BOARDS MEMBERS PRESENT:

Fletcher McCusker, Chair
Chris Sheafe, Treasurer (by telephone)
Mark Irvin, Secretary
Jeffrey Hill
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 12th day of December, 2017, commencing at the hour of 1:00 p.m.
PROCEEDINGS

(1:00 p.m.)

CHAIRMAN McCUSKER: We'll call this meeting to order.

Mr. Marquez, do you want to do the pledge?

MR. COLLINS: You've got a quorum.

CHAIRMAN McCUSKER: Call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez.

MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN McCUSKER: Here.

MS. HAGA-BLACKMAN: Mark Irvin.

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Jeffrey Hill.

MR. HILL: Here.

CHAIRMAN McCUSKER: And we understand Chris Sheafe is going to call in. And Jannie is at the hospital. Jannie's not at the hospital -- her husband is at the hospital and Jannie is of course with her husband where she should be.

You received the transcript from the October 31st meeting; they are verbatim.

MR. MARQUEZ: Motion to approve.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: We approve those. This
is the time we set for Executive Session.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say aye.

MR. HILL: Aye.

It should only take us 30 minutes. Anybody that's hanging around -- we'll be back.

(Board recessed to Executive Session at 1:02 p.m.)

(Board reconvenes at 1:47 p.m.)

CHAIRMAN McCUSKER: We have a motion to reconvene.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor.

MR. HILL: Aye.

CHAIRMAN McCUSKER: You can see from our agenda there are no real action items, save the calendar. We indeed have a lot of stuff going on, which I'll try and update in my remarks. And then we will have an update on the Caterpillar project.

I think there's a really nice article. I don't know if everyone's seen it the front page of the Trend Report. It talks about the 2017 successes of Rio Nuevo and it's really quite an extraordinary year. All you got to do is drive around. We've toured a number of people in the
last several months and literally almost any direction you
go downtown you see a Rio Nuevo project.

Quick update on the status of many of those.

We are in the procurement phase of the Broadway Parcel
across the street from TEP. That process is such that we
identify an awardee. We negotiate with that awardee if we
can a development an agreement. That's going well.
Hopefully by January we might have something we can present
to the public on that parcel.

The Marriott as everybody knows is up and open and
doing very well. You probably saw the City Council approved
the zoning for what we call the TCC Hotel. That's the 120-
bed hotel that will go on the southeast corner of the
Exhibition Hall. So that's now been approved by the City
and for the developer to come back to us with their plans.

We're continuing to negotiate with the Flores family on
the projects that he introduced to us a couple of meetings
ago. We have ordered the economic study on the restaurant
that the Fenton's are involved with on the corner of 7th
Avenue and Toole.

We can advise you now that the IDA has opted
to sell Block 175; that was the news from them last week.
We own the parking lot immediately east of that, so there
may be an opportunity depending on who bids on that property
that we could do something jointly with them on the north
And Tom Warren's group is now involved in what people call the platform block, which is the most northern section of property there.

So we're working with the Presidio staff on a little piece of the duplex we own there. You may, in the next three or four months, see a lot of activity in the Presidio section of downtown, from our little duplex to the IDA block to our parking lot to the warpath, the Tom Warren project.

West Side, the Mercado annex, if you haven't driven by there lately, the containers are in place. They're rusted out, they look quite striking. They're completing the construction on that and hope to open that to the public right after the first of the year. I'm sure I'm missing something.

The Moxy. Mr. Collins, what's the status on the Moxy?

MR. COLLINS: Yes, Mr. Chairman, Members of the Board. It's principally the discussion between the City and the developer right now.

CHAIRMAN McCUSKER: That's the hotel there by the Hotel Congress and the Depot, right next to MLK Building.

So lots going on and I think you will see more from us in the coming months. And hopefully in January
we'll talk about our status with a couple of County owned lots.

So with that, Dan, you want to give us your financials?

MR. COLLINS: Mr. Chairman, did you call Mr. Sheafe?

CHAIRMAN McCUSKER: No, we'll do that right now.

(Mr. Sheafe joins the Board via telephone.)

MR. IRVIN: We just got back from executive session and called the meeting to order and you are our first piece of business.

CHAIRMAN McCUSKER: So Dan's up with his financial report, Chris. Let us know if you are having trouble hearing.

MR. SHEAFE: All right. Thank you.

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

Nothing too exciting to report this month. As you can see we've got about $7 million sitting in our cash accounts available for use. We've got about $6.3 million in commitments. So there's about $600,000 buffer there.

I guess the disappointing news is September's sales tax revenue we received was only $650,000. We budget a million a month we're about $600,000 down for the first three months of basically the third quarter.
We studied the collections. We've found some people that, for one reason or another, have not paid. I've been in touch with the City of Tucson -- our contact over there -- and she's working on all these things. She pretty much gets to it before I alert her. But I'm confident we're we'll recover that. But I just wanted to let you know that that was going on.

We recently set up two sinking funds at Compass Bank. Those are accounts that we put TIF revenue from certain merchants aside so we can reimburse them for some of their costs. That's in lieu of putting the money out of our pocket at the front stage of the project. That's for 5 North 5th, and for Brings -- those two projects.

We spent about $17.2 million so far through November 30th on the Caterpillar, not counting the land and the incentives. We've got a system set up with Caterpillar to get financing from them as needed on a monthly basis. I make a request for funds of what was paid the previous month and typically the upcoming contracts with Sundt that are paid the first half of the following months.

So anyway, we collected $4.7 million through November, and I expect this upcoming request will be somewhere in the million, million 1-1.

That's pretty much it. Any questions?

CHAIRMAN McCUSKER: On the Streetscape
project, that's the Scott Avenue project?

MR. MEYERS: Yes.

CHAIRMAN McCUSKER: Have we been billed by
the City?

MR. MEYERS: I haven't seen anything lately
from the City on that.

CHAIRMAN McCUSKER: Mark, did you know
anything how that works?

MR. COLLINS: We have a process in place.
The agreement provides the methodology and the protocol for
the City to provide the invoice to the District and for the
evaluation of it.

CHAIRMAN McCUSKER: That's done. I didn't
mention that in my opening remarks, but Scott Avenue
streetscape's done. And what's really neat about it is they
winned the street, which will allow the restaurants on the
west side to pop up outdoor seating. So that's also
additional -- aesthetically, really nice. They're going to
hang cafe lights across the street. If you haven't been
down Scott Avenue -- if you were there when the sidewalk did
this -- walk down it now; it's really a neat job that's
going to allow the restaurants to go outdoors.

So they're going to bill us. And that's part
of what you've identified as the money that's committed.

Mr. Marquez?
MR. MARQUEZ: Dan, with regards to the
$653,000 received in September, with the few companies that
haven't paid into September that you've discovered, is that
$400,000 worth of income we're missing?

MR. MEYERS: Well, this number fluctuates.
It's not a million bucks set every month, the numbers go up
and down pretty heavily. I've not uploaded up to our
database yet the month that we just collected -- which I'll
be doing tomorrow -- and then I'll be able to better analyze
where September stands.

But we've got one significant store that's
about five months behind. They've been contacted, we're
working on me solving it, so I'll keep you all posted on
what's going on with that.

CHAIRMAN McCUSKER: How does construction
sales tax work? Because that comes back to us now. We've
got a lot of construction. Is that delayed until the
project is over?

MR. MEYERS: No, they pay as you go. As a
matter of fact, I was looking at the Sundt invoice today and
I've been in touch with them to make sure they file properly
as well.

CHAIRMAN McCUSKER: So they file quarterly
based on amounts that they've --

MR. MEYERS: Yeah. I think they file monthly
as well. I think most of these people file monthly.

CHAIRMAN McCUSKER: And that's true of the
other work that's going on downtown? Are we tracking all of
the construction?

MR. MEYERS: We're doing the best we can to
track all that stuff. We've still got some merchants that
have not signed up and are filing properly yet. So Brandi
and I talk about it every day to go back and I find these
people and we got to walk in and have a conversation with
them. We've been doing emails and phone calls but --

CHAIRMAN McCUSKER: Construction tax would be
paid by the contractor, right?

MR. MEYERS: Yes.

MR. MARQUEZ: What does September of '16 look
like?

MR. MEYERS: I think it was close to a
million dollars if I'm not mistaken.

MR. MARQUEZ: Okay.

MR. MEYERS: We were down a little bit for
July and August and it went further down in --

CHAIRMAN McCUSKER: As you get an update on
that will you give that to Mr. Collins so we can distribute
it to the Board? We're going to want to watch that and make
sure that number's coming back up.

MR. MEYERS: Sure. I will do that.
CHAIRMAN McCUSKER: Any other questions for Dan? Dan, thanks a lot.

A lot going on over on the Caterpillar site. Remember, we've approved the foundation, the pads are done. We're actually getting to build the building. It's quite striking. There was some dirt thrown around yesterday, no pun intended, that was not the Rio Nuevo project, but the City, remember, is grading and excavating and remediating the landfill south of that.

So I had kind of a panicky call in the morning from some of the neighbors that looked like some of the heavy equipment had moved on to some of the historical sites. Sundt was great. The City of Tucson was really great. We basically stopped the work, dispatched everybody over there. We think the landfill is pretty well marked so everyone's agreed to fence that now so there just can't be any inadvertent -- even driving onto the Convento or the Chuk Shon sites.

They are literally remediating all the way around the historical sites. That's the City's part of that project.

Phil, do you want to give us the update on Caterpillar?

I was pleased that the excitement yesterday was not on the Caterpillar site. But as you said, I think teams worked together well with the City and Sundt with the neighbors to be able to -- hopefully be able to have that under control.

Things are proceeding very well on the Caterpillar site. As you said, with October's approval of foundations, if you were out there today -- we were trying to be able to get some photographs sent over from the contractor, didn't quite get that done. But what you would see is some very large pieces of Caterpillar equipment drilling caissons that are anywhere from 4 to 6 feet in diameter and 40 feet deep. They are nearing completion of those foundations and grade beams and are getting ready to installing below slab plumbing and electrical and even have our steel packages and things that you've approved in October.

That steel is starting to show up at the plant and starting to fabricate and getting ready to go. So significant progress.

One of the things I'm pleased as well about that is we really managed the site preparation work for about four or five months. And now the design and engineering team from SmithGroup and WSM are taking over that really the lion's share of managing the construction
project, which is nice for me to be able to try and minimize my time associated with the project. But it's great to have that team support.

Tomorrow is actually our big coordination kick off meeting at the site with folks from Caterpillar and the architectural engineering teams. So thing are moving very well there. So you will start to see things come out of the ground here pretty quickly.

The final Guaranteed Maximum Price phase of the project is out to bid as we speak. And that's for the remaining portions of interior finishes and some minor things like that. The goal is to have that GMP number come back to you in January, which I believe is January 23rd, currently scheduled.

Other than that things are moving very well. Sewer's done, the landfill remediation. The last little is being completed. They completed actually on the site there now down through the bike path and right up to the riverbank and are just completing that piece and should actually be able to get things back filled and come back out.

Mr. Irvin?

MR. IRVIN: So I know that Fletcher might get -- and I know Chris does as well -- we get a link from the contractor showing what is going on on the site. And I'm not sure the rest of the Board gets that, but there's
not anything to see other than seeing dirt being moved
around, as we're starting to go vertical.

Do you have that link?

MR. MARQUEZ:  (Nods head.)

MR. IRVIN:  Do you have that link as well, Jeff?

Brandi, we might want to check and see who on the Board has that link and if not, give it to them.

CHAIRMAN McCUSKER:  Is there any reason that can't be public? Can we pose that so people can watch the work in real time?

MR. SWAIM:  I'll confirm with Sundt. There's nothing to hide from that standpoint. We have a camera that's mounted out there on one of the poles so it's keeping track -- so absolutely.

CHAIRMAN McCUSKER:  Let's go live with that.

MR. IRVIN:  I like it, absolutely.

MR. SWAIM:  I will talk to Sundt about that.

MR. MARQUEZ:  With regard to the historical sites, which we're all sensitive to -- I'm just curious because I don't know the math that well. So just take the Convento, which is now being fenced off, was that -- because we know that was also a hole. There's a landfill there created by the City of Tucson decades ago -- was the Convento area, was that landfill? And does that landfill
have to be remediated where the Convento was?

MR. SWAIM: The major portion of that of the Convento was landfill and was actually remediated previously.

There's some more landfill that wraps around that that is now being completed by Sundt and the City of Tucson.

There is some small portion on the west edge of that site, along with -- the old line up was called brickyard lane, the back of those residences apparently where some of that area was not landfill and so should not be touched. So there are potentially some aspects of that from the original sites.

MR. MARQUEZ: That's completely separate from our land.

MR. SWAIM: That's right.

CHAIRMAN McCUSKER: We know exactly where the archaeology is on our maps. It may not have translated to the site. So what they've got to do is somehow mark it, fence it, so that no one is even literally driving over it. So I think that's the piece that was just missing.

And we can help them do that because we have literally engineered and mapped and done heat mapping to know exactly where the landfill dip is. So they could go out with a spray can literally and spray exactly where the landfill stops. And it does go around the Convento. And
then it's really a problem south of Mission land, that's the
land that we own. It gets really deep there and there's a
huge cap.

But what the City is currently remediating is
all north of Mission, so south of Caterpillar to Mission,
and west of Caterpillar -- is the City's roughly $8 million
project.

MR. MARQUEZ: Okay.

MR. SWAIM: Correct. Great.

CHAIRMAN McCUSKER: Anything else for Phil?

Keep it rocking. Let's go live with that
camera. That will be fun.

MR. SWAIM: Great.

CHAIRMAN McCUSKER: Brandi, do you have some
dates for us? I think we need to approve the calendar.

Someone does? Mark does?

MR. COLLINS: Mr. Chairman, Members of the
Board, I think the dates have been circulated. I'll recite
them for the record: January 23rd, February 27th -- and
these are dates for the 2018 regular meetings of the
Board -- January 23, February 27th, March 27, April 24,
May 22, June 26, July 24, August 28, September 25,
October 23. Those are all at 1 p.m.

November 13 at 2 p.m. December 11 at 2 p.m.

Those are the proposed dates.
CHAIRMAN McCUSKER: None of those conflict with the City council?

MR. COLLINS: I do not believe any of them do.

MS. HAGA-BLACKMAN: That's correct.

CHAIRMAN McCUSKER: We need a motion to approve the calendar.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say aye.

MR. HILL: Aye.

CHAIRMAN McCUSKER: Call to the audience. Brandi, do you we have anybody? Josefina's got a card.

ATTENDEE: Buenas tardes.

First of all, I'd like to give my appreciation for all your work --

CHAIRMAN McCUSKER: State your name for the record.

ATTENDEE: Josefina Cardenas, Barrio Kroger Lane, 902 W 21st.

So, Gracias. Thank you for all of your work this year and look forward to what brings us this coming year. And we especially invite the Board that if we could
take a tour of the site so that we in person we can see the
land and appreciate the land. Our Barrio, Barrio Kroger
Lane, has some questions for you. And we would especially
like to walk and pray and ask for permission of the land of
Chuk Shon.

In September 26 2012, you were supportive of
Rancho Chuk Shon since it's a very sacred land, especially
because it is our birthplace of Tucson, our first people of
Tohono O'odham people are also looking for your direction on
these lands.

But I think it takes a lot of dialogue and
communication and understanding so that we do the correct
for this land. We have been oppressing it for so long. And
knowing that you have done great work in downtown, I'm also
looking forward that we do even better for our birthplace.

So I look forward to us getting together in the new year and
I wish you a merry Christmas and Happy New Year and your
great work. Gracias.

MR. MARQUEZ: Thank you.
CHAIRMAN McCUSKER: I have some things that I
can add for the record; is that appropriate?
MR. COLLINS: In the nature of remarks?
CHAIRMAN McCUSKER: Yes.
MR. COLLINS: Yes.
CHAIRMAN McCUSKER: As it relates to the West
Side lands, which we touched on a little bit about Caterpillar and the City-owned, we were deeded those properties as part of the settlement with the City. I don't think anyone knew -- I know the mayor and I did not know -- the extent of the challenges that land faces.

Shortly after it was deeded to us, we had a number of "what if" conversations given the location, the history, the culture, the proximity to downtown, the relationship to the streetcar.

One of the first things we approved years ago was for WLB to do some engineering and sampling of that property. It's the first time I recollect -- long before I think you got on the Board -- that they identified the methane production of that landfill and the depth of the landfill.

I think I was caught by surprise, I think we were all caught by surprise. We had some interesting flyby estimates of what it would cost to remediate that, some from $3 million to $45 million. We never had a hard bid. We just knew it was going to be expensive.

So we tabled pretty much any conversation about what could happen over there. And once the Caterpillar project was approved and we knew that there was going to be hard bid remediation, we asked Sundt to bid out this portion of the landfill. That bid was $22 million.
Now that's a real number. It's not a made up number; that's a contractor -- same people that are working on the Cat site, same people that are working on the Tucson sites -- would go in and remediate that land for $22 million. We had $7 million.

So it became even more exacerbating to think about what could ever become of those properties. There are some things that maybe could go on top of the landfill, the lienzo is one of those. The current proposal about the biking venue is one of those. Doing nothing is certainly an option. Remediating is probably not likely, the funding coming from us. We did talk to the Tohono O'odham about that. And once they heard the remediations costs, they also acknowledge they can't afford that property. So we're all stuck. We're stuck with a piece of property that the original Rio Nuevo Board should have and could have remediated when they had $250 million. I'm still baffled on why they didn't remediate all of that land. A lot of promises were made to a lot of people that we now are trying to recover from.

Short of doing something on the surface, I don't know how we ever develop it. And we've also said publicly -- and I'll restate it now for the record: We're not going to do anything over there that doesn't have stakeholder approval. The neighbors deserve the right to be
involved, the City deserves the right to be involved, native
tribes, our nations, deserve the right to be involved. And
any proposal frankly has been controversy.

And my concern is that it stays dirt and
methane producing dirt for the rest of our lives because of
the cost of remediating. So there is some proposals bouncing
around. One of those is a bicycling/cycling venue. We'll
see where that goes, if it's even conceivable. I think if
we get more interested, obviously, if there's something that
could be done retail, or something that contributes to the
tax base, but I don't see how we ever get that land
remediated unless other jurisdictions are prepared to help
us.

MR. IRVIN: I might just say, I concur.

CHAIRMAN McCUSKER: And we appreciate those
people who continue to remind us of the forty four hundred
year legacy on those properties. It's not forgotten.

Entertain a motion to adjourn.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say aye.

MR. HILL: Aye.

(2:15 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.

_________________________

John Fahrenwald, RPR