

## MEETING OF THE BOARD OF DIRECTORS

March 20, 2018
Tucson, Arizona
2:00 p.m.

Reported by: Patricia Gerson, RMR Certified Court Reporter \#50429

KATHY FINK \& ASSOCIATES
COURT REPORTERS
2819 East 22nd Street
Tucson, Arizona 85713
(520) 624-8644

APPEARANCES:
BOARD MEMBERS:

Fletcher McCusker, Chairman

Chris Sheafe
Mark Irvin
Jeffrey Hill
Jannie Cox
Edmund Marquez
ALSO PRESENT:
Mark Collins, Board Counsel
Brandi Haga-Blackman, Operations
Administrator

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, Room 222, in the City of Tucson, County of Pima, State of Arizona, before PATRICIA GERSON, RMR, Certified Court Reporter No. 50429, on the $20 t h$ day of March 2018, beginning at the hour of $2: 01$ p.m. on said date.

*     *         *       PROCEEDINGS
    
CHAIRMAN MCCUSKER: We're to call this meeting to order, it's 2:01.

Jannie, you're last, so you get to lead the pledge.

MS. COX: Okay.
CHAIRMAN MCCUSKER: Plus, you're in the baby
chair.
(Pledge of Allegiance.)
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: I'm here.
MS. HAGA-BLACKMAN: Mark Irvin.
MR. IRVIN: Here.
MS. HAGA-BLACKMAN: Fletcher McCusker.
CHAIRMAN MCCUSKER: Present.
And we think Mr. Hill is on his way in, as far as we know.

You have the February 27th transcription in front of you, it's verbatim, I need a motion to approve.

MS. COX: So moved.
CHAIRMAN MCCUSKER: Jannie moved to approve.
Do we have a second?
MR. MARQUEZ: Second it.
CHAIRMAN MCCUSKER: All in favor say aye.
(Ayes.)
CHAIRMAN MCCUSKER: It passes unanimously.
This is the time we set aside for the executive
session. We need a motion to recess.
MS. COX: So moved.
MR. MARQUEZ: Second.
CHAIRMAN MCCUSKER: We'll see everybody in about 35 minutes.
(Board recess to executive session at 2:02 p.m.)
(Board reconvenes at 3:02 p.m.)
(Mr. Hill now present.)
CHAIRMAN MCCUSKER: We need a motion to
reconvene.
MR. IRVIN: So moved.
MR. MARQUEZ: Second.
CHAIRMAN MCCUSKER: All in favor say aye.
(Ayes)
CHAIRMAN MCCUSKER: Thanks for hanging in there with us.

I think we can do this very quickly, particularly
since it's a small crowd.
So, Brandi, I'm going to, well, show them to the
board.
So as part of my update, I'm going to show you
all some pictures. I'll go ahead and do that, and then
we'll allow Brandi to post them.
So can everyone see the $T V$, or is the speaker in
the way? You might have to -- can you do something, scoot
it out?
MS. COX: Now we can't see it.
MR. COLLINS: The important people need to see
it.
CHAIRMAN MCCUSKER: There we go.
So, by way of update, I think it's agendized, our
extension bill is moving quite nicely through the
legislature, a 38 to 12 vote in the house, passed the
commerce and public safety committee, in the senate it's
on it's way to the senate floor.
Part of the accolades that we've received is our
willingness to show people our work. And we've traveled a
lot of our legislative, including the governor, through
downtown Tucson. And it's probably been the best
advertisement we could ever do for someone that's
considering legislation, to see it, touch it, and feel it.
And for those that haven't, we've submitted some photos to
them. And these next 20 slides I'll go through quickly.
Of course this is the Caterpillar rendering on the site immediately across the freeway at the Santa Cruz.

Go ahead, Brandi.
This is the current status of Cat. You can see the masonry going up, so that foundation work is done, they will -- inbound plumbing is done, electrical is done. So the brickwork is going up. We still intend to occupy that in March of '19.

Go ahead.
The Marriott, we know, is open and thriving. But more importantly is the work has been done at the Playground, the adjacent restaurants. If you haven't been to the new Playground, I would encourage you to go. It has a spectacular rooftop bar.

The Moxy, the hotel on top of the Depot Plaza Garage, we heard from the developers in the city is still a go.

The TCC Caliber Hotel, we heard from the developers is still a go. It goes in that little green space down there about 5:30 o'clock. And they're coming down to meet with us in --

MR. COLLINS: April. April 9th.
CHAIRMAN MCCUSKER: Two weeks.
The Mercado Annex hopefully will be open here in
a month, or less than two months, they tell me. It's 15,000 square feet of retail, totally leased up.

This is the recent rendering for City Park. The next slide is the status of City Park. So, a meeting with them the other day, they intend to occupy this, believe it or not, in June.

MS. COX: June? MR. HILL: June? CHAIRMAN MCCUSKER: Yeah. So back up and look at that slide, Brandi. MS. COX: Three months. Wow.

CHAIRMAN MCCUSKER: Now remember the bottom is a food hall. That's all retail. A number of local restaurants, they tell me, will occupy space with common seating.

Hexagon is now taking three floors, they've expanded by 10,000 square feet. And then they still have a bowling alley and rooftop bar.

MS. COX: So, Fletcher, how many employees --
CHAIRMAN MCCUSKER: Two hundred Hexagon employees.

MS. COX: Great.
MR. IRVIN: The thing that's kind of cool about them is they bring in people from all over the country, training and whatever. And there's typically about 10
people that are there all the time, that are coming in from different parts of the world.

MS. COX: Yeah.
CHAIRMAN MCCUSKER: This is a rendering of the Marist. The next slide is the current status of the Marist.

I think some people have toured that. I haven't made the tour. But $I$ know Mark and Chris, you saw the work being done, it's an extraordinary project.

MR. SHEAFE: Yes.
CHAIRMAN MCCUSKER: This is Cathedral square. Of course we're doing the street-scape part of that, the part to your right there, which totally opens up that extraordinary Cathedral. They're expecting that visitation for that could go from 400,000 a year, to upwards to 2 million a year.

MS. COX: Beautiful.
CHAIRMAN MCCUSKER: Go back one slide. It's just really a spectacular project. MS. COX: Spectacular. CHAIRMAN MCCUSKER: This is Ochoa Street. Remember, we're only putting $\$ 1$ million into this \$19 million renovation, which really opens up our Cathedral, which was -- is circa 1860.

That's the new convention center they're building
in the middle. And in exchange for our roadwork, the diocese will open a cafe restaurant to the public in that building.

This is the current steel going up. These are just a few days.

Scott Avenue is done. More than just narrowing the street and beautifying the street is we added sidewalk cafe seating, so all the restaurants there on the west side can now expand their restaurant activity into the street.

We're going to talk about 75 East Broadway today. But this is the parking lot. And the next slide, of course, is the rendering of the extraordinary project by JE Dunn. Two floors of retail. And it could go as high as 20 stories.

Sunshine Mile, we'll talk about that today, we have confirmed that 39 properties on the north side of Broadway will be deeded over to us.

And I think -- you going to hand this out, Dan, so we can see it better.

MS. HAGA-BLACKMAN: I don't --
MR. MEYERS: We don't have any handouts. We're supposed to.

CHAIRMAN MCCUSKER: Can that be expanded or separated?

MS. HAGA-BLACKMAN: Yeah.
CHAIRMAN MCCUSKER: The other thing we've done, which $I$ think is part and parcel as to why we've been so successful in Phoenix is, we've shown the economics of every single project -- what we put into it and what the private sector's put into it, the construction tax it generates. And, again, our leverage is really speaking for itself. So we wanted to share that with the board and the public.

We still can't see it, unless you're going to have one to hand out. We're going to have to get it a lot bigger.

MS. HAGA-BLACKMAN: Can you read that?
CHAIRMAN MCCUSKER: No.
MR. COLLINS: You're too young.
CHAIRMAN MCCUSKER: Yeah, you can read that.
MR. SHEAFE: You'll post it on the site.
MR. COLLINS: Right.
CHAIRMAN MCCUSKER: I can see it enough to touch on it. So what we've done --

Dan, if you want to come up, we'll combine this with your financial report.

MR. MEYERS: Okay.
CHAIRMAN MCCUSKER: What Dan did for us was identify every single capital project since we started
with the convention center. And we've separated the money that we've invested, versus what money we've committed, which we've yet to spend, and what the private sector is committed to our spending. So you just go down through the list.

Then the other thing, when we had it, we identified the construction sales tax.

So the City Park project which we just looked at, remember, is the $\$ 27$ million project, we're only putting up 2.6 million of that. So, again, 11 to 1 . Generates a million and a half dollars just in sales, construction sales.

Hexagon, another very well leveraged project, our money committed only a million three, the private sector is putting in nine four.

And just as you go down the list, there's the Marist project, we only put 350 grand in that. And you may remember we committed to a million three, but they assured us we might get the million back, and indeed we did. So we've only invested 350,000 in that $\$ 24$ million project.

Cathedral Square, similarly leveraged, our investment is $\$ 1$ million into a $\$ 19$ million project.

Caterpillar building, we will spend, total, including the remediation, about 7.8 million. Caterpillar
is spending almost 50 million.
The Mercado Annex, so this is one of our least leveraged projects, but remember it was in foreclosure, so had we not dealt with that, there wouldn't be a Mercado Annex.

So we acquired the bond agreement from the city, that was a million two. So we've invested, you know, 3 million and change into a project where the private sector is investing 12.

So those are actual dollars spent and are committed.

And, Dan, if can you help me read it, I think it's 16 million 450?

MR. MEYERS: Yes, that's correct.
CHAIRMAN MCCUSKER: Over $\$ 141$ million.
So, this is really hard for anyone to argue about our ability to leverage our deals.

Clearly, the most popular thing we hear from lenders and developers is the site specific sales tax rebate. Part of what the state really liked about this story is we're only rebating the Rio Nuevo portion of the sales tax.

So, for every dollar we rebate, the state gets the dollar, the city gets the dollar, the school districts get their portion of it. So we're only rebating our
portion of the sales tax. And again, unbelievable leverage.

Starting with the AC Marriott, you know, 10 times leveraged.

The Moxy, six times leveraged.
75 East Broadway, again, because of the retail component, you know, over $\$ 2.5$ million of retail taxes just from that one project. Their rebate could hit \$22 million. But against $\$ 120$ million bill.

The Caliber Hotel, similarly, $\$ 2.5$ million rebate cap for a $\$ 24$ million project. And our smallest deal was to bring to the house club where we put up about half of the money. Again, great leverage.

Dan, I think that's 34 over $\$ 207$ million?
MR. MEYERS: Yes.
CHAIRMAN MCCUSKER: Over $\$ 207$ million.
Then finally, just so we could account for the money, the last piece of that, our projects where we did not have partners, these are things I would consider government responsibilities, like the TCC, the Roadrunner improvements, the Greyhound, the Mission Garden, Fox Theater.

So we've spent, without any private sector health --

Scroll down, Brandi -- 16 --

MR. MEYERS: 16 million.
CHAIRMAN MCCUSKER: 16 million.
So even when you combine cash, with cash where we had no partners, you see the total cash of 32 million, produced $\$ 360$ million of budget. And I think this is why we're winning the majority of member support of the legislature.

So we're going to post this to our website. And you guys might want to arm yourself with it, if anyone -again, we've had several people criticize us for wasteful spending. But this is, clearly, just the opposite.

Dan, how is the money in the bank?
MR. MEYERS: Okay. So, at the end of February we've got about $\$ 5.9$ million available cash. And commitment within the next year or so is about 3.9 million. So we've got a $\$ 2$ million spread.

I think my report last month, with all these forms, somehow failed to update the cost to date on the Caterpillar building. So, it wasn't as grim as I had reported last month.

You know, the good news coming up, December tiff money collected in early March was 1.17 million, which again our budget is 1 million.

So, we're now, Brandi and I are, my efforts to track down some of these merchants that haven't filed

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properly is starting to come to fruition. I'm optimistic
    for what's going to happen the rest of this year. We've
    got six more months to collect. We've not received
    January yet, and we won't do until probably April.
    And then again, as I mentioned at the last
meeting, May and June we get to keep }100\mathrm{ percent of what's
    collected, instead of having the $790,000 set aside into
    the debt service reserve to pay our bonds.
    CHAIRMAN MCCUSKER: So this 5.8 million is before
    that --
        MR. MEYERS: That's what's in February.
        CHAIRMAN MCCUSKER: So by the end of the summer
        we should have almost $9 million versus the 3.8 of
        commitments, is that --
        MR. MEYERS: I think 9 million is a little
    optimistic. I clearly expect --
        CHAIRMAN MCCUSKER: 8?
        MR. MEYERS: Might not be too far off. Between 8
        and 9, I think.
        MS. COX: Could I ask, so there are no
        commitments to date for that $9 million?
        CHAIRMAN MCCUSKER: The stuff on the bottom --
        MR. MEYERS: Stuff on the bottom is committed.
        CHAIRMAN MCCUSKER: Other than Caterpillar, it's
        very small.
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MR. MEYERS: Some of that stuff is in the next month or two.

MS. COX: I see. Okay.
MR. MEYERS: So, I think by the time --
CHAIRMAN MCCUSKER: We should probably show it, although we have to consult with Mr. Collins, we've tentatively committed somewhere in the 1.1 million range to the 75 East Broadway project. It's probably safe to show that as a commitment. We're going to update everyone on that in the regular session. But $I$ would identify that as committed.

MR. MEYERS: Okay.
CHAIRMAN MCCUSKER: Any other questions for Dan?
MR. MEYERS: Thank you.
CHAIRMAN MCCUSKER: Okay. First up is the Sunshine Mile. Quick update on the status of the Sunshine Mile and the three government parties that are working on this project. We understand the RTA has agendized the intergovernmental agreement for next Thursday. They would be the final entity to approve and sign that.

We have been told they don't expect any problems with that. So, once that's signed, there will be a tri-party agreement between Rio Nuevo, the City of Tucson, and the RTA, to focus on what everyone called the remnant properties on the north side of Broadway that are affected
by the widening.
We now know that's about -- not about -- it is
exactly 39 individual properties located on the north side of Broadway, that once the IGA is signed, the City of Tucson will deed over to Rio Nuevo.

What we committed to do in the IGA is we would submit a block-by-block plan to the RTA, which would result in a development agreement, which we would then also present to the City of Tucson.

There will be some zoning changes required, because we will need some cooperation regarding parking and setbacks and other kinds of requirements that the roadway will affect.

The first item for us to consider would be to bring on some help. We've had a great opportunity to enjoy a relationship with the Project For Public Spaces, I would very much like to include them as we go forward.

And then we're probably going to want to recruit some architectural assistance as we look at these properties, both singularly and all 39 of them maybe together.

MR. SHEAFE: Mr. Chairman, why don't we -- I'll make a motion that we allocate a $\$ 50,000$ budget to acquire services of expending the Project For Public Spaces and for consulting architecture work, as we kind of move this
thing to the next step.
MR. MARQUEZ: I'll second that.
MS. COX: Is that enough?
MR. IRVIN: That was my question.
MS. COX: Yeah, I wonder if it wouldn't make more
sense to bump that up a little bit, to make sure we don't
have to come pull things up to come back here.
MR. SHEAFE: Well, since you brought it up, that
would probably make perfect sense.

MS. COX: Thank you.
CHAIRMAN MCCUSKER: All right. So we have a motion and accepted it, sir, so we've got to --

MR. SHEAFE: I would accept an amendment to my motion.

MS. COX: I would like to amend the motion to increase that by 25,000 .

CHAIRMAN MCCUSKER: He can restate his own motion.

MS. COX: Okay, good.
CHAIRMAN MCCUSKER: Try again?
MR. SHEAFE: Yes. I meant to say 75,000.
MR. MARQUEZ: Second.
CHAIRMAN MCCUSKER: Okay. So the motion is authorized up to $\$ 75,000$ for continued consultation to the Project For Public Spaces, and for architectural
assistance. I gathered that in your motion it's both of those.

MR. HILL: Point of order. I think probably we'd say we tabled the first motion, in going on to the second one.

CHAIRMAN MCCUSKER: All right.
MR. HILL: I think that would be the --
MR. COLLINS: Mr. Chairman of the Board, I would defer to Mr. Hill.

CHAIRMAN MCCUSKER: I don't know if $I$ can do that?

MR. HILL: Yes, sir, you can.
CHAIRMAN MCCUSKER: All right. I'm going to
table the first motion for $\$ 50,000$.
We're now going to entertain the second motion for $\$ 75,000$.

Brandi, call the roll.
(Ayes.)
CHAIRMAN MCCUSKER: By vote of $6-0$ we passed that unanimously.

I think what goes hand in hand with that, Mr. Sheafe, would be to instruct counsel to prepare an RFQ for --

MR. SHEAFE: Would you like a motion?
CHAIRMAN MCCUSKER: I think that would help.

MR. SHEAFE: My motion would be that we authorize counsel to prepare an $R F Q$ to architectural firms to help us with those services.

CHAIRMAN MCCUSKER: And RFQ stands for request for qualifications.

MR. HILL: Thank you, Mr. Chairman.
CHAIRMAN MCCUSKER: I did not hear a second. MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: Brandi, call the roll.
(Ayes.)
CHAIRMAN MCCUSKER: By a vote of $6-0$ we passed that motion.

So we'll move on to item eight, 75 East Broadway. This is an update only.

Mr. Collins, how we doing?
MR. COLLINS: Mr. Chairman, members of the board, at your last meeting you authorized the finalization of the development agreement in accordance with the discussion that we had in $E$ session, and the execution of that agreement.

That agreement, verbatim, has now been executed by Dunn. It is ready for execution by executive officers of this board. We have a little typo cleanup that has to be done. I would expect it to be fully executed by tomorrow.

So, the 120 days we talked about will begin to run. The due diligence will have to be completed. And away we go.

CHAIRMAN MCCUSKER: Will you remind everyone what we entered into? You mentioned it was 120 days, so --

MR. COLLINS: All right.
CHAIRMAN MCCUSKER: Basically, 120-day free look is what --

MR. COLLINS: Exactly.
CHAIRMAN MCCUSKER: -- people in real estate would refer it as.

But it's in escrow. Either party can terminate the agreement for any reason during that 120 days.

MR. COLLINS: No, everything is correct, Mr. Chairman, except we don't go into escrow.

CHAIRMAN MCCUSKER: Okay.
MR. COLLINS: What happens is, during the first 120 days we will do the due diligence on the property. We -- this board will do the due diligence on the property, which you would do for whomever was going to be developing the property. We will get that done.

We will then complete our negotiation of a ground lease with Pima County. As you know, Pima County owns that parcel right now. And so we would prepare the ground lease.

We would also negotiate and hopefully finalize the sublease, so the district would lease the ground from the county, sublease it to the developer, so the developer could prepare the permits and do all that sort of thing.

At the end of 120 days we hope to have the sublease and ground lease executed, and the ultimate long-term lease prepared.

That's the next stage. That's the design and development stage, which currently is 12 months. At the end of that 12 months, the target is for construction to commence.

And then there's a question of whether it's 24 or 26 months afterwards for $C$ of $O$.

So we're in three stages. This begins our first one.

CHAIRMAN MCCUSKER: And the groundwork in this 120 days includes the survey, property border survey, and ALTA survey, which is environmental.

MR. COLLINS: No.
MR. IRVIN: Phase one.
CHAIRMAN MCCUSKER: Phase one.
MR. COLLINS: Phase one is environmental, correct.

CHAIRMAN MCCUSKER: Archeology, because we know it's a sensitive site.

MR. COLLINS: Yes.
CHAIRMAN MCCUSKER: And we have to have that cleared by the appropriate contractor.

MR. COLLINS: Yes. It's required by ordinance to do that.

CHAIRMAN MCCUSKER: And then if all that works, we move on to utilities and that.

MR. COLLINS: Right. Some of the additional money that the district will spend, if we get past 120 days, and sign the lease and sublease, will be completing the design necessary to bring -- sub out the utilities to the site, which doesn't appear to be a very big number at the moment, and do some more of the archeology, before the big expenditures.

So, frankly, it's 120 days to do the initial, what I call basic due diligence, plus geotech. These folks need -- if they're going to go up 20 stores, they need some geotechnical studies. They're engaging the geotech outfit to do that. This board agreed to reimburse them for that.

That and the lawyer work is what's going on in the next 120 days. It's -- then the next 12 months is going to be the designing part of it.

CHAIRMAN MCCUSKER: So we'll only see you if something bad happens.

MR. COLLINS: Yeah, that's probably a fair statement.

MR. SHEAFE: We've already allocated the funding

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for this.
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CHAIRMAN MCCUSKER: Right.
MR. SHEAFE: So we're really, at this point, free to run, as long as this motion passes.

MR. COLLINS: Yeah, you have --
MR. SHEAFE: This isn't a motion --
CHAIRMAN MCCUSKER: We've approved everything. We've already approved everything.

MR. COLLINS: Right, right.
CHAIRMAN MCCUSKER: Soon as we execute this agreement now.

MR. COLLINS: And agreement -- execution of the agreement has already been authorized. You did that at the last meeting. That's why I started the way I did.

MR. SHEAFE: Sure.
MR. COLLINS: What had been signed by Dunn is what we discussed in the past.

CHAIRMAN MCCUSKER: So that 120 days will start when we countersign.

MR. COLLINS: Yep. Yes, sir.
CHAIRMAN MCCUSKER: Which should be Thursday, at the latest.

Any other questions for Mr. Collins on 75 East Broadway?

Okay. Item nine and our final item, Toole Avenue, a few months ago Steve and Zack Fenton presented a project to us through their attorney, Keri Sylvin, to develop a restaurant at the corner of Toole and 7th Avenue.

We expressed a great dealt of interest in that, including the opportunity to enter into a GPLET. Any time we engage in those conversations it requires a third-party evaluation, signing off on the economics, we've done that. And Mr. Collins has been dutifully preparing GPLET lease. So --

MR. COLLINS: That's correct.
CHAIRMAN MCCUSKER: So are ready to go with our end of that?

MR. COLLINS: Well, you could consider authorizing the executive officers and counsel to finalize the draft GPLET lease that we discussed in E session, provided that there are no material changes.

MS. COX: So moved.
MR. MARQUEZ: Second.
CHAIRMAN MCCUSKER: Any discussion? Everybody understand the motion?

Brandi, call the roll.

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(Ayes.)
CHAIRMAN MCCUSKER: By unanimous vote $6-0$ we've authorized counsel to finalize the GPLET. The developer will take that to the city to discuss the excise tax issue, which we have nothing to do with.

MR. COLLINS: Well, the study and the lease, when it's finalized, come from the district. But the city is the one -- the only one that can abate the excise tax. CHAIRMAN MCCUSKER: And the applicant, as the developer.

MR. COLLINS: Correct.
CHAIRMAN MCCUSKER: Okay. Call out to audience.
Brandi, anyone?
Entertain a motion to adjourn.
MR. IRVIN: So moved.
MR. MARQUES: Second.
CHAIRMAN MCCUSKER: All in favor say aye.
(Ayes.)
(3:31 p.m.)
C E R T I F I CA T E
STATE OF ARIZONA )
) SS .
COUNTY OF PIMA )
BE IT KNOWN that $I$ took the foregoing
proceedings pursuant to Notice; that $I$ was then and there
a Certified Court Reporter, Certificate No. 50429, in the
State of Arizona; that said proceedings were reduced to
writing by me.
I DO FURTHER CERTIFY the ethical obligations set
fort 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 23rd day of March 2018.
Patricia Gerson, RMR
Certified Court Reporter \#50429
KATHY FINK \& ASSOCIATES
Registered Reporting Firm

