MEETING OF THE BOARD OF DIRECTORS

June 28, 2018
Tucson, Arizona
1:00 p.m.

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

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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, Room 222, in the City of Tucson, County of Pima, State of Arizona, before PATRICIA GERSON, RMR, Certified Court Reporter No. 50429, on the 28th day of June 2018, beginning at the hour of 12:57 p.m. on said date.
CHAIRMAN MCCUSKER: What I announced before the PA was up is if you're here for our meeting, you notice from the agenda, we go into exec session first. And based on today's agenda, it's probably 40, 45 minutes. So, you're welcome to hang around. But we always go into exec first.

So, with that --

Somebody's phone. Maybe we should make him lead the pledge. Is that fair?

(Pledge of allegiance.)

CHAIRMAN MCCUSKER: You also notice we have no staff. Both Dan and Brandi are traveling for personal reasons. So, Mr. Collins is holding down the fort. Thank you, very much. So you have some $20 an hour work, then you've got your regular rate work.

MR. COLLINS: Right. I'm here anyway. I'm here all night.

CHAIRMAN MCCUSKER: I guess you're calling the roll.

MR. COLLINS: Edmund Marquez.

MR. MARQUEZ: Here.

MR. COLLINS: Jannie Cox.

MS. COX: Here.
MR. COLLINS: Chris Sheafe.

MR. SHEAFE: Here.

MR. COLLINS: Mark Irvin.

MR. IRVIN: Here.

MR. COLLINS: Jeff Hill.

MR. HILL: Here.

MR. COLLINS: And Fletcher McCusker.

CHAIRMAN MCCUSKER: Here.

Thank you.

MR. COLLINS: Certainly.

CHAIRMAN MCCUSKER: We have received the transcripts from the May 22nd meeting. They are verbatim.

Thank you very much.

So unless you have a concern, question, or change, I would just need a motion to approve.

MR. IRVIN: Move to approve.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: Approved unanimously.

We set some time aside for an executive session.

We'd need a motion to --

MR. MARQUEZ: So moved.

MS. COX: Second.

CHAIRMAN MCCUSKER: All in favor say aye.
(Ayes.)

CHAIRMAN MCCUSKER: All right. We'll see everybody in about 40 minutes.

(Board recesses to executive session 1:00 p.m.)

(Board reconvenes at 2:00 p.m.)

CHAIRMAN MCCUSKER: Okay. I'll entertain a motion to reconvene.

MR. IRVIN: So moved.

CHAIRMAN MCCUSKER: Second, please.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: Mr. Marquez seconded that on his way up.

All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: Motion carries. Back in regular session, thank you for that.

I'll make my comments pretty brief so we can get after the agenda.

You'll notice item seven on our agenda is a budget hearing. This is the time once a year where we actually convene a public hearing on the Rio Nuevo budget, and we're going to do that today and go through the budget kind of line item by line item.

Speakers are allowed to sign in and speak specifically to the budget hearing. And you're also
allowed to sign in and speak to the general call of the audience.

So if you want to do either of those, I think, Mark, the cards are out.

MR. COLLINS: They should be in back, I believe.
CHAIRMAN MCCUSKER: And then we'll come back to our regular session.

MR. SHEAFE: Did you not receive one?
MS. COX: I did not get a budget.
CHAIRMAN MCCUSKER: I don't know that anyone has one just yet. I think we're going to do that when we get to that session of the agenda.

MR. SHEAFE: Mark, do you have them with you?
MR. COLLINS: I do.
MR. SHEAFE: Okay. I've got mine.
CHAIRMAN MCCUSKER: That's because you're the treasurer, dude, you have to.

MR. MARQUEZ: I have mine.
CHAIRMAN MCCUSKER: I have to be careful what I say, because it all gets written in the transcript.

All right. Just quickly for me, I would encourage all of you just to drive around downtown, it's just so much fun right now.

The Cobra Arcade opened up yesterday. And if you haven't heard about that, it's a pinball arcade for 21 and
over people. Really cool bar. They started in Phoenix. It's been so popular there, they came down here. And if you're old school pinball player with the flippers and balls, they have those. But they also -- my son went with me and, you know, played Frogger and Asteroids and Galaxy. And it's just really a neat spot. And of course that's all sales tax. So we're thrilled to see those kind of things coming downtown. Likewise, the Mercaldo Annex pretty much totally open. Few more stores coming into them. It's a really neat place at dusk. Even with the heat, they have a number of kind of outdoor common seating areas. There's a little wine bar right there as you go into the entrance. And everything over there is leased up. We expect that property will produce something close to half a million dollars a year, sales tax, out of a whole bunch of containers, shipping containers. So it's quite extraordinary.

Beaut Burger is open. I might have to take back everything I said about those guys. That's a plant-based burger.

MR. IRVIN: Plant-based burger.

CHAIRMAN MCCUSKER: You just have to deal with the fact it's a vegetarian burger. But they're open. And a lot of people in line when we went back over there.
Caterpillar is topped off, and they're starting to work on the interior and exterior facades.

Go by the Cathedral Square, the beautiful Marist building has now been totally restored. Remember, it was being held up by two-by-fours, you know, tarped over, not that long ago.

The chapel's been redone. The diocese is pretty far along on the new convention center.

And then ultimately we'll narrow Ochoa and make that a very beautiful pedestrian entrance into the new Cathedral Square, which will include a public space restaurant and cafe, right there at the church.

Just really neat times for us. And a lot more coming. We're going to talk about some of the stuff that's now pending this afternoon.

So, I mentioned our staff is all on very well deserved vacations.

So, Mr. Collins, are you going to do the financial report? Or is Mr. Sheafe going to do that?

MR. COLLINS: Well, my understanding that Mr. Sheafe was going to do it. I do have copies of the cash positions that I can provide to each one of you.

See how much better it is when Brandi does it than when I do it?

MR. SHEAFE: I'll make this short, because I
don't think anybody in the audience has a copy of this.

So you can see on the top the unrestricted cash
at 5.6. If you look down to the bottom, you'll see where
the commitments are listed. And you can see that it's
broken into three pieces -- what we originally committed
at 10.2, what's already been paid, at a little over 5, and
what's remaining to be paid at a little over 5.

The good news is, we have cash. We haven't run
out of any money. And no checks that are being issued are
in any jeopardy. So we actually seem in pretty good
shape.

The one thing that might be a little confusing is
that we had very good income this last month, it was about
1.45. We generally project roughly a million bucks a
month. So that's, you know, almost 50 percent or
45 percent above. And that looks like we had a phenomenal
month.

However, we've been going back and auditing all
of the people who were paying in, and we found several
major vendors who were not coding properly, so the taxes
were being paid to the state, but the state wasn't
rebating them.

Part of that 1.45 is making up for lost ground
and moneys coming back. So we're really pretty much on
target at about a million.
One of the things that we're looking at and paying attention to is we're going to lose two of our bigger contributors, Sears and Toys "R" Us.

CHAIRMAN MCCUSKER: Oh, we're going to make money on Sears. Have you seen what's going in there?

MR. SHEAFE: No, please.

CHAIRMAN MCCUSKER: A bowling alley, karaoke bar. Sales tax. Food and beverage.

MR. SHEAFE: That actually is going forward?

CHAIRMAN MCCUSKER: They have already agreed to the lease.

MR. SHEAFE: Thank you. I generally get a lot of my information from Fletcher. I don't know how he does it. But he manages to stay better informed than any of us.

CHAIRMAN MCCUSKER: I think they're LA based. These things are huge. There's a bowling alley, but it's not your father's bowling alley. Has a bar and live music and a restaurant and karaoke bar and arcades. And they're very popular.

MR. MARQUEZ: I believe it's an Asian company.

MS. COX: Literally?

MR. MARQUEZ: From Japan, I think.

CHAIRMAN MCCUSKER: Which is probably why you don't know about it.
MR. SHEAFE: Well, you know, at my point in life, I have no idea how people go through life and have that kind of time for personal entertainment. I just can't figure it out. I haven't been able do it my entire life. But I'm really thrilled that other people can. And thank you so much.

CHAIRMAN MCCUSKER: What was the other contributor that we're losing? I might have some information.

MR. SHEAFE: Toys "R" Us.

CHAIRMAN MCCUSKER: Yeah, nothing on that.

MR. IRVIN: But you know what, you contribute in other ways, Chris. Just because you're not paying any taxes, you are contributing by just being here today.

MR. SHEAFE: Thank you. That's why I don't have time to go to the arcade.

Anyway, we're in good shape financially. This is going to be posted on our website, so you can look at it. And it's interesting, because it shows that as we grow, inside the TIF, we're growing the revenues, which is really growing the opportunity stream for Tucson. Because all this money gets reinvested.

And the chairman will mention this once in a while, but we're 11 to 1 on our leverage. For every dollar that we invest, $11 gets invested by other people.
Phenomenal. There isn't any place in the country doing that.

So that's my report.

CHAIRMAN MCCUSKER: Any questions for Treasurer Sheafe?

Good job.

Okay. So this is the time we set aside for the budget hearing. I would need a motion to convene --

MS. COX: So moved.

CHAIRMAN MCCUSKER: -- the hearing on the budget.

MR. MARQUEZ: So moved.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: All right. So the regular meeting is in recess. We're now in a public hearing on the 2018 - 2019 budget.

Just some quick notes for the audience and board.

So the budget is prepared by our CFO and the treasurer. The executive officers have some input into that. But it's presented to the rest of the board in this public session. So we're going to go through it with some detail. And I think we might have hard copies.

Mark?

MR. COLLINS: We do.

CHAIRMAN MCCUSKER: If you want to take a hard
copy of the budget, as well, as some of us don't have a
hard copy.

MR. SHEAFE: It will make it a lot easier for
those of us to have to explain, if nobody has a copy.

CHAIRMAN MCCUSKER: And then if anyone wants to
comment on our budget, we will do that before we adjourn
the hearing, and then the board will take action
immediately following.

And I think Treasurer Sheafe, you did such a good
job on the financial report, that we're going to ask you
to start with the budget.

MR. SHEAFE: Well, let me ask, Mr. Chairman, if
you wouldn't chime in as much as you feel, you've been
very much involved in this.

But essentially what is being projected here is
almost $16 million worth of revenue coming in.

CHAIRMAN MCCUSKER: Is that as big as that gets?
Can we expand that any? Because nobody can really read
it.

MR. COLLINS: Not a lot.

CHAIRMAN MCCUSKER: So if you stay with that
column, just go down that budget, 6/30/19, we can point
out the line items so people will be able to follow that.
You get too much smaller and nobody is going to be able to
read it.
So the first section of our budget there is revenue. What you see there, that Chris alluded to, total revenue for us next year is a little under $16 million, compared to 14 million for the year just ending.

And that breaks it down for you in order of rental revenue. We do collect rent from the city, from Greyhound, from Caterpillar. Interest income, the money we invest, if you keep going down, the next column is all interest income.

We collect money, obviously, on the money we have in the bank. Our biggest source of revenue -- keep sliding down Hunan, you'll see a $12 million number. That $12 million number is the TIF revenue estimate that's pretty much in line with what we received over the last year.

Dan is a very conservative budgeter. I expect this to be significantly higher. But he's been conservative in terms of how he's projecting that.

And then the last item of revenue, the $200,000, is the fee we get from Roadrunner hockey.

So, all that together creates a revenue forecast of $15.96 million.

MR. SHEAFE: And I think the significant thing is, looking at that and comparing it with -- by the way, our budget runs from June to June, so this is why we're
talking about it today, because we need to have it approved before July 1st.

CHAIRMAN MCCUSKER: Then if you scroll back up, the next items are obviously expenses. The first one there is zero -- yeah, so everything below that 15.9 is an expense item. And I'll just quickly run through those.

The first one is the marketing budget. You can see the increase over last year. The Arizona Bowl contributions, same as last year.

The next section are rebates that we've agreed to, to our development partners.

And then some small items, until you get down to $46,000. That is our insurance.

And then the next section is basically our operating budget. That would include salaries and legal and our audit and rent and those kind of things. All the way down to that -- through that page. You've got a hard copy.

And then the next page finishes with expenses, in terms of taxes we pay and interest we pay on money that we borrowed.

And then the final items there, if you go to $6.4 million number -- Hunan keep going down, stop there -- that is the interest on our bonds, $6.4 million from our old City of Tucson bond, and 950 grand of
interest payment on the old cost.

And then the money we borrowed for Greyhound basically is the last piece of that.

Then if you go to the bottom number, what you're seeing -- keep going down -- 13 million. Okay. So that's the total expense side of the budget.

So, just to refresh your memory, the revenue forecast is 15.96 million, the expense forecast is 13.0 million. In other words, if we were a for-profit business, you would have $2.9 million of income. Since we're a 501(c)(3), we call that revenue over expenses.

And then if you keep going --

MS. COX: 5019(c)(3)?

CHAIRMAN MCCUSKER: -- 2.9 million. If you keep going down, what Dan is suggesting is that we spend that money on projects.

So we have cash in the hand and then the surplus of next year equates to something in the neighborhood of 6 million bucks. And we're going to basically commit to invest that into economic development.

MR. SHEAFE: Just to put this in perspective, if you say that we have roughly 3 million of excess, you have to remember that we have 5 million of commitments out there that we haven't funded yet, most of which will not fund all of next year. We have to be cognizant of the
fact we have commitments out front.

Also, our 16.2 represents a 10 percent increase in revenue stream over what we did in the previous year. And we assume that'll happen. So there are things we need to work with.

But at the end of the day we're very balanced, we've got money to put into quality projects. And I don't want to step in front of any of our board members, but I think our commitment has been investing things that generate revenue, so that we'll have more money to invest in the future. Don't put the money into nonproductive elements, other than a very small amount that goes into some of our marketing and some of our community support elements.

And that really summarizes where we are with the budget.

CHAIRMAN MCCUSKER: I think there's no changes in the operating budget, year over year. We might want to look at that.

I don't know if you guys subtotaled that, but in things that we have control over, you know, we can't control interest and bond principal, but we can control salaries and rent and office supplies and legal and, you know, personnel, obviously, I think.

MR. SHEAFE: Well, you know what's interesting,
because, Fletcher, a lot of this has to do with every member of this board I think has been highly productive. But we're running a $16 million enterprise with essentially two people on staff, and a whole lot of volunteer time on the part of people here. It's an enormous value for the community.

It also comes as a result of getting very able supply in terms of the guidance we get from our legal side. And our legal side is working to help us even better manage those dollars through interplay between our staff and the demands we have with our legal side.

But it's remarkable, when you look at the number of people it takes to get almost anything done, and we're doing it with two people. Two employees. In fact, one of them is under contract.

CHAIRMAN MCCUSKER: So let me tick through those things, since they're not --

MS. COX: I have a comment I'd like to make.

CHAIRMAN MCCUSKER: Go ahead.

MS. COX: With the marketing budget, you mentioned that with the -- how productive those dollars are spent, with the exception of marketing.

But I'd like to say, the marketing budget, I'm very involved in that, and I would like everyone to be comfortable with the fact that marketing dollars don't go
to anything that doesn't bring in revenue to downtown. So we're very focused with our marketing dollars.

MR. SHEAFE: We have to thank both you and Edmund. You guys have done a terrific job. They put a lot of time into this. It's not something that, you know, the rest of us get that involved in. I think Fletcher probably has more direct involvement.

But the leverage we get out of it, just an example, Arizona Bowl wouldn't have happened had we not stepped up early. And what that's doing for the community today is good. What it's going to do for the community in two or three years, we probably won't even be contributing to it at that time, is just enormous.

CHAIRMAN MCCUSKER: Let me just finish the comparison, then we'll open it up for discussion.

Most of the line items year to year that we control are what I would call level funded. The CFO is budgeted to go from 62 to 72. I think that's a reflection of the amount of time that Dan intends to increase with us, some of the work that he's doing, particularly in tracking sales tax.

Legal is pretty much level forecast, right around $600,000. The project for public spaces item that we approved at the last meeting, that's about a hundred grand
of new money that was not in last year's budget.

Rent is the same. We rent space here in the state building.

Salaries have been level funded. That's probably something we want to talk about. We've done nothing to contemplate any kind of merit increase for staff. Health insurance is the same. Our bid tax stays the same.

So only thing that's different in the ops budget, is an uptick in marketing, an uptick in the Sunshine Mile expenses. Everything else is -- and 10 grand in increased expenses to our CFO. Everything else is the same as it was last year.

Now, Mr. Irvin?

MR. IRVIN: I was just going to say, you know probably doesn't impact relative to this budget, but almost every deal we're structuring right now is one where we're allowing the developers to benefit from building their own success.

So, like, as an example, in the current budget, we're burning through a bunch of these with the AC and others, and I guess what I would like to see, and maybe it's one of those things we ask Dan to do with some of the additional time he's going to have, but maybe look at what is that burn factor. You know, we have got -- every one of these is subject to a cap.
I think it would just be -- I'd like to see kind of a tally in where we are with those things as we go forward, you know. They're allowed to have this much, where are they with that burn factor, so we can kind of look at that going forward, as well.

MR. SHEAFE: What Mark is saying is that we've made deals where there is a rebate going back. But those rebates are capped. And we may have allowed 10 years or seven years for the rebate to work itself through.

But we're finding with the numbers coming in that those rebates are going to stop because of their caps in four years. And that's going to have a real impact on the opportunity stream that we have for Rio Nuevo to have long-term. Particularly those people who are around when some of us are no longer here.

So, we couldn't have hoped for a better circumstance than we've got.

CHAIRMAN MCCUSKER: The note to make to your comment is that's all neutral to us.

MR. IRVIN: Right.

CHAIRMAN MCCUSKER: They pay the tax, and then we give it back to them. So there's really no impact to us.

MR. IRVIN: There's no impact to us. It's all stuff that was generated before.

CHAIRMAN MCCUSKER: We did do a cash flow
forecast. This is kind of budgeting. But we do forecast cash. And I think we could build on that.

MR. IRVIN: I'd like to see us do that.

MR. SHEAFE: It's a good suggestion, and we can get that done fairly easily. It really is a best of all circumstance to assume that.

The job is going to be to make sure we don't feel rich and start doing things differently than we've been doing. Because we've got a long ways to go to turn this community into the community that it really deserves to be.

CHAIRMAN MCCUSKER: Any other comments from members on the budget?

Any questions for the treasurer on the budget?

Anyone from the audience want to kibitz with us on the budget? Speak now or forever hold your peace.

MR. SHEAFE: At least a year.

MR. MARQUEZ: I have a question.

CHAIRMAN MCCUSKER: Mr. Marquez.

MR. MARQUEZ: Mr. Sheafe mentioned the Arizona Bowl, which is a $400,000 -- in 2019, which they haven't presented to us yet. So we've still had some discussions with them. So this is approving, really, up to that dollar amount, which is what we spent previously. It is an up-to dollar amount; correct?
CHAIRMAN MCCUSKER: It's a budgeted amount, so it could not be exceeded. But could be reduced. You're right.

MR. MARQUEZ: All right.

MS. COX: But it will come back to the board.

MR. IRVIN: I think they've already presented to the board. They've already told us what they did, what plans are being forward. I'm not sure what else they could say to us.

MR. MARQUEZ: Voted on it and brought to us.

MR. IRVIN: They just made a big presentation, told you exactly how they spent money, what their plan is in the future, just gave you a four-page report outlining everything. What do you need to know, that you do not know?

MR. MARQUEZ: I guess we didn't have a motion and a second to approve the dollar amount.

CHAIRMAN MCCUSKER: You would do that in this budget.

MR. IRVIN: By the budget.

CHAIRMAN MCCUSKER: Up to that amount.

MR. SHEAFE: You know, I'm trying to remember. I thought we did make a motion. Maybe, you know, Edmund, you would know, so I'm going to buy your memory on this.

MS. COX: We had a motion and voted on it last
year. We did not have a motion to vote on it this year.

MR. SHEAFE: Okay. I guess what Fletcher's saying is it would be -- it probably should have been handled that way.

Basically, what they said, if I turn into the Arizona salesman, and Mark probably ought to be the one speaking on this, but they basically came in on a plan and said now -- they named off, what was it, five elements that they had picked up, that basically improved the status of our bowl.

It's phenomenal that our bowl has stepped into a league of bowls that's a world removed from a whole bunch of other ones. So we're one of the preferred bowls and I think it's the top 16 --

CHAIRMAN MCCUSKER: Eight, we're number eight.

MR. SHEAFE: And they said, okay, so we need to do these things. And they were counting on 400 again from us to launch them into the second position. And in that discussion, I guess my memory is not right, but I thought we had approved it.

MR. MARQUEZ: There was no motion --

MR. IRVIN: And, actually, I don't think last year, if I'm not mistaken, we had -- it was in the budget, we vote on the budget, it wasn't -- if I recall, I do not recall it being a separate line item discussion
specifically for the Arizona Bowl. It was presented in a
budget like everything else was, open for discussion.

MR. MARQUEZ: Ali came and presented to us. We
were in the Leo Rich Theater. We did a motion and a
second to approve.

I just want to say publically, I'm in love with
what the bowl game does for our community. I think it's
amazing. I've heard your presentation numerous times.
Love what it does for charities.

My concern is with the amount of money that we've
spent and invested in the last few years, as the amount of
sales tax that's being able to be generated in the
downtown area, number one, for a bowl game that's not in
downtown, I know that they really worked on having a
concert and like a festival thing here at night.

I know that in the future they're talking about
bringing hotel rooms downtown. Right now we just simply
have the AC Marriott, we haven't brought the other hotels
online.

I know we talked about helping them get started,
and it was my understanding that we would have a stepdown
over the years. And this isn't stepping down, it's just
equalizing what we've done.

When they're not -- in my own perspective,
they're not generating $400,000 of sales tax in our
downtown -- in our district right now.

MR. IRVIN: I think you'd have to look at all the numbers, Edmund. You know, they're coming back this year, I mean yesterday they had a two-year celebration downtown with a big block party.

This year they're not only doing that, they're also doing battle of the bands downtown. They're doing their kickoff luncheon downtown, their offices downtown.

I mean, they came here and they spent an hour with us telling all the stuff they were doing.

So I'm going to respectfully disagree with you. I think they've come in and created a really good story for us to look at.

They've also not just talked about where are they today, but they talked about where they're going in the future and what their plan is. And everything that they're doing right now that they can do downtown, they're doing downtown.

So, to me, I just disagree. I think this is one that's a great use of our funds. And, as you also know, some of the reason that we didn't have the publicity in the years past wasn't because the Arizona Bowl didn't offer them to us. We asked them to downplay us, let us do other things. Because we didn't want to draw any attention to ourself.
And, virtually, the legislature said, hey, guys, we want you to step up and talk about what you're doing. So this year, as part of our package with everything else that we're going to get from them, we're going to get a national television spot, commercial spot that's worth north of a hundred thousand dollars.

So if you're looking for a way to save a hundred grand, there you go.

MR. MARQUEZ: I respect what you're saying. I think I look at our marketing budget at $400,000 as equal to what we spend at the bowl game.

And we're presented numerous events and community efforts here in the downtown area. Look at the dollars they generate from the jazz festival, especially -- you know, jazz festival and others that come to the downtown area. And collectively we're spending $400,000, and those events actually downtown. So, I mean --

MR. IRVIN: What I would say is most stuff they're doing with the bowl is downtown. And we have not gotten, as an example, your budget, the budget for marketing is from two to four, I haven't seen -- I've been a guy that supported the increase in the budget.

But we haven't been presented a plan on how you're going to spend that money. I have confidence that you're going to spend that money the right way it needs to
be spent. I think you need to have a little confidence
that we're going to do the same thing.

MR. MARQUEZ: I had confidence over the last
couple years. If you just simply add up the numbers that
we've put into the bowl game.

Again, I respect the bowl game, but I look at,
gosh, how many events did we sponsor with our $217,000
last year? Thirty?

MS. COX: Oh, yeah, yes.

CHAIRMAN MCCUSKER: So, just to be clear on the
process, we're only discussing the budget in this hearing,
and we're not going to take action.

When we adjourn the hearing and move back to the
regular agenda, we will take action. You all have several
options in terms of how you proceed. And the majority
will determine the outcome.

Someone can move the budget as presented, second
it, and we vote on that. If someone wants to change a
line item, they can say I'd like to make a motion to
change this to that, and if someone seconds that we would
vote on that.

So, the budget has been prepared by staff.

Basically, their instructions were quite simple: Level
fund everything, unless you get direction from somebody to
change that.
So, even to legal, you know, our counsel has confidently left that level. Most everything else, salaries, are level.

The only changes are related to marketing and Sunshine Mile.

But you all have the opportunity to pick away at the budget in the regular session.

Any other discussion, questions, comments?

MR. SHEAFE: That will conclude the treasurer's report.

CHAIRMAN MCCUSKER: All right. So I need a motion to adjourn.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: Opposed, nay?

Okay. We're back in the regular session. This is now an action in item number eight. You have been presented the budget, explained quite adequately, I think, even with some audiovisual issues.

And Mr. Sheafe, thank you for all the time you put into this.

And I know Dan did a lot of work in terms of developing the format.
As Mr. Collins indicated, this is not an item we get to defer. We have to provide this to the state and to the county by the end of the fiscal year, which is a few days from now.

So, what is your pleasure?

MR. SHEAFE: Would one of you like to move for approval?

MS. COX: No.

MR. SHEAFE: I need somebody to move.

CHAIRMAN MCCUSKER: You can move.

MR. SHEAFE: All right. As the treasurer, I'll move that we approve the budget as presented.

MR. IRVIN: I'll second.

CHAIRMAN MCCUSKER: Okay. We have a motion and a second to approve the budget as it's been submitted.

Any comments, questions?

Mr. Collins --

Mr. Hill?

MR. HILL: I just wanted to thank Dan. He did add that extra column with the historical information that I had requested, and I find that very helpful.

And I would also point out that the income is up, but the budget isn't much higher than it was last year. And budgets are just guesses that make the state happy.

We still have control over all the line items when they
come up for a vote.

So I think this is well done. We have almost $3 million plus. So, you know, I'm comfortable with it, Mr. Chairman.

CHAIRMAN MCCUSKER: Any other questions, comments?

Mr. Collins, call the vote.

MR. COLLINS: Jeffrey Hill.

MR. HILL: Aye.

MR. COLLINS: Mark Irvin.

MR. IRVIN: Aye.

MR. COLLINS: Chris Sheafe.

MR. SHEAFE: Aye.

MR. COLLINS: Jannie Cox.

MS. COX: Aye.

MR. COLLINS: Edmund Marquez.

MR. MARQUEZ: No.

MR. COLLINS: Fletcher McCusker.

CHAIRMAN MCCUSKER: Aye.

So, by a vote of 5-1 the budget has passed as presented. Thank you, very much.

Item number nine. Item nine, 75 East Broadway, I think we have representatives here, David and Phil are in the room.

For people that can't track the address, this is
the county-owned parcel across the street from TEP, that Rio Nuevo has under option.

We ran a competitive process, and JE Dunn of Kansas City was selected as the awardee. And I think you guys are going to give us an update on the status of the project.

Mr. Swaim.

Mr. Swaim: Chairman McCusker, Members of the Board, Phil Swaim, Swaim Associates Architects, 7350 East Speedeway.

We are making good progress on -- as we're preparing, hopefully, to ratify agreements with Rio Nuevo on the 75 Broadway project.

David Volk and CBRE are doing well to -- reaching out and bring in probable tenants. We're finding some good strong opportunities there.

And obviously just want to be able to see things coming out of the ground to be able to finalize some of these things. But he's doing a wonderful job.

Folks, JE Dunn's office in Phoenix is managing the construction cost estimating. And even in this market they're working diligently to have new cost estimates as of Monday of this week, and are now pulling all that into our pro forma, along with the economic incentives that we've been coordinating with you and the City of Tucson.
So we're eagerly seeing that pro forma updated over the next few days here.

Let's see. The Swaim Associates in our design team, we're proceeding with the building design, really working closely with the city and county. They have a collaborative effort going on managing issues related to utilities and design and permitting. So we're coordinating, sort of anticipating what that schedule needs to be to accommodate that.

We're working on easements and things to be able to abandon the alley for that acquisition, the Pima County, City of Tucson are working on, so at the same time coordinating with TEP and Tucson Water to be able to accommodate those items.

We coordinated -- we're talking with the City of Tucson, about hopefully they're going to be managing the parking garage. I know that deal isn't finalized yet. But to make sure they've got input on the design of the garage and how that's organized and functioning.

So, hopefully if that deal is able to get completed, they're certainly going to be excited and ready to go with the garage design.

Let's see. We again, we met with the city and county about the infill incentive district process. They actually have collaborated to be able to come up with a
process that is much more efficient than they have in the past. And so we're really pleased about their efforts and commitment to the project. It's great to see those two entities working closely together.

And beyond that, I think sort of the final thing is really they're breaking out in the cost estimating, they're breaking out the cost of the garage itself, as to be able to really understand how we can, again, hopefully, finalize the agreement with the lease here with Rio Nuevo.

I think a lot of it -- well, we've also been coordinating, certainly, with Rio Nuevo and Mark Collins on things like the archeology investigation.

They have actually gone to the -- one corner of the site and done some radar investigation and actually done some exploratory work.

So they have an agreement now with the state, the office is -- they have a permit in place tying down expenses that otherwise will be going up four -- I think from --

MR. COLLINS: Four times.

MR. SWAIM: Four times on July 1st. So that effort has been coordinated and tied down.

The Phase One environmental has been proceeding. There is a Phase Two recommended, and they're currently coming in with a proposal to do so. So, basically some
radar investigation to be able to determine if we've got any tanks or what sort of elements that may be in place that were identified during the Phase One effort.

We may potentially do some soil boring to determine the next level. Otherwise we're coordinating with archeology and environmental to do all of their work and over about a three-month process, backing up from the time that JE Dunn wants to be able to start construction. And right now we're hoping that that is the end of the year, so --

CHAIRMAN MCCUSKER: How do you feel about that? Is that realistic? You know, because the way the leases are designed, once they're signed and executed, you have six months to break ground, I think. Can you do that in six months?

I mean, all the awards should be dealt with. We'll know the archeology, we'll know if we have to do any remediation. You're well on your way in negotiating the boundaries and the alley.

But, you know, is six months really an adequate time to get permits and everything you need to do to launch a build?

MR. SWAIM: I'm confident with the county and city on board, that the permit process is not going to be the challenge. We just need to be able to get release to
CHAIRMAN MCCUSKER: How about on your side? Can you draw and scope and do everything you need to do, well within that window?

MR. SWAIM: We're planning on being able to come up with a foundation package to get them started. Then we will follow up with a garage package.

And then while we're under construction, our office tower has the capability to even add additional floors. So we're going in with a base level of the project to get to our pre-lease requirement to break ground.

And I think as we've seen, potential tenants, when they see ground actually moving and a crane on site, they have a lot more confidence about a completion date.

So we're having the capability to even add floors to the building, as opposed to anticipating a maximum sized building, or trying to get to a pre-lease percentage for that maximum side.

So that final package is going to be the office tower itself.

But we have at least one tenant who has a -- who's -- they need a commitment for an opening date a couple years out, that we'll need to be able to meet.

MR. SHEAFE: So you're really describing a
process where you have a foundation package and probably
the first parking package, and the retail component pretty
well designed, and you can get that done within the six
months, including receiving the permits?

MR. SWAIM: Yeah. Right now we're anticipating
having a basement, two-level basement, that would be --
that will be part of our retail component. And certainly
we can come in and that's a couple months worth of work,
easily.

So we could certainly have that foundation and
basement package ready to go, follow up then with the
garage package on top of that. So we would be able to
keep up with the contractors.

MR. SHEAFE: In saying that, Phil, is there a
possibility that you could find yourself actually
launching construction before you actually know the full
size of the office component?

MR. SWAIM: Yes.

MR. SHEAFE: Okay.

MR. SWAIM: We have the capability right now with
the structural design, the system we have, to be able to
add four additional floors as -- once we've started
construction.

MR. SHEAFE: Okay.

MR. IRVIN: Four floors off of what height?
MR. SWAIM: Right now, the base level of the building is 150,000 square feet. We have 30,000 square foot floor plates, so that's levels of office, so we'd be able to go to 270,000 square feet.

CHAIRMAN MCCUSKER: Is that 10 stories then? Is that base 10?

MR. SWAIM: So that's nine floors of office, I think we're --

CHAIRMAN MCCUSKER: So, 11 stories above ground? At minimum for all of us to launch, and the way you're designing this then is you can permit additional floors if the demand is there?

MR. SWAIM: Correct. Plus the 500 and some parking spaces, which is about eight levels of parking.

CHAIRMAN MCCUSKER: Interesting. And county is okay with that kind of fragmented -- I don't know that we've ever done anything like this. Have we?

MR. SWAIM: They've done -- they've done separate permits for us. They've done that in packages, and they're fine with that.

We did that with them on World View, and we've done some of that in a similar way even with Caterpillar. They're fine with doing that.

MR. SHEAFE: So we're going to get all -- and I know you're aware, but I'm asking the question so it gets
on the record -- you're aware that we are investing, at this point, the district, into those sort of base elements to make sure the archeology, make sure we get the phasing, the phase one and phase two complete, take care of the alley, get the survey done, we've done the alpha and all of that. We have all that done so you have a complete package, and you're going to need that in order to actually launch anyway.

MR. SWAIM: Absolutely.

MR. SHEAFE: In terms of getting permission from JE Dunn. And we're happy to make that investment in order to promote this thing.

But at the time that you actually are released to draw, your anticipation is that that release will take you up through the parking floors, but not necessarily be a release to draw all of the office floors. Is that correct?

MR. SWAIM: No, but I -- we've actually been released to draw over the last few months, which is why we're proceeding with design and structure. And so it's -- what we're hoping is that here in July, if we're able to get the lease agreement completed with Rio Nuevo, that that will then give them the confidence to go ahead and release us for the remaining portion.

What we're aiming for then is to -- we have to,
again, hit that certain percentage pre-lease to be able to actually break ground. And if for some reason we didn't achieve that level, they could stop the project in mid-stride. But I don't anticipate that's going to happen.

MR. SHEAFE: In order for us, I think, this is almost a question for Mark, we're going to need to know the scale of this thing before we launch and do our final sublease. Are we not?

MR. COLLINS: Mr. Sheafe, Members of the Board -- thanks.

Clarify something. The way this sublease is currently written, the preliminary plans have to be done in six months, and the final plans have to be done three months after that. Okay?

To your point, Mr. Sheafe, I agree with you. At some point during -- the way this is set up, as you may recall, is there's a ground lease between Pima County and the district. And that ground lease continues on until the construction is completed, at which time the district buys the property from the county.

Sitting on top of that ground lease is a sublease, from the district to JE Dunn. That sublease requires JE Dunn to have preliminary plans submitted to the county within six months of commencement of that
lease, and final plans within three months after that.

So, it's in that context that you -- that we would all have to know the size of the building.

MR. SHEAFE: Thank you.

MR. IRVIN: That's what I was just going to say.

You know, Phil, feel free to touch on this.

So the RFP reflected certain criteria -- size, parking, what have you -- and I think it is important just to restate that whatever we do, whatever happens here, is going to at least, if not greatly, exceed that RFP.

MR. SWAIM: That is correct. The RFP has the base minimums of 500 parking spaces and 150,000 square feet of offices.

And so what we've got is a base level pro forma that will allow us to actually break ground by hitting that percentage of 150,000 square feet of pre-lease, as opposed to setting a bar to the 270 that our goal is. Because, obviously, that makes it more difficult to break ground.

But because we're sizing our foundation and the structure for the larger building, we can go ahead and break ground and proceed.

MR. IRVIN: Right. And I just, you know, want to make sure it's clear we support maximizing that site at 300 feet, if the demand supports it and the developer has
a little taste for a little risk. But as long as it exceeds the RFP thing, we're fine.

And what we like about it, speaking for myself, I love the retail component. Do I not like office? Sure, I love office. But I think the retail component is what the district is all about.

MR. SWAIM: Absolutely.

CHAIRMAN MCCUSKER: Will it be constructed such that a year from -- after construction, if you wanted to add another level, you can come back and do that? Or do you kind of have to build it all at once?

MR. SWAIM: We need to build it all at once. It would be really difficult to come back and reinstall a tower crane and add another floor on top of a building. It would be cheaper to go ahead and build another building at another site.

But we have every confidence -- and we've already had some potential tenants say, hey, if we see you breaking ground, we're going to go ahead and make a commitment.

Or we've seen some others that say we can't make a commitment here in the next four months, but give us some time. And so, I think, again, that enthusiasm will allow us to go forward.

MS. COX: So I'm still not clear on what the
minimum amount of office space will be. You're going to
start out with 150,000 --

MR. SWAIM: That's correct.

MS. COX: -- square feet of office space?

MR. SWAIM: That's correct.

MS. COX: And that could expand, with demand, to

what?

MR. SWAIM: 270. That's four more floors of

30,000 square feet apiece.

CHAIRMAN MCCUSKER: The RFP minimum was exactly

150,000 square feet.

MS. COX: Thank you.

CHAIRMAN MCCUSKER: They've always been well

above what we asked of them. So at a minimum, we're going
to get exactly what we advertised for, and still the
possibility that it could be substantially greater than

that.

MR. SWAIM: We just want to make sure that we can

break ground as quickly as possible. That's what's really

important.

There are not that many tenants that can afford
to commit to a lease two years or more out.

CHAIRMAN MCCUSKER: Does that change the parking,

whether it's 11 stories or 15 stories?

MR. SWAIM: Yeah.
CHAIRMAN MCCUSKER: When you do the foundation and garage, you know, do you get locked into a certain capacity at that point, or --

MR. SWAIM: We would potentially have the ability to add an additional floor or so of parking, as well. I don't know if -- we have not had as much discussion about that. It's really, mainly, been about adding more floors of office. But that's certainly a conversation we can have.

I think underseeing the new pro forma and cost estimates here over the next couple of weeks will help understand that.

CHAIRMAN MCCUSKER: Awesome.

Any questions for Phil?

Mr. Collins, we have some underlying documents we need to talk about.

MR. COLLINS: Yes, Mr. Chairman.

Mr. Chairman, Members of the Board, as you will recall, we have discussed a ground lease and a sub-lease that I just explained to you.

We're now acting under a development agreement between the district and JE Dunn. And that development agreement outlines what is supposed to be done for the due diligence, it's already been talked about, to allow Dunn an opportunity to determine, after looking at it for a
while, whether they want to go forward with this project.

That development agreement expires or has an end
date of July 18th. Your next board meeting is the 24th of
July. So it is my suggestion and hope that you consider
authorizing executive officers to finalize and execute the
ground lease and the sublease, should that become
appropriate prior to your next board meeting.

So, those are the underlying documents,

Mr. Chairman.

MR. IRVIN: Sounds almost like a motion.

MR. SHEAFE: Well, let me propose a little
different motion. If you don't mind?

CHAIRMAN MCCUSKER: As long as she can keep up
with you.

MR. SHEAFE: We've got a pretty complex
circumstance here. We've got a lot of moving parts.
We've got phasing going on and the phases, we've got
archeology going on, we've got an alley, we've got a
ground lease, we've got a sub-ground lease, we have
changes in scale and size and scope. And we have a
deadline.

I would propose that we pass a motion that we've
authorized counsel to proceed, as we discussed in
executive session, which should get us through to the next
meeting.
So, the specific proposal is, we authorize counsel to proceed in the manner as instructed in executive session.

MR. IRVIN: I'll second that.

CHAIRMAN MCCUSKER: Any further conversation?

Mr. Collins, while you're up there, call the roll.

MR. COLLINS: Edmund Marquez.

MR. MARQUEZ: Aye.

MR. COLLINS: Jannie Cox.

MS. COX: AYE.

MR. COLLINS: Chris Sheafe.

MR. SHEAFE: Aye.

MR. COLLINS: Mark Irvin.

MR. IRVIN: Aye.

MR. COLLINS: Jeffrey Hill.

MR. HILL: Aye.

MR. COLLINS: Fletcher McCusker.

CHAIRMAN MCCUSKER: Aye.

By a vote of 6-0 we've authorized counsel to proceed.

Phil, David, this it outstanding for the community and our city. And you guys are doing Yoman's (ph) job, helping deliver this project. So the whole city is going to be in debt. And whatever it ends up is going
to be iconic. So, again, thanks for all that you're doing.

MR. SHEAFE: We did put a little bit of a shining light here on David Volk, I think, here in this meeting. Are you feeling the bright light there, David?

MR. VOLK: Yes. Light and pressure. Thank you.

CHAIRMAN MCCUSKER: Sunshine Mile, I'm going to table this, but just a quick update on progress there. We have signed a contract with Project For Public Spaces out of New York to help us with these three blocks.

The city is working on the acquisition of what they call surplus property, 39 properties in total will be deeded over to us. As we've done downtown, we will work with the private sector to activate those properties, mostly as food and beverage, restaurant, cafe, retail. And hopefully we will begin to see titles transferred over the summer, and we'll have a very active process with the community, in terms of how we might envision the north side of Broadway.

So, no action is required today. So, we'll consider that update only.

Item 11 then, Caliber, Mr. Collins. We also have some great news coming from them. The Caliber Hotel, to refresh your memory, is the hotel we authorized to explore on the southeast corner of the Tucson Convention Center
Caliber is aggressively moving forward with design and a hotel brand partner. And I think it's safe to say they just need a little more time to get their work done. We have some deadline issues --

MR. COLLINS: We do.

CHAIRMAN MCCUSKER: -- there as well.

MR. COLLINS: We have a development agreement with Caliber, as well. There's been a great deal of progress on that particular project. It's come from the concept to almost full -- completely fleshed out design.

But the deadlines that we currently have are impossible to meet. They're July 8th deadline for termination of their sublease or the ground lease to the city.

For the completion of the economic study -- can't get that done until Caliber knows how much it's going to spend on the hotel. So, we need a little more time.

I've spoken to Caliber's counsel, and we agree that the way to do this would be to have an agreement to extend the current deadlines for a period of 60 days, call it a grace period of 60 days, to allow the lawyers to get things in order so we can have a realized schedule by the end of those 60 days.

CHAIRMAN MCCUSKER: We need a motion to --
MR. SHEAFE: Well, let's suspend the deadlines.  
But my motion will be, I move that we suspend the 
deadlines until the August meeting of the board.  That's 
going to give you a little more than 60 days.  And that 
way, we won't have these deadlines suddenly terminating 
right between meetings.

CHAIRMAN MCCUSKER: Very wise.

MS. COX: Second.

CHAIRMAN MCCUSKER: Very wise. Okay. The motion 
is to extend the Caliber deadline until the August 
meeting. I didn't hear a second.

MR. IRVIN: Second.

CHAIRMAN MCCUSKER: Any conversation, questions?

Simple enough. All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: Any opposed, nay.

Okay. That passes unanimously.

There are a couple of notes, particularly, for 
the city. There's two really large projects that Rio 
Nuevo is enabling, that have city action required.

Phil, I heard you say you're working with them on 
some of that. But we made a commitment to mayor and 
counsel to update them when these projects look a little 
more real. And it sounds like we're kind of there now.

So, I'll talk to the mayor and manager about
briefing them on 75 East Broadway and the Caliber Hotel project.

45 east -- 44 East Broadway, Mr. Collins, is just a little legal nit, I think.

MR. COLLINS: Yes, that's exactly what it is, Mr. Chairman, Members of the Board.

This project is a Schwabe and Dabdoub project. You approved the completion and execution of the lease and attendant documents at the April meeting.

Unfortunately, a statutory period, waiting period hasn't run yet. I usually make sure that happens before you have that vote. I failed to do that this time.

We've put out the notices to the taxing authorities, we provided everybody with the economic study. There's been no objection, nobody said anything.

And so what needs to happen now, just to comply with the statute, is for the board to approve, again, the lease and the structure of the deal with the developers of 44 East Broadway.

MR. IRVIN: Same context as we anticipate in April?

CHAIRMAN MCCUSKER: Absolutely.

MR. IRVIN: If there's no change, I'll make that motion that we authorize that.

MR. MARQUEZ: Second.
CHAIRMAN MCCUSKER: No substantive change at all. Is that clear what we're moving? We're basically just reauthorizing.

All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: Any opposed, nay.

MR. COLLINS: And shame on me for not having it run first.

CHAIRMAN MCCUSKER: We have time set aside for the call to the audience. I didn't see any cards.

Entertain a motion to adjourn.

MR. IRVIN: So moved.

CHAIRMAN MCCUSKER: Second, please? You might second the adjourn or we're going to be here for a really long time.

MR. SHEAFE: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN MCCUSKER: See you next time.

(3:00 p.m.)