

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

December 13, 2016

Tucson, Arizona

Reported By: Michael A. Bouley, RDR

Certified Reporter No. 50235

KATHY FINK & ASSOCIATES, INC.

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1 APPEARANCES:

2 BOARD MEMBERS:

3 Fletcher McCusker, Chairman

4 Chris Sheafe

5 Mark Irvin

6 Jannie Cox

7 Edmund Marquez

8 Jeff Hill

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10 ALSO PRESENT:

11 Mark Collins, Board Counsel

12 Michele Bettini, Operations Administrator

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, 400 West Congress Street, Suite 222, in the City of Tucson, State of Arizona, before MICHAEL A. BOULEY, RDR, Certified Reporter No. 50235, on the 13th day of December, 2016, commencing at the hour of 1:00 o'clock p.m.

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P R O C E E D I N G S

CHAIRMAN MCCUSKER: Let's call this meeting to order. I have 1:01 on the official Rio Nuevo clock.

Who did the pledge last time? Was it Chris?

(All recite the Pledge of Allegiance.)

CHAIRMAN MCCUSKER: Michele, call the role, please.

MS. BETTINI: Edmund Marquez?

MR. MARQUEZ: Here.

MS. BETTINI: Jannie Cox?

MS. COX: Here.

MS. BETTINI: Chris Sheafe?

MR. SHEAFE: Here

MS. BETTINI: Fletcher McCusker?

CHAIRMAN MCCUSKER: Here.

MS. BETTINI: Mark Irvin?

MR. IRVIN: Here.

MS. BETTINI: Jeff Hill?

MR. HILL: Here.

MR. MCCUSKER: We think Cody is on his way. Not heard anything to the contrary.

You have the minute transcriptions for the November 15th meeting. They have been distributed.

1 They are verbatim.

2 MR. IRVIN: Move approval.

3 MS. COX: Second.

4 CHAIRMAN MCCUSKER: All in favor, say aye?

5 (Motion carries unanimously.)

6 CHAIRMAN MCCUSKER: That passes unanimously.

7 This is the time we set aside for executive
8 session.

9 MR. IRVIN: So moved. I move we go into
10 executive session.

11 MR. MARQUEZ: Second.

12 CHAIRMAN MCCUSKER: All in favor, say aye?

13 (Motion carries unanimously.)

14 CHAIRMAN MCCUSKER: Thank you very much.

15 (Board goes into executive session at 1:03 p.m.)

16 (Board returns to open meeting at 2:35 p.m.)

17 CHAIRMAN MCCUSKER: We have reconvened so we are
18 probably torturing the transcriptionist.

19 Thank you, everyone, for waiting.

20 Mr. Collins?

21 MR. COLLINS: I'm sorry.

22 CHAIRMAN MCCUSKER: Thank you. It was unusually
23 long executive session. We apologize for that. But if
24 you look at our agenda, you can see we have a lot of
25 things going on.

1 MR. IRVIN: Move approval.

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21 CHAIRMAN MCCUSKER: Thank you. It was unusually

22 long executive session. We apologize for that. But if

23 you look at our agenda, you can see we have a lot of

24 things going on.

25 One of those, of course, is personnel. Our

1 starting guard, all-purpose guard, is moving up to the
2 NBA. And I don't know if everyone knows, but Michele
3 Bettini is the new CEO President of the Alliance for
4 Construction Trades. First female in that job.
5 Congratulations

6 MS. BETTINI: Thank you.

7 CHAIRMAN MCCUSKER: And good luck. We'd like to
8 think that Michele got a Ph.D in pretty much everything
9 the last six years.

10 MS. BETTINI: Definitely.

11 CHAIRMAN MCCUSKER: Probably not going to hurt
12 her to represent some 200 and some subcontractors and
13 suppliers in the construction industry. So, we wish you
14 well.

15 We are indeed interviewing for her replacement.
16 That was part of what we were doing in executive session.
17 We don't like using our executive time. We really prefer
18 to work in an open meeting. But obviously personnel
19 matters, through dealing with confidential applicants,
20 requires some confidentiality. So we hope to find a
21 replacement for Michele quickly and be able to announce
22 that to the public between now and the January meeting.

23 A couple of other things that are in the
24 executive session that we will not talk about publically,
25 and we've had a lot of inbound interest in the downtown

1 hotel item. And I'm afraid I must tell you that will
2 remain confidential for the moment.

3 I can describe to you kind of what we're talking
4 about there, but this is an unsolicited proposal to Rio
5 Nuevo by a very well established hotel operator, not from
6 Tucson, that's interested in partnering with Rio Nuevo to
7 build a hotel adjacent to the Tucson Convention Center.
8 These are very sensitive negotiations. The parties are
9 all under confidentiality agreements, and we're trying to
10 work through that process to the point where we can go
11 public with that information.

12 What I can say and I think most of you would not
13 be surprised, downtown Tucson and little old Rio Nuevo
14 are on the radar in a lot of places, nationally and
15 internationally, for that matter. We are seeing more
16 interest in our downtown probably than any time in any of
17 our collective histories. From retail, from commercial
18 corporate kind of activity, entertainment, but also
19 hotel.

20 If you follow the downtown development, you'll
21 know there is probably 22 housing projects currently in
22 and around the core. That's always been a missing
23 component of a thriving urban environment. If you look
24 to Austin or San Diego, Portland, you know, any of the
25 places we like to emulate, the housing piece was kind of

1 the thing that took the urban environment over the top.

2 And we're seeing high end apartments develop and
3 lease quickly. We are seeing the first townhome kind of
4 single family homes built in downtown Tucson probably
5 since the 19th century, early 20th century. And they are
6 all very much in demand, which is attracting a lot of
7 other housing opportunities.

8 Retail is flourishing to the extent that bars
9 and restaurants are retail. We're seeing an unbelievable
10 amount of activity in restaurants development and
11 enhancement. Just read today where the space that used
12 to be the little Chinese restaurant on Congress and Stone
13 had been leased out to a sushi purveyor, another new
14 restaurant coming downtown.

15 I think we have 65 restaurants in the core and
16 that I wouldn't be surprised by March that that number is
17 more like 75.

18 We do have a lot of inbound conversations with
19 hotel operators. A lot of times they want money. And
20 this current board has not been interested in funding nor
21 operating a hotel. I think we've established our legacy
22 by electing to partner with private sector developers.
23 That's attracted private lenders, private underwriters,
24 private bonders and private equity. If you read the
25 auditor general's report most recently, probably the

1 thing we're the most proud of is that our current
2 leverage ratio about 10 to 1.

3 So for every dollar we are investing in the
4 downtown core, the private sector is investing 10. That
5 means we can spread our limited amount of State dollars a
6 lot further.

7 So hopefully that will develop over the next 30
8 days and we can bring those principles in to help talk to
9 all of us publically about a downtown hotel. And you
10 won't see that on today's agenda.

11 Item number eight, give you a quick update, we
12 didn't -- we decided we didn't need the architect or
13 project managers here from that. The target date for
14 occupancy for the Greyhound Terminal is now March 3rd,
15 and we expect to be able to hit that. We've had some
16 delays in inbound materials. If you've drive by that
17 site lately, it's really quite an extraordinary small but
18 very modern and functional Greyhound, which we hope to
19 occupy now on March the 3rd.

20 We've got an update on Caterpillar. That's an
21 agenda item. Those are agendized.

22 So I think that's pretty much everything from
23 me.

24 Dan, you want to do the financial update?

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

1 Okay. So as of November 30th, you can see our
2 total cash on hand is \$12.8 million, approximately.
3 That's a little misleading because we did not get our TIF
4 allocation per August, which we should have received in
5 November. We didn't get that until December. That's
6 another 960,000 that we have received. It was just
7 received in early December.

8 Outstanding obligations remain about 67 million.
9 So there is a spread there of approximately 53 million.
10 And we are in the process of trying to work, get some
11 financing I think to the tune of about 57 million or so
12 to try to make up that deficit.

13 We also received our September allocation for
14 TIF revenue a few days ago. That was one little --
15 little over one million dollars. As you recall, our
16 monthly budget is one million. Those two are pretty much
17 right on budget.

18 Michele and I met with Becky O'Connell from
19 Concord, Elaine Becker from the City of Tucson, both
20 project managers of the TCC, went through all the costs,
21 went through what appears to be remaining to be spent.
22 And I think we all concluded that we are going to be able
23 to come into this project when it's wrapped up a little
24 under the budget. I think that's very good news and I
25 think the numbers are pretty well confirmed.

1 Congratulations to the project managers for
2 making that happen.

3 Nothing else exciting going on in November. So
4 anybody has any questions?

5 MR. HILL: Mr. Chairman?

6 CHAIRMAN MCCUSKER: Mr. Hill.

7 MR. HILL: Dan, I maybe I just haven't paid any
8 attention, but is this the first month we've seen some
9 money expended in street scrapes?

10 MR. MEYERS: There's no -- been no money
11 expended. That's an ongoing thing.

12 MR. HILL: That's been sitting around on our
13 books a long time, two years. City going to get to that?

14 MR. MEYERS: I believe Elaine can probably speak
15 to that, if we'd like her to.

16 CHAIRMAN MCCUSKER: It's not on the agenda, but
17 I can sneak it into the Chairman's update. Watch this.
18 Mr. Collins.

19 MR. COLLINS: Thanks, Mr. Chairman.

20 CHAIRMAN MCCUSKER: It's been delayed probably
21 until the spring, to deal with the merchants, the gem
22 show, stuff like that. So it's still planned and moving
23 forward. It's not -- it's postponed, and it's
24 deliberate.

25 Mark?

1 MR. IRVIN: Funds held by Chapman for Greyhound,
2 why are those sitting there and not in our coffers?

3 MR. MEYERS: They're in a trust account. I move
4 that money every now and then, get it back into ours.
5 It's --

6 MR. IRVIN: That seems like a big number.

7 MR. MEYERS: Maybe time to do that again.

8 MR. IRVIN: That's it.

9 CHAIRMAN MCCUSKER: Any other questions for Dan?
10 Dan, thank you very much.

11 MR. MEYERS: You're welcome.

12 CHAIRMAN MCCUSKER: Okay. That takes us right
13 to Caterpillar update. Mr. Swaim.

14 MR. SWAIM: Good afternoon, Mr. Chairman,
15 members of The Board, Phil Swaim, Swaim Associates
16 Architects. We are making great headway with the
17 Caterpillar project. It's, as we say, it's an efficient
18 schedule, so we have a lot of things going on.

19 We've been out to select an architectural team.
20 We received eight excellent submittals, had a difficult
21 time actually short-listing down to five. Have conducted
22 interviews over the last two days. Selection committee
23 is nearing a ranking and so we'll very quickly start
24 contacting those firms and negotiating fees with the goal
25 of coming back to you with a contract early in January,

1 possibility of trying to see if we can get a special
2 meeting sometime to be able to keep that on schedule.

3 We're also moving forward to be able to hire our
4 contractor. We received 13 submittals, and are short
5 listing later this week and plan to have interviews the I
6 believe 11th and 12th of January. So we'll then be
7 negotiating, hopefully coming back at your January 24th
8 board meeting with a contract for that.

9 So by that point we'll have our full team
10 together with we'll be moving forward quickly. The -- as
11 we are proceeding with all sorts of things related to the
12 site. Archeology has moved forward and we've actually
13 received -- we received a verbal clearance on archeology.
14 We are waiting to see the official report, but that's
15 great news, that one of those big potential mysteries of
16 what's underground, and so it's nice to have that
17 clearance. That really starts to help stabilize where we
18 know that our budget is going.

19 We have our survey underway, should have that
20 wrapped up in the next couple of week. Elaine just
21 confirmed that we have our total reports everything in
22 place, so I think we're moving well there.

23 We have started design on the relocation of the
24 sewer line that runs down through the center. And so
25 that agreement that we have in place working with Pima

1 County that you approved last month is a place, so that
2 is moving forward then.

3 So it was nice to in all the interviews with the
4 architects saying we can do this schedule but you need to
5 move the sewer line. So I think we are doing the right
6 thing of getting all the right -- right things in line to
7 be able to make sure that this is happening.

8 The phase one environmental assessment is under
9 way and should be getting a report here, they said we
10 should have that prior to the holidays. So sometime
11 within the next week or so I expect to be able to see a
12 draft of that.

13 Other than that, I think --

14 CHAIRMAN MCCUSKER: Will you take through the
15 schedule just so we keep it refreshed, kind of January
16 through target completion date?

17 MR. SWAIM: So part of what we need to do, we
18 started actually working backwards with Caterpillar
19 saying that they needed to be able to actually occupy in
20 business March 1st of 2019. So that's just a little over
21 two years from now. That means actually having
22 construction complete by the end of 2018. So that gives
23 them a month or two to be able to get furnishings and
24 special systems installed.

25 So, as Fletcher was saying, we are starting here

1 in January, working with Caterpillar and architects doing
2 programming and initial cost estimating or budgeting for
3 the building, the overall building project. And with
4 the -- our goal is to work to that design process and
5 start construction on-site in June of 2017, in that we're
6 going to need work with the architect and contractor to
7 determine exactly what is happening there. But that's
8 going to include the relocation of the sewer line and
9 other components and other site things, possibly
10 underground parking or other utilities and things like
11 that that they need to have in place. Most of them said
12 it's going to take 16 to 18 months to be able to actually
13 build this project. So that keeps us sort of right on
14 track there.

15 MR. SHEAFE: Bill, in making that, did you
16 communicate with wastewater? You know, you can't
17 interrupt the existing line any time during the year.
18 There are only certain windows when you can shut that
19 down, and divert the sewer.

20 MR. SWAIM: So Pima County Wastewater has been
21 fantastic to work with. They really are paying a lot of
22 attention to this, and what we have in the budget is a
23 system to be able to pump around the line. And right now
24 they have not told us there is a limitation to the time
25 of year.

1 What there are, there are options that what
2 relate to what you said, different ways that we can do
3 the diversion. There is a simpler way we actually take
4 to sewer line across the river. That can only be done
5 certain times of year where otherwise we have to go from
6 the southern edge of our site all the way up to Congress
7 to be able to wrap that around. So we are trying to find
8 ways to minimize that.

9 As that design is starting forward right now
10 with Pima County, as we are getting into those level of
11 details, we also met with Elaine from the City to
12 determine how to coordinate with the City land and the
13 roadway. We are really trying to able to dial in more
14 specifically on what that construction cost is going to
15 be.

16 MR. SHEAFE: Okay.

17 MR. SWAIM: But Pima County Wastewater has been
18 fantastic. The relationship that you have with the
19 County has really just helped facilitate everything.
20 It's been nice to have their attention.

21 CHAIRMAN MCCUSKER: Mr. Hill.

22 MR. HILL: I just want to get into the record as
23 a re-emphasize what Phil had mentioned on the amount of
24 the bids on these two areas that went out to bid with 8
25 and one with 13. Certainly, should show anybody that the

1 old board used to want direct one bidder. We are not
2 doing that. I think that serves the taxpayer very well.
3 I just wanted to thank you Phil and the Chairman for
4 making sure that we have such an open process that in my
5 humble opinion favors the taxpayers.

6 Thank you, Mr. Chairman. Phil, thank you.

7 CHAIRMAN MCCUSKER: I think the architect design
8 firm bids is more like --

9 MR. SWAIM: It was actually 18. And it was
10 impressive. There were firms from all over the country.
11 From Chicago to L.A. to St. Louis. It also was exciting
12 to see how our local firms, some connected with those
13 national firms, really stepped up and it was something
14 for all of us to be proud of. So you're right, you've
15 have a lot of attention and this is certainly a fair and
16 open process.

17 MR. HILL: Thank you.

18 CHAIRMAN MCCUSKER: Phil, thank you very much.

19 MR. SWAIM: Thank you.

20 CHAIRMAN MCCUSKER: Gave you the Greyhound
21 update. Cross your fingers, March 3rd.

22 Quick update on the Broadway Sunshine Mile. The
23 Rio Nuevo Board has authorized our executive officers to
24 discuss the possibility of Rio Nuevo engaging in the
25 so-called Sunshine Mile, and we made that proposal to the

1 mayor and council. That item was agendized for last
2 week. And I'm pleased to say that the City Council voted
3 seven-zero to allow Rio Nuevo to continue to discuss with
4 the City a partnership. The intent would be to repurpose
5 approximately 60 properties along the Broadway corridor
6 that runs from Euclid to Country Club.

7 We are going to have a similar conversation with
8 the RTA. Ultimately it would be the three of us in some
9 sort of intergovernmental agreement with the intent being
10 to repurpose those as retail. So I think the only thing,
11 Mr. Collins, we need is for somebody to tell me not to
12 stop.

13 MR. COLLINS: Mr. Chairman, members, I would
14 suggest that somebody make a motion to authorize the
15 executive officers to continue to work with the RTA and
16 the City to advance the idea of repurposing some of the
17 properties that are condemned in the widening of the
18 Broadway corridor.

19 MS. COX: So moved.

20 MR. MARQUEZ: Second.

21 CHAIRMAN MCCUSKER: Any conversation?

22 MR. IRVIN: The only conversation, first of all
23 I think it's a great idea idea for us to protect that
24 section, whatever that needs. I think it's also
25 important for us to say there is already enough cooks in

1 the kitchen, with the City and the RTA in the staking.
2 And it's not our intention to in any way to muddle that.
3 And that once the dust has settled, we want to have a
4 serious discussion about that issue.

5 But I think there is already enough stuff in
6 there. We've already been vocal about the 30 percent
7 going to 70. And just want to make sure that the public
8 knows it's not our intention to be another cook in the
9 kitchen. Rather, when the dust settles, to be part of
10 the solution to that issue.

11 CHAIRMAN MCCUSKER: Yeah. I think it's well
12 said that what we are discussing is what I believe what
13 the RTA believes as remnant parcels. So there is a
14 widening project. They have decided the engineering.
15 They know where the bus pull-outs are going to go. They
16 know width of the roadway. And there are some properties
17 that are conflicted. Some of those are in the right of
18 way and will be torn down. Others of those are just
19 starved of the frontage. So they lose the frontage.
20 They lose parking. And it's going to take some
21 creativity to figure that out.

22 That's really where we hope to engage. Is once
23 the engineering done, the City starts acquiring these
24 parcels, instead of tearing them down, let's see if we
25 can repurpose them as retail.

1 MR. IRVIN: Probably also going to require a
2 discussion relative to an overlay district as well.

3 THE COURT: I mentioned that to the City Council
4 and that was part of the motion was for them to consider
5 overlay that would exempt that district from parking and
6 setback requirements. So it's really quite remarkable.
7 And in the new spirit of multi jurisdictional
8 collaboration, here we go. City council, RTA, and Rio
9 Nuevo working together.

10 MS. BETTINI: You have a motion.

11 CHAIRMAN MCCUSKER: We have a motion and a
12 second.

13 All in favor, say I? Opposed, nay?

14 (Motion carries unanimously.)

15 CHAIRMAN MCCUSKER: Now here we go.

16 Thank you, Dr. Suess.

17 In the vein of the multi jurisdictional
18 collaboration, Pima County has approached us regarding
19 two very important downtown parcels, which are currently
20 vacant, and could be an exciting element of downtown
21 revitalization. And they are as agendized in order. The
22 parcel affectionately called the Theresa Lee lot, or if
23 you've been around in Tucson for any length of time like
24 I have, you would know that property to be referred to as
25 Mother Higgins. That was the old Juvenile Court which

1 Mr. Hill and I would know something about.

2 MR. HILL: Yes. Only visited, Mr. Chairman.

3 CHAIRMAN MCCUSKER: Only visited. And the
4 exciting conversation is to partner via a ground lease or
5 an option to acquire a ground lease with Rio Nuevo
6 participating in the County's economic initiative to
7 create primary employment. Of course, Caterpillar is the
8 home run in that regard. 635 inbound jobs to the
9 district's boundaries.

10 But we have seen no shortage of companies
11 request information about downtown opportunities. And we
12 do believe that together with the Rio Nuevo Sun corridor,
13 the State commerce authority, the Governor's office
14 initiatives and the County, that we have some really
15 interesting opportunities that could develop both of
16 those parcels.

17 So what's on the agenda, Mr. Collins, right, is
18 basically just authorizing the Rio Nuevo Board to enter
19 into an option agreement with Pima county.

20 MR. COLLINS: That's correct. Mr. Chairman,
21 members of the board, there is one option agreement on
22 the agenda for item number 10, which I believe is the
23 Theresa Lee that you're talking about. And then the
24 other is the Broadway parcel. You each have in your
25 packets, I hope, copies of the option agreement with

1 pictures of those parcels.

2 The option agreement is very simple. You're
3 going to pay the county \$100 to have a two-year option to
4 purchase -- or to lease, excuse me, to enter into a
5 ground lease with the County for that property. The idea
6 of the ground lease would be developing that property.

7 But all you're presented with today is the
8 option itself. My understanding is the Board of
9 Directors has this agenda'd for their meeting today. I
10 think they were meeting before we were. But given the
11 nature of this and the discussions that my office has had
12 with their lead council on this, I don't see a problem
13 with it.

14 I think the District would be remiss in not
15 exploring and doing these opportunities. Is that --

16 CHAIRMAN MCCUSKER: Do we know the outcome of
17 the Board of Supervisors?

18 MR. COLLINS: I do not. I asked before I left
19 to come over here but don't know. I would -- I don't
20 have a vote, as you all know. But as your lawyer, I urge
21 you to vote in favor of exercising -- or to enter into
22 the option agreement.

23 CHAIRMAN MCCUSKER: Mr. Sheafe?

24 MR. SHEAFE: Well, we could do that subject to
25 the successful approval from the Board.

1 MR. COLLINS: Precisely. Right. Right.

2 CHAIRMAN MCCUSKER: And YOU want to entertain
3 them separately. Right?

4 MR. COLLINS: Yes, I do.

5 CHAIRMAN MCCUSKER: Two different motions?

6 MR. COLLINS: Yes.

7 CHAIRMAN MCCUSKER: Any other conversation?

8 MR. IRVIN: The only conversation I have is the
9 second we get done, I think we ought to be popping a Rio
10 Nuevo marketing sign in there with our phone number on
11 that parcel.

12 CHAIRMAN MCCUSKER: Who are they going to call?

13 MR. IRVIN: They are going to call Michele.

14 MR. COLLINS: I would suggest to you that you
15 make a motion subject to approval by the Board of
16 Supervisors that you authorize the executive officers to
17 execute the option agreement regarding the Cushing Street
18 parcel, which is item 10 on your agenda.

19 MR. HILL: So moved.

20 MS. COX: Second.

21 CHAIRMAN MCCUSKER: One these days you people
22 are going to make your own motions.

23 MR. MARQUEZ: No way.

24 MR. COLLINS: No.

25 CHAIRMAN MCCUSKER: They're so concise and well

1 stated.

2 MR. IRVIN: It's actually Chris Sheafe's
3 fault.

4 CHAIRMAN MCCUSKER: We tried to shorten his
5 motions. So moved is as precise as you can get. So
6 we've --

7 MR. SHEAFE: And I am married. I learned
8 through that process how to be trainable.

9 CHAIRMAN MCCUSKER: We have a motion and second
10 to enter into the option agreement with the County on the
11 so-called Cushing Street parcel. All in favor say aye?
12 Opposed, nay.

13 All right. Now you have to make your own motion
14 on item number 11.

15 Go ahead.

16 MR. SHEAFE: You don't want to --

17 CHAIRMAN MCCUSKER: You have to make your own
18 motion.

19 MR. SHEAFE: So I move that the executive
20 officers are authorized to sign the option agreement for
21 we want to refer to this as the --

22 MR. COLLINS: Broadway parcel.

23 MR. SHEAFE: -- Broadway parcel with Pima
24 County.

25 CHAIRMAN MCCUSKER: Any second, please?

1 MS. COX: Second.

2 CHAIRMAN MCCUSKER: I have a motion and second
3 to approve the same kind of option agreement with the
4 County on the Broadway parcel. All in favor, say aye?

5 And opposed, nay?

6 (Motion carries unanimously.)

7 CHAIRMAN MCCUSKER: Good job, Mr. Sheafe.

8 This should be a small kind of housekeeping
9 item. Dan mentioned that the Board did approve for the
10 hockey renovation roughly \$3.7 million. Does look like
11 we are going to come in under that budget. Hopefully all
12 of you have been enjoying our extraordinarily Roadrunners
13 team. They are second place, I think, in the Pacific
14 Division. And heartfelt wishes to Chris Cunningham and
15 his family, our fallen captain.

16 But apparently, Mark, stay up there, we did
17 \$47,000 of call it deferred maintenance that the City of
18 Tucson has agreed to reimburse us for. But there is no
19 means to do that unless we amend the IGA.

20 MR. COLLINS: Yes. Mr. Chairman, members of the
21 Board, refresh everyone's recollection. When this Board
22 started the renovation of the arena several years ago,
23 there was an IGA entered into between this Board and the
24 City so that there could be an efficient use of taxpayers
25 dollars in the renovation, because some of the renovation

1 was deferred maintenance that was the obligation of the
2 City.

3 And so under that contract with Concord we had
4 GMP or gross maximum price 1 and 2. And the Board took
5 care of 1 and the City took care of 2. The original GMB
6 price for the City for \$544,000. That ended being
7 exceeded and bumped to -- get my notes here -- bumped to
8 \$844,000. And it was later then bumped up to \$872,000.

9 What I'm suggesting that you do today is to make
10 a motion to amend that IGA a third time, to have an
11 agreement whereby the City reimburses this Board for that
12 deferred maintenance that has been done in connection
13 with the AHL renovations.

14 MR. IRVIN: I'm only smiling because it's hard
15 not to say that was a good motion.

16 CHAIRMAN MCCUSKER: Go for it.

17 MR. SHEAFE: Okay. So we move to amend the IGA
18 to allow the City to recompensate the District to the
19 tune of 47,000.

20 MR. COLLINS: Plus or minus.

21 MR. IRVIN: Second.

22 CHAIRMAN MCCUSKER: All in favor, say aye?

23 (Motion carries unanimously.)

24 CHAIRMAN MCCUSKER: Is that all you need on that
25 item, Mr. Collins?

1 MR. COLLINS: I'm going to assume, I'm going to
2 ask the Board that means not only prepare it but execute
3 it, Mr. Sheafe?

4 MR. SHEAFE: Yes.

5 MR. COLLINS: Everybody in favor of that?

6 (Ayes.)

7 CHAIRMAN MCCUSKER: All right. Our legislative
8 representation, Mr. Jonathan Paton, been our lobbyist for
9 the past couple years, is an extraordinary member of the
10 team. He would be here otherwise today, except he is
11 working. I think his contract current amount,
12 Mr. Collins, is \$65,000 annually.

13 MR. COLLINS: Yes. Yes.

14 CHAIRMAN MCCUSKER: I'm asking to bump that.
15 That's not his request. That's mine. We expect a very
16 busy legislative session, with a couple of items that
17 could and would affect us, the least of which being the
18 budget, but we also expect to see some TIF style
19 legislation in this current session. So we need
20 Mr. Paton now more than ever. And, you know, again,
21 that's my request, to give him a little raise.

22 MR. SHEAFE: Let me just put forth the motion
23 approve renewing his contract of 71.5 with the postscript
24 that, you know, life insurance policy is the best if you
25 never have to use it. When you have somebody that's

1 creating the kind of results that we're getting at the
2 legislative level, that is an absolute bargain.

3 So my motion is that we approve the renewal of
4 his contract at the annual compensation rate of 71-5.

5 MS. COX: So moved. Oh, no. Second. You
6 already moved it.

7 CHAIRMAN MCCUSKER: Mr. Hill, that seem like a
8 fair amount to you?

9 MR. HILL: Yes, sir. It's new legislation, new
10 leadership. 21 chairmen turnover. I think that we need
11 somebody there that with the foot in the door. You bet,
12 Mr. Chairman.

13 CHAIRMAN MCCUSKER: We have a motion and second,
14 to contract Mr. Paton for the next year at \$71,500. All
15 in favor, say aye?

16 Any opposed, nay.

17 (Motion carries unanimously.)

18 CHAIRMAN MCCUSKER: Okay. Fox Theater.
19 Hopefully this will go a little easier than the last time
20 you tried to explain the Fox Theater to us. I think I
21 was on that side of table then. But they are, indeed,
22 looking to restructure some of the very complicated
23 corporate structures.

24 Mark, could you walk us through that?

25 MR. COLLINS: Yes.

1 Mr. Chairman, members of the Board, you should
2 have in the packet in front of you a one-page letter from
3 the president of the Fox Tucson Theater Foundation
4 requesting your approval for some reorganization that the
5 Fox entities are doing. I had enough to bring over so I
6 didn't bring over a chart of the various entities that
7 were created to allow the Fox to be financed the way it
8 was many years ago.

9 Approximately two years ago, about this time, we
10 revised that arrangement, and then ultimately had a first
11 amendment to that revised arrangement which gave this
12 Board authority to approve any change in the structure of
13 Fox. What they're doing here is they are asking to
14 collapse and remove Rehab and Group, which are are two of
15 the five, I think, entities that were created originally.

16 It will have no impact on the Foundation, which
17 is the parent company, which leases -- has the ground
18 lease with this Board for the Fox Theater.

19 This collapsing, if you will, simplifies their
20 accounting and has no impact on Fox's liability or
21 responsibility to you folks.

22 MR. IRVIN: Our agreement, if I recall, is
23 actually with the Foundation.

24 MR. COLLINS: It is. It's actually, Mr. Irvin,
25 it's actually with all of the entities. I wrap them all

1 in. They all get named in the first amendment. So
2 they've all got to approve it. The concept here is
3 internally they are going to approve it. But they need
4 your approval to do that.

5 And from a legal standpoint, I see no reason to
6 deny that approval. I think it's a good thing for them.
7 It will make it a lot easier for you guys to review their
8 financials when they do submit them to you.

9 MR. MARQUEZ: I have a question.

10 CHAIRMAN MCCUSKER: Mr. Marquez.

11 MR. MARQUEZ: Mr. Chairman, the Group and the
12 rehab, do either of them have assets or liabilities
13 sitting on the books?

14 MR. COLLINS: Not to us.

15 CHAIRMAN MCCUSKER: Mr. Sumberg is here if we
16 need any clarification.

17 MR. SHEAFE: Wasn't this anticipated when we
18 kind of restructured this whole deal, gradually roll out
19 of all these complicated --

20 MR. COLLINS: Yes, absolutely. Craig, correct
21 me if I'm wrong, but when we were doing -- taking out the
22 Trust, if you'll recall, the Trust was involved in this
23 at the very beginning, which complicated -- well, made it
24 very interesting. And when we took out the Trust, and as
25 we were doing that, that's when the attorney for the

1 Foundation, all the Fox entities, Larry Hecker, and I and
2 Craig and executive officers discussed the idea of
3 collapsing and, if you will, and doing away with a couple
4 of the entities. I guess we're ready to do that now.
5 And I don't see a problem.

6 CHAIRMAN MCCUSKER: You want to address the
7 balance sheet issue to -- first, your name and title for
8 the record?

9 MR. SUMBERG: Craig Sumberg, Executive Director,
10 Fox Tucson Theater Foundation.

11 From our perspective, they have no relevance any
12 more. They are just kind of sitting there. They
13 don't -- so we will have three entities left, including
14 AZ Fox Theater which is the one nobody knows about. But
15 these two really have no relevance or significance. It's
16 just for the bookkeeping on our end.

17 CHAIRMAN MCCUSKER: No assets in either
18 entities?

19 MR. SUMBERG: Right. Anything that there would
20 be, if there is in there, would be transferred to AZ Fox
21 Theater. So nothing goes away.

22 CHAIRMAN MCCUSKER: Mr. Marquez, is that good?

23 MR. MARQUEZ: Yes, sir.

24 MR. SUMBERG: Can I also mention, since I'm
25 here, Fox is having a great year. You'll be happy with

1 our '16 financials.

2 MR. SHEAFE: Was that agendized.

3 MR. COLLINS: He was agendized.

4 MR. SHEAFE: I'd like to move approval of the
5 elimination of those two entities, I guess.

6 MR. COLLINS: As set forth in the letter.

7 MR. SHEAFE: Pardon?

8 MR. COLLINS: You might want to say --

9 CHAIRMAN MCCUSKER: As set forth in the
10 letter.

11 MR. COLLINS: -- as set forth letter of December
12 6th.

13 MR. SHEAFE: Set forth in the letter December 6,
14 2016.

15 MS. COX: Second.

16 CHAIRMAN MCCUSKER: I have a motion and second
17 to approve the letter from Fox Theater December 6th,
18 dissolving Fox LLC Group and Fox Theater Rehab. All in
19 favor, say aye?

20 All opposed, nay?

21 (Motion carries unanimously.)

22 CHAIRMAN MCCUSKER: That motion carries
23 unanimously. We are on a little roll.

24 This one might be a little more complicated.
25 City Park has done everything we've asked them to do.

1 Part of the agenda was to go in front of the mayor and
2 City Council to seek that City tax abatement for the
3 excise tax on that particular property. We really didn't
4 know how that would go. I'm pleased to say that was
5 approved seven-zero last week as well.

6 So the City is partnering with us in this new
7 possibility and new name of the City Park Development,
8 Don Bourne's property. And that should be kind of the
9 last item, Mr. Collins, on our to do list, that should
10 allow us to move toward closing on this property.

11 MR. COLLINS: Mr. Chairman, that's not quite
12 right. But we're close. Sometime ago, I think it was
13 the last meeting, this Board granted City Park until
14 January 31st to complete this project, and to satisfy
15 your requirements.

16 I have worked with the executive officers and
17 with the developer and with the City of Tucson on the
18 tolling agreement that has been authorized for this.
19 It's not finalized but it's very, very close.

20 Like you said, Mr. Chairman, they are working
21 extremely hard at the process. We have just -- so the
22 Board is aware, we have drafted the GPLET lease for
23 Bourne's signature. They are vetting it with the Bank of
24 Tucson. I don't anticipate it being too hard to get to
25 final terms. This particular GPLET is based upon

1 Cityscape, a big development up in Phoenix. My partner
2 Gary Verburg did that for the City of Tucson and the Bank
3 of Tucson is very familiar with that. So I don't see
4 that as a problem.

5 I want to talk about in public, real briefly
6 here, you have in your packet, I think, a notice of
7 intent to enter economic development agreement. The
8 economic development agreement component of this is our
9 effort to satisfy your requirements of 48-4201, stadium
10 district statutes, and the use of public money on a
11 private project.

12 If you look at your Notice of Intent to enter
13 into an economic development agreement and flip, you'll
14 see there is the economic study that had been posted for
15 sometime on the Board's web page. And if you'll flip to
16 page 3 of that, let me know when you've got that, it's
17 the same study that was done for the GPLET component of
18 this project. The direct benefit to the public is nine
19 million -- more than nine million dollars. And the
20 foregone property tax revenue is a little less than \$1.5
21 million.

22 This is obviously a very beneficial project not
23 only for the District, but for the City. To comply with
24 48-4201, we need to enter into an economic development
25 agreement. That economic development agreement is in

1 front of you. But quite simply, it is a finding by this
2 Board that it is in the benefit of the District and the
3 denizens of Tucson that advancing this project is in the
4 best interests of all concerned.

5 And so, if you have any questions -- this is
6 just another document. We haven't ever talked about it
7 before. That's why I'm bringing it up for you. It
8 doesn't change anything materially. But I do need a
9 motion authorizing the issuance of a notice of intent to
10 enter into an economic development agreement to complete
11 this project.

12 CHAIRMAN MCCUSKER: Will you take through the
13 closing documents that are required for this transaction?

14 MR. COLLINS: Yes. There will be a special
15 warranty deed from BP Park City investors to the
16 District. That's the first thing that will be recorded.
17 Then there is the GPLET lease which will have to be
18 executed. Then there is the economic development
19 agreement that also has to be executed. Then recording
20 as a memorandum of the GPLET lease. The GPLET lease is
21 not recorded itself, the memorandum of lease is.

22 Then, there is the release of the original
23 development agreement. That's the development agreement
24 under which we're operating right now.

25 MR. SHEAFE: You're saying it gets replaced?

1 MR. COLLINS: It gets replaced, yes.

2 Bank of Tucson wants no legacy obligations under
3 that agreement. They want both the City and the District
4 and the developer to say sayonara to that deal. And as I
5 may have mentioned last time, once all of these documents
6 get recorded, you will hold title and your relationship
7 to the developer will be driven by the deed of trust and
8 the GPLET lease. That's really -- that's where your
9 relationship is.

10 But start out with a special warranty deed, the
11 GPLET lease, the economic development agreement, the
12 memorandum of the GPLET lease, which is recorded, the
13 release of the original development agreement, the Bank
14 of Tucson promissory note, which is going to be roughly
15 \$10 million, the Bank of Tucson deed of trust, which is
16 going to be a deed of trust on the leasehold interest,
17 not on the fee. It's on the leasehold interest. There
18 will be the District's promissory note, which is the \$2.6
19 million, there will be District's deed of trust on the
20 leasehold interest, and then there will be intercreditor
21 agreement among the developer, the Bank of Tucson and the
22 District. So, if you can tell, that's 10 agreements, but
23 we're close.

24 MR. SHEAFE: What you're asking for, I think, is
25 authorization to move forward on the full rainbow of the

1 agreement.

2 CHAIRMAN MCCUSKER: And specifically approving
3 the Notice.

4 MR. COLLINS: The notice, yeah.

5 CHAIRMAN MCCUSKER: Where does this go, Mark?
6 Who are we noticing with this?

7 MR. COLLINS: It's going to be the public.
8 Okay?

9 Let me explain a little bit. The economic
10 development agreement is not required by this District.
11 The statutes talk about cities and municipalities doing
12 that. It's my opinion that you ought to do that.
13 Because I think that helps make sure that your use of
14 public funds tracks along the normal course. It doesn't
15 add any difficult tasks for the developer, nor does it
16 take away any of your rights. But it is something that I
17 want to see happen.

18 It is not finalized. The draft you have in
19 front of you, I can walk you through it, be happy to do
20 that. Get out your coffee.

21 But what I would like is simply a motion to
22 authorize the issuance of the notice of intent to enter
23 into the economic development agreement, provided that
24 the economic development agreement is finalized in
25 accordance with the draft that is currently in front of

1 you. That's what I'm looking for.

2 CHAIRMAN MCCUSKER: And these economic
3 considerations are determined by a unrelated third party?

4 MR. COLLINS: Yes.

5 CHAIRMAN MCCUSKER: The developer hires someone
6 for --

7 MR. COLLINS: No, no. We hire.

8 CHAIRMAN MCCUSKER: We've hire someone?

9 MR. COLLINS: Right.

10 CHAIRMAN MCCUSKER: They assess the development
11 and its economic impact?

12 MR. COLLINS: Yep.

13 CHAIRMAN MCCUSKER: And opine as to the strength
14 or weakness of that particular project?

15 MR. COLLINS: Right. And roughly speaking, the
16 benefit to the community, Tucson, and downtown Tucson, is
17 nine million dollars, a little more than that. And the
18 this has to do with the abatement. Remember now, the
19 GPLET lease is a mechanism by which the excise taxes that
20 would normally be due by the tenant, the developer, will
21 be abated for eight years.

22 This District, by the statutes of Arizona, is
23 authorized to enter into such a lease, and that is indeed
24 what we're doing. But the statutes do not grant this
25 Board the right to abate excise taxes. That lies in the

1 hands only of the City. And the City has at, the last
2 study session, indicated a willingness to do that,
3 provided that the developer met our deadlines. And
4 currently on the agenda for mayor and council on the
5 their meeting on the 20th is for them to make a final
6 vote to authorize the tax abatement subject to the
7 running of a 60-day period.

8 I can bore you to tears. But the 60-day period
9 runs on December 27th. But if the City votes to abate
10 the taxes on December 27th, the GPLET lease can be
11 signed.

12 MR. SHEAFE: So the nine million is the result
13 of the economic impact of having the City Park up and
14 operating and generating the Rio Nuevo revenue stream and
15 therefore generating the tax base if it does matriculate
16 back to the City.

17 MR. COLLINS: Correct. That's -- it's, to me --

18 CHAIRMAN MCCUSKER: That's the direct benefit.

19 MR. COLLINS: It's a huge number. And the taxes
20 that are foregone are --

21 CHAIRMAN MCCUSKER: 1.4 million.

22 MR. COLLINS: Yeah, 1.4 million dollars. So I'm
23 not trying to take you through all of -- bore you to
24 tears. But this is a complicated thing. What I'm asking
25 for you today, you certainly could make a motion to

1 authorize the finalization and execution of all of
2 this.

3 CHAIRMAN MCCUSKER: So let's talk about that for
4 a minute. We had a number of conditions that we gave
5 this developer to put in place in front of us. We've
6 said consistently, the private sector, we want to be
7 last.

8 MR. COLLINS: That's going to be satisfied.

9 CHAIRMAN MCCUSKER: Come make your presentation
10 to us, and then you go figure out the rest. When you're
11 all done and everything is all tidied up, come back and
12 see us. He's done all that. So why wouldn't we
13 authorize the district to go ahead and close?

14 Now, can you do the deed, the GPLET, the
15 economic development memorandum and release, the note,
16 the deed of trust, the intercreditor agreement, can all
17 that be done by the end of January?

18 MR. COLLINS: That's the plan.

19 CHAIRMAN MCCUSKER: It's not a plan, there is no
20 plan B. Right? I mean --

21 MR. COLLINS: Plan B is we get to fight with the
22 developer.

23 CHAIRMAN MCCUSKER: Right. So there is not a
24 plan B. So we have to close this in January. And there
25 is literally no barrier to the banks other than the

1 paperwork?

2 MR. SHEAFE: There is a possible barrier from
3 the banks.

4 MR. COLLINS: The bank -- look, everything is a
5 green light, but the documents aren't fully prepared.
6 They haven't been fully approved by the bank. The bank
7 has all of our documents.

8 CHAIRMAN MCCUSKER: That's what I mean by
9 paperwork. There is no business transactions. There is
10 no principal negotiations that have to occur unless
11 something changes among the parties, at which point we
12 all are back here talking about it again.

13 But under the current status of the handshake,
14 all the things we asked of the developer are in place and
15 we just need you to document all of it.

16 MR. COLLINS: Yeah.

17 CHAIRMAN MCCUSKER: So, to Chris's point, if we
18 were so inclined, could we just authorize you and the
19 executive officers to close this transaction?

20 MR. COLLINS: I think I wrote the agenda broad
21 enough to do that.

22 CHAIRMAN MCCUSKER: We need to do this, since
23 this is an item under the law.

24 MR. COLLINS: Yes.

25 CHAIRMAN MCCUSKER: Let's deal with that

1 first.

2 MR. COLLINS: Yes.

3 MR. SHEAFE: Okay. Let's put forth a motion
4 that we authorize counsel to issue the notice of intent
5 to enter into an economic development agreement in
6 findings of fact, relative to this project. Right?

7 MR. COLLINS: And authorize the executive
8 officers to execute the economic development.

9 MR. SHEAFE: Authorize the executive officers to
10 execute the paper as necessary. So, we get that?

11 CHAIRMAN MCCUSKER: We got the motion.

12 MR. IRVIN: Second.

13 CHAIRMAN MCCUSKER: Any further discussion
14 regarding this one item, the notice of intent to enter
15 into this economic development agreement?

16 Thank you, Mr. Collins, for your --

17 CHAIRMAN MCCUSKER: Any other conversation?

18 MR. COLLINS: You have authority to enter into
19 the --

20 CHAIRMAN MCCUSKER: Let's get this out of the
21 way first. All in favor, say aye?

22 Opposed, nay?

23 (Motion carries unanimously.)

24 CHAIRMAN MCCUSKER: Okay.

25 MR. SHEAFE: So now we can execute. Let's go to

1 the second part of this motion, which is there are some
2 subsequent agreements that will flow from this action.
3 And my motion is that the executive officers be
4 authorized to work with counsel to execute those
5 agreements as counsel and executive officers deem
6 appropriate in order to finalize this agreement and get
7 the closing before the end of January.

8 MR. COLLINS: Yes.

9 CHAIRMAN MCCUSKER: So long as there is no
10 material change.

11 MR. SHEAFE: So long as there is no material
12 change. Took the words right out of my mouth.

13 MS. COLLINS: That's your motion?

14 MR. SHEAFE: Yes.

15 CHAIRMAN MCCUSKER: That's his motion.

16 MS. COX: Second.

17 CHAIRMAN MCCUSKER: Everybody understand?

18 This means we don't need to see you again. We
19 can pop the champagne bottle over in that vacant lot
20 unless something happens.

21 MR. COLLINS: Yeah. You're going to hear from
22 me on --

23 MS. COX: On January 27th.

24 CHAIRMAN MCCUSKER: Our meeting is January
25 24th.

1 MR. COLLINS: It will be on the agenda on the
2 24th.

3 CHAIRMAN MCCUSKER: Maybe.

4 MR. COLLINS: Just so I can update you. But the
5 drop dead date is January 31st. We got to close by then.
6 Once closing occurs, you guys hold title to the property.

7 CHAIRMAN MCCUSKER: Congratulations to all of
8 us. Congratulations to Don Bourne.

9 MR. SHEAFE: Want to take a vote here?

10 CHAIRMAN MCCUSKER: Remarkable. Did we -- we do
11 have a motion and second on the floor. All in favor of
12 the motion to authorize those 10 agreements, please
13 signify by saying aye?

14 Any opposed, any?

15 (Motion carries unanimously.)

16 CHAIRMAN MCCUSKER: Okay. That passes
17 six-zero.

18 Mr. Collins, stay with us.

19 We have previously approved in concept
20 participating with developers Ron Schwabe and Marcel
21 Dabdoub in their improvements of the Chicago Store, along
22 with three other properties. But they will all be looked
23 at separately, closed separately. God bless Ron Schwabe
24 and Marcel Dabdoub. They are in the process of acquiring
25 the property next door to the Chicago Store, which we

1 know as the Gus Taylor building, immediately to the west.
2 And they've asked us to include in our discussions to
3 assist these developments that particular address.

4 MR. COLLINS: That's correct, Mr. Chairman,
5 members of the Board, you have already approved and
6 authorized the negotiation and execution of the project
7 with respect to the Chicago Store. As I recall, that was
8 \$1.6 million. Is that right?

9 CHAIRMAN MCCUSKER: 1.4.

10 MR. COLLINS: 1.4. And the addition of the Gus
11 Taylor property, as I recall it, would increase that
12 participation from 1.4 to \$2.05 million. The terms of it
13 would be the same general concept as we have been working
14 on for the Arizona Hotel, and that we will be using that
15 as a template for 123 South Stone, for Bring's, and
16 whichever one I'm leaving out.

17 CHAIRMAN MCCUSKER: Let's hear from the
18 developers. I think we'd all like to hear, Marcell, kind
19 of what you're up to. How does this impact the retail
20 projections for us to even put up 600,000 more dollars,
21 we need to understand what the retail upside of --

22 CHAIRMAN MCCUSKER: Of course.

23 CHAIRMAN MCCUSKER: Name and stuff for the
24 guy.

25 MR. DABDOUB: Marcell Dabdoub and Ron Schwabe.

1 Mr. Chairman, members of the Board, thank you
2 for the opportunity. As you know, Gus Taylor was a
3 recording studio. That business was -- is being -- is
4 winding down because the owners are moving on to other
5 projects outside of Tucson. So as of now, it's really a
6 building that's not doing any -- engaging in any
7 activity.

8 Because there was a significant investment in
9 the -- in the recording studios themselves in terms of
10 sound insulation, we approached our tenants from the
11 Chicago Store, because there have been previous
12 conversations about doing a nice karaoke bar into the
13 downtown area which could -- it's sort of a bar
14 entertainment concept that's sort of a step above in the
15 sense that it attracts people that are looking for a more
16 specific experience.

17 So we've been in discussions with them, and
18 we're right now we are actually in lease negotiations.
19 So our expectation is certainly the first floor would be
20 generating a lot of sales tax.

21 MR. SCHWABE: Those buildings were one building.
22 They were connected. You probably remember that. So we
23 are actually -- in this plan they actually get
24 reconnected into one building again. So they are the
25 same partnership, the same tenants and it really works

1 out well.

2 CHAIRMAN MCCUSKER: Mr. Marquez?

3 MR. MARQUEZ: Mr. Chairman, one of the pieces
4 I'd like, when we originally made this agreement with
5 you, is that you owned the previous three properties free
6 and clear. Would you also own this free and clear?

7 MR. DABDOUB: That's correct. Our investors in
8 130 East Congress have already committed for the entirety
9 of the purchase price for this building. So the
10 accusation is not being financed.

11 CHAIRMAN MCCUSKER: And refresh our memory
12 what's going on next door. And I think you've gone
13 public with this. What is it? Who is it? How do you
14 blend the two? And then you said lots of retail tax. Do
15 you have a forecast? Have we seen anything? Have we
16 been provided any kind of amended forecast.

17 MR. DABDOUB: Yes. We sent to Mark --

18 MR. COLLINS: Yeah, you sent one to me.

19 MR. DABDOUB: -- revised projections that
20 include a column for 128 East Congress. But assuming the
21 same sales projections per square foot for a restaurant
22 bar with a series six liquor license, the City uses an
23 assumption of 500 dollars a square foot in sales per
24 year. And the amount that we're requesting ends up being
25 about 26 percent of the amount of -- actually 26 percent

1 of the sales tax is going to be generated over the
2 15-year term of the sale leaseback.

3 CHAIRMAN MCCUSKER: And Mark, we actually have
4 something in writing to that effect?

5 MR. COLLINS: Yes. This was added to the agenda
6 late and I -- we do have that information. I believe it
7 is substantially similar to the spreadsheet that you saw
8 sometime ago for the Chicago Store, and it does spin off
9 extra funds.

10 MR. SHEAFE: Let's try and condense this down to
11 so it isn't so theoretical. Essentially what each of
12 these deals is going to be, if we move forward with them,
13 is that the district becomes the backstop and puts money
14 in with no construction risks. That's the very first
15 thing to remember.

16 All the construction, all the improvements --
17 the property is bought, and the improvements are put into
18 the property, and it's still free and clear, or the
19 district's position becomes first because we end up
20 taking ownership. All right?

21 Secondly, that the loan to value can take the
22 total value of the asset and the amount of money that the
23 district is paying to buy it roughly is somewhere under
24 50 percent. So there is a fair amount of safety in that
25 structure.

1 And then the third thing is how do we structure
2 the incentives so that the developer gets the full
3 benefit of the investment they've made while maintaining
4 an incentive in the overall process that if they are
5 successful, they have a incentive to return the money, or
6 the majority of it, to the District as early as possible.

7 Those are really the three characteristics that
8 build the basis for trying to incentivize each of these
9 new improvements in the district.

10 CHAIRMAN MCCUSKER: And unlike the conversation
11 we just had, I think, about City Park, you're not asking
12 for excise tax relief from the City. Or are you?

13 MR. DABDOUB: No, we're not.

14 CHAIRMAN MCCUSKER: So that takes one more
15 complicating fact. They are very clean deals. There is
16 no lender, no city tax abatement. You can trust in their
17 economics because they are proven product. And we are
18 participating at about a quarter of the return.

19 MR. SHEAFE: That's right.

20 CHAIRMAN MCCUSKER: And they do close
21 individually, right, Mr. Collins? So I we know we talked
22 about bundling them for presentations's sake, but each
23 one of them will be a separate transaction?

24 MR. COLLINS: Correct. Correct.

25 CHAIRMAN MCCUSKER: Mr. Irvin?

1 MR. IRVIN: So, you know, I conceptually like
2 this idea. My concern is that this is a property that I
3 have not personally had a chance to walk through. Until
4 I do, I can't support it, just so you know. So I know we
5 are probably going to call a special meeting. I wouldn't
6 mind seeing this thing pushed back a couple weeks.
7 Unless there is some urgency to get this thing done
8 quickly. But I've not a chance to go through it and I'm
9 not comfortable voting for something I have not seen. I
10 have driven by it but I've never been inside it.

11 CHAIRMAN MCCUSKER: What are timing issues on
12 this? Just talk about all four of your properties kind
13 of in order.

14 MR. DABDOUB: On all four properties, our
15 understanding in discussions with Mark is that these
16 don't close until we have these properties producing
17 sales tax revenue. So, in this, on this property, we're
18 not going to be closing until February, I believe, and --

19 CHAIRMAN MCCUSKER: And we don't invest until
20 you're up and running --

21 MR. COLLINS: Exactly. My understanding is that
22 the money comes in once we are actually up and running.
23 And so from a timing perspective, we're good. I think
24 we, because we are going through the agreement process
25 right now, we wanted to -- we wanted to connect now

1 instead of doing an amendment further down road.

2 CHAIRMAN MCCUSKER: So Mark, it is conceptual.

3 MR. IRVIN: Yeah. No, and I understand that. I
4 have a hard time -- I don't have any problem, you know, I
5 have a problem with this idea of conception. I voted for
6 the last one we had. I just, as a course of action, I
7 would never sell or buy anything that I had not
8 personally walked through.

9 CHAIRMAN MCCUSKER: Mark, what is our legal
10 position vis-a-vis these properties? We've committed to
11 a conceptual process. We have not -- there is nothing
12 binding, or no documents yet?

13 MR. COLLINS: On the four properties?

14 CHAIRMAN MCCUSKER: Yeah. All four of them
15 together.

16 MR. COLLINS: That's correct. Yeah. Yes.

17 CHAIRMAN MCCUSKER: Is this the first one, and
18 then it gets moved, or is it the Arizona Hotel?

19 MR. COLLINS: Arizona Hotel is precariously
20 close. Then Bring's is the next one. And then --

21 MR. DABDOUB: Chicago Store.

22 MR. COLLINS: Chicago Store, 123.

23 MR. SHEAFE: You're just taking the Chicago
24 Store and expanding?

25 MR. DABDOUB: That's right.

1 CHAIRMAN MCCUSKER: So what's the Board's
2 pleasure? You can listen to Mr. Irvin or we can now
3 vote.

4 MR. SHEAFE: If you guys want to kick it down a
5 few weeks and maybe have a little better chance to engage
6 people like Mark? I think he is making a pretty good
7 point.

8 MR. DABDOUB: We'd be happy to defer this a
9 couple weeks and --

10 CHAIRMAN MCCUSKER: Are you buying it one way or
11 the other? Do you need to know where we are as far as
12 your conversations with the seller?

13 MR. DABDOUB: I think we feel very good about
14 the property. It has strategic value to Chicago Store,
15 more so to us than to any other potential buyer. And we
16 feel good about the value. But our aim is for everybody
17 to feel comfortable.

18 And I, as someone who's buying real estate, I
19 agree with what Mark is saying. I think it's important
20 for anybody who wants to walk through the space to come
21 take a look at it.

22 MR. IRVIN: I'm available to do that whenever
23 you guys ready to do that.

24 CHAIRMAN MCCUSKER: I don't hear any real
25 barriers or disinterests. So let's do that. I'll

1 agendize it the next meeting. And if you'll get with us
2 on kind of just getting up to speed a it.

3 MR. DABDOUB: Great.

4 MR. SHEAFE: When you get Mark down there, make
5 sure that he does do some karaoke. He is very good at
6 it.

7 MR. IRVIN: I appreciate you guys bringing us
8 this project. My comment in no way, shape, form or
9 fashion meant to be any sort of slap.

10 MR. DABDOUB: We didn't take it that way.

11 CHAIRMAN MCCUSKER: If you haven't been to the
12 New House Club, which is one of their projects, if you
13 can even get in there now, it's really an extraordinary
14 re-use of the Bring's property, as all of your projects
15 are. So we love partnering with you guys. Can't imagine
16 there would be any reason we wouldn't. So let's get some
17 work done between now and the next meeting.

18 MR. DABDOUB: Thank you.

19 MR. SCHWABE: Thank you very much.

20 CHAIRMAN MCCUSKER: I think I got everything,
21 Mr. Collins.

22 This is the time for call to the audience.

23 Michele, entertain a motion to adjourn?

24 MR. IRVIN: So moved.

25 MS. COX: Second.

1 CHAIRMAN MCCUSKER: All in favor, say aye?

2 (Motion carries unanimously.)

3 CHAIRMAN MCCUSKER: And Michele, good luck to
4 you. Be totally lost without you.

5 (Proceedings concluded.)

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CERTIFIED REPORTER'S CERTIFICATE

STATE OF ARIZONA)
) ss
COUNTY OF PIMA)

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

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

WITNESS MY HAND this 26th day of December, 2016.

Michael A. Bouley, RDR
Certified Reporter

Arizona CR. No. 50235

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REPORTING FIRM CERTIFICATE

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

WITNESS MY HAND this 26th day of December, 2016.

KATHY FINK & ASSOCIATES, INC.

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