

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

Tucson, Arizona

August 28, 2018

1:00 p.m.

REPORTED BY:

John Fahrenwald, RPR

Certified Reporter No. 50901

KATHY FINK & ASSOCIATES

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BOARD MEMBERS PRESENT:

- Fletcher McCusker, Chair
- Chris Sheafe, Treasurer
- Mark Irvin, Secretary
- Jeffrey Hill
- Edmund Marquez

ALSO PRESENT:

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

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, in the City of Tucson, State of Arizona, before JOHN FAHRENWALD, RPR, Certified Reporter No. 50901, on the 28th day of August, 2018, commencing at the hour of 1:00 p.m.

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P R O C E E D I N G S

CHAIRMAN McCUSKER: For those of you observing, welcome. We usually go straight to Executive Session. We have one more member coming for a quorum. I think today's Executive Session is probably 45 minutes.

You can't tell by that clock -- but we typically adjourn to Executive Session, do our business there, and then come back for the public session.

So you've probably got 45 minute of dead time -- and that's pretty typical for us.

We'll call this meeting to order as soon as Mr. Sheafe shows up.

(1:01 p.m.)

(1:05 p.m.)

All right. The official Rio Nuevo clock is 1:05. We're going to call this meeting to order.

Mr. Sheafe, your penalty for being late is you have to lead the pledge.

(Pledge of Allegiance recited.)

CHAIRMAN McCUSKER: You can slow down.

MR. SHEAFE: That was the pace we used in the third grade.

CHAIRMAN McCUSKER: Yes.

Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez.

1 MR. MARQUEZ: Here.

2 MS. HAGA-BLACKMAN: Chris Sheafe.

3 MR. SHEAFE: Here.

4 MS. HAGA-BLACKMAN: Fletcher McCusker.

5 CHAIRMAN McCUSKER: Here.

6 MS. HAGA-BLACKMAN: Jeff Hill.

7 MR. HILL: Here.

8 CHAIRMAN McCUSKER: I understand Mr. Irvin is
9 on his way in, and Jannie is indisposed.

10 We do have a quorum.

11 You have the transcription from the July 24th
12 meeting. It's verbatim. Unless you have a change or
13 correction, I just need a motion to approve.

14 MR. SHEAFE: So moved.

15 MR. HILL: Second.

16 CHAIRMAN McCUSKER: All those in favor say
17 "aye."

18 (Ayes.)

19 Brandi, you can post that for us.

20 This is the time we set aside for Executive
21 Session. I would need a motion for recess.

22 MR. MARQUEZ: So moved.

23 CHAIRMAN McCUSKER: Second, please.

24 MR. HILL: Second.

25 CHAIRMAN McCUSKER: All in favor say "aye."

1 (Ayes.)

2 CHAIRMAN McCUSKER: We're in Executive
3 Session. See you in about 45 minutes.

4 (The Board recessed at 1:07 p.m. for Executive
5 Session.)

6 (The Board reconvened at 1:51 p.m.)

7 CHAIRMAN McCUSKER: We need a motion to
8 reconvene.

9 MR. IRVIN: So moved.

10 CHAIRMAN McCUSKER: Second, please.

11 MR. MARQUEZ: Second.

12 CHAIRMAN McCUSKER: All in favor say "aye."

13 (Ayes.)

14 CHAIRMAN McCUSKER: It's still 9:45 so we're
15 doing great on time.

16 Quick update from me -- and I'll touch on a
17 couple of things that are on the agenda that we're likely to
18 table.

19 I did a presentation -- last week I think -- for the
20 Rotary Club and Brandi and I went around and took some
21 current pictures of our projects -- and I think we're going
22 to post them, right, Brandi? That's the plan, to put them
23 up on the website? -- but I encourage you to do the same
24 thing. You can wait until we post ours.

25 But go look at Cathedral Square. It's

1 extraordinary what's being done on that block. The Marist
2 is finished, the beautiful plaster is done, the chapel is
3 pretty done, that huge convention hall that embraces the
4 church -- it's a spectacular project. And I think it's
5 going to create a real change in that neighborhood.

6 The La Placita, of course, is finally demolished and
7 they will start building that. And you can just see the
8 changes.

9 And then the Foundation for Senior Living
10 housing complex on that corner -- that whole section is
11 about to come to life. And, of course, as you go down
12 Ochoa, that would be the new home we believe of Chris
13 Bianco's restaurant. And that whole thing is going to liven
14 up as a pedestrian way.

15 Caterpillar. You drive by Caterpillar,
16 that's an extraordinary project -- on time on budget.

17 City Park. A lot of us have toured that
18 recently.

19 And the Hexagon space is just unbelievable;
20 they're on time, on budget. We'll post some photos of that
21 update.

22 The Mercado Annex. I was out there last
23 weekend. The place was just slammed and people don't seem
24 to know it's a hundred degrees because they're sitting out
25 on those patios and eating their Beaut Burgers and enjoying

1 life. So it's just a really neat time. Everything we have
2 done, every project we launched, is working.

3 We get to make a serious mistake, we get to knock on
4 some -- thank you -- and I think it's a credit to our
5 partners that they really have stepped up the game, and the
6 people that we're working with -- I think we've launched 21
7 projects and every one of them is working.

8 We actually heard from Marriott last week.
9 The Tucson AC Marriott is the leading AC in the world -- in
10 the world, not just the U.S. Leading hotel in the world.

11 So that's a fun update to get.

12 Dan, we move right to the financial report.

13 MR. SHEAFE: Dan, do we have those copies up
14 here?

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

17 So it's been a few months since I saw you all. So I'm
18 going to modify my report just slightly primarily because
19 we've got a heck of a lot more projects that are in process
20 than in the past.

21 At end of the July, we've got \$6.8 million in
22 the bank. As you see down below, we've got \$4.6 million of
23 commitments. The big ones are our share of finishing the
24 Caterpillar water and sewer project. The contract was sent.
25 We have \$1.1 million remaining in that.

1 We've got about 950,000 to finish Ochoa
2 Street, about \$690,000 for the purchase of 2221 East
3 Broadway, and there's a few others in there as well, coming
4 to a total of \$4.6 million.

5 So as we sit here today with today's cash
6 on-hand compared to the commitments within the next year,
7 we've got about \$2.2 million available for investment.

8 The May -- our budget for this fiscal year is
9 \$1.2 million a month revenue. May was almost \$1.4 million,
10 which has been a trend for about the last 6 months --
11 whether that continues or not I don't know because a lot of
12 that stuff is catch up from filers that weren't filing
13 properly and some one-time stuff -- but I think the trend we
14 see is still strong.

15 Based on some fairly conservative numbers, I
16 expect the monthly revenue or surplus to be \$175,000 a month
17 through April of 2019. That's because we amortize our debt
18 service over ten months. And typically, May and June we are
19 able to keep all the TIF revenue we receive. We don't have
20 to take 800,000 and put it aside and reserve. So it's a
21 kind of a conservative way of doing things but that's worked
22 out very well in the past.

23 We're in the middle of our audit. I think most of the
24 field work is done. They're going to come back with some
25 questions. Brandi and I have to do some accruals and do

1 some yearend type things, but I expect to get back on that
2 next week. And typically we have the final audit
3 presentation -- I believe it's in October. We have to wait
4 one more month to get the June revenue in from the TIF so we
5 can get books closed for June.

6 Does anybody have questions for me?

7 CHAIRMAN McCUSKER: Dan, what the cash
8 on-hand story doesn't tell us is the cash forecast.

9 So you touched on some of that. We should
10 net a couple hundred grand a month for the remainder of the
11 year, just regular TIF receipts?

12 MR. MEYERS: 200 -- yeah.

13 CHAIRMAN McCUSKER: And then you've got two
14 months where we don't pay that debt service. So we're back
15 in that -- it's almost \$4 million?

16 MR. MEYERS: I think so. That's assuming we
17 stay at the \$1.2 million revenue number.

18 CHAIRMAN McCUSKER: And then also out there
19 is some big numbers on construction sales tax. The
20 Caterpillar project alone's got to be multimillion dollars.

21 MR. MEYERS: That's included in there.

22 CHAIRMAN McCUSKER: When you look at TIF
23 receipts, you include the sales tax?

24 MR. MEYERS: Yeah, that was a fairly good
25 number for May, so it's in there.

1 MR. SHEAFE: I think what you mean is that
2 you had a hundred thousand in there up to now. But we've
3 got the bulk of that money to collect and that may be a
4 little north of what we're seeing.

5 MR. MEYERS: Right. It's a \$34 million
6 contract with Sundt. And we've only done \$11 million worth
7 of work, so there's a big chunk coming over the next six
8 months.

9 CHAIRMAN McCUSKER: Is that in your forecast
10 or is that kind of gravy to the forecast? That's my
11 question.

12 MR. MEYERS: Well, it's kind of a little bit
13 of both. Some of that's in the forecast, but since the
14 larger portion is coming up, there should be some extra in
15 there.

16 CHAIRMAN McCUSKER: So I think it's safe for
17 Board's and the public's edification that your 2-2 on hand
18 -- there's no other commitments than those that you listed?
19 Your 2-2 on hand will be more like 6-2 plus at the end of
20 the fiscal year?

21 MR. MEYERS: As of June 30th, I think that
22 should be pretty close.

23 MR. SHEAFE: That's because of the two months
24 where we don't pay any bond interest.

25 MR. MEYERS: Right.

1 MR. IRVIN: How are we tracking all of the
2 projects that are going on downtown relative to construction
3 sales tax revenues?

4 MR. MEYERS: Well, we've got a database that
5 we've created that really tracks all merchants, including
6 our contractors. And all we need to do is to go to a
7 specific code and it will show us what contractors have paid
8 so far. This goes back 3, 4 years.

9 MR. IRVIN: I thought we were tracking --

10 MR. SHEAFE: Remember we hired Fast Rhino to
11 come in and help us set the whole thing up? It has paid
12 off.

13 MR. MEYERS: It's an unbelievable tool. It's
14 far exceeded my expectations. Brandi and I were just
15 talking about that today. It's good for getting some quick
16 information out.

17 MR. IRVIN: Good to have you back.

18 MR. SHEAFE: Glad you're feeling good.

19 MR. MEYERS: Me too.

20 CHAIRMAN McCUSKER: Any other questions for
21 Dan?

22 Dan, thank you.

23 Let me touch on a couple of items down the
24 agenda row as I think some of them we'll table.

25 Quick update on 75 East Broadway.

1 We continue to hear from that developer. There may be
2 progress on the tenancy. We have kind of an agreement with
3 them. They have some time to put that deal together. That
4 that will elapse here shortly.

5 We are hearing a lot of positive energy and
6 documents going back and forth that -- knock on wood -- we
7 believe that project will advance by our September meeting.

8 The Caliber Hotel. I think we've said
9 publicly that will be the DoubleTree brand. Hilton's
10 committed and very excited to be bringing a Hilton brand to
11 the convention center complex. They've made the smart
12 decision to hire Swaim & Associates to help them
13 architecturally, and that project's advancing. We may
14 actually see plans on that in our September meeting.

15 Let me just touch on Armory Park so we get it out of
16 the way. I don't know that any action is actually taken.
17 We just kind of talked about this in the last meeting. But
18 there's a lot of interest from public events to improve the
19 condition of Armory Park to host things like the jazz
20 festival, and the Arizona Bowl concert, and others. We are
21 working on plans to bring in a new band shell and make some
22 improvements to the plaza.

23 And we'll start discussing those with the neighbors and
24 the historical representatives because Armory Park is a
25 historical landmark. And I probably will have that planned

1 together for you by the September meeting.

2 MR. MARQUEZ: Mr. Chairman, it's good to
3 point out also that this Armory Park is not included in the
4 bond proposal by the City of Tucson.

5 CHAIRMAN McCUSKER: There is an item, but
6 it's not the work that we're doing. There is some money in
7 the bond if it passes in November for a lot of parks.
8 Armory is one of those. But most of the work in the City
9 plans are on the restrooms and grounds, and it also wouldn't
10 help the events that are scheduled for this year.

11 So we've kind of hoped to improve the public use of
12 that space. I think there's -- one, it's a nice project;
13 but moreover, it has a real return on investment for us.

14 There's a lot of people interested in fencing
15 that. It would be a ticketed area, there's sales tax on
16 that, there's sales tax on the food and beverages sold.

17 And one of the things we're looking at doing
18 is a pop-up enclosure. So when it's open and free, it's
19 open. But when it's a ticketed event, you literally have
20 stanchions in the ground where you can pop-up a fence and
21 enclose it.

22 So those are the kind of things we are
23 working through with the City. Most of that wouldn't be in
24 the bond. So our interest is really to enable that as a
25 more appropriate outdoor public venue with a nice band shell

1 sound, maybe some seating -- enclosable. And that seems to
2 be the preferred venue now for the jazz festival, which they
3 expect to grow to 20,000 people.

4 The El Tour de Tucson of course uses the
5 park. The Arizona Bowl uses the park.

6 Our hope is that it becomes our kind of go-to park.
7 And it's the only one really in the Rio Nuevo District.

8 MR. MARQUEZ: In our marketing requests from
9 the public, we've seen a lot of festivals moving from other
10 areas of town into downtown, like the Dusk Festival; that's
11 bringing thousands of people downtown. And we really do
12 need to modernize that park. So I'm excited we're talking
13 about it.

14 CHAIRMAN McCUSKER: I have learned that it's
15 not always been called Armory Park, it used to be called
16 Washington Park. And the reason the triangle goes off onto
17 Sixth Street -- there originally was a circle in there and
18 there was a kind of Napoleonic ballast that came in, and
19 then they built the Armory. So I think there's a way for us
20 to also provide some historical perspective and, as you
21 said, modernize the park.

22 MR. IRVIN: It's our downtown park. We
23 should figure out some way to try to help it. It's a shame
24 that there weren't more there from the City.

25 And I agree with Edmund. I've had a number

1 of groups reach out to me as well to say, hey, is there
2 venue that would work for us downtown? And obviously it
3 brings a lot of people down so I think it's money well spent
4 if we could figure it out.

5 CHAIRMAN McCUSKER: The early conversations
6 -- it's probably too early to put this on the record, but
7 I'll go ahead and do that. Our cost to do what we want do
8 would be around a half a million dollars.

9 MR. SHEAFE: Do you want any comment from
10 Steve K's (Kozachik) office, Anne Charles, this year, his
11 Chief of Staff?

12 CHAIRMAN McCUSKER: I think she's just
13 listening.

14 MR. SHEAFE: She didn't jump up and say, let
15 me talk. So apparently we don't need to --

16 CHAIRMAN McCUSKER: There's a lot of
17 stakeholders, obviously, in Armory Park, that is
18 councilman's Kozachik's ward. I do believe we intend to
19 meet with the historical preservation folks because of the
20 nature of that. And of course the neighborhood. There have
21 been other people that do things with Armory Park that have
22 been quite contentious, most recently the bike kiosk. You
23 think it would be pretty easy to stick a bike rack in there,
24 but it wasn't contributing, it's not historically accurate.
25 So we're sensitive to all that. We actually have a 60-page

1 report, Chris, down to every bush that was ever contributing
2 to the original Armory Park.

3 Back to real agenda. We'll come back and deal with
4 Paton's contract.

5 But the burning item for today is the
6 Monier -- or Mon-yare (phonetic), depending whether you're
7 French or not -- investor project.

8 Let me tee this up for us and the public and
9 then we'll invite Jerry and Adam to talk about this. If you
10 don't recognize the name, of course this is a Gadsden
11 development on the West Side. We have partnered with them
12 on the Mercado Annex. I talked about that briefly in my
13 remarks. The container village is the first thing that
14 we've done -- Rio Nuevo -- with them. It's exceeded all of
15 our expectations. I think they're going to go through some
16 of the tax numbers for us. But it looks like it might be 20
17 or 25 percent higher than what we originally thought as a
18 tax base.

19 Likewise, the Mercado itself is a go-to place
20 for a lot of us. This weekend it was extraordinary to see
21 the people out in that plaza and how well the restaurants
22 are doing on that edge of town. Who knows where we would be
23 without the West Side development.

24 They have a new project they're going to
25 present to us today -- a mixed use project. Jerry, you

1 might tell us where the name comes from. But they've done
2 everything we've asked of our development community. They
3 have a project, they have a site, they have a loan approval
4 from HUD, they have about 9 million bucks of private equity
5 in place on a \$38 million mixed-use project that will
6 generate about the same level of sales tax that The Annex
7 does.

8 And like many of our development partners,
9 they have a gap. We've identified that gap at about
10 \$2.4 million out of a \$38 million project. And they wanted
11 to make a presentation to us on how we might help fill that
12 gap.

13 So Jerry? Adam?

14 MR. WEINSTEIN: Good afternoon. I'm Adam
15 Weinstein with the Gadsden Company. And --

16 CHAIRMAN McCUSKER: Your speaker is right
17 smack in our line of site.

18 MR. WEINSTEIN: While Brandi is getting that
19 set up, I'll just start with the history of the name of
20 Monier. The Monier name comes from Quintas Monier, who was
21 the architect-building and founder of the Tucson Press Brick
22 Company, which was located on or adjacent to the property
23 where we're memorializing it with the name the Monier
24 Building. And Quintas Monier was also the architect and
25 builder of the cathedral in Santa Fe, and was also the one

1 that provided the bricks for the cathedral of St. Augustine
2 here in Tucson.

3 So we wanted to honor that history with the
4 brickyard and the name on the Monier building.

5 So I'd like to just take a moment to present to you a
6 couple of things here relative to the project. The first
7 line was just an overall orientation showing with the blue
8 dot the location and the amassing of the Monier Building,
9 which is a commercial mixed-use project.

10 And it is a podium construction, with a ground floor
11 retail component, underground parking, and class A
12 residential apartments above the 12,975 square feet of
13 commercial retail.

14 The next slide is just an indication in goldenrod there
15 in the yellow of the projects that are either completed or
16 will be complete in 2018, starting on the top with West End
17 Station, which is currently in its final phases of
18 construction and will be completed in October. And
19 projected occupancy is in November. It's a hundred percent
20 loan housing tax credit financed and ourselves and our
21 partners at the Gorman Company are expecting that project to
22 lease up in about three weeks time. We've already got an
23 extensive waiting list of prequalified candidates.

24 The MSA Annex came online at the grand
25 opening May 4th -- thanks to your support. And this had a

1 very successful summer in spite of the weather and low
2 occupancy in Tucson. The numbers are very encouraging and
3 each of the tenants, especially food and beverage, has been
4 very encouraged by the response that they've gotten prior to
5 going into season.

6 The third building there is of course the
7 Monier apartments, which is centered on the Mercado District
8 side of the overall development centered on Avenida del
9 Convento.

10 The Monier building, which has a 122-unit
11 apartment complex, all class A, and the 12,975 square feet
12 of ground floor retail has achieved HUD financing, which has
13 been committed. We've also rate locked with the HUD
14 financing for a rate of 4.28 percent. And the gap that was
15 created is during the long HUD approval process there has
16 been a construction cost increase of approximately
17 12.3 percent, which brought in about an additional 12.8 for
18 \$2.5 million additional equity into the program.

19 The Monier Investors, LLC is requesting --
20 the sponsor of the project is requesting a \$2.4 million loan
21 in order to cover this increase in the construction costs
22 and not lose our rate lock, our commitment on the
23 construction with Lloyd Construction, with a guaranteed max
24 contract, and be able to execute this \$35.1 million
25 investment.

1 The FHA insured loan is valued at
2 \$25.8 million. And as Fletcher indicated earlier, we have
3 \$9 million-plus in private equity already in the
4 transaction.

5 We're looking for -- Rio Nuevo's leverage in
6 the transaction would be \$14.6 for every \$1 of investment
7 that was made. So it's very beneficial to the project.

8 In addition, because of the HUD criteria,
9 since we're teed up and ready to close within the next 30
10 days, we would be in a position to start construction within
11 ten days after the HUD closing, which is -- would really
12 show activity and benefit immediately since we're at the
13 final stages of this process.

14 We also would be generating approximately
15 \$808,000 of construction sales tax during the 16-month
16 construction period. And that's in advance of a \$462,000 of
17 annual sales tax that we've conservatively projected based
18 on the similar size and ratios at the MSA and MSA Annex of
19 what the 12,975 square feet will produce annually.

20 Just moving on to the next slide here just
21 for visuals -- this is a rendering of the project. This is
22 at the southeast corner of Avenida del Convento looking at
23 the facade of the building towards Congress Street. It was
24 designed by Moule & Polyzoides Architects out of Pasadena,
25 who was also the award winning master planner of the Mercado

1 community. And we're thrilled to be bringing the first
2 class A mixed use project of such to the West Side of
3 downtown Tucson, and the first courtyard housing of its type
4 to downtown Tucson.

5 The next slide will show the actual
6 orientation of the courtyard housing with the main passeio
7 that connects this commercial mixed-use building to the
8 neighborhood, general to its west, and then three courts
9 with one center court. And then in pink, you're seeing the
10 12,975 square feet of the commercial retail space that would
11 be added the overall market district.

12 The next slide shows the continuity between
13 those components in the Market District, which will now
14 represent the first three phases of that execution, starting
15 with the Mercado St. Augustine at the top, the Monier
16 building in the center, and then the connectivity down to
17 the MSA Annex to the south.

18 So we're actively leveraging our investments
19 and making continued investments in the creation of Tucson's
20 Market District.

21 The final slide really tells the story in
22 terms of the projections and actuals of what we've already
23 been able to generate, in addition to the construction sales
24 tax. Mercado St. Augustine in 2017, the 15,800 square foot
25 facility generated \$494,565 in sales tax directly back the

1 District.

2 The MSA Annex at its 18,500 square feet is
3 conservatively projected to generate \$491,966 in sales tax
4 in 2018.

5 Based on performance over what we thought was
6 the shoulder season of this summer, where we're quite
7 optimistic we will probably exceed that number in 2018,
8 which would be a real boon for year one.

9 The Monier building, 12,975 square feet, is
10 conservatively projected to generate an annual sales tax
11 \$462,834. Again, that's that 14.6 to 1 leverage for the
12 District.

13 The project annual sales tax with these three
14 total -- up to these three retail commercial spaces combined
15 would be an added value of \$1,450,000 annually to the
16 District. So we are looking forward to moving forward with
17 the project. It has been a long time in the making.

18 The HUD financing is a long and arduous process but it
19 brings in a terrific product to really bring some federal
20 dollars to help build commercial mixed use project in the
21 downtown community, and it would be the first of its type in
22 Tucson.

23 CHAIRMAN McCUSKER: I know we have a lot of
24 questions.

25 Can you comment on where the neighborhood is

1 with this project and in particular where the ward stands?

2 MR. WEINSTEIN: Sure. The neighborhood is --
3 has been aware of this project for several years and several
4 incarnations. They've been nothing but supportive and
5 wanting to see a building built there south of the Mercado,
6 especially our immediate Mercado District residents. And
7 they're looking forward to having the first commercial mixed
8 use building of this scale and type on Avenida del Convento
9 and completing that part of the District.

10 The ward has been supportive over the history
11 of the evolution of the project as well. And I just met
12 with council member Romero within the last month and brought
13 her up to speed on where we're at with the HUD financing.
14 And she's really thrilled see that we're not only bringing
15 additional commercial retail to the area but the fact of
16 bringing in market rate class A residential.

17 CHAIRMAN McCUSKER: And say again the parking
18 capacity.

19 MR. WEINSTEIN: The parking capacity on this
20 project is 148 spaces of underground parking.

21 CHAIRMAN McCUSKER: Is that dedicated to
22 residents?

23 MR. WEINSTEIN: It is primarily dedicated to
24 the residential component of the project. But there are
25 some flex spaces available as well. We also have some

1 on-street parking that was included as part of the overall
2 individual parking plan that we had approved by HUD.

3 MR. MARQUEZ: How many flex spaces are there?

4 MR. WEINSTEIN: All tolled, Edmund, I think
5 there are about -- including the at-grade spaces, there are
6 about 24. It's not a tremendous amount, but relative to the
7 tight area on the site and the parking requirement for the
8 one-per residential unit, that's where we ended up.

9 CHAIRMAN McCUSKER: Can you go back to your
10 master plan? It's not necessarily pertinent, but the land
11 west of the Mercado, what's the intent ultimately for there?
12 Will that include some additional parking?

13 MR. WEINSTEIN: There will be some additional
14 parking there.

15 But, Fletcher, on the parking note itself,
16 the block that's labeled Menlo Park Commons, that is
17 currently being designed as the Grand Mercado site with an
18 associated large parking facility of approximately 350
19 spaces. So that really is going to be the central public
20 park-once facility.

21 And we've relieved some of the other parking
22 requirements on each of the other sites so they are
23 basically parked to service either their own tenant mix, or
24 have enough west of the Mercado to support additional
25 Mercado St. Augustine commercial activity.

1 CHAIRMAN McCUSKER: And the timing on that?

2 MR. WEINSTEIN: We're in predevelopment on
3 the Menlo Park Commons building now. And we will be
4 hopefully in a position to share some further information
5 with you on that in the next couple of months. We're
6 working again with Moule & Polyzoides on the design for that
7 project.

8 CHAIRMAN McCUSKER: Congratulations. I think
9 you guys have brought us an extraordinary project to have
10 HUD wrapped up before you even talked to us to have your
11 equity in place.

12 Having said that, these are very complicated
13 transactions. We've done deals with HUD and it includes
14 GPLETs. A lot of things will move between now and the final
15 documents, I'm certain. But you've really put a nice package
16 together.

17 And on behalf of the Board, we're thrilled
18 with the work you guys are doing. And it really is hard to
19 imagine what the West Side would be without the work. I
20 know we have a lot of questions about structure and timing
21 and collateral and things.

22 So Mr. Irvin, your hand's way up.

23 MR. IRVIN: Well, first of all, you answered
24 my first question relative to parking at 24. You talked
25 about the sales tax piece at 1.45. Is that in toto? That's

1 not the District's piece?

2 MR. WEINSTEIN: That's in total, Mark.
3 That's the tax that's generated from the three projects,
4 correct.

5 MR. IRVIN: What do you figure the part of
6 the -- what is that? About a third of that, right?

7 MR. WEINSTEIN: My apologies. That number
8 has been ratio-ed down just to reflect the District's
9 component. My apologizes.

10 MR. IRVIN: Okay.

11 CHAIRMAN McCUSKER: Let's restate that
12 because it's a big difference.

13 MR. WEINSTEIN: It's a significant
14 difference. So it's the \$1,450,000 of the total of the
15 three projects -- the two that are complete, and the one
16 that's projected. So 1.45 mill annually is the District's
17 component of the sales tax revenue.

18 MR. IRVIN: Okay. First off, it's always
19 great to be the last piece that you need. And we've always
20 said bring us and make us the last piece.

21 We'd really like a little more time to get
22 you the last piece so as you can imagine, we're going to
23 drive our attorney crazy to scramble.

24 So I'm going make some assumptions. A -- if
25 I'm wrong with any of these, just tell me -- you've got an

1 appraisal that we've not seen but I'm sure you're going to
2 provide us a copy with that we're going to need to review
3 and may need to have recertified in our name.

4 Is that going to be an issue?

5 MR. WEINSTEIN: We do have an existing
6 appraisal. And it was all part of the HUD submittal. And I
7 don't believe that that should be an issue but I will defer
8 to HUD counsel on the assignment side of it.

9 CHAIRMAN McCUSKER: What's the property in
10 question appraised for?

11 MR. WEINSTEIN: It was appraised for
12 3,500,000.

13 CHAIRMAN McCUSKER: Who did the appraisal?

14 MR. WEINSTEIN: The appraisal was done by
15 Randy Schneider at Newmart Knight Frank company.

16 MR. IRVIN: Can I make the same assumption on
17 the title report, the office survey, the phase I
18 environmental, et cetera?

19 MR. WEINSTEIN: That is correct, Mark. I
20 think it would be safe for me to say that the HUD
21 certification that has to go along with the submittal, the
22 underwriting and approval for firm commitment is
23 extraordinary, and it all has to be signed off by HUD. So
24 that complete package with all the certifications and what
25 have you is all available to you.

1 MR. IRVIN: Those are obviously reports that
2 we're going to need to have a chance to see, review, before
3 we can close this thing. If we move forward, that will be a
4 burden that will be placed back on you guys to get us those
5 reports in that time?

6 MR. WEINSTEIN: That's all available to you
7 and can be provided immediately.

8 MR. IRVIN: Can you talk for just a little
9 bit about the uses that you see on the retail? We know it's
10 in Mercado St. Augustine, we know what's in The Annex. What
11 do you see here and what are the average sized tenants that
12 you will see?

13 MR. WEINSTEIN: What we've done here, Mark,
14 is we've taken a full inventory of what we've currently got
15 in the tenant mix and also what we have kind of in our
16 projections for coming online through the overall build-out
17 of the District.

18 And largely this next phase, in association
19 with its residential component that's part of the mixed use
20 stack, we see quite a bit more service-oriented commercial
21 and retail, in addition to some other smaller footprint 500,
22 600 square foot smaller retailers as well.

23 So what we're doing is we're fulfilling the
24 need for additional space that we don't have currently
25 either over at the first phase MSA, or at the second phase

1 MSA Annex, and are working also with some tenants that have
2 some larger scale needs in terms of height, et cetera, that
3 The Annex wasn't able to provide due to its configuration.

4 So it really is a balance of some food and
5 beverage, some commercial that has some mixed use office
6 component to it, as well as service space retail is really
7 the overall mix. And it's really complementary to the other
8 two facilities.

9 MR. IRVIN: Can you touch on the MSA Annex?
10 I haven't had a chance to look at the numbers lately, but I
11 understand it's performing significantly over what you'd
12 projected. I heard as much as 25 percent. Is that true?

13 MR. WEINSTEIN: That's my understanding from
14 the initial feedback over the course of the summer since
15 we've had effectively full occupancy.

16 We still have one tenant that's just starting
17 their TI that came into the mix later in the overall design
18 frame. But, yes, I'm hearing reports of anywhere between 20
19 to 25 percent of and beyond projections. And the numbers
20 that we've seen thus far and that we've confirmed that are
21 being sent back to District are in advance of some of those
22 projections.

23 As a corollary, I just did a little bit of
24 checking on the Mercado St. Augustine as well and did a
25 historic look back since July of 2014 when the Modern

1 Streetcar came online. And gross revenues across the
2 board -- but in particular, I know specifically on the food
3 and beverage are up about 35.8 percent in terms of gross
4 sales. And the sales tax component is actually up
5 38.6 percent since 2014.

6 MR. IRVIN: What are you projecting rent
7 levels on this? I'm assuming triple net?

8 MR. WEINSTEIN: These are all triple net. So
9 we have underwritten on the HUD financing at a conservative
10 \$24 a foot.

11 MR. IRVIN: Okay. And then how about the
12 apartments? How are those going to be priced? And give us
13 a little mix of how those are set up.

14 MR. WEINSTEIN: Those are set up in 1-, 2-,
15 and 3-bedroom apartments with some studios. And they are
16 ranging -- our average rate is about \$1.78 per square foot
17 in terms of what we've underwritten.

18 The marketplace currently with One East
19 Broadway and One West Broadway is actually significantly in
20 advance of that. So we feel confident that we're going to
21 do substantially better with bringing these larger scale
22 class A units that are appointed in the Mercado District
23 vernacular to the market.

24 However, we had to conservatively underwrite
25 it for the HUD program. And it's -- things have only just

1 improved significantly since then.

2 MR. IRVIN: Walk me through how the parking
3 works. You've got 24 out of 148 that are public. How do
4 you police that? Is that going to realistically work?

5 MR. WEINSTEIN: It remains to be seen how
6 it's actually going to work. We are primarily dedicating
7 for market reasons, even though we don't have an on-site
8 parking requirement due to our planned area development
9 zoning. But for marketability and for the HUD requirements,
10 we've had to dedicate a one-to-one for a per bedroom -- per
11 residential unit me -- excuse me.

12 And the overflow that we have we are going to
13 determine based on need on some of the commercial and retail
14 space whether that needs to be relegated to one on-site
15 space for -- per tenant or however that may come into the
16 mix.

17 We intend to use the on-street parking as I
18 mentioned as part of that program. So we expect that to be
19 put into one of the Park Tucson designated programs that
20 will allow us to use that for the building and be able to
21 hopefully share hours on the use of those spaces.

22 MR. IRVIN: One last question -- although I'm
23 sure I'll think of on one after I yield: Talk with us about
24 timing, if you would. If this thing gets approved, when can
25 we expect to see ground broken? When can we expect to see

1 this thing there, et cetera?

2 MR. WEINSTEIN: The current timing, Mark,
3 since we are literally at the goal line here, HUD is
4 prepared to complete their review of the closing package and
5 documents within the next 30 days. We're expecting to have
6 the transaction closed on or before October 8th, which I
7 know is ambitious but that's the timeframe that's been set
8 upon us. And by HUD requirement, the project must start
9 construction within ten days of closing.

10 MR. IRVIN: Thank you. I'll yield.

11 CHAIRMAN McCUSKER: Mr. Marquez?

12 MR. MARQUEZ: Adam, congratulations. This is
13 an outstanding project. I'm really excited for the West
14 Side \$38 million project. Obviously, we're last. You're
15 requesting \$2.4 million. HUD's in the mix, so obviously
16 they're going to take first position.

17 What recourse do we have? Obviously, we have
18 to protect the State tax dollars that we are stewards of.

19 What are the protections that we have in
20 regards to the 2.4 million?

21 MR. WEINSTEIN: We're currently working out
22 the details in terms of how this would be first sold to the
23 District; and then from there as it transfers into the
24 sponsor's name at closing pursuant to the HUD requirements,
25 we've been -- it's my understanding that we're working with

1 counsel on an assignment of partnership interest along with
2 the personal guarantees by the chief sponsors of the equity,
3 which are Jerry, myself, and our family.

4 And similar guarantees and -- as to the MSA
5 Annex.

6 MR. MARQUEZ: Oh, and you're considering the
7 Annex?

8 MR. WEINSTEIN: No. My point was we
9 similarly guaranteed the Annex.

10 MR. MARQUEZ: What's the consideration of
11 putting the Annex up as collateral?

12 MR. WEINSTEIN: That was brought to our
13 attention earlier this morning as a possible idea. And to
14 the extent that that would be necessary, we're willing to
15 entertain that.

16 MR. MARQUEZ: We have full faith in you.
17 Obviously, you've done a great job with Annex. And I love
18 just personally how well you and Jerry and Kira have done
19 with working with the neighborhoods. I personally
20 appreciate that.

21 MR. WEINSTEIN: Thank you.

22 MR. MARQUEZ: I personally would like to see
23 personal guarantees and the Annex.

24 MR. SHEAFE: We can make that pertinent
25 motion if you need.

1 CHAIRMAN McCUSKER: In the meantime, you're a
2 victim of your own success. The Beacon lots remain surface
3 parking until the parking structure is built. So if we're
4 going over there, any of these lots are availability as
5 surface parking?

6 MR. WEINSTEIN: For all intents and purposes,
7 yes, Fletcher. We're hoping that the Block B site currently
8 labeled as the Menlo Park Commons is going to come into play
9 actively over the course of the next 6 to 12 months. So
10 we're hoping that that's not going to remain at that status.

11 But we do have on the block immediately west
12 of West End Station, we are intending to have a temporary
13 parking facility on that -- an improved but temporary
14 parking facility that would serve the Mercado and adjacent
15 buildings during these various phases of construction.

16 And then in addition to that, we are
17 currently negotiating a -- at the request of El Rio
18 Community Health Center, a temporary employee parking
19 facility for them on our commercial Block F, which is
20 immediately west of Sentinel Plaza just on an interim basis
21 to help them solve a problem while we're actually hopefully
22 going to be working with them on a build-to-suit facility
23 immediately west of the Mercado.

24 CHAIRMAN McCUSKER: Any other questions of
25 Adam?

1 The devil's in the details on this deal. I
2 think we're all incredibly enthusiastic at what you've done
3 and continue to do. Because we likely -- Edmund, we'll not
4 have another meeting before we have to advance this. We
5 have to take a leap of faith with counsel and allow the
6 executive officers probably to execute the documents to
7 close.

8 But the economics shouldn't change. And I think, as
9 Chairman, if the economic's changed, everything stops and we
10 got to come back to the Board.

11 So the current presentation is 2.4 of
12 31 million in change. As Adam said, that's better leverage
13 than most of our other deals -- we're averaging still 10 to
14 1, 11 to 1, so it's in that sweet spot.

15 I think they've expressed their willingness
16 to provide not only personal guarantees but additional
17 collateral, which can -- when I present this to the
18 legislature, which we have to do now, I think I feel quite
19 comfortable in that regard because of the HUD and the
20 simultaneous closings and a lot of work to do.

21 So, I guess, Mr. Collins, we need to ask you:
22 Is it all doable in this timeframe? Is there any inherent
23 risk that we haven't considered? What's your learned
24 opinion about it?

25 MR. COLLINS: Mr. Chairman, Members of the

1 Board, it's doable. It's not going to be easy. The good news
2 is my office has worked with Adam and Jerry before. We've
3 just got a lot of work to do between now and Friday and then
4 next month.

5 CHAIRMAN McCUSKER: What's the Board's
6 pleasure?

7 TREASURER SHEAFE: I move for approval. And
8 I'm going to need a second.

9 MR. MARQUEZ: Second.

10 MR. IRVIN: We probably need more of an
11 explanation. What I suggest, Mark, is you should --

12 CHAIRMAN McCUSKER: We have a motion and a
13 second. Let's just talk about that. He's moved to approve
14 the project. Can it be that simple?

15 MR. SHEAFE: Do you want me to define it a
16 little more?

17 CHAIRMAN McCUSKER: And then we could have
18 another motion, I guess, to allow the executive officers to
19 sign it. I mean, he's never in his life made a motion that
20 simple so I want to take advantage of the brevity.

21 MR. COLLINS: Well, I'd like to see a little
22 more meat on bones quite frankly.

23 MR. SHEAFE: All right. Why don't we move to
24 approve the project as presented -- Monier, 2.4 million --
25 the District will be authorizing counsel to move forward

1 with the documentation for the purchase of the property in
2 the District's name and all the related documentation
3 necessary to complete the remaining requirements of the
4 District to protect it -- those are the security side -- and
5 to make sure that the land side of it is properly documented
6 to protect the District and also the hold lease and GPLET
7 end game. All right?

8 MR. MARQUEZ: Second.

9 CHAIRMAN McCUSKER: What he didn't say is to
10 authorize the executive officers.

11 MR. SHEAFE: And to authorize the executive
12 officers to work with counsel as necessary to complete the
13 process given the limited time available to get all of this
14 done.

15 MR. IRVIN: Does that include the guarantees
16 and the additional collateral?

17 MR. SHEAFE: Yes. And I'm referring to all
18 of that sort of --

19 CHAIRMAN McCUSKER: I think if you authorize
20 the executive officers, if anything moves, that's different
21 than what we talked about here, we can't sign it.

22 So I think those are what I would consider
23 material changes. And if something changes materially, we
24 got to come back to the Board.

25 This is in the "be careful what you ask for"

1 category because that's a really long, complicated motion,
2 but it seems to touch on everything you need to move
3 forward.

4 MR. HILL: Mr. Chairman, was this the one
5 that the documents were to be produced by Friday? We wanted
6 to --

7 CHAIRMAN McCUSKER: Some portion of these
8 documents to be done by Friday.

9 MR. COLLINS: As I understand it, from Adam
10 and Jerry, the initial portion of this project -- I'll call
11 it that -- needs to happen by Friday.

12 MR. HILL: Is that implicit in the motion
13 before us?

14 MR. SHEAFE: It's implicit in the motion to
15 take the action necessary, Jeff, to meet the requirements by
16 Friday, but also over the next month to meet all the other
17 documentation requirements to allow the project to move
18 forward as scheduled as it was just presented by Adam
19 Weinstein.

20 MR. HILL: All right.

21 MR. IRVIN: I think that also assumes that
22 the documents that I outlined in my discussion would be part
23 of that diligence as well?

24 MR. SHEAFE: That is assumed.

25 CHAIRMAN McCUSKER: We have a motion and a

1 second.

2 Are you satisfied that gets you where you
3 needed to be?

4 MR. COLLINS: I am.

5 CHAIRMAN McCUSKER: Adam, are you satisfied
6 this gets you down the road toward closing?

7 MR. WEINSTEIN: Yes.

8 CHAIRMAN McCUSKER: All right, Brandi. Call
9 the roll.

10 MS. HAGA-BLACKMAN: Edmund Marquez?

11 MR. MARQUEZ: Aye.

12 MS. HAGA-BLACKMAN: Mark Irvin?

13 MR. IRVIN: Aye.

14 MS. HAGA-BLACKMAN: Jeffrey Hill?

15 MR. HILL: Aye.

16 MS. HAGA-BLACKMAN: Fletcher McCusker?

17 CHAIRMAN McCUSKER: Aye. And Chris Sheafe.

18 MR. IRVIN: How about Chris Sheafe?

19 MR. SHEAFE: Aye.

20 MR. IRVIN: Can't see you.

21 (The Board voted and motion carries 5-0.)

22 CHAIRMAN McCUSKER: So that's five unanimous
23 votes. Congratulations. We're going to move as quick as
24 we can.

25 Our instructions are if anything differs materially

1 than what's been discussed today it's got to come back to
2 the Board.

3 MR. WEINSTEIN: Thank you very much.

4 CHAIRMAN McCUSKER: Congratulations.

5 Item No. 10 is actually the only standing
6 other than call to the audience. This is the time of the
7 year where we review the performance of our legislative
8 liaison, that's Jonathan Paton. If there was ever a year
9 where this man earned his money, it was certainly last year
10 given the action we had regarding our extension. It's open
11 for Board discussion and action.

12 MR. IRVIN: I think Jonathan has done an
13 amazing job for us.

14 I so much appreciate having him involved and his advice
15 and counsel on so many different issues.

16 I'd like to make a motion that we extend his
17 agreement for one additional year at his current consulting
18 contract.

19 MR. SHEAFE: Second.

20 CHAIRMAN McCUSKER: Any further discussion?
21 And all those in favor say aye?

22 (Ayes.)

23 Any opposed, nay.

24 (The Board voted and motion carried.)

25 CHAIRMAN McCUSKER: Okay. Brandi, any call

1 of the audience?

2 MS. HAGA-BLACKMAN: Yes.

3 CHAIRMAN McCUSKER: Mark Crum.

4 MR. CRUM: Good afternoon. My name is Mark
5 Crum. I live at 115 East 16th Street, Tucson, Arizona. I'm
6 here representing the Armory Park Neighborhood Association.
7 And I am also a member of the Armory Park Historic Zone
8 Advisory Board.

9 I'm here to discuss specifically Item 11 of your agenda
10 today: Armory Park renovations, possible actions.

11 I'm not here as an obstructionist to anyone's good
12 intentions for the future of Armory Park. I am here only to
13 ensure that everyone is advised of certain information and
14 processes that should play a role in any future
15 considerations.

16 For example, both the neighborhood
17 association and the advisory board are in the process of
18 getting the park listed on the National Register of
19 Historical Places. As such, I'm advised that trees,
20 walkways, monuments, among other items, are at least
21 listable.

22 Further, under City code requirements, any
23 proposed changes to the park must go through a historical
24 review process which involves participation of citizen
25 stakeholders because the park is within one of the City of

1 Tucson's historical preservation zones.

2 Our feeling, our idea, is that we want to
3 ensure citizen participation up front in the planning
4 process. Further, we do not want to hold back from you our
5 information and considerations only to surprise you later of
6 our positions; that would not only be irresponsible, it
7 would be dishonest on our part.

8 In retrospect, having watched the District's meetings
9 in the past many times, and now Ms. Elwad's (phonetic)
10 potential participation, I have the feeling that I may be
11 preaching to the choir.

12 If that is the case, then I want you to know that I
13 appreciate your patience with me today. We just want to be
14 a real part of the team from the start.

15 Thank you for your time and your consideration.

16 CHAIRMAN McCUSKER: Mark, thank you. Are you
17 the primary contact for the neighborhood association? And
18 do we have your contact information?

19 MR. CRUM: I can give that.

20 CHAIRMAN McCUSKER: Make sure Brandi has it.

21 MR. CRUM: I will do that, thank you.

22 CHAIRMAN McCUSKER: Josefina Cardenas.

23 MS. CARDENAS: Gracias. Just my size.

24 Josefina Cardenas, 902 West 21st, Barrio Kroger Lane, for
25 Rancho Chuk Shon.

1 First of all, I would like to give you thanks
2 to Senor McCusker for your good words on the newspaper about
3 this servant. I was surprised. I would think you would say
4 the opposite, pero gracias for the good words.

5 I just came back from a water presentation of
6 the river having water again. And I remember that's your
7 vision, Senor McCusker. So it's also along Barrio Kroger
8 Lane. So that's another great project coming to us. And
9 there's a lot of great projects going in around our City.

10 But I also come to ask that you need to see
11 the other page of the situation; that it's also causing
12 gentrification. And our barrios are being looked into.
13 Right now we have properties that are going over for a
14 million la-la-la. Do you know what it is for barrio
15 families to hear millions when a thousand is a lot for us?

16 I come here to plead that you also think
17 about the situation. We are wanting to see our City
18 modernized. I know that we need to benefit. But there's
19 also a possibility of all of us benefiting from this.

20 Senor Corbell, owner of the River Park Inn,
21 now the Ramada, is looking for a loan -- a loan to purchase
22 these properties. Where I see no reason why we couldn't all
23 be working for this possibility of this great project, and
24 not someone getting into debt as well as hurting the barrio
25 of being gentrified and family members of up to the sixth

1 generation no longer living there.

2 Can you imagine what we could be doing to
3 original people in this area? So I have called you, Senor
4 Fletcher, and I have emailed you of wanting to meet. So I
5 plead gently, nicely, that we could please meet. Because
6 when you ask for us that we be with you for the extension,
7 believe me, it was tempting to oppose it and organize to
8 reject it. But we believe in you. We honestly believe in
9 you. So I'm waiting for the response of when we will be
10 sitting at the table. Also to be able to have a further
11 conversation on how we could all win of this new
12 development.

13 We just got through with having these
14 plans -- a business plan that we went to the university that
15 we were sponsored by the Tohono O'odham gaming grant. And we
16 invited you, but you couldn't go.

17 So here we bring this copy to you and we hope
18 that when you come to the table, our children will bring one
19 to each one of you. I know Ms. Cox will enjoy having
20 Abelardo hand this to her like I'm going to hand this copy
21 to your attorney. So I'm waiting for that call.

22 CHAIRMAN McCUSKER: Josefina, thank you very
23 much.

24 One of the challenges we have -- and we hear about
25 this good and bad as we travel the City -- our boundaries

1 are expressly defined. And one of the things that got the
2 old Rio Nuevo Board in trouble was operating outside of
3 those boundaries. And many of these barrios are indeed
4 outside of our boundaries.

5 So I think we want to help, and we want to
6 find a way that everyone thrives. Some of it may not be in
7 our particular purview. But we absolutely are very
8 sensitive to the kind of comments as it relates to the
9 barrios, the Menlo Park, now the Broadway neighborhoods --
10 that we're engaging in a number of neighbor activity along
11 with the Sunshine Mile -- so I think on behalf of all of us,
12 we remain very sensitive to that. Without anything else on
13 the agenda, I would entertain a motion to adjourn.

14 MR. IRVIN: So moved.

15 MR. MARQUEZ: Second.

16 CHAIRMAN McCUSKER: All in favor say "aye."

17 (Ayes.)

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C E R T I F I C A T E

I, John Fahrenwald, certify that I took the shorthand notes in the foregoing matter; that the same was transcribed under my direction; that the preceding pages of typewritten matter are a true, accurate, and complete transcript of all the matters adduced to the best of my skill and ability.

John Fahrenwald, RPR