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
2819 East 22nd Street
Tucson, Arizona 85713
(520) 624-8644
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.
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.)

You can slow down.

That was the pace we used in the third grade.

Brandi, call the roll.

Edmund Marquez.
MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Chris Sheafe.

MR. SHEAFE: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN McCUSKER: Here.

MS. HAGA-BLACKMAN: Jeff Hill.

MR. HILL: Here.

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

We do have a quorum.

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

MR. SHEAFE: So moved.

MR. HILL: Second.

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

(Ayes.)

Brandi, you can post that for us.

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

MR. MARQUEZ: So moved.

CHAIRMAN McCUSKER: Second, please.

MR. HILL: Second.

CHAIRMAN McCUSKER: All in favor say "aye."
(Ayes.)

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

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

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

CHAIRMAN McCUSKER: We need a motion to reconvene.

MR. IRVIN: So moved.

CHAIRMAN McCUSKER: Second, please.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

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

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

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

But go look at Cathedral Square. It's
extraordinary what's being done on that block. The Marist
is finished, the beautiful plaster is done, the chapel is
pretty done, that huge convention hall that embraces the
church -- it's a spectacular project. And I think it's
going to create a real change in that neighborhood.
The La Placita, of course, is finally demolished and
they will start building that. And you can just see the
changes.

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

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

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

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

The Mercado Annex. I was out there last
weekend. The place was just slammed and people don't seem
to know it's a hundred degrees because they're sitting out
on those patios and eating their Beaut Burgers and enjoying
life. So it's just a really neat time. Everything we have
done, every project we launched, is working.

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

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

So that's a fun update to get.

Dan, we move right to the financial report.

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

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

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

At end of the July, we've got $6.8 million in
the bank. As you see down below, we've got $4.6 million of
commitments. The big ones are our share of finishing the
Caterpillar water and sewer project. The contract was sent.
We have $1.1 million remaining in that.
We've got about 950,000 to finish Ochoa Street, about $690,000 for the purchase of 2221 East Broadway, and there's a few others in there as well, coming to a total of $4.6 million.

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

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

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

We're in the middle of our audit. I think most of the field work is done. They're going to come back with some questions. Brandi and I have to do some accruals and do
some yearend type things, but I expect to get back on that 
next week. And typically we have the final audit 
presentation -- I believe it's in October. We have to wait 
one more month to get the June revenue in from the TIF so we 
can get books closed for June.

Does anybody have questions for me?

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

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

MR. MEYERS: 200 -- yeah.

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

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

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

MR. MEYERS: That's included in there.

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

MR. MEYERS: Yeah, that was a fairly good 
number for May, so it's in there.
MR. SHEAFE: I think what you mean is that you had a hundred thousand in there up to now. But we've got the bulk of that money to collect and that may be a little north of what we're seeing.

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

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

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

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

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

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

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

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

MR. IRVIN: I thought we were tracking --

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

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

MR. IRVIN: Good to have you back.

MR. SHEAFE: Glad you're feeling good.

MR. MEYERS: Me too.

CHAIRMAN McCUSKER: Any other questions for Dan?

Dan, thank you.

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

Quick update on 75 East Broadway.
We continue to hear from that developer. There may be progress on the tenancy. We have kind of an agreement with them. They have some time to put that deal together. That will elapse here shortly.

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

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

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

And we'll start discussing those with the neighbors and the historical representatives because Armory Park is a historical landmark. And I probably will have that planned
together for you by the September meeting.

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

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

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

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

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

So those are the kind of things we are
working through with the City. Most of that wouldn't be in
the bond. So our interest is really to enable that as a
more appropriate outdoor public venue with a nice band shell
sound, maybe some seating -- enclosable. And that seems to be the preferred venue now for the jazz festival, which they expect to grow to 20,000 people.

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

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

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

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

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

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

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

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

CHAIRMAN McCUSKER: I think she's just
listening.

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

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

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

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

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

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

They have a new project they're going to
present to us today -- a mixed use project. Jerry, you
might tell us where the name comes from. But they've done
everything we've asked of our development community. They
have a project, they have a site, they have a loan approval
from HUD, they have about 9 million bucks of private equity
in place on a $38 million mixed-use project that will
generate about the same level of sales tax that The Annex
does.

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

So Jerry? Adam?

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

CHAIRMAN McCUSKER: Your speaker is right

smack in our line of site.

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

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

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

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

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

The MSA Annex came online at the grand opening May 4th -- thanks to your support. And this had a
very successful summer in spite of the weather and low
occupancy in Tucson. The numbers are very encouraging and
each of the tenants, especially food and beverage, has been
very encouraged by the response that they've gotten prior to
going into season.

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

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

The Monier Investors, LLC is requesting --
the sponsor of the project is requesting a $2.4 million loan
in order to cover this increase in the construction costs
and not lose our rate lock, our commitment on the
construction with Lloyd Construction, with a guaranteed max
contract, and be able to execute this $35.1 million
investment.
The FHA insured loan is valued at $25.8 million. And as Fletcher indicated earlier, we have $9 million-plus in private equity already in the transaction.

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

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

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

Just moving on to the next slide here just for visuals -- this is a rendering of the project. This is at the southeast corner of Avenida del Convento looking at the facade of the building towards Congress Street. It was designed by Moule & Polyzoides Architects out of Pasadena, who was also the award winning master planner of the Mercado
community. And we're thrilled to be bringing the first
class A mixed use project of such to the West Side of
downtown Tucson, and the first courtyard housing of its type
to downtown Tucson.

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

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

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

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

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

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

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

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

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

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

Can you comment on where the neighborhood is
with this project and in particular where the ward stands?

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

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

CHAIRMAN McCUSKER: And say again the parking capacity.

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

CHAIRMAN McCUSKER: Is that dedicated to residents?

MR. WEINSTEIN: It is primarily dedicated to the residential component of the project. But there are some flex spaces available as well. We also have some
on-street parking that was included as part of the overall
individual parking plan that we had approved by HUD.

MR. MARQUEZ: How many flex spaces are there?

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

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

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

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

And we've relieved some of the other parking
requirements on each of the other sites so they are
basically parked to service either their own tenant mix, or
have enough west of the Mercado to support additional
Mercado St. Augustine commercial activity.
CHAIRMAN McCUSKER: And the timing on that?

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

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

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

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

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

MR. IRVIN: Well, first of all, you answered my first question relative to parking at 24. You talked about the sales tax piece at 1.45. Is that in toto? That's
not the District's piece?

MR. WEINSTEIN: That's in total, Mark.

That's the tax that's generated from the three projects, correct.

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

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

MR. IRVIN: Okay.

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

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

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

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

So I'm going make some assumptions. A -- if I'm wrong with any of these, just tell me -- you've got an
appraisal that we've not seen but I'm sure you're going to provide us a copy with that we're going to need to review and may need to have recertified in our name.

Is that going to be an issue?

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

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

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

CHAIRMAN McCUSKER: Who did the appraisal?

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

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

MR. WEINSTEIN: That is correct, Mark. I think it would be safe for me to say that the HUD certification that has to go along with the submittal, the underwriting and approval for firm commitment is extraordinary, and it all has to be signed off by HUD. So that complete package with all the certifications and what have you is all available to you.
MR. IRVIN: Those are obviously reports that we're going to need to have a chance to see, review, before we can close this thing. If we move forward, that will be a burden that will be placed back on you guys to get us those reports in that time?

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

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

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

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

So what we're doing is we're fulfilling the need for additional space that we don't have currently either over at the first phase MSA, or at the second phase
MSA Annex, and are working also with some tenants that have some larger scale needs in terms of height, et cetera, that the Annex wasn't able to provide due to its configuration. So it really is a balance of some food and beverage, some commercial that has some mixed use office component to it, as well as service space retail is really the overall mix. And it's really complementary to the other two facilities.

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

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

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

As a corollary, I just did a little bit of checking on the Mercado St. Augustine as well and did a historic look back since July of 2014 when the Modern
Streetcar came online. And gross revenues across the board -- but in particular, I know specifically on the food and beverage are up about 35.8 percent in terms of gross sales. And the sales tax component is actually up 38.6 percent since 2014.

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

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

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

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

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

However, we had to conservatively underwrite it for the HUD program. And it's -- things have only just
improved significantly since then.

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

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

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

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

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

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

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

CHAIRMAN McCUSKER: Mr. Marquez?

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

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

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

MR. WEINSTEIN: We're currently working out the details in terms of how this would be first sold to the District; and then from there as it transfers into the sponsor's name at closing pursuant to the HUD requirements, we've been -- it's my understanding that we're working with
counsel on an assignment of partnership interest along with
the personal guarantees by the chief sponsors of the equity,
which are Jerry, myself, and our family.

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

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

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

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

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

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

MR. WEINSTEIN: Thank you.

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

MR. SHEAFE: We can make that pertinent
motion if you need.
CHAIRMAN McCUSKER: In the meantime, you're a victim of your own success. The Beacon lots remain surface parking until the parking structure is built. So if we're going over there, any of these lots are availability as surface parking?

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

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

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

CHAIRMAN McCUSKER: Any other questions of Adam?
The devil's in the details on this deal. I think we're all incredibly enthusiastic at what you've done and continue to do. Because we likely -- Edmund, we'll not have another meeting before we have to advance this. We have to take a leap of faith with counsel and allow the executive officers probably to execute the documents to close.

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

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

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

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

MR. COLLINS: Mr. Chairman, Members of the
Board, it's doable. It's not going to be easy. The good news is my office has worked with Adam and Jerry before. We've just got a lot of work to do between now and Friday and then next month.

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

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

MR. MARQUEZ: Second.

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

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

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

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

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

MR. SHEAFE: All right. Why don't we move to approve the project as presented -- Monier, 2.4 million -- the District will be authorizing counsel to move forward
with the documentation for the purchase of the property in
the District's name and all the related documentation
necessary to complete the remaining requirements of the
District to protect it -- those are the security side -- and
to make sure that the land side of it is properly documented
to protect the District and also the hold lease and GPLET
end game. All right?

MR. MARQUEZ: Second.

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

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

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

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

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

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

This is in the "be careful what you ask for"
category because that's a really long, complicated motion, but it seems to touch on everything you need to move forward.

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

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

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

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

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

MR. HILL: All right.

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

MR. SHEAFE: That is assumed.

CHAIRMAN McCUSKER: We have a motion and a
Are you satisfied that gets you where you needed to be?

MR. COLLINS: I am.

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

MR. WEINSTEIN: Yes.

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

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Jeffrey Hill?

MR. HILL: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye. And Chris Sheafe.

MR. IRVIN: How about Chris Sheafe?

MR. SHEAFE: Aye.

MR. IRVIN: Can't see you.

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

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

Our instructions are if anything differs materially
than what's been discussed today it's got to come back to the Board.

MR. WEINSTEIN: Thank you very much.

CHAIRMAN McCUSKER: Congratulations.

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

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

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

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

MR. SHEAFE: Second.

CHAIRMAN McCUSKER: Any further discussion?

And all those in favor say aye?

(Ayes.)

Any opposed, nay.

(The Board voted and motion carried.)

CHAIRMAN McCUSKER: Okay. Brandi, any call
of the audience?

MS. HAGA-BLACKMAN: Yes.

CHAIRMAN McCUSKER: Mark Crum.

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

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

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

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

Further, under City code requirements, any proposed changes to the park must go through a historical review process which involves participation of citizen stakeholders because the park is within one of the City of
Tucson's historical preservation zones.

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

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

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

Thank you for your time and your consideration.

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

MR. CRUM: I can give that.

CHAIRMAN McCUSKER: Make sure Brandi has it.

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

CHAIRMAN McCUSKER: Josefina Cardenas.

MS. CARDENAS: Gracias. Just my size.

Josefina Cardenas, 902 West 21st, Barrio Kroger Lane, for Rancho Chuk Shon.
First of all, I would like to give you thanks to Senor McCusker for your good words on the newspaper about this servant. I was surprised. I would think you would say the opposite, pero gracias for the good words.

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

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

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

Senor Corbell, owner of the River Park Inn, now the Ramada, is looking for a loan -- a loan to purchase these properties. Where I see no reason why we couldn't all be working for this possibility of this great project, and not someone getting into debt as well as hurting the barrio of being gentrified and family members of up to the sixth
generation no longer living there. Can you imagine what we could be doing to original people in this area? So I have called you, Senor Fletcher, and I have emailed you of wanting to meet. So I plead gently, nicely, that we could please meet. Because when you ask for us that we be with you for the extension, believe me, it was tempting to oppose it and organize to reject it. But we believe in you. We honestly believe in you. So I'm waiting for the response of when we will be sitting at the table. Also to be able to have a further conversation on how we could all win of this new development.

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

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

CHAIRMAN McCUSKER: Josefina, thank you very much.

One of the challenges we have -- and we hear about this good and bad as we travel the City -- our boundaries
are expressly defined. And one of the things that got the old Rio Nuevo Board in trouble was operating outside of those boundaries. And many of these barrios are indeed outside of our boundaries.

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

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All in favor say "aye."

(Ayes.)

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CERTIFICATE

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

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John Fahrenwald, RPR