250 million economic impact for
Tucson.

Furthermore, it's another mining technology
company locating in the downtown core. And, indeed
Caterpillar and our work with them had a lot to do with
that.

So, the site selectors were in town a couple
weeks ago. Rio Nuevo hosted them for a dinner and I got
to be their native guide on the tour bus. And, I said
what would you like to see. And 35 international site
selectors said will you show us where Caterpillar is
going. So we did. We got to show some other stuff, but
we're clearly on -- and there are people here from
Holland. From Belgium, Holland --

MR. IRVIN: Germany.

CHAIRMAN MCCUSKER: Germany, who place
international companies. There were companies from all
over the U.S. You know, the Tucson opportunity to be a
corporate headquarters, particularly in this industry, now is definitely on the radar. So I would encourage us to approve this.

I don't know, Mr. Collins, if there is any subject to's with this. I will say that Bourn has been very aggressive in negotiating lease terms. They will build to suit. They have a very aggressive lease with this company. We did get an assist from Sun Corridor. We got an assist from the County. We got an assist from the City. But, you know, make no mistake, Rio Nuevo can make this project happen.

MR. COLLINS: Mr. Chairman, let me respond this way. As we discussed in executive session, there was a business incentive opportunity package put together by Sun Corridor, a component of which is the $1.3 million that you're talking about. I've had several conversations with the parties involved. And what's ongoing is the lease for the space is about 80 percent done. I'm busy drafting for your review and signature an agreement between this Board and Hexagon to provide the incentives that you just outlined, and to do so in a fashion that satisfies your statutory requirements. The county is doing the same thing.

So, if you are so inclined, I think the motion would be to direct counsel to prepare for execution by
the executive officers the agreement necessary to provide
Hexagon with the incentives that were outlined in Sun
Corridor's final presentation to Hexagon.

MR. IRVIN: It's a great motion. I will take
it.

MS. COX: Second.

MR. IRVIN: I'd also like to make a comment, if
I could, before we vote on it. I'm sure others may have
comments. I think this is an interesting transaction.

Probably 30 years ago, I did a lease with a little
company here in town called Mentech, which is -- what's
now become Hexagon. And I think that was probably 28, 29
years ago. So it's been interesting to me to watch them
grow up. And I know they had a lot of pressure, actually
moved to, I think, Sweden, if I'm not mistaken, Fletcher.
And they really tried to drag them over there, and
obviously Denver has got a big mining school as well and
they wanted to have them there.

And once again, we went up against Denver and
I'm pretty excited that we won again against Denver. I
think to have two like-minded engineering firms basically
in downtown Tucson sends an incredibly strong message.
And with that, I don't have anything else to say.

MR. MARQUEZ: I have a comment.

CHAIRMAN MCCUSKER: Did we get a second to that?
MR. COLLINS: Yes.

MS. COX: Yes.

CHAIRMAN MCCUSKER: Mr. Marquez?

MR. MARQUEZ: Just a quick fun comment. I geek out on economic development, so I love this deal. The fact that it's a $250 million economic impact, 250 employees downtown, you take 250 employees, let's say having lunch twice a week downtown, spending an average of $25 a week, over a five-year period since that's kind of how we are playing with them around that time -- the time line, it's $1.75 million that they just spent on lunch over these five years. That's what a big deal this is. So I'm very excited. And get ready for a vote.

CHAIRMAN MCCUSKER: What if they don't eat lunch?

MS. COX: They're going to eat dinner or breakfast or whatever.

CHAIRMAN MCCUSKER: Brandi, call the role.

MS. HAGA-BLACKMAN: Ed Marquez?

MR. MARQUEZ: Yes.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Yes.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?
CHAIRMAN MCCUSKER: Absolutely, yes.

Welcome downtown, Hexagon.

You've got some work to do, Counselor, but it should be such that it doesn't have to come back to us.

Right?

MR. COLLINS: Yes.

CHAIRMAN MCCUSKER: You can go close this deal subject to everybody else doing their work?

MR. COLLINS: Correct. I believe the motion was to authorize the execution as well, so --

CHAIRMAN MCCUSKER: We have this time set aside to call the audience.

Brandi, did anybody --

Motion to adjourn, please?

MR. IRVIN: So moved.

CHAIRMAN MCCUSKER: All in favor, say aye.

(Board votes aye.)


(Meeting concluded at 3:36 p.m.)

*   *   *   *   *
CERTIFIED REPORTER'S CERTIFICATE

STATE OF ARIZONA                )
COUNTY OF PIMA                  ) ss

BE IT KNOWN that I took the foregoing proceedings in shorthand; that I was then and there a Certified Reporter, CR No. 50235, in the State of Arizona; that said proceedings were reduced to writing by me.

I DO FURTHER CERTIFY the ethical obligations set forth in ACJA 7-206 (J)(1)(g)(1) and (2) are in compliance; that I am not a relative or attorney of any party, or financially or otherwise interested in the action.

WITNESS MY HAND this 11th day of April, 2017.

____________________________________
Michael A. Bouley, RDR
Certified Reporter
Arizona CR. No. 50235
REPORTING FIRM CERTIFICATE

THIS FIRM CERTIFIES the ethical obligations set forth in ACJA 7-206 (J)(1)(g)(1) through (6) are in compliance and have been met.

WITNESS MY HAND this 11th day of April, 2017.

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KATHY FINK & ASSOCIATES, INC.

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