BOARD MEETING

Tucson, Arizona
April 25, 2017
1:00 p.m.

REPORTED BY:
John Fahrenwald, RPR
Certified Reporter No. 50901

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

BOARD MEMBERS:

Fletcher McCusker, Chair
Chris Sheafe, Treasurer
Mark Irvin, Secretary
Edmund Marquez
Jeffrey Hill

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, in the City
of Tucson, State of Arizona, before JOHN FAHRENWALD, RPR,
Certified Reporter No. 50901, on the 25th day of April,
2017, commencing at the hour of 1:00 p.m.
P R O C E E D I N G S

(Meeting commenced at 1:01 p.m.)

CHAIRMAN McCUSKER: We're going to call this meeting to order. It's 1:01 on the official Rio Nuevo clock.

Mr. Irvin, do you want to do the Pledge.

(Pledge recited.)

CHAIRMAN McCUSKER: We're still a 6-member board, if you will call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Present.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Here.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Jeff Hill?

MR. HILL: Present.

CHAIRMAN McCUSKER: We do have a quorum, Jannie Cox is traveling. She will not be here.

Mr. Sheafe, Brandi, is on his way in. I have the transcription from the March 28th meeting and it's verbatim.

MR. IRVIN: I move to approve.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say "aye."
(ayes.)

Thank you.

This is the time set for Executive Session.

We need a motion to recess. All in favor say aye.

(ayes.)

We'll be back in about an hour.

(The Board recesses for Executive Session.)

(The Board reconvenes at 2:25 p.m.)

(Mr. Hill and Ms. Cox not present.)

CHAIRMAN McCUSKER: We have a quorum. Let's move to reconvene. Somebody?

SECRETARY IRVIN: So moved.

MR. MARQUEZ: Second.

All in favor say "aye."

(Ayes.)

We're back in business. I'll do a quick update. Since we're running a little behind I want to move to the agenda pretty quickly.

I just want to thank everyone -- to note the activity you see around downtown, much of which is Rio Nuevo enabled -- if you've been by the West Side, recently, the Mercado annex is underway, that's the 15,000 square foot retail agreement we have with Gadsden properties; that site has been fenced off and under development.

Likewise, so is the City Park development on Scott and
Broadway; they're doing their site prep down.

Immediately across the street you will see Nor-Gen, also operating some heavy equipment to start on the drainage features along Granada, which will enable the eventual development of those sites and including the new Exhibition Hall for the Gem Show. A lot of things going around us.

We expect that activity to continue. As you can tell from our agenda, we have a lot of things happening in and around Rio Nuevo, not only downtown proper, but now, east on Broadway.

I can say that any legislative efforts this year to either extend the TIF or to appropriate new dollars into the TIF have been voluntarily postponed on our part. We don't sunset until 2025. There's a lot of issues at the legislature this session so we opted not to insert ourselves into their priorities for this particular session.

There was one GPLET bill. Representative Leach introduced House Bill 2213, which initially was very punitive toward the GPLET. I'll commend Representative Leach in working with our representatives; we were never his target.

There's been a lot of concern about how the GPLET is used in Maricopa County. And they really wanted to slow down or eliminate those abuses. But we were able to amend
that piece of legislation so that the GPLET in fact did
survive.

It has some new features that are totally appropriate
and will continue to allow the City of Tucson to use that
tool at the benefit of economic development.

So a lot going on. We're going to try to catch you on
up to where we are quickly.

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

MR. MEYERS: Dan Meyers, CFO of Rio Nuevo.

So March was relatively quiet as far as outflows of
cash went. We're currently up $12.6 million in the bank.

However, we've done a pretty good job at chipping away
at that in April.

Our April TIF, we receive tomorrow was actually for
January's $1.2 million. That pushed us over our budgeted
amount year to date through January, just 4 or $5,000 over
the budgeted amount, so that's a good thing.

We're about to get $190,000 from the Roadrunners for
the ticket surcharge. We should get that any day now. Half
of that needs to be put aside for capital improvements. So
we've got to get another account opened up to put that money
away for a while.

As far as April goes, we paid Mission Gardens 95,000,
so we're getting close to the end of that. We paid 800,000
for -- I believe the property on Scott. And we paid about
$25,000 thus far in April for streetscape. So as I said,
we're starting to spend some of the money and got more
coming our way.

Any questions?

CHAIRMAN McCUSKER: Remind us again on the
timing of our annual budget. Will we do it, Dan, in May?

MR. MEYERS: Yeah. I'd like to present that
at the next board meeting.

I've started it. In the meantime, I'll also be working
on the long-term budget to go through kind of the end of the
2025 -- so get a look of where things are headed.

CHAIRMAN McCUSKER: Any questions for Dan?

Thank you, sir.

Item No. 7, Broadway Corridor. Just a quick status
report on the so called Sunshine Mile.

I think we've been pretty public about our interests in
that section. It's the Broadway from Euclid to Country
Club. We do have an agreement now with our board to engage
with the City and the RTA on the so-called "remnant"
properties.

There will be several properties that
ultimately the City acquires that we will have the
opportunity to transfer those properties to us for purposes
of repurposing them as restaurant or retail.
It's kind of a property-by-property thing.

It will evolve over the next several months.

We're well on our way in terms of the public input part of that process. And I believe the roadway design through its 60 percent design's been released to the public.

So generally everybody knows the impact of the Broadway widening. So if you see a property that's dissected by that roadway, it will in fact be demolished.

If you see properties that are impacted by the roadway in terms of losing their frontage or their parking or other pieces that don't necessarily touch the building, those will be properties where we have the opportunity to acquire them and reengage with our private sector partners in repurposing them.

The items specifically today was for us to look at opportunities that are being generated by private sellers.

If you've driven up and down Broadway lately between Euclid and Country Club you will see any variety of for-sale signs of properties that are not going to be torn down, but are being sold which could become part of a re-envisioned Sunshine Mile project.

And as we discussed, I think extensively in our executive committee -- if somebody wants to paraphrase better than I can -- but I believe the messaging that we want to communicate today is that we don't see ourselves
particularly as a parcel of buyers, but as a parcel of partner.

Edmund, is that properly stated in your view?

MR. MARQUEZ: I think so. And I appreciate that. I think as you've looked at Rio Nuevo of late, we've had some creative ways in which we've gotten involved in deals here in the downtown area. And I think it would be great for the community if we are able to parlay some of those strategies into Broadway which sounds like we're on the right track; so, yes, stated perfectly.

CHAIRMAN McCUSKER: We're pretty loud. I don't know if we need this, but I don't hear the PA. so without any further comments from the peanuts, what we demonstrated our capabilities as it relates to projects is our ability to syndicate deals with private developers, with banks, with tax credits, with sales tax relief. And that's really the approach we're going to take to Broadway.

It may involve the acquisition of a private parcel, but indeed Rio Nuevo is not going to be the ultimate owner. So that's -- we'll share that with the sellers who have approached us regarding properties on Broadway.

MR. COLLINS: Mr. Chairman, may I jump in?

CHAIRMAN McCUSKER: We need to do something.

MR. COLLINS: Nobody has ever accused me of being quiet. Can you hear me back there?
That one's working.

I just wanted to point out that it is vital that everybody understand that the condemnation that the City is doing is not for the purpose of repurposing the remnants but for the Broadway widening. If then they condemn it and there is a remnant, just as Mr. Chairman indicated and you, Mr. Marquez, that property could be repurposed.

It's a fine line distinction.

CHAIRMAN McCUSKER: Let me correct you on one point and it's a very sensitive word for everybody involved, that's condemnation.

Most of the properties, if not all of the properties, the City will acquire. They will not condemn but actually acquire through mutual agreement between seller and buyer.

MR. COLLINS: Prior to condemnation.

CHAIRMAN McCUSKER: There are different traders. But legally to a property that has been condemned and acquired versus one that has been voluntarily sold and acquired.

Our focus is on the latter; it's on the properties that the City -- property owner, and the City agree have been impaired. And therefore the City will do what they call a full acquisition.

And then those parcels could in fact be made available
Is everybody tracking that? Because it is tricky.

MR. COLLINS: It is.

CHAIRMAN McCUSKER: And we should reiterate: We have no interest -- earthly -- in the widening of Broadway.

SECRETARY IRVIN: I think we said that about over a year ago.

CHAIRMAN McCUSKER: We are not trying to affect the engineering or the roadway design or the path of the roadway or which building it affects. But at the end of the day, there will be some buildings there. The City Council unanimously agreed to allow us to engage. And I would say generally people are excited about the opportunity to save some of those buildings.

So you will hear more from that on us in the future but probably not as an individual parcel buy.

Item 8. I'm going to table. Just a quick note to why it's on the agenda and why it's on the table.

With the Caterpillar project and the 8-acres approximately on the West Side, Avenida del Convento will extend south of Cushing Street onto that parcel. It's a smart conversation to have with the City is that while we're
over there building stuff, we might be convinced to build
the roadway on the City's behalf and use our current
contractual relationships to do that.

That conversation is not far enough along for
us to take any action.

Item No. 9. Mark, we can include an update in terms of
what's going on in the timing of the Caterpillar site and
why we need some access agreements.

Particularly since the property has not officially
legally changed hands. But we are trying to stay on the
schedule whereby Caterpillar can occupy that site in March
of 2019. And we have a number things in play in order to
accomplish that schedule.

I believe everybody knows we've selected an architect,
we've selected a contractor, we have engaged in some of the
site prep work that predates any of the actual site
preparation.

We will be seeing hard bids on a lot of that
in May. And at our next meeting we will actually look at a
number of those items, which include remediation of various
landfill features, relocation of the sewer line that cuts
through property, resolution of some of the floodplain
issues associated with the property, access via the roadway,
et cetera, et cetera.

I think we've talked about it publicly and we don't
have all the data yet, but it's safe to say we're going to
spend a small fortune preparing this parcel for 150,000
square foot corporate headquarters building; but we're on it
and with the even help of Phil, who is the owner's
representative, with SmithGroup out of Phoenix is our
architect, and Sundt, we're in really good hands.

It's no understatement to say that those
parcels are extremely more challenging than any of us ever
realized.

In the meantime, we need to be driving on
that.

Mr. Collins.

MR. COLLINS:  Mr. Chairman, Members of the
Board, you have in front of you pictures up on the screen --
it's the same picture.  The artist, Elaine Becherer, back
here, is the one who was kind enough to create this for us.

What you're seeing there, the Caterpillar site is the
orange up in the right hand corner next to Cushing Street.
The discussion is during the remediation of the landfill,
the trucks that need to remove the landfill and bring in
clean dirt have to go down a certain route.

And after a lot of effort by Elaine and Phil,
I believe they've determined that the most feasible route is
the truck route; it's the red line that you see there.

That truck route is what we call the Westside
Parcel; it's the property owned by the District. Elaine has already checked it out with the Environmental Services. They believe that the volume of traffic that will be generated by these efforts will not harm the cap on that landfill.

So what needs to happen is the Board needs to consider granting to itself, if you will, and all of its contractors, the right to go across the Westside Parcel where that red line is.

MR. SHEAFE: And it's taking a curved route because you're trying to protect the cap; is that correct?

MR. COLLINS: Correct.

CHAIRMAN McCUSKER: Cap and the neighbors.

MR. COLLINS: Cap and the neighbors.

MR. IRVIN: Thanks for addressing the cap issue. It probably would be important for everybody to know why this is necessitated. Because to me, I look at this, why can't I just go down this way and that way? So explain if you would that piece.

MR. COLLINS: Well, go ahead. And --

MR. IRVIN: And I'd also like to know: Is there any additional cost in creating this?

MR. SWAIM: Mr. Chairman, Members of the Board, Phil Swaim, Swaim and Associates Architects.

The reason for this proposed route is to avoid the
neighborhood to the west and also to avoid Mission Gardens.

Environmental Services has confirmed that the existing cap on that West Side landfill is stable enough that it will handle the truck traffic.

The subcontractor will be responsible for maintaining the condition of that for their own trucks. But they've confirmed it should not be causing any additional costs.

MR. IRVIN: Where is the export going and where is the import coming from?

MR. SWAIM: It's going to Los Reales Landfill and we're then excavating Los Reales' next landfill cell and bringing back dirt from that location.

So we're bringing a truck back full of trash and bringing it back with clean dirt.

MR. SHEAFE: I noticed that you're cutting the original idea, which would have been to run along the south side of Mission Gardens.

That's got to be a little bit of an awkward deal going across that entire piece of property.

And I'm just wondering how intense were those discussions because it seems to me that -- Mark just asked the question -- there is extra cost here.

And given the way we've supported Mission Gardens and whatnot, what's wrong with just taking a more direct route
and cutting the cost as much as possible?

MR. SWAIM: Well, the concern is really dust and noise from the number of trucks. We're anticipating potentially thousands of trucks.

CHAIRMAN McCUSKER: We should talk about the scale. We're not talking about a few dump trucks. We're talking about maybe 10,000 loads.

So this going to be heavy equipment for an extended period of time moving trash out and dirt back.

So what we really try to address was the least intrusive way to all the existing establishments over there. And, you know, yeah, that's vacant land. So it's probably -- we're not -- we don't really grade anything, we're not paving anything. So it's really no cost to us that would whip through our property, than it is to stay on Grande for a little longer and then stir up all kinds of dust and debris along these barrio neighbors.

MR. SHEAFE: Isn't it true we're going to have to water --

SECRETARY IRVIN: It's not free.

CHAIRMAN McCUSKER: We have to squirt it down on these sections here. So the water truck is going to have to run down the road.

MR. IRVIN: What's the distance of that?

MR. SHEAFE: The difference between that and
MR. SWAIM: I'm anticipating that looks to be a quarter to a half mile.

MR. IRVIN: What happens we get into monsoon season and we have those issues. I'm not sure I'm keen on something that's going to cost us money. If it's a simple driving across it, I couldn't care less. But the expenses we're already incurring in this site, a lot of them which you are well aware are unknown, having another unknown just to accommodate somebody, it's going to be a big expense.

I'm not really keen on it myself. Are you saying there's no additional expense to us? It sounds like there is with water and trucks and what have you.

MR. SWAIM: I can certainly follow up with Sundt and be able to confirm what that expense might be. And maybe have them test the condition of the soil to make sure it's going to be stable during the monsoons.

MR. IRVIN: Yeah. I think I'd like the answer to that before I say, hey, I'm cool with it. I can see some issues with it. Do I want to make the neighbors happy? Yeah, we've already done a lot for the neighborhood. We've been a very good neighbor as it is.

And, by the way, this is something that's going to happen as we continue to explore other options on that site. So at some point in time we're going to be going
through some neighbors. So I'm not sure -- I know this is a
little bit different situation, but I would just like to
understand this.

MR. MARQUEZ: I'm not super-excited, being a
insurance agent, of the liability aspect of having 10,000
heavy duty trucks driving across a cap that used to be a
landfill with methane below it. I think the shorter route
would be more expeditious and more conscious of the
liability aspect.

CHAIRMAN McCUSKER: I think it may be prudent
to get some additional data. But let's talk about this
conceptually for a minute. The last thing we need to be
viewed as over there is some evil machine big developer
wielding all these trucks and whipping through this barrio.
We will not live that down.

And I'm the last guy that's going to stand up in front
of those neighbors and say, oh, by the way, we're going to
be running 10,000 dump trucks through your neighborhood.

Even if it costs us some money, I'm fine with
finding out what that is. But we've got to stay clear of
this barrio and any -- the gardens are a very fragile
property. Who knows what additional dust or debris could do
to those. These are 400-year-old plants. I've endorsed the
plan all along and haven't thought about: Is there a trade
off economically? Because to me it wasn't --
MS. BECHERER: Public relations.

CHAIRMAN McCUSKER: Yeah, the public relations aspect to this. And to cut through this neighborhood with heavy equipment, the proposition would be insane.

MR. IRVIN: Why aren't they hopping two blocks to take the service road down I-10? We've already got the infrastructure. Why are we trying to create infrastructure?

CHAIRMAN McCUSKER: The only other way to get there would be Cushing Street south, and now you're in front of the streetcar.

Grande, north to Cushing, and over. But now you're still interfering with the streetcar. I think there's been a lot of work done in terms of how you get on and off of this site.

MR. IRVIN: I'm not saying there has or hasn't, I'm just getting tired of us being the guy that everybody comes to to try to fill up holes in the budget. So until I know kind of what the numbers are and if other alternatives that were discussed, it's just really hard for me to support it.

CHAIRMAN McCUSKER: Go ahead, Elaine.

MS. BECHERER: Elaine Becherer, City of Tucson.
I think the way that the City came to Rio Nuevo and started initial conversations was, one, we did our due diligence with Environmental Services and, your attorney, and your owner's rep, have fully reviewed the extensive explanation that Environmental Services sent to Rio Nuevo saying that it is safe to drive over the cap, and there will not be methane escaping from it.

It's a landfill that had been unused for over 60 years. And in terms of any potential added cost to drive due south, which all the trucks are going to go anyways, in terms of the risk associated with Rio Nuevo for the public relations -- and so we contemplated both of those in the City working with Rio Nuevo --

MR. IRVIN: I can appreciate that. I don't think there's anybody more sensitive about Rio Nuevo's perspective in the community than everybody sitting up here. But I'm getting tired of it being on our dime all the time.

I just want to the understand the cost and want somebody to explain what happens during the monsoon season because this is going to occur when all this is going on.

CHAIRMAN McCUSKER: Is there any concern about the delays? We don't meet again until the end of May. If we table this and asked you to bring back some information is it going to affect the timing of the project?
MR. SWAIM: The potential impacts on the timing -- they need to be able to start this work on June 1st, so we'll be back for your May 30th board meeting for approval of the cost.

They are anticipating getting their construction fences up the week prior so they are really prepared to go full speed here. But at this point as long as we can resolve these things prior to that May 30th board meeting, we're confident that we have that direction.

MR. SHEAFE: Let me ask one more question. Elaine said the cap -- and that was by the way my understanding is the cap is capable of sustaining these loads.

So if you look at the map and the southeast corner of Mission Gardens, and the road then goes north along Mission Gardens rather than continuing sort of on a 45-degree angle and connects right to the corner of where the Convento Site is, which it's avoiding, why are you not taking a straight run across there instead of going north and then turning 90 degrees and then turning 90 degrees again?

You're talking 10,000 trucks. Having paid these bills, I can tell you that those are expensive turns.

CHAIRMAN McCUSKER: Isn't that kind of in the existing roadway?
MS. BECHERER: There's an existing access road through your property. And so I think we did consider that instead of having to route a new route through the property that's existing that Sundt has driven through, ES has driven through, and in my belief in terms of the maintenance, the relationship that you've built with not only the neighborhood, but also Mission Garden, the wear and tear on the road in white I think will be greater in terms of public relations, responses, and just the overall wear and tear of maintaining a road that Mission Garden uses and then you have to maintain it every couple of months during construction or week the route in red was.

MR. SHEAFE: So you could go across there and make it a straight line.

CHAIRMAN McCUSKER: We'd have to grade it.

MR. SHEAFE: We'd have to grade it anyway.

MS. BECHERER: No, there's no grading needed. There's a route there we've all driven and Sundt has reviewed it and it is good for the trucks.

CHAIRMAN McCUSKER: That's why it wiggles around because following the dirt road that runs through that section of the property.

MR. IRVIN: I wouldn't mind going to drive it. I still like to answer what happens in monsoons.

MR. SHEAFE: We might have to make a decision
here because we're under a hell of a -- excuse me -- public
session. We're under a very significant framework of trying
to get a lot done.

    We've been held up on a Caterpillar project
quite a bit and it's going to start really pressing us up
against the 2019 date. So I'm uncomfortable with delaying
this but I want to make a reasonably good decision. And it
sounds like it's more of a political decision than it is one
that --

    (crosstalk.)

MR. MARQUEZ: Can we approve executive to
make this decision before the next board meeting?

MR. COLLINS: Mr. Marquez, you and I are
thinking alike.

    Mr. Sheafe, you are correct, we're on a
really tight timeframe with the entirety of Caterpillar.
One thing you could consider doing is authorizing the
executive officers to make the determinations of cost,
route, and so on and so forth, so that the executive
officers could execute the necessary right of entry
agreement with its contractors to take the route that the
executive officers determine are the appropriate route
across that West Side Parcel.

MR. MARQUEZ: So moved. Can I use that?

MR. IRVIN: I'll second that.
CHAIRMAN McCUSKER: Okay.

So the motion is basically punting the issue to the executive officers. And fill in that couple of week period. We would want some additional data on any decision costs associated with the route, any additional maintenance issues associated with the link of the dirt road so the executive officers then could make a better informed decision which if the Board so authorizes would be the final decision, right, Mr. Collins, as it relates to access?

MR. COLLINS: That's correct, Mr. Chairman.

CHAIRMAN McCUSKER: Okay.

Brandi, let's call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Jeff Hill?

MR. HILL: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye.

(The Board voted and motion carried unanimously.)

CHAIRMAN McCUSKER: So we'll be working with
you guys on some tools that we would need in the next couple
of weeks to finalize the access agreement.

MS. BECHERER: Just one thing to add. The
City and Rio Nuevo will be sharing with neighbors of the
Menlo Park Neighborhood Association in mid May the logistics
of what the landfill removal will consist of. And so this
ties in with the project -- you know, can't wait until the
end of May.

CHAIRMAN McCUSKER: Shouldn't be any reason
we can't do it between now and then.

MS. BECHERER: Just wanted to clarify.

CHAIRMAN McCUSKER: Thank you.

Item no. 10. Edmund and I are bringing this
to the full board for at this point for a conceptual
conversation that indeed is challenging economically.

But you all remember when we completed the arena
renovation -- which has really proved to be one of the
smartest things we've done in terms of increasing the
utilization of the TCC Arena -- we had a Phase II budget for
the rest of the Tucson Convention Center complex. The
additional bathrooms, the renovation of the Music Hall, the
renovation of the Leo Rich Theatre.

Part of that conversation involved the
pass-through lease that we have with the City of Tucson.

Right now, the lease services the debt that was put on that
convention center long before our time.

In order to provide additional bonding capacity, we had asked the City to increase the rent. That's -- if I can be blunt -- not gonna happen.

So we're left with our primary component, the thing that we are legislatively mandated to be responsible for.

And with no help in terms of its ongoing maintenance requirements, upgrade -- the City's doing its job with what they have.

But Edmund and I walked through The Music Hall the other day and it's the same sense I had, Mark, when you and I walked through the arena. It's embarrassing. The bathrooms don't have locks on them. They're dirty, it's uncleanable, the lobby is riddled with hand-me-down furniture. And, you know, we're trying to, you know, house the symphony and ballet and the opera, concerts. And we want Broadway to come back.

None of that's going to happen unless we find a way to invest in these facilities.

In that conversation, we've spoken to the symphony, the ballet, the opera, True Concord, the choral group, about their willingness to partner with us economically.

And Edmund's led those conversations. So I'll let you speak to that directly. But all of them have offered to help through, one, means to begin this charged sales tax on
their ticket revenue. Right now they don't. It could be a huge source of income for us. And, two, to also help raise capital to improve these facilities. So we just wanted to bring it to you. We don't have plan, we don't have a number.

We have very interested and willing partners who now have expressed a strong desire and I think some urgency that if we don't do something, these artistic endeavors are at risk.

This doesn't touch their Plaza or the Eckbo Fountains or anything on the exterior of that convention center. But, you know, I don't think the City's going to be in a position to help us economically for maybe 4 or 5 years. So we could continue to ignore those properties, or find a way that Rio Nuevo upgrades those facility and partners with the end users and present a better venue, which we have seen pay off for us economically.

So I think we just kind of wanted to share that at the board level; and get some direction from this board as to whether or not you want us to continue those conversations.

MR. IRVIN: Well, you know, I think shame on our community for failing to pass even one of the recent bond proposals that were presented. As we know, those would be taken care of Leo Rich, Music Hall, Eckbo fountain -- I could go on until I'm blue. Unfortunately, it didn't pass
so we're sitting here trying to figure out.

I think it's great, Edmund, that you're looking at that, saying, hey, you know, could we generate -- that's our mission, you know, generate sales tax. So I think that's a great discussion to have. I think it would be interesting to see what that study looks like.

To me -- and I don't profess to be the guy that knows this. I see Mark's in the audience, he ought to address this.

But I know, as example, Leo Rich is like 500 seats. So I think that probably has a little less of a need to do with something right now as I look at the Symphony Hall, which, to me, I think is just an albatross. It should have an aisle down the middle of it, it's -- the bathrooms are a mess. We could go on until we are blue in the face. It does have good acoustics.

So I support the idea of exploring that. I think it would be interesting to see what an economic study might look like. Here's what the ticket sales were last year, here's what it would look like if we apply the tax to it, here's how much of that we get to keep. How could we position -- I think those are great discussions. I think those are creative discussions and I support it if the numbers makes sense.

MR. MARQUEZ: And this comes down to pride.
I had an opportunity of attending the Tucson Symphony Orchestra. The music was beautiful, I had a great night. I went with one of my buddies and visited the restroom and I'm so used to what we've done with the Roadrunners and everything in the arena, I was shocked. I was shocked with the 1965 bathroom -- waiting for Leave It to Beaver to walk out or something. It was not a pretty site. It just comes down to pride for our community.

As Fletcher mentioned, this is a partnership. It's an opportunity we have for the arts community to come together with Rio Nuevo, SMG, hopefully the City of Tucson, to do something great for our facilities. We deserve it. And in context with everything we're doing downtown, as you look at the restaurants, the hotels that are coming, the 2,000 apartments, the TCC, is our primary component and has to keep pace. And right now, unfortunately, the Music Hall and Leo Rich are just really outdated and desperately need us, the Rio Nuevo, and our love.

MR. IRVIN: I might also add to that the TCC we've done a great job with the arena. But there's a piece of the TCC that needs attention as well. I just saw Glenn walk in. I always like to put him on the stand when he's unprepared. I wouldn't mind hearing from SMG on their thoughts on this, revenues that might come, what do you support, what do you think makes sense?
So I wouldn't mind hearing from Glenn.
We waited for you.

MR. GRABSKI: I appreciate it. Glenn Grabski, General Manager of TCC.

The TCC obviously needs some love, as you guys have said.

Every time we turn a corner, we figure out something new to do. We appreciate the attention that Rio Nuevo's given it, especially with the Arena.

It made a huge difference for bookings.

I think part of what we have to face is twofold. The first fold is just -- it's been left for so long you just need to be kept up now. Also we need to be prepared in the future for potential revenue streams.

I think about if a hotel comes back online, I want to be prepared with the meeting rooms at the convention center to capture revenue to go out there and have something to sell.

As far as the Leo and Music Hall, yes, they need love. They need some attention. I think the Music Hall a little bit more than Leo. Obviously, I think there's more revenue potential from the Music Hall.

I think I've been very vocal about that. We need to get those bookings up. As far as increased revenues, I think it's -- there's increased revenues across the board
there potentially. I also think part of what we have to look at is not losing business.

And there is, as you guys know, if you look at the convention center, the bathroom and stuff, it's -- they need a lot of attention. And we want to keep the business we have, in addition to growing our own business.

MR. IRVIN: So, Glenn, I know it's been a while, I apologize. Because I know some time ago you had put together a needs list and kind of organized them.

Have you looked at that lately? And is that something you could update for us and try to help us prioritize that? I think that one is not one that has a revenue source. Edmund and Fletcher have come up with something that's probably going to have a revenue source, but I think it would be interesting to brainstorm on other revenue sources that we might be able to bring to the TCC. And I'd love for you as a guy that manages all of those venues to give us some direction on how we should prioritize some of those things.

MR. GRABSKI: Sure. Since day one, we started with a cap list that could be potentially go out to 30 years. Obviously, it changes as we tick things off. And, you know, part of it is infrastructure part is FF&E. We have done -- I just finished up a meeting with the City and it looks like we got a go ahead on some FF&E and some
other stuff that we need to do.

So, yes, I can update that and definitely discuss it.

MR. IRVIN: I agree with the meeting rooms. I think with some of the discussions we're having with various parties to unshutter hotels and open new ones, all of them -- some of those have convention meeting space, some of those don't, and would look to the TCC to back to some of that.

So I think we've always looked at those rooms and said, you know, they need a lot of work. I love Fletcher's idea about taking one of those and making it into a high-tech board room kind of thing. And I'd like to explore that as well in this kind of global discussion. But I don't want to take away from what Edmund is working on and Fletcher. But at the same time, I don't want to lose site of our primary component, which is the piece we own and what we need to be doing with that.

CHAIRMAN McCUSKER: That Phase II, the budget was 24 million bucks or more. It's highly unlikely we can syndicate anything that's going to come close to that.

But I don't know what the number is. We haven't really run the economics. If we spent 12 on the arena, I can easily seeing us spend 12 on everything else. And can we do that in a way where there's economic partners that help pay for that.
I think what Edmund and I are trying to convey is we don't have a choice. If we want to be the downtown that we aspire to be and we're spending millions to put a hotel in your parking lot across from an empty fountain, you know, with dated venues, you know, it's just absurd as any kind of development organization.

So I think we've got to find a way to do it. I've been pleasantly surprised and Edmund is very persuasive that all of the artists that we've talked to have agreed tentatively -- I don't want to put words in their mouth -- but have agreed to add the sales tax component to their ticket and concessions revenues. I think you may already do it on concessions.

MR. GRABSKI: Yeah. The F&B is something that we do -- sales tax.

CHAIRMAN McCUSKER: You do that over on the next 25, 30 years, there's a lot of money. Right now, we will never see it.

So I think there is a formula that we could sit down with Glenn and sit down with these artist groups and look at what we can do to enhance those.

I think it's money well spent now. You know, it's not as sexy as putting in a couple million bucks in a $25 million hotel. But I think all this stuff comes together.
And I think, Mr. Collins, this is our primary component and I think we have a legal obligation to this above anything else. If I recollect -- that everything else we do is considered secondary in fact to the Tucson Convention Center.

MR. COLLINS: Mr. Chairman, you're correct. Just those two words convey it all. Your primary component is the Tucson Convention Center, and everything else is secondary only when you decide that is supportive of your primary component.

CHAIRMAN McCUSKER: So I think we can bring something back if you are so inclined.

MR. IRVIN: Absolutely.

CHAIRMAN McCUSKER: I don't think we need to take any action, but unless somebody persuades us otherwise we can bring you budget and some revenue sources and some other potential capital contributions and maybe look at that in the middle of the summer.

MR. IRVIN: I would love to see it.

CHAIRMAN McCUSKER: Okay. That's what we're going to do.

Item No. 11. Cushing Street parcel. And the Broadway parcel.

So just to refresh everyone's memory, Rio Nuevo has negotiated options to ground lease both of these parcels,
The corner of Cushing Street and Interstate 10, across from the River Park Inn, the parcel across the street from Tucson Electric Power, both owned by the County.

We have negotiated the options on those with the opportunity to develop. We have had a lot of inbound interest in developing those parcels.

Mr. Collins, I don't believe we're at any point to take action on either.

But to instruct you to sit down with our counterparts with the County and discuss the process under which we obtain control of these parcels, I think that's consistent with the message we want to deliver to the County.

MR. COLLINS: I think that's consistent with what we discussed in E-session.

We need a motion for that.

MR. IRVIN: I make a motion.

You keep working with the County, and nail down the terms of the option agreement, and to me that includes both height, use, et cetera.

MR. COLLINS: And I assume you mean in conjunction with the executive officers.

SECRETARY IRVIN: Correct.

CHAIRMAN McCUSKER: You kind of seconded it before he made a motion.

MR. SHEAFE: I'll second it again.
CHAIRMAN McCUSKER: The motion is to instruct counsel to continue to negotiate with the County the terms under by way we would exercise those options.

All in favor aye.

(Ayes.)

Nays?

(The Board voted and motion carries unanimously.)

That motion carries. Off you go, Mr. Collins.

MR. COLLINS: And Mr. Chairman, Members of the Board, just for the public record, that is both agenda items, 11 and 12.

CHAIRMAN McCUSKER: Yes.

13 and 14 are not going to be so easy but are probably some of the most important conversations we've ever had. We've discussed this in public.

MR. COLLINS: Mr. Chairman, I need Mr. Sheafe to recuse himself.

CHAIRMAN McCUSKER: He's going to step out, we still have a quorum.

MR. COLLINS: You do.

(Mr. Sheafe steps down from the Board for agenda items 13 and 14.)

CHAIRMAN McCUSKER: You're better at this
than I am, Mr. Collins. If you want to refresh to everyone
the commitments that we've made on the AC Marriott and the
opportunities we have in renegotiating those agreements?

MR. COLLINS: Yes, Mr. Chairperson and
Members of the Board. We're bringing up a picture here.

This agenda item that we are on concerns the
AC Marriott Hotel and the 200 Block of Congress.

And that's what we're talking about -- that's agenda
item --

CHAIRMAN McCUSKER: 13.

MR. COLLINS: 13. Currently, the District
has an agreement in place to purchase the parking garage of
the AC Marriott Hotel from the developer.

That purchase agreement requires the District
to pay $4.3 million at about the time the certificate of
occupancy is issued for that project, the AC Marriott.

The current projection is that that certificate of
occupancy will occur in late July or early August of this
year. This would require the District to pay the developer
$4.3 million. That garage would then be leased back to the
developer.

That's the current state of affairs.

There have been discussions -- since that agreement was
entered into, in 2014, as is this Board knows, the Board has
gotten involved in many other capital-intensive efforts.
And during that period of time,

Mr. Stiteler -- I will say Mr. Stiteler, but it's his
development group -- also received the opportunity to
develop the Depot Plaza, which is the top of that picture.
I'll talk about that in a minute. But what I'm trying to
give the public or some sort of sense is, there were organic
discussions between the executive officers of this Board and
Mr. Stiteler about how to perhaps make these things happen.

MR. IRVIN: You mean executive officers sans

Mr. Sheafe.

MR. COLLINS: Yes. Correct. Thank you.

Mr. Sheafe is good about that.

So this is how it currently structured. There's going
to be what -- we discussed it in Executive Session --
there's a proposal to terminate the District's obligation to
pay $4.3 million for the AC Marriott garage. That would
relieve $4.3 million from -- the District wouldn't have to
pay that.

In exchange, the developer who also owns the 200 Block
of Congress -- that's the second rectangle above the AC
Marriott Hotel -- Mr. Stiteler and his group own that. Both
of those blocks -- both of those blocks are going to be
conveyed title, are going to be conveyed to the City of
Tucson at the certificate of occupancy.

CHAIRMAN McCUSKER: That's the
Playground-HUB-Elvira's restaurant block.

MR. COLLINS: Yes, exactly. And then the retail that is currently not active in the 200 Block.

So Mr. Stiteler is very interested in upgrading that 200 Block because there are lots of developments going on around town and he would like to upgrade that.

So the idea is that the District would be relieved of the 4.3, but would agree to provide Mr. Stiteler and his group site-specific TIF revenue on both of those parcels up to $7.75 million.

That number comes from the 4.3 million plus the 3.225 million that Mr. Stiteler is going to invest in the 200 Block.

So in other words, this deal, if it were approved by this Board, and all of the rest of the conditions were satisfied, the District would ultimately be paying $4.3 million but over time, as opposed to in cash, and would also defray the cost of upgrading the 200 Block.

That is the nature -- those are the principal terms of the agreement that I have worked on -- my office has worked on with Mr. Stiteler's attorney. And -- any questions?

CHAIRMAN McCUSKER: It sounds like a smokin' deal. We don't have to pay 4.3; we'll only remit back to the developer the incremental sales tax that he otherwise
would provide. But I think we also talked about having someone smarter than us opine as to its economics.

Mark, so can we make a condition that we have an economic analysis?

MR. COLLINS: You most definitely can, Mr. Chairman. And -- absolutely, and that's my recommendation: that there be a economic study; and that the final execution of this agreement be subject to the completion of that study and the approval of that study by the executive officers. And if they don't approve it, then bring that study back to the Board to consider it.

MR. IRVIN: Sounds like a motion to me. I just might adopt that. In fact, I will adopt that.

MR. MARQUEZ: I'll second that.

CHAIRMAN McCUSKER: All right. So what we're voting on would include the renegotiation of our commitment to the garage, which is an existing commitment. If we don't do this we're writing a check for $4.3 million in a couple of months.

To exchange that for a site-specific -- I'm going to use the word "rebate" -- my word -- site-specific sales tax rebate specific to these properties, period.

MR. COLLINS: Correct.

CHAIRMAN McCUSKER: Which is capped. So it doesn't go on forever.
MR. COLLINS: Correct.

CHAIRMAN McCUSKER: It's capped.

And we're just going to enhance our knowledge of this by having you get us a third-party economic analysis.

MR. COLLINS: Correct.

MR. IRVIN: I might also add I think one of the things I like about this deal is, you know, the District wasn't left with a lot of cash. And Fletcher, thanks to you, and Chris, and your financial genius, you know, we've been able to move some things around and refinance some things and clear up some things and do stuff.

The end result of all that is, you know, we had a goal to put a buck in and have about $4 or $5 follow us. And Edmund, as you've noted so clearly, we're way more than that. We're like one dollar for 10 or maybe even 11, could be even more than that I need to sit down and kind of look at the numbers.

I think this a great way for us to not just free up cash, but to reposition that cash. I look at that 4.3 and that's about $40 million-something. I'm not sure what this is, but that's the way I look at it; so I support that.

CHAIRMAN McCUSKER: The AC Marriott is a $35 million project. He's going to put another $4 million into the Playground block.
MR. COLLINS: 3.2 approximately.

CHAIRMAN McCUSKER: Yeah, he's investing $40 million. We're putting up at most, 7, so that's your leverage on that.

MR. IRVIN: The other ones we got up front cash --

CHAIRMAN McCUSKER: That's not even cash leverage, that's leverage over time.

MR. COLLINS: Mr. Chairman, Mr. Secretary, and Members of the Board, the way the agreement is structured, as we discussed in E session, is that if the TIF period, which terminates on July 1 of 2025 -- if it does not -- is not extended, that's the end of the sharing of the revenue. So Mr. Stiteler --

CHAIRMAN McCUSKER: -- can't commit the State to something that doesn't currently exist.

MR. COLLINS: Correct. And that's accounted for in the terms of this agreement.

CHAIRMAN McCUSKER: Part of his explanation, which you made a motion, was that the executive officers will then be authorized to finalize the deal subject to this economic analysis.

MR. COLLINS: Right. Yes. Right.

CHAIRMAN McCUSKER: It's -- what was your word, Jeff? If it's -- you had a great word.
MR. HILL: It wasn't "profane."

CHAIRMAN McCUSKER: No, it wasn't profane.

MR. IRVIN: It was profound.

CHAIRMAN McCUSKER: Mr. Marquez.

MR. MARQUEZ: Because every dollar counts and we're spending top tax dollars here, in the summary of cash position by Dan Meyers it says we've already paid $10,000 for the garage of the AC Hotel.

We get that back, correct?

MR. COLLINS: It's being -- it's actually more than $10,000. It's going to be split.

MR. MARQUEZ: Our ten grand?

MR. COLLINS: Yeah. We were supposed to have paid 100,000.

MR. MARQUEZ: Instead of a hundred, we're paying 5? All right.

CHAIRMAN McCUSKER: So we have a motion and second.

Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Jeffrey Hill?

MR. HILL: Aye.
MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye.

(The Board voted and motion carries unanimously.)

So you have your instructions, Counsel. Let's go and order us an economic analysis.

And 14 is definitely related. And was the genesis to a large extent of this conversation. I'm still shocked, but it's a pleasantly surprised kind of shock.

The Marriott is prepared to commit to another hotel, 2 blocks away from the AC before the AC is even finished. And Scott has offered us a similar package which enables him to put this deal together.

So walk us through the Moxy.

MR. COLLINS: Mr. Chairman, members of the Board, we're now moving to the top of the picture that Brandi has on the screen for us. What you see outlined there is known as Unit 3 of the Depot Plaza subdivision.

Scott Stiteler's company, Depot Plaza Investors, 5 North 5th, which is also Mr. Stiteler's company, Rio Nuevo, are contemplating an agreement that will allow the Moxy to be developed on that parcel.

Some history I think is important.

Back in 2008, the City, the District, and Depot Plaza Investors, entered into a development agreement for the
development of the Depot Plaza.

Part of that agreement authorized or granted to Mr. Stiteler's entity the right to purchase Unit 3, which is outlined up there as the Depot Plaza Moxy Hotel. That hasn't happened yet.

As part of the process of entering that development agreement, this Board, in 2003 and 2006, passed various resolutions.

CHAIRMAN McCUSKER: It wasn't this Board. It was this Board, but none of us were there.

MR. COLLINS: Your predecessors passed various resolutions in support of this proposition -- and in fact, signed the development agreement.

In addition, your predecessors expended significant amounts of money pursuant to those resolutions and that development agreement. Mr. Stiteler, and his lawyer, and you and your lawyer, have disagreed about whether all of the financial obligations that the District incurred, if any, have been satisfied.

What we're talking about is difference of opinion that could be $2- to $3 million. And it's a real live lawsuit if anybody wanted to do that.

This agreement that we're talking about doing releases everybody from all of those claims, resolves that once and for all.
And in addition to doing that, it creates a process by which Mr. Stiteler can develop the Moxy Hotel, and, once again, similar to what we just talked about with the AC Marriott, the District's involvement is going to be giving to Mr. --

CHAIRMAN McCUSKER: Rebating.

MR. COLLINS: Granting. And "rebate" is the right word. As you may know, that's what I used in the agreement -- rebating to Mr. Stiteler a specific amount -- up to a specific amount of the sales tax revenue generated by the development of that parcel.

Unit 3, as everybody knows, is dirt right now. So it's not generating any tax revenue at all. You might imagine it's going to generate a bunch after a hotel is built.

So this particular transaction you would be rebating up to 4.775 -- well, $4,775,000. That's the cap.

CHAIRMAN McCUSKER: Of a $24 million project.

MR. COLLINS: Of a $24 million project. More specifically, it's the lesser of 20 percent of the substantiated out-of-pocket expenses, or $4,775,000. That's the cap. And it has the same restrictions, if you will, that the AC Marriott and 200 Block deal has. You're only obligated to pay for as long as the State is sharing the money with you folks.

CHAIRMAN McCUSKER: That's only 5 times
leverage. But it's a million times leverage of what we currently enjoy.

MR. IRVIN: We're going to have a hard time calculating all these returns. But the north of it is, everything is north of 10.

MR. COLLINS: Yeah. And I need to touch on something that I haven't yet touched on.

The agreement contemplates -- the current form of the agreement contemplates that Mr. Stiteler will enter into a lease with the District for that property.

As you all know it's called a GPLET.

He will develop it and he will then, when the C of O happens, title of Unit 3 will go to the District and then it will lease directly back to Mr. Stiteler precisely in the same way that the City is doing with the AC Marriott Hotel and the 200 Block.

CHAIRMAN McCUSKER: And this structure fits under Representative Leach's new bill, correct?

MR. COLLINS: Yes. Because --

CHAIRMAN McCUSKER: We won't be relieving them of the excise tax.

MR. COLLINS: Yes. And I have gone -- yes.

The current draft of the agreement and the current draft of the GPLET both contemplate giving Mr. Stiteler the option of seeking that abatement.
He's contemplating that. But at the current, I believe, he is going to elect not to seek the abatement.

And for the benefit of the Board and the public, now that 2213 has been signed into law, if you seek abatement of excise taxes, the length of the lease can only be 8 years. If you do not seek abatement, it can be up to 25 years.

CHAIRMAN McCUSKER: Regardless, we will fit under the new legislature.

MR. COLLINS: This is my opinion.

CHAIRMAN McCUSKER: This is also a project we also talked about getting an economic study done.

Can you put that on your to-do list?

MR. COLLINS: I have that on my to-do list.

We probably ought to make a motion to --

CHAIRMAN McCUSKER: See if he can do this one by himself.

MR. IRVIN: I'd like to make a motion. The Board authorizes the executive officers to review agreements with you pending an economic study and no material change from what we discussed in Executive Session authorizing us to move forward.

CHAIRMAN McCUSKER: That's good. It's a lot harder than saying "so moved."

MR. MARQUEZ: I'll second that.

CHAIRMAN McCUSKER: Brandi, we have a motion
and second. Call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Jeff Hill?

MR. HILL: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye.

(The Board voted and motion carries unanimously.)

So we've pass both of those subject to these economic analyses.

MR. COLLINS: And subject to the terms of the two agreements.

CHAIRMAN McCUSKER: Congratulations. We're done except for call of the audience, Brandi.

MS. HAGA-BLACKMAN: I don't have any.

CHAIRMAN McCUSKER: Motion to adjourn.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: We stand adjourned.

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CERTIFICATE

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

_________________________
John Fahrenwald, RPR