BOARD MEETING

Tucson, Arizona
August 22, 2017
1:00 p.m.

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

KATHY FINK & ASSOCIATES
2819 East 22nd Street
Tucson, Arizona 85713
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BOARD MEMBERS PRESENT:

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

ALSO PRESENT:

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

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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 22nd day of August, 2017, commencing at the hour of 1:00 p.m.
CHAIRMAN McCUSKER: Okay we're go to call the meeting to order. It is 12:59 on the official Rio Nuevo smart phone.

You get to lead the pledge, Mr. Sheafe.

(Pledge was recited.)

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

CHAIRMAN McCUSKER: Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Here.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Here.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: I'm here.

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

We tend to be pretty accurate about our timing. But if you want, you can certainly hang out or come back ten to 2:00 or so, we should be back.
You have the board meeting minutes at this point from the July 25th meeting. Is there a motion to approve?

MR. IRVIN: So moved.
MS. COX: Second.
CHAIRMAN McCUSKER: We've approved the transcripts.

We've set a time aside for recess.

MR. IRVIN: So moved.
MS. COX: Second.

(The Board recessed for Executive Session.)

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

CHAIRMAN McCUSKER: We need a motion to reconvene.

SECRETARY IRVIN: So moved.
MS. COX: Second.
CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

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

I'm just going to touch quickly on some things that you are probably interested in that aren't necessarily agendized today and we know people are
following -- and you're always welcome to go to our website, rionuevo.org and you can always track projects by projects.

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

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

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

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

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

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

MR. IRVIN: He sent me an official date. I
think we are still 10 days away -- kind of the last word of
that.

CHAIRMAN McCUSKER: The Marist. If you drive
downtown, you saw the extraordinary demolition of the former
diocese office. It literally came down in about two days.
That's obviously a Rio Nuevo supported project.
And I know that a lot of historians are
really thrilled to see the scaffolding around the Marist
College. So after 15 years of that thing fading to dust,
that's being restored. And we got a very nice note from
them that none of that would have happened without Rio
Nuevo.

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

We will issue the -- what we call the Broadway
parcel. That's the parcel across the street from TEP.
And, Mr. Collins, what's the intended release date
on that? Do we have an idea when it will go on?

MR. COLLINS: Mr. Chairman, Members of the
Board, it's imminent.
I think that -- I haven't had a final discussion
with the folks from Pima County, but I don't anticipate any
problems from them. I would hope that we would have it out within the next 10 days.

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

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

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

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

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

So to start with our annual audit is well underway. The field work is done. Fletcher and I met with the auditors a couple of weeks ago and went over some questions. So right now we're just waiting on some last minute numbers to come in, primary the TIF revenue that we would have earned in June that we collect in September; so most of that work is behind us.
From a cash standpoint, at the end of July we had about $8.5 million in unrestricted funds. Our TIF revenue remains stable at about a million dollars a month. The money we received a couple weeks ago for May was 950,000. So I still expect this to come in really close to our $12 million budget for this last fiscal year.

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

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

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

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

MR. MEYERS: Okay. Just a couple other
points. The Greyhound's pretty much wrapped up and I should have a final accounting for that by the next board meeting.

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

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

Any questions?

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

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

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

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

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

CHAIRMAN McCUSKER: Any questions for Dan?
MR. MEYERS: Okay. Thank you.

CHAIRMAN McCUSKER: Dan, thank you very much.

Item No. 7.

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

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

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

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

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

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

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

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

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

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

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

MR. SHEAFE: So would you like a motion?  
CHAIRMAN McCUSKER: What do we need from you today? Just basically an authorization for you to finalize
the agreement, and for the executive officers to execute the agreement?

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

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

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

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

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

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

CHAIRMAN McCUSKER: Any questions for
Mr. Collins?

So yeah, we need a motion to --

MR. MARQUEZ: I have a question.

CHAIRMAN McCUSKER: Mr. Marquez.

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

MR. COLLINS: I think I can do that.

MR. MARQUEZ: Awesome.

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

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

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All right.

Any clarification on that? Everybody understand
what we're about to do? Elaine's here from the City.
Anybody has a question of her?
If not, Brandi, call the roll.
MS. HAGA-BLACKMAN: Edmund Marquez?
MR. MARQUEZ: Aye.
MS. HAGA-BLACKMAN: Jannie Cox?
MS. COX: Aye.
MS. HAGA-BLACKMAN: Chris Sheafe?
MR. SHEAFE: Aye.
MS. HAGA-BLACKMAN: Mark Irvin?
MR. IRVIN: Aye.
MS. HAGA-BLACKMAN: Fletcher McCusker?
CHAIRMAN McCUSKER: Aye.
(The Board voted and motion carries 5-0.)
So by our votes of 5-0, we passed that
unanimously. We're happy to be a partner in that project.
And -- look out.
The Tucson Convention Center PAD -- if you're not
a developer and you don't know our jargon, that's a planned
area of development as a zoning -- basically site plan.
We've complicated the TCC hotel project, which, if
you're following us, we approved several meetings ago with
our friends from Caliber of Scottsdale to launch a 130-bed
hotel on the grounds of the Tucson Convention Center.
Indeed, we selected a site together that's on the southeast
corner of the TCC Ex Hall space.

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

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

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

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

MR. COLLINS:  Mr. Chairman, that's correct.
And Caliber's counsel, Keri Silvyn, is
pulling a laboring oar here too.  So Caliber is -- rather
than running away from this additional hurdle, Caliber is
fully invested in this, which -- I think we ought to
consider ourselves fortunate.

CHAIRMAN McCUSKER:  I didn't see anyone from
Caliber here today; but indeed, they've been extraordinary partners. A lot of people would have walked away from this project when it got complicated. We've had great dialogues with the neighbors, the barrios, and the historic neighborhoods surrounding the TCC.

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

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

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

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

MS. COX: Second.

CHAIRMAN McCUSKER: Okay. So, Mr. Collins, motion that was seconded by Jannie, further discussion?

Brandi, call the roll.

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

Ms. Haga-Blackman: Edmund Marquez?

Mr. Marquez: Aye.

Ms. Haga-Blackman: Jannie Cox?

Ms. Cox: Aye.

Ms. Haga-Blackman: Chris Sheafe?

Mr. Sheafe: Aye.

Ms. Haga-Blackman: Mark Irvin?

Mr. Irvin: Aye.

Ms. Haga-Blackman: Fletcher McCusker?

Chairman McCusker: Aye.

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

Okay. We're unanimous on that item.

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

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

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

One of them is to get this amendment to get the
City's approval, to get the bondholder's approval, and to
amend the lease.

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

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

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

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

CHAIRMAN McCUSKER: Any questions about the
extension?

We need a motion to extend.

MR. SHEAFE: So moved.

MR. MARQUEZ: Second.

MR. COLLINS: I would suggest that you amend
it and authorize the execution of it.
MR. SHEAFE: Okay. We'll change the motion to amend the development agreement and authorize execution by the executive officers.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye.

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

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

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

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

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

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

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

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

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

I think the District has authorized the agreement you've just outlined, Mr. Chairman. There may need to be adjustments to that depending on what the final deal with the City works out.
I would expect that we would have those final details for your regular meeting in September.

CHAIRMAN McCUSKER: We've authorized the rebate?

MR. COLLINS: Yep.

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

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

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

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

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

MR. COLLINS: -- partnership.

CHAIRMAN McCUSKER: Thank you.

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

I think everyone knows that we intervened in the
City development agreement with Gadsden and actually bought the City's position with that development project.

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

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

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

MR. COLLINS: Correct, Mr. Chairman.

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

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

CHAIRMAN McCUSKER: Mr. Irvin? Sorry -- I didn't see you.
MR. IRVIN: It's okay. I'm used to being ignored.

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

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

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

That being said, this board can do what it thinks is best in the interest of the development and the District in general. You might consider -- I mean, the Chairman suggested that perhaps there's been some lack of clarity between the developer and the District on what it will take to release this final bond.
And I would suggest -- first of all, I think that's true. You might consider directing the executive officers and counsel to work with the developer to set forth clear standards for any release of that bond and handle it that way.

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

MR. IRVIN: I concur.

CHAIRMAN McCUSKER: Mr. Marquez?

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

MR. COLLINS: Approximately, yes.

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

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

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

MR. IRVIN: Yeah.

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

CHAIRMAN McCUSKER: We don't have a second.
MR. IRVIN: So I'll second that for the sake of conversation.

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

MR. MARQUEZ: 75 percent of the existing leases?

MR. IRVIN: Correct.

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

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

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

So does that mean the first one? All of them? Some percentage of them? You know, they may have half of that up and blowing and going and creating all sorts of
activity, but we haven't released the bond. And I think these are the issues we create for the developer, frankly, without being crystal clear on how that works. I think the leases are in fact in place. These properties have all been committed to. We haven't seen those --

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

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

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

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

MR. COLLINS: Correct.

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

MR. COLLINS: Correct.

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

MR. COLLINS: You have -- the remaining bond is $500,000. Just so you know, the number of bonds don't track each of the components of this development directly. There was -- if memory serves, there's a -- I want to say
there's a 500-, a 500-, and a $600,000 bond. All but the one 500 has been released.

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

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

MR. COLLINS: Right.

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

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

MR. COLLINS: And currently we receive reports from the construction lender. Recall that, as Mr. Chairman indicated, that the developers have to borrow a little in excess of $3 million of a construction component
CHAIRMAN McCUSKER: So if Mr. Hill was here, he'd be thumping me right now. Because we have a motion and a second and an offer.

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

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

I don't think there's a certificator of substantial compliance --

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

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

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

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

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

MR. MARQUEZ: I'll withdraw my motion and that is my motion.
CHAIRMAN McCUSKER: Okay. Let's start all over again.

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

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

MR. IRVIN: You're talking a percentage?

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

CHAIRMAN McCUSKER: Needs a second.

MR. IRVIN: I'll second.

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

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

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

MR. MARQUEZ: So amended. Can I say that?
CHAIRMAN McCUSKER: Yes, sir.

MR. IRVIN: So seconded.

CHAIRMAN McCUSKER: Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

SECRETARY IRVIN: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye.

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

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

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

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

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

MR. IRVIN: Yeah. So we have currently Bruce
Dusenberry, Dave Volk, Tom Bender and Tom Laue as our four of the five that are currently of the five that we're authorized to put on the Fox board.

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

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

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

MR. MARQUEZ: Second.

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

MR. IRVIN: That's correct.

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

(Ayes.).
Opposed, nay.

All right. That passes unanimously.

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

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

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

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

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

MR. COLLINS: My only caution would be if that's the only one and you want to take that out of order, you can do that. But I caution the Board you can't be interacting with the speaker. The speaker can say what the speaker wants.
CHAIRMAN McCUSKER: So Mr. Irvin is going to take over the chairmanship. If he's so inclined, he can invite the speaker but it would be a traditional call to audience, three minutes, no interaction, no debate, no conversation.

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

CHAIRMAN McCUSKER: All right. I am officially recused.

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

(no audible response.)

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

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

MR. IRVIN: Thank you.

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

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

MR. CORBELL: My name is Brian Corbell. I head the company that owns and operates the River Park Inn
and the Pueblo Gem Show. We bought that property in 2003.

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

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

That's much better.

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

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

Nevertheless, I believe that it's essential if the convention center's ever to be financially successful that it be able to have conventions to come back to downtown.
That is humanly impossible without the physical presence of a hotel that is a headquarters hotel, meaning a hotel which itself has tremendous function space. It is absolutely impossible to economically build a hotel like that. That was demonstrated earlier. But it's not going to change; particularly in Tucson, where you don't have really high rates.

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

When we had conventions downtown, they provided really meaningful occupancy and rate to the hotels downtown. And they were a tremendous help to all the merchants -- more than they really understood -- until they went away. They had people who spent a lot of money, food and beverage, and tremendous sales tax benefits.

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

I learned today a little about Fletcher's age and I learned that I only have one decade on him. When Fletcher was 14 years old, I was graduating from law school
and the company I worked for, for a couple years already
bought Sun Valley, Idaho, with lots of hotels and things.
And then fast forward another 10 years, when Fletcher turns
24, I'm 34, and I'm running a big hotel for a hotel company
in New York, 5,000 rooms, 4200 of those are convention
hotels, including the largest, 2,000 rooms, which later we
sold to Donald Trump, it was his first project.

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

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

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

Thank you very much.

MR. IRVIN: Brian, thank you for coming and
talking to us.
So I joined this board a little over 7 and a half years ago. One of the first decisions that we had to make as a board is what do we do with the monolith big convention-style hotel that was going to be built downtown adjacent to the TCC. As everybody knows, that's a project that did not move forward.

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

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

This hotel that we're going to talk about now is actually a hotel that's got almost as many rooms as all three of those do together: a little over 300 rooms. It's been six years since it's closed and I think probably everybody on this board has been focused on trying to figure out a way to get this open. We know it's not an easy process. We know the developer's actually got to go through a couple of processes.
The first one is he's got to get some
approvals and some support from us; and then they've got to
go through the same situation with the City. And then,
obviously, knowing them, they will reach out and have some
discussions with the neighbors as well.

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

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

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

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

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

So, again, I wanted to take this opportunity to
thank the Board not only for the tremendous work they're
doing for downtown. We're very, very excited as a hotel
community to have the AC opening in a matter of a couple of
weeks.
If you look at the potential of the Moxy being developed on the TCC campus it's very, very exciting as well and certainly the Caliber deal as well.

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

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

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

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

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

But secondly, and most -- equally as
important was what does that do -- what does the opening of
that hotel do for the induced demand for the TCC? It's
critical for the long-term; it's critical to bringing large
conventions back into Tucson so that we can compete with
other regional competitive markets.

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

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

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

After an executive summary -- and I'm going to
make some comments throughout this presentation that are
reflective of some of the findings in the HBS study -- but
overall, I just wanted to give the audience and the Board a summary of the existing asset, the existing hotel at 181 West Broadway's 155,179 square foot full-service facility.

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

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

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

Hilton was offered a letter of intent to brand this hotel as a full service Hilton brand. We're still in conversations what kind of Hilton brand that would be, quite frankly. And when you look across their banner when you go to hilton.com there's a myriad of options. But we are in negotiations with them.
They're excited about downtown, they're excited about the full service hotel, I think they're as bullish as HBS is on bringing back a convention hotel to Tucson.

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

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

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

30,000 square feet of meeting space I think is critical to mention again. Because when we look at regional operators and regional competitors in the convention market, like Albuquerque, for instance, the additional and opening of the 30,000 square feet and making sure that we partner well with the folks over at the TCC to sell all the space together, that puts us right around 170,000 square feet of
true convention and meeting space within a campus of a
couple city blocks. I think that's critical for
decision-makers when they come to town. I think it's
critical for the companies and decision-makers that are
picking the city and being able to have that number of
square feet available when they make those decisions.

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

Certainly, as we get closer to the project and go
out and get hard bids, we'll have a firm grasp on that.
So we're lucky enough to have our partners from
Swaim Associates help us out on an architectural model and
rendering perspective.

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

And I think at the end of the day we're
excited about what this hotel can look like, what it will
look like not only from an aesthetic tower perspective, but
what does that streetscape look like, is it an inviting
feeling to come down Broadway and get pedestrian traffic off
of Broadway into the hotel and over to the TCC.
So that's our model rendering at this point. The left picture is also a model rendering of the lobby. I don't know the last time someone sort of snuck in that hotel, but that long lobby that's an east-facing look, if you will, of the two-story remodeled lobby.

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

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

So a couple of these -- if you would be kind enough to go to the next slide -- a couple of these are referencing the HBS study -- and I mentioned it earlier -- I think it's critical when you look at some of these regional competitors for us to become more competitive we need more
square footage. And again, I think the idea holistically is that when the hotel reopens that we're very, very strong and good partners with the TCC and also Visit Tucson.

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

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

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

   And then -- Brandi, if you go to the next slide -- I think this is sort of the great news and the telltale signs that as early as 2021, HBS anticipates that there's going to be a 10,000 a night increase in room night demand. I think that's critical because that's not 10,000 room nights that are just going to go to the renovated
hotel, those are 10,000 room nights of folks coming into
downtown and staying at the AC and the Moxy and the Caliber
getting their portion of those 10,000 rooms.

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

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

We asked them to look at not the impact of just
the hotel, but what it's going to do for downtown Tucson.

And I think, you know, when you look and break it down
through the net direct -- indirect and induced demand, you
know, 2017 dollars, I think that's a stabilized 2021 number,
2022 of, you know, $11 million in induced in indirect
spending and direct spending that will really affect
downtown and the surrounding businesses.

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

MR. IRVIN: Do you want to have some of the
people that have come here in support talk and then give you
a chance to close? Or what are you thinking?

MR. FISCHER: Sure. Absolutely.

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

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

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

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

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

So when you think of the services that can be provided by that venue and the full service capability as
well as what that would mean in the downtown area from these
people staying right here within that stone's throw of the
Tucson Convention Center where the games are played, I think
it would be a huge impact for the Roadrunners for our
business, as well as for the entire area of Tucson.

SECRETARY IRVIN: Thank you.

MR. FISCHER: And if you will be kind

enough -- Glenn Grabski, with the Tucson Convention Center.

MR. GRABSKI: Glenn Grabski, general manager,

Tucson Convention Center. Probably stating the obvious.

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

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

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

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

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

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

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

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

Looking at the 20 million, how that would be spent and what that would mean to the Tucson Convention Center and what it would mean to downtown I think it's really significant. I would encourage you to just keep your
minds open to the possibility of looking at a future similar
type of project as well. We really believe having at least
a thousand hotel rooms within walking distance of the Tucson
Convention Center is going to be absolutely crucial as we
move ahead.

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

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

So thank you for considering this, looking at
what's requested with -- again, the GPLET out there. I
think that certainly makes sense. And obviously your call
when it comes to Rio Nuevo's take from, you know, the
revenues that would come up here as well. Solid proposal, we're very supportive.

MR. SHEAFE: A question for you.

MR. DeRAAD: Yes, sir.

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

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

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

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

For us, being able to reopen Hotel Arizona -- having, again, AC Marriott, the Moxy, some of these other
properties that you're looking at -- if we can assemble anywhere from 500 to a thousand hotel rooms, it gives us a much better opportunity to take a look at business that's out there. It also gives SMG, which manages smaller facilities throughout the southwestern United States, there are groups that are meeting in these that facilities that may very well be able to transition to Tucson, rotate through to to multiple cities as well.

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

MR. IRVIN: Edmund?

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

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

And you can see, the words I think that we're learning here today is induced demand and the fact we've got Roadrunners, just conventions and concerts at the Tucson Convention Center -- Caterpillar is now downtown, Hexagon is moving downtown. This, again, is a defining moment. I like
the fact that there's no ask for any money up front. Again, we're stewards of tax dollars. There's no tax money up front being asked -- no monies from us up front. A $20 million investment.

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

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

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

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

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

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

So I think that's important to note. And then also, I believe, I may have stated that the -- we were
targeting the hotel that will open in December of '19; it's really January of '19.

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

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

MR. FISCHER: Yes, sir.

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

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

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

MR. SHEAFE: I mean, you've been able to actually work through that and you feel pretty confident? Because you have some major issues that you're dealing with to be able to take care of both the exterior -- and I was intrigued with the entry that you've got planned. So you're
going to leave it on the north side of the hotel, which is interesting.

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

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

MR. IRVIN: Jannie?

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

So what is your plan for parking for the hotel?

MR. FISCHER: Sure. Well, the existing plan right now is to utilize -- I think it's almost 400 spaces at
the existing garage on the corner of Broadway and --

MS. COX: So the same garage?

MR. FISCHER: Yes, ma'am.

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

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

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

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

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

MS. COX: Build something on top of that garage.
MR. SHEAFE: If we made the agreement here today it would be worth noting that that corner probably would represent a lot of retail opportunity and that may represent a lot of tax income that you might enjoy since we would be turning that over to you.

MR. IRVIN: Any additional questions?

MS. COX: No.

MR. IRVIN: Edmund?

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

MS. COX: Second.

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

MR. MARQUEZ: Yes.

MR. IRVIN: You know, we're without Fletcher on this one. And I know you've been involved in this. If you would accept a friendly amendment that the executive
officers, which current consist of Chris and myself due to Fletcher's conflict, that we would add you into that list to help wrap that up as well?

MR. MARQUEZ: I would love to.

MR. IRVIN: Okay.

Mr. Collins, do you understand that?

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

SECRETARY IRVIN: Brandi, roll call.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Jannie Cox?

MS. COX: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

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

Congratulations. We're in the hotel business again.

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

Brandi, are there any other cards?

MS. HAGA-BLACKMAN: No.

MR. IRVIN: I'd entertain a motion to adjourn.
MR. MARQUEZ: Second.

MR. SHEAFE: So moved.

MS. COX: Second.

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

(Ayes.)

We are adjourned.

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

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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.

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John Fahrenwald, RPR