BOARD MEMBERS PRESENT:

Fletcher McCusker.
Chris Sheafe.
Mark Irvin.
Edmund Marquez.
Jannie Cox.

ALSO PRESENT:

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

BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, in the City of Tucson, State of Arizona, before THOMAS A. WOPPERT, RPR, Certified Reporter No. 50476, on the 13th day of November 2018, commencing at the hour of 1:00 p.m.
CHAIRMAN MCCUSKER: Let's call the meeting to order. It's 2:06 p.m. We had a text from Edmund. He's running a few minutes late. We do have a quorum. Mr. Sheafe, do you want to lead us in the pledge?

(Pledge of Allegiance)

CHAIRMAN MCCUSKER: Brandi, will you please call the roll.

MS. HAGA-BLACKMAN: Jannie Cox.

MS. COX: Here.

MS. HAGA-BLACKMAN: Chris Sheafe.

MR. SHEAFE: Here.

MS. HAGA-BLACKMAN: Mark Irvin.

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN MCCUSKER: Here. And, as we mentioned, Edmund's on his way and Jeff Hill is indisposed.

You have the minutes from the October 23rd meeting. We don't have minutes yet from the study session on Friday, but the transcript is verbatim. Unless you have a change or suggestion --

MR. IRVIN: Motion to approve.
MS. COX: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Motion passes unanimously)

CHAIRMAN MCCUSKER: Let me chat out loud here for a while. Raise your hand if you're here for the Armory Park agenda item.

Just a couple of you.

How about the rest of you? Are you observing? Are you here for an agenda item? Are you in a civics class, you know, or --

UNDIFIED SPEAKER: Sunshine Mile.

CHAIRMAN MCCUSKER: Sunshine Mile.

UNDIFIED SPEAKER: For a civics class.

CHAIRMAN MCCUSKER: There you go.

We usually go straight to executive session and it takes 45 minutes to an hour, so you're going to be lonesome. I do know there's a number of Armory Park people that I think wanted to come, but I don't know if they were planning on coming at 2:00. Councilman Kozachik said he wanted to speak to us. So we could flip the order of things, but then I might confuse the people who are going to come later, or just keep the schedule and let you guys chill.

All right. So let's do that. Let's --

And you are here for which item? Hello? Let
me know what you're here for.

MR. IRVIN: You're here for everything, aren't you, Mark?

UNDIFIED SPEAKER: He's here for Armory Park.

CHAIRMAN MCCUSKER: Do an abbreviated exec, try and get down here quickly?

Let me just say a few words about the Armory Park item because it's unusual that we have this kind of attendance.

A couple months ago, we had a conversation with the city about Armory Park. And it's clear to all of us that the current park is dysfunctional. It's also, in a word, disgraceful. Our interest is in rehabilitating the park to its historical accuracy. And that's the plan you're going to see this afternoon.

On the heels of the Dusk Festival, it's important that you all know we have nothing to do with who uses the park. The city of Tucson issues the permits and licenses for the use. Our interest is to make it a better park for anyone and everyone. And it's quite simple. It's to restore the grass where the current band shell is and the bocce ball courts and the tennis courts and to put the band shell back to where it was historically. So that's it.

I expect given the e-mail traffic I've seen, a
lot of people are concerned about the noise and crowds associated with a music festival. This is the wrong place to have that conversation. We know a lot of people that want to use it for a variety of events whether it's Shakespeare or a political event or a sports event or a concert, whether it's jazz or rock or hip-hop. That particular park seems to be in a great deal of demand. However, our interest is not in changing its use or making it more exclusive or more capable of, you know, a music festival kind of event. That's really entirely up to the city of Tucson, who issues these permits.

So I considered actually tabling the item, but I think that's a disservice to the whole conversation. We're going to keep it on the agenda. I may take calls to the audience for that item early so that you all don't have to sit around forever. If you're in a civics class, you're stuck with us for as long as you have to. But let's go to exec as planned and try and get back as quickly as we can.

So having said that, I would need a motion to recess to executive session.

MR. IRVIN: So moved.

MS. COX: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Motion passes unanimously)
(Recess)

CHAIRMAN MCCUSKER: We need a motion to reconvene.

MR. IRVIN: So moved.

CHAIRMAN MCCUSKER: Second, please.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: I never heard a second.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Motion passes unanimously)

CHAIRMAN MCCUSKER: Okay. We're back in regular session. Thank you for your patience. We use executive session primarily to talk to our attorney. I will make my remarks brief. We'll get the financial report, and then the Armory Park item. I will allow people that are here for the Armory Park item to do call to the audience as part of that item.

So it's really a busy time for us, unbelievably busy. I think the press release from our Friday session just went out this morning. We did have a study session on Friday to look at the Tucson Convention Center and capital improvement requests for that. We were presented with a list of requests that totaled about $42 million. I can tell you we didn't do anything to reduce that amount. We probably added to it to the extent of maybe 5 million
or possibly 20 or $25 million depending on what we do with parking structures and the second sheet of ice for hockey, et cetera.

The only action item that occurred out of that is we will be soliciting commercial lenders for financial proposals that include a scope of up to $70 million. So Rio Nuevo obviously does not have the kind of cash to do that, but indeed we can finance a project of that scale. So in the next few days, if you're a commercial lender, you'll see an RFP on our website asking you to submit a proposal on how you might finance and under what terms a project of that scale.

Hotels are going up all around us. You're following that. We've approved five new hotel projects. I can tell you there are a couple more still out there. People ask me all the time, oh, my God, you know, aren't you overbuilt. We referenced a CBRE study that looked at the downtown hotel opportunities and they identify the need and value for at least 1,000 new beds, so combined so far, I think we're at about 550 or under 600, so we still think there's room. And all of a sudden now, Tucson's a very interesting spot around the globe for hotel developers from -- you know, name a brand and we probably talked to them in the last few weeks.

Caterpillar is on time, on schedule. We expect
to turn the keys over to them around Christmas.

Any other project update? Nothing I can think of.

So, Dan, let's do your financial review.

MR. MEYERS: Dan Meyers, CFO for Rio Nuevo.

Okay. As of the end of October, we had about a little less than $4.5 million in the bank. We've got about $4.2 million in committed funds. However, I spoke to Phil Swaim a few minutes ago and we've got a 500,000-dollar contingency in there that it appears we can take that out of the commitments, so that's really good news.

The August TIF revenue, I got an estimate from the state of 950,000. Our monthly budget is 1.2 million, but if you go back and study the last few years, TIF revenue historically July through October are kind of our leaner times, and then it pops back up when we get close to the holidays and through spring. So our annual budget, I think, has an estimated surplus of $3.7 million. I think even though we're $300,000 off our budget for the first two months, I don't see any reason at this point in time to reduce that number, but we need to keep an eye on it.

Any questions?

CHAIRMAN MCCUSKER: To be clear, the
million dollars you show remaining on Caterpillar, that
does not come from the 4.4 cash on hand; right? That's --

MR. MEYERS: No, that's our portion of our
contract with Sundt. That's our piece. And there might
be even a little bit of a surplus left on that, I'm told,
so hopefully that's not --

MR. SHEAFE: That's where the 500 is that you
referred to?

MR. MEYERS: The 500 is a line below, which I
thought, you know, when we started this project, we kind
of always had that in there, but now that we're getting
close to the end --

MR. SHEAFE: But it's part of the Caterpillar
thing. I see what you're saying. Okay.

MR. MEYERS: That's going to disappear on next
month's report.

Any other questions?

CHAIRMAN MCCUSKER: Any questions for Dan?

Thank you very much.

MR. SHEAFE: It's another way of saying you
also came in on time but also on budget.

CHAIRMAN MCCUSKER: Okay. We can move on to
item number seven. It's the Armory Park possible action.
I asked Ken Kavanaugh to come out and help us make a
presentation. Ken is a landscape architect who's done a
lot of work on this project over the last several months.
Again, to kind of preface, Rio Nuevo's interest in this particular park, it is the only park in fact inside the Rio Nuevo district. Our interest here is primarily preservationist. We are looking at restoring the park to its historical status and we welcome your input into that. I can say on Ken's behalf he spent a lot of time with stakeholders to get to the point where we are. So, Mr. Kavanaugh, introduce yourself and let's go.

MR. KAVANAUGH: I am Ken Kavanaugh. I'm educated a landscape architect, primarily a golf course architect. I design outside spaces.

On August 14th, I met on site with Fletcher and we started talking about how can we make improvements to the concert venue portion of Armory Park.

We then met with the city manager. The city manager said, that's great, have a conversation with the neighborhood, so we have done that.

This is the existing site with the building here. You'll notice what I'm calling the event plaza is rectangular. It sits right there. The existing stage, and we're calling it a band shell, is right there, and a game area that sits down there, that includes shuffle board, bocce and horseshoes.
Now, when the city manager -- and its orientation is this way. Well, this is the existing park. You'll also notice there are vehicles parked there, there, there, there, there, and maybe even down there. There's a gate there and a gate there and emergency access that goes right through there like that currently. So that's kind of the criteria. And we're interested in reorganizing the existing functions at Armory Park.

When we had our conversation with the neighborhood, it turned into a history lesson. It really did. And it started with this photograph right here. Now, I have brought about half of the photographs that have been presented to us and that our historic rehabilitation is based upon.

You'll notice in this one, and it's from 1913, the sidewalks went -- made an X through the property and right exactly in the middle where those sidewalks intersected is a circle. Now --

You can go to the next one.

I show this slide only because of the -- well, it's historic in nature, the size of the vegetation. I think this is Armory Park and this is the children's library over here. I show it because of the light fixture which currently -- which this, I think, is a five-globe fixture. What's on site right now is a pole very similar
to this, only it's a two-globe, so we think they are --
they do have -- what's down there now does have historic
significance. We would leave those, but they could use
some paint and new globes.

This is the Armory Park side. This is the
children's museum. You can see the circle is still there.
This photograph is from the 1930s, but a building, the
armory, has appeared on site.

Next one.

You can still see the circle. This is the
building, I think there was a parade going on that day,
and a band shell was right here on the front of the
building. It was not -- current -- today it's over here.
Originally, historically, it was on the front of the
building and it was about 45 feet across. And there's the
circle and the sidewalks coming in.

I want you to notice in this photograph the
geometry of the park, and the commitment to geometry in
the park not with just the paved surfaces but also with
the landscape. The palm trees are one, two, three, four,
the same over here, one, two, three, four, the same out
here, a commitment to geometry.

Okay. We can go on.

Just a closeup, I think, taken on the same day,
same parade. The band shell they're setting up for an
event, the geometry of the palm trees, the geometry of the entire park.

Okay. Go ahead.

Why am I showing -- I'm showing this -- here's the children's museum. This is the armory building. This is the band shell on the front of the building.

Next one, please.

And this is it. This was the front of the armory building at Armory Park and this was the stage. And I think it's about 45 feet from there to there.

Now, you will notice that the base of this stage -- well, I don't know if you can notice or not. I would tell you that is a stone face on the base of the stage. We think it is called A Mountain quarry stone at the base of the stage.

Next one.

Here is what -- in our conversation with the neighborhood, speaking only for myself, it has been a kind of partnership relationship. As we learned the history of the property, this is what we developed. You can see the circle. That is 130 feet across. That's a 65-foot diameter. That is the location of the old circle. You can see underneath that is where the current rectangle event plaza is. And here, that's -- that's the existing sidewalk, existing sidewalk. There's the circle.
The material in this circle primarily, I think, should be exposed aggregate with small aggregate no larger than a half an inch in size because back in the very first photograph that we showed you, it probably wasn't even paved then. It was probably just a compacted aggregate, and so exposed aggregate takes its inspiration from the -- from before it was even paved. And you will see the aggregate.

We think it's important that's in these spaces here the striping I'm calling brick header that's running through the circle. Now, the brick header -- first let me say it will be in the configuration that we're showing to define and accentuate the diagonals -- the old original diagonals running through the site, we want to accentuate those. This is old broom finish gray concrete while this will be exposed ag. Right there and running through, we'll have the old just broom finish gray concrete running through the space and then exiting that way and exiting that way.

We have defined -- well, let me talk about the brick header which runs around the outside and defines those sidewalks takes its inspiration from two places. One, depending on how you look at it, this side of this building is all brick and this is the main entrance to the building, and this is a large brick patio and sidewalk
coming into the building. So everywhere there's a door on this side of the building, which is there, there and there, we will have brick much like the entry -- well, just like the entry on this side of the building also and in some ways more importantly, down at this intersection here, here, here and here. If we were to blow this up, you would see that there is brick header -- well, we're not going to blow it up, but -- but brick header, brick stripes, are running through the concrete at this intersection here, here, here and here. So this becomes a kind of transient space, and then this becomes a kind of arrival space with brick striping and then big brick patios at the doors. This -- so that's the event plaza.

I'll go on to say -- I'll lastly say about that this sidewalk is 10 feet wide, so it will go through and exit 10 feet wide. This side here comes through 10 to there but exits 15 feet wide. And that is because of the emergency access thing that we have maintained through here and access to servicing the stage on event day.

The stage is here. It's not up against the building like it once was because right now the building has big double doors. That's the main entry to this side of the building. So this is 20 feet in here. There will be 20 feet of service kind of access behind the stage and a ramp up to the stage. And this entire 20 feet in here
is brick, a big brick patio that not only enters the --
the main entry on this side, but it's also an
architectural element much like is back here, a big area
of brick that connects in some way the stage to the front
of the building like it once was. The stage is three feet
tall. It has brick steps going up to it. It's just gray
cement on top, probably broom finish, but around the
edge and bottom of it is these stone -- the U of A quarry
stone face just like the old days.

CHAIRMAN MCCUSKER: You didn't say it, but
everything that's green is grass?

THE WITNESS: And everything that's green is
green. I was going to finish with that.

Well, actually it's not so. There are
different shades of green. This shade of green is grass.

This shade of green is not. It's like landscape
foundation planting not to exceed the height of the stage,
ot to exceed three feet in height, but -- and a stone
face on the stage. I don't know if I -- I said this is
brick steps access to the top of the stage. This is
handicap ramp access on the back of the stage, so when
you're setting up for an event, you set up here, you can
use the ramp or the steps.

Lastly, second to lastly, we would -- we are
recommending that we remove the game area, the shuffle
board, bocce and horseshoe, remove it and grass it.
And -- well, irrigation system and grass. Now, that's not
grass seed but gas sod where we just roll it out and it is
a lawn the very next day.

Since the game -- since the gaming area is
coming out, what we would put back in that area are palm
trees, 30-foot tall mature palm trees, date, date, date,
fan, just like what is out there right now here, just like
I pointed out on the historic photographs. And, lastly,
on site right now is three palms. And in order to comply
with the historic geometry, we would add one palm, a date
palm, there.

In this area here where the existing stage
comes out, that would -- just like over here, we would
irrigate that and sod it with new turf grass.

And -- and, you know, it's -- it's just simple
and that's it. It's kind of an elegantly simple --

CHAIRMAN MCCUSKER: Talk about the monuments
and some of the other things that are --

MR. KAVANAUGH: Well, the monuments -- the
existing monuments are one, two, three. I might say that
at least one of them has the stone base at the base of it
that will be the same stone at the base of the stage, so
yeah, there are three existing monuments down there to
remain.
The -- these arrows -- there are two drinking fountains here to be relocated in a similar place, and the lights on site remain. This design works with the existing lights.

What I just completely forgot to mention is that on the other side of the circle where this sidewalk comes through and exits, we would add one, two three and one, two, three Italian cypress trees, the same tree that is out there now doing the -- the geometric landscape entry along the diagonal sidewalks. We would pick that up on the other side as you leave the circle, and so the landscape plan is just geometry palm trees, geometry Italian cypress and low flowering foundation planting against the building and at the base of the stage.

Oh, geez, Fletcher, lastly, I promise, this stage is roughly 40 by 40, which is 1,600 square feet. There are four little squares on there. That would be the pillars that would support this. We would cover these -- the new stage, 1,600 square foot stage, with a 1,500 square foot prefabricated band shell that I'm showing down here. We would -- we would have stone pillars up here and then the -- the supports for the band shell coming out of the pillars. This has a stone face on it. End of story.

MS. COX: Ken, you talked about removing the game area and you had a lot of input from the neighbors.
I assume they're the ones who primarily played games there. Were they supportive of changing out that game area?

THE WITNESS: Well, I don't know if I would make that assumption or not. However, yes, we have had conversations with the neighbors about that. Now, I'm -- I think -- when you say they're the ones that use it, I don't -- I wouldn't make that assumption. Now, that may be true. I wouldn't go there because I think people from a larger area than just this neighborhood come use the senior citizens center.

Now, what we have heard and what I have observed down there is, you know, that armory building that I was showing you in past photographs, it was like this big. Well, this current building is -- the old building is like a third of the size of this building down here now. And I think and have observed that mostly, almost always, the -- the senior citizen activities at this park are being done inside this new big building.

MR. MARQUEZ: And, Ken, I was down there this weekend and I noticed there's different elevations to the grass. And you're saying you're going to re-sod. Is there any recommendation for adjustment to actually level the -- the fields that's it's actually a nice, flat surface?
MR. KAVANAUGH: Well, yes. In fact, you said it. When the existing game area and the existing band shell and the existing event plaza are demoed, demolition is done, then all of those areas -- that entire area will be graded flat, and then some of it will be paved and some of it will be grass.

The beauty that occurred to me during this is that, you know, if it's not raining, there's really no difference -- as far as spectator area goes, there's really no difference between paving and grass. You can use both for event viewing, so --

CHAIRMAN MCCUSKER: Jannie, to your point, we couldn't find anybody to defend the bocce ball or shuffle board areas.

MR. KAVANAUGH: We do have support.

CHAIRMAN MCCUSKER: Nobody uses them. They're not regulation, we've heard. They're trip hazards for the most part. I was concerned when we initiated this that somebody was going to chain themselves to the shuffle board court, our precious shuffle board court. No one that we've talked to --

MS. COX: I assumed that. I assumed that, but I just needed --

MR. KAVANAUGH: I just never say no.

MR. SHEAFE: Well, it is popular but apparently
MR. KAVANAUGH: This is a popular place, but there are a lot of activities inside the building.

MR. SHEAFE: Well, you know, I'm a developer at Rancho Del Lago and out there we have a shuffle board facility. And I'll tell you, you can go there any day of the week and it's being used.

CHAIRMAN MCCUSKER: A couple of comment on the band shell. This is not rigged for sound. It's not designed for any particular type of use. It could be Shakespeare in the Park or it could be a, you know, symphony, a rock band. There's really up to the user to rig it. So it was basically just to restore a space and to create flexibility for the users. There are a lot of uses in this from political events to sporting events to gatherings to musical events. We didn't really prejudice this in terms of any particular use but to basically make it more usable to anyone that wants to use it for any reason. And you can talk about the cost. Are you going to --

MR. KAVANAUGH: If you'd like me to. All we've done is reorganize what is down there sympathetic to its historic context. When we had or conversation with the neighbors, they're all about the history of the place, and so -- but we're just reorganizing what's down there
already.

CHAIRMAN MCCUSKER: I'm talking about the price tag.

THE WITNESS: It's a work in progress. We still have to do, you know, working drawings. What I -- the most accurate and honest answer right now is that it will cost within 10 percent of $450,000 for what you're looking at. Now, what that means is -- well, 405 to 495.

CHAIRMAN MCCUSKER: Okay. And the --

THE WITNESS: The first number will be a four.

CHAIRMAN MCCUSKER: The process -- this is an historical property. I think we've submitted to the commission --

MR. KAVANAUGH: Today. I'm proud to say we did that today and it should be on an official neighborhood agenda for November 20.

MR. IRVIN: Fletcher, can you also talk about what -- like the million and a half bucks that the city has got planned in part of their parks referendum? Can you just touch -- they're not touching any of this stuff. There's just more restrooms and other things, but can you touch on that?

CHAIRMAN MCCUSKER: Yeah. So we haven't seen anything that would rehabilitate the park. In the city bond proposal, they're operating to light it, to add some
restrooms, you know, maybe modernize, my word, the park.

This is kind of, as Ken said, an evolving effort thateally was in concert with the neighbors, the preservation
people who know this park historically. We saw the value
in terms of our commitment to this and its restoration.

There's nothing in the city's bond package that would do
that. I can say if we don't do this, it's likely not to
get done.

MR. IRVIN: Right.

CHAIRMAN MCCUSKER: And what you will have then
is still a dysfunctional park with a dysfunctional band
shell oriented to the wrong direction. Unusable bocce and
shuffle board courts would now have a bathroom and lights.

Edmund.

MR. MARQUEZ: I really appreciate the fact that
you went to the neighbors. It's very important obviously.

What was the general feedback from the neighborhood?

MR. KAVANAUGH: Well, I don't know if some of
them are there. I -- I feel like their partner. I feel
like this plan is -- is the evolution of a kind of
partnership with the neighbors and we arrived at this
together.

MR. MARQUEZ: Excellent.

MR. KAVANAUGH: I don't know. There are some
of them here, I -- well --
CHAIRMAN MCCUSKER: We're going to find out.

MR. KAVANAUGH: That's how I feel. Yeah, we're going to find out.

CHAIRMAN MCCUSKER: Any other questions for Ken?

MR. MARQUEZ: Thank you.

MS. COX: Ken, great job.

CHAIRMAN MCCUSKER: Whether you filled out a call or not, we're going to open up comments specific to this agenda item, Armory Park.

Brandi, you might have some calls signed, but if you want to speak, just literally raise your hand and we'll make sure you get a chance to do that.

A couple of rules of engagement in audience participation. This is kind of a change in the schedule, to call the audience, but our rules are quite simple and quite legal. You're allowed three minutes. You can say anything you want during those three minutes. We are, however, not allowed to interact with you, so this is a one-way conversation. You get to tell us what's ever on your mind as it relates to this. We'll keep track of the time. We're not crazy about it, but try and keep your remarks to three minutes or less, and then we'll move back to the board after you've had a chance to have some input. And, again, if you didn't fill out a card, just raise your
hands, so there's no particular order.

Elizabeth Burton.

THE WITNESS: Can I defer and have Martha go first? She was the other card.

CHAIRMAN MCCUSKER: Sure. Martha McClements.

MS. MCCLEMENTS: Hi. My name is Martha McClements. I'm the chairperson of the Armory Park Historic Zone Advisory Board. And we have seen the presentation and very happy to hear that you have an HPZ number now because you will have to come back and do -- with your final drawings to go through our approval with this process because it is in the historic preservation zone.

Let me be clear. We are not the neighborhood association of which you are about to hear some people, so at this point, if your committee wanted to come and talk to the neighborhood association, that would probably be a good thing because I know for a fact some of the people do use the -- the shuffle boards for -- God knows if it's shuffle board but some kind of an event.

When we met with you, we as the historic advisory board are pleased with the plans as presented. We would like to make sure that the plants that are still there and the trees that are still there are representative on the drawing. Have you updated it since
your last presentation?

MR. KAVANAUGH: Yes.


Remember, it's a neighborhood park. It's not a regional park. That has been pointed out to me. And I will see you on the agenda on the 20th. You don't have to go through the entire thing for the board since you've gone through us once before. Big sigh of relief there. We don't want to waste your time, but I'm sure you will get some feedback if not today. And if you ask for feedback from the neighborhood, we're vocal, so -- as you can see, we tend to show up.

Thank you very much.

CHAIRMAN MCCUSKER: Okay. Liz.

MS. BURTON: Good afternoon, everyone. My name's Elizabeth Burton. I'm a resident of Armory Park. I have the honor and privilege of serving as president of the neighborhood association. And thank you for the opportunity to address this committee.

I just have a couple of observations and comments about not the design, which I think is wonderful. One really is the intent beyond creating a usable space for this neighborhood park. I would agree with Martha -- or maybe she didn't say this, but I'll say this. I think it would be good to engage the neighborhood in a
conversation about that neighborhood park and what the neighborhood's desires for it for the future are with the kinds of upgrades that you're talking about.

So it prompts a question for me in terms of why 1940. Why is that the date that is being looked at to restore to and not something else. And I know we can't interact, but that was the question that came up to me.

As a neighbor park, I would agree that it's not as functional as we would like it to be, but it's, I think, more functional than people realize and used by more than just homeless persons. My granddaughter and I when she is in town use that park on a regular basis. She learned to ride her bike there. We kicked ball there. There are charter schools who use it now for their playground and the like.

And so I think as we look to infrastructure and relandscaping to keep both past and present and future uses in mind would be very important for a nearly half a million dollar investment. I think that thinking through the kinds of events that the infrastructure may support is a very important part of this process as well as the kinds of events that help to foster -- can the infrastructure help to foster more neighborhood connection, not less.

So those are some of the kinds of issues I think need to be a part of the process before you decide
exactly what infrastructure improvements you're going to make.

Thank you.

CHAIRMAN MCCUSKER: Anybody else want to speak to Armory Park?

MS. COOPER: I'll speak.

CHAIRMAN MCCUSKER: We just need your name.

THE WITNESS: I'm Anne Cooper. I'm the president of the Armory Park Neighborhood Association, not the historic association.

Fletcher has come to -- came to our last meeting and talked about the upgrades to Armory Park. We have not had you come and I would like to see that happen. I think it would be important to get the neighborhood feedback. We have a meeting tonight. It's probably a little late to have you come, but we meet once a month and I will talk to Fletcher and see what we can do about having you come and make this presentation.

Again, I think what you're proposing is wonderful. I think it's -- it's -- it's -- it will be -- it will make the neighborhood want to utilize the park even more so, but I -- I think it's important that we get the feedback and the input from the neighbors.

Thank you.

CHAIRMAN MCCUSKER: Anybody else?
Okay. Thank you. I'm going to close the audience section of this.

A couple of things that we're trying to do and maybe trying not to do. This is an historical park. We looked at kind of things that are traditional amenities in other parks, swing sets and spinning around things and teeter-totters. That's totally contrary to what the preservationists in fact would allow.

The time period of reference is really the last time anyone can identify the park post the senior center. And at some point if you're going to do a historical rehabilitation, you have to pick a period. If you go all the way back to 1913, it basically was a parade ground, just an empty field, you know, so at some point, we have to pick a process.

We're not the final decision in this. We're enabling some state dollars to potentially go into this, but ultimately the city would have to approve this. Clearly the neighbors have to engage. We wouldn't do anything contrary to neighbor desires. And ultimately I think Ken's demonstrated a great deal of flexibility as it evolves. This may not be the final thing, but there are a number of forces that bear on this. Historical preservation is one. And if we wanted to put a big merry-go-round in that park, we couldn't. You know, so
there are certain limitations to what you can do and can't do as opposed to something like a Reid Park when you're trying to create more of a public gathering.

From our perspective and people we talked to, this is already a public gathering place. That picture that Ken showed is the rodeo parade circa 1914 and still is the grounds where the parade of lights is launched and the El Tour de Tucson is launched. Any political event that I can think of recently started and had been held in Armory Park. There are a number of musical uses for that now. I think the city is going to have to wrestle with, you know, what they'll let go in there and what decibel level they let go in there, but, you know, there are a lot of appropriate uses.

We've seen other parks in other cities that have routine plays which are audible in a small venue like that. The reason that the band shell is curved is to create the kind of flexibility you would have for any use. It's not designed to be a music stage, it's not designed to be a theater stage, but literally anything that you wanted to put there you could put there.

So my interest was, A, to improve the park, make it something that as Rio Nuevo we could be proud of and something the neighborhood could be proud of. We really have nothing to say about how it's used.
I think Ken's demonstrated -- I'm perfectly willing to -- we may not be on your agenda tonight, but, you know, I think anything that you do to approve this basically would earmark some money and instruct us to continue the process to whereby we would continue to present to the city, to the planning and development people, the historical commission and to the neighborhood and other stakeholders this plan.

And ultimately I think, Mr. Collins, it would probably have to come back here before we finalized anything.

MR. COLLINS: Mr. Chairman, I agree with that.

CHAIRMAN MCCUSKER: So given all that, what is your pleasure?

MR. IRVIN: It sounds like we need to make a motion that allocates a certain amount of money. I'm thinking half a million dollars to allow us to go and price this and take some of those next steps. Obviously it has to be sold to the city and other stakeholders, but the first step is, you know, this board's willingness to move forward with upwards of a half a million dollars subject to working out all the other issues with the city and other stakeholders.

So I'd like to make a motion that we authorize that to move forward. Obviously it needs to come back to
the board to authorize upwards of a half a million
dollars in this subject to a study, Ken finishing the
study, and having that come back to us with the
neighborhood. And obviously you to have the city of
Tucson's approval, but up to a half a million dollars.

MR. MARQUEZ: Second.

MR. SHEAFE: You say the city's approval. Are
you referring to the neighbors? Are you referring to --

MR. IRVIN: I'm referring to both the city
council and we definitely need neighborhood input, all of
it.

MR. MARQUEZ: I'll still second.

CHAIRMAN MCCUSKER: I have a very long-winded
motion and a second, but I think we get the drift. We'll
continue to advance that and then bring it all back good,
bad or ugly.

So, Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez.

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Jannie Cox.

MS. COX: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe.

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin.

MR. IRVIN: Aye.
MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN MCCUSKER: Aye.

So we're unanimous on that. Thank you for your input. And, Ken, thanks for all the hard work. You're out of here.

Item number eight --

MR. SHEAFE: It's okay. You can stay if you want to be entertained.

CHAIRMAN MCCUSKER: Item number eight I'm going to table, but let me kind of preface the conversation.

The downtown YMCA, the Lohse YMCA, is going through a strategic initiative to kind of look at the Y and how it fits better into an urban environment. They've studied Y's in L.A. and Philadelphia. Part of the conversation is to create some retail on the street level of the Y. And they've asked if Rio Nuevo would help. Our response to that any time somebody says the word retail out loud is, sure, we would like to help. What we don't have today is what that would look like nor the forecasts that we typically look at when we try to enable retail, so you'll probably see that on a future agenda as we encourage the YMCA to finalize their plans.

MR. IRVIN: You know, one thing I might add to that, Fletcher, is, you know, one of the first things that the Y had to do was decide in their capital campaign what
were they going to do relative to a capital campaign. I think one of best decisions that they made was rather than doling money out amongst a handful of Y's, that they picked a project. And obviously we're excited because it's the downtown Y. And, you know, those conversations really started because a number of people went and looked at the Y and said, you know, I just don't think that's going to fit what we're trying to do.

So I applaud them trying to figure out a way to, you know, put a downtown Y stake on the map like they have in every other community where you have a YMCA downtown. It's well known. It's on every map and people cherish and love to go down there. So I love it, especially with the bicycling piece tied to it.

CHAIRMAN MCCUSKER: Okay. Watch for that on a future agenda.

Item nine, the Volvo site, we're not making Volvos, but this is the affectionate term for the site at Park and Broadway.

Sloane, I think you're here. The city I think everybody knows submitted a request for proposals and basically a bid treating this as surplus property. Sloane McFarland and his team who own the Welcome Diner are the awardee, is the technical term in government procurement, and they're trying to advance their plans again because it
would have a significant impact on sales tax. We've offered to participate.

So having said that, Sloane, we'll turn it over to you.

MR. MCFARLAND: Hi. How are you. Thank you all for having me here today.

CHAIRMAN MCCUSKER: Start with your name and --

THE WITNESS: Sure. My name is Sloane McFarland, principal of Martha & Mary, a development entity that we run, as well as Welcome Hospitality who runs Welcome Diner at --

CHAIRMAN MCCUSKER: Do you have that on a Power -- can you go to a slide show or is that PDF?

MS. HAGA-BLACKMAN: It's PDF.

MR. MCFARLAND: So this was the -- this was the RFP response for the site at Volvo. And I think it might be great to -- I'll move around in a minute, but I would probably like to get some focus on what -- where the site is.

There we go.

We own, control and operate the site that says Martha & Mary Welcome Hospitality. We -- as well we own the other two sites that are in red. We purchased those over the last couple years. And then the Volvo site is in yellow, and -- and we've been awarded that RFP.
Just a quick background. Born here in Arizona, started as an artist. My family was in real estate and I kind of got my -- my -- my first projects were -- going back now 20 years were -- are community and field development projects, so I come at it from an artist's perspective. I see things as community vehicles. We don't just do buildings, we don't just do food. We work with farmers, we work with artisans and we're interested in putting together an experience.

The reason that this project began was -- came out of one very, very simple thing, which was a 1964 diner, which was a Sambo's, and when we purchased it, it was a Chaffin's. The building was possibly going to be torn down. It was being sold as is. And our perspective was, what, that can't happen, so we renovated the building and I'm working with Alex Shafe and the owner to talk about some bigger ideas. And Alex is an amazing community member and we talked about some of the parcels in the back here, the fact that the Volvo site might come up for sale at some point and started thinking about how could the Welcome Diner, this historic building, this building that's in the crossroads between downtown and Sunshine Mile and campus and South Tucson, how could that all coalesce really in a crossroads sort of opportunity here.

We are looking at and what we proposed -- this
is about a 60-page document. Bear with me. This is a --
kind of a -- an area map. Number five is the site that we
were just looking at. Six is the Sunshine Mile, which, of
course, is a huge upcoming opportunity -- visionary
opportunity of future development. We have the -- the --
generically the barrio at two, the mercado at one,
downtown at three, U of A, four. It speaks to the Gateway
nature of kind of where I think this site sits.

We would -- we like the -- this is kind of an
oversight and a concept drawing. We like -- number one is
where the -- where the diner is and number two is the
existing Volvo building. And number three, you can't
really tell by looking at it if you've driven by it. It
looks like a building that was plopped there in the '80s,
but it's actually a 1940s service station, Standard Oil.
It's a fantastic building.

We're looking at how we can bring all these
assets together and build upon their -- their history and
where they sit in the San Antonio neighborhood, where they
sit in the crossroads for City of Tucson and bring our --
our particular approach, which is community-oriented
infill development focused around food and beverage,
focused around meeting and unique ways that engage things
like farmers and wine makers and -- and such.

If you look at this -- this particular site,
and, again, this is a concept site. I ought to probably focus -- focus on -- on -- on that note once I walk through this. The -- the thought here is that we could activate two along with our -- our existing diner and some kind of a food and beverage capacity, retail capacity, create -- number four, kind of create some kind of a -- I call it mercado sort of feeling but something that's inside that has some element of public space. Eight is a hotel. It's inwardly directed. And three is the existing Standard Oil building.

Now, what -- what I want to share about the site itself is the very unique aspect of the -- here's just some kind of different images that kind of run with that. I'll try to let it stand there. Part of the process of the -- the welcome -- this idea and the idea of the Volvo project is very unique in that the RFP expresses -- expresses an intention to not only work with the neighborhood and work on the scale of it with the neighborhood but to potentially look at the existing buildings, but it also asks to have some density to it. So part of the process that the city's engaged in this RFP is to go through a PAD -- a PAD approval. And so probably about 90 percent of that's been completed with neighborhood meetings and different proposals, not necessarily with our specific vision but with a vision of
density type of uses, so, for example, no billboards.
There is a desire not to do big box retail, to do some of
these more neighborhood, more infill sort of pieces, how
to approach landscaping, how to approach environmental
features.

So all that's been collated through a
preliminary PAD process through the city. The city as
part of this RFP is asking us now to take the lead to
complete that, and so we will not know -- we need to
complete that -- that process before we know exactly what
we're building.

But I think what's important to express is, you
know, our perspective in, you know, again, where the site
sits as a gateway site, our general intention and what
we've been doing for 20 years now in terms of infill
community, artist-driven development and some of the
directions that we're taking from the neighborhood and
from the site specifically such as the existing Mobile
building and the Standard Oil project.

So I expected to have a very similar direction
of the work that we've already done with the Welcome
Diner, which we've really enjoyed building that team and
building that experience.

CHAIRMAN MCCUSKER: Sloane, when you talk about
where you are with the city and closing and -- you know,
kind of walk us through what the next steps are and the timing of those and, you know, when your money goes at risk, you know, the economics, really, of the --

MR. MCFARLAND: Yeah, sure. So, again, it was a very unusual RFP process in that this PAD component's there, so contractually we -- there's a period of time that the closing -- that we're given to complete the PAD.

And in that process, there's a due diligence period, what's called an inspection period in the contract, where we're, you know, looking at -- we're doing all the typical stuff one does when you exchange property. We're looking at building inspections, environmental reports, surveys, all those -- all those typical things.

So we are -- we are in the process of completing the PAD because that will be necessitated to close, but working backwards, we're in the inspection period. And the inspection period has a -- a period of time --

Keri might be best to speak to that, where we are exactly.

MS. SILVYN: November 29th.

MR. MCFARLAND: The 29th?


MR. MCFARLAND: So currently that comes to past November 29th where our initial monies go nonrefundable,
and then we get locked into the purchase and the -- the PAD direction.

CHAIRMAN MCCUSKER: What happens if the PAD goes south, if it doesn't get approved, it's so offensive to the neighborhood, I mean, because it sounds like there's a lot of contingencies that have to occurred in order for you to do anything.

MR. MCFARLAND: Yeah, it's very malleable. We're -- we're kind of -- we're a very unique player in that we -- we -- in having property that's adjacent to it and having such a strong development vision for it, we are -- are -- are very excited about what can be there. But that's very unusual for a developer. Usually they want to have all the certainties figured out on the front end. So this is something that we're working through and managing through, how to take the risk of our money, you know, becoming nonrefundable before we know really what we build. The process is very clear that we need to -- we to go through the PAD and we need to make the -- we need to purchase this with that approved. And even though we've -- a lot of the meetings have been completed and we've -- we've had many neighborhood meetings, et cetera, the reality is that that's -- that's a process that we don't control and could fall apart.

CHAIRMAN MCCUSKER: Do you have a range of
kinds of scale and budget, so, you know, at a minimum --

THE WITNESS: Keri was reminding me that we don't close if we're not approved.

CHAIRMAN MCCUSKER: Right. So at a minimum, do you have kind of a minimum to maximum scale in terms of cost and density? You know --

MR. MCFARLAND: Yeah.

CHAIRMAN MCCUSKER: -- we're having some trouble, frankly, honing in on --

MR. MCFARLAND: Right, right.

CHAIRMAN MCCUSKER: -- the economics of all this.

MR. MCFARLAND: Yeah, exactly. So --

CHAIRMAN MCCUSKER: Is there a minimum under which you pull the trigger?

MR. MCFARLAND: In terms of purchase price or construction?

CHAIRMAN MCCUSKER: Not the price but project scope and scale and, you know, you do something relatively small and affordable versus, you know, something big and, you know, multiple levels and expensive. It sounds like you're kind of going through that.

MR. MCFARLAND: Oh, we're very much going through that. And I think that's -- that's part of the opportunity here, is to really find the scale in such a
way that it meets the maximum kind of community impact and
kind of artistic impact in terms of the value it brings
but also the reality of the economic -- the economics
working.

So is your question specifically what is the --

CHAIRMAN MCCUSKER: What do you think is the
minimum amount you would invest, you and your partners, a
total project kind of scope?

MR. MCFARLAND: Right. Right. It's -- the
minimum is probably about $5 million and the maximum is --

CHAIRMAN MCCUSKER: Above the purchase of the
land, so just the project cost after the land is
purchased.

MR. MCFARLAND: Yeah. Well, the -- it depends
on how on look at that. We have X amount that we've
already invested, so if you want to include that --

CHAIRMAN MCCUSKER: That's has nothing to do
with --

THE WITNESS: That's one number.

CHAIRMAN MCCUSKER: Five million on a small
scale.

THE WITNESS: Yeah, I think above and beyond
the purchase price, I mean, I think the very minimum
project is somewhere in that kind of 2 to 3 million-dollar
range. Maximum is $60 million.
MR. IRVIN: Are you off of the hotel? I know at one point in time you had discussed doing a hotel there, Sloane. I know we've had a lot of great hotel announcements. And my impression was that it slowed you down, or have you changed your thought process?

MR. MCFARLAND: Well, we're -- I think the CBRE analysis is a real thing and I think that's the beautiful thing about where the market is right now. I think there is room for an additional hotel. I think it adds a little more dynamic because things are happening and moving. We do have relationships with hotel operators that are very much interested in the idea -- the ideas that I expressed and the type of product that I expressed, so we're -- we're working through that. That -- I would say only it slowed us down in that the -- that it -- the effort to build more hotel rooms in downtown Tucson has been successful, which is great.

MR. IRVIN: So, you know, I know just about every other project we've done we've had a real clear understanding and idea of what we're going to do. And I think what we're struggling with with yours is we're not sure what you're going to do and I think we need to get a little better clarity on that.

MR. MCFARLAND: Well, I do think that the concept, if I may go back to it, really does -- and there
is -- you know, for the -- for the -- this is a public record and -- and I kind of skated over this, but this -- this really does -- this document is -- however many pages it is, 15 pages -- is a direct reflection of the certain components that were required for us to -- to demonstrate our approach. And -- and I think our approach does speak to some specificity as to the type of -- of what will be part of the product mix.

So if you look at this, if you take that narrative of what -- of the -- some of the specificity approach, we -- we like additional food and beverage, we like to see -- again, I think the mercado is a fantastic example of something that mixes retail, food and beverage, public space. It doesn't have the density. It has density around it, not density within its square. This site would be different in that it would have a density component. But, you know, I think that -- I think that it will take time to figure out exactly what goes into the space.

MR. IRVIN: I guess my point is, if you look at the other projects that we we're doing, we knew exactly what was going into those spaces.

MR. MCFARLAND: Correct.

MR. IRVIN: I don't speak for anybody else, but I know for some of us it causes a concern not knowing
exactly what your plan is. I know we talked about a plan, and then some of that's kind of changed, so --

MR. MCFARLAND: Yeah. Well, I think the biggest issue that's changed is that the city's position ended up being that they would like -- on one hand, it's saying that they want to maintain -- they -- they would like to see a portion of the -- the historic buildings looked at and dealt with, how that might incorporate, but it's also looking at a maximum density as well. And so I think if anything, there's been -- through the -- the PAD process that's happened to this point with the neighborhood and with the city, there's -- there's the potential for more density on the site than what was in my concept plan.

So I think that -- I think that -- I wouldn't say that the specificity of understanding the value of the site being a gateway site hasn't changed. And in that is those elements that I mentioned, the food and beverage, the gathering space, the retail space. We would like to continue in the hotel direction. The question just really is at what density and where is the massing.

CHAIRMAN MCCUSKER: The issue we're having is the ask is about 2 million bucks.

MR. MCFARLAND: Right.

CHAIRMAN MCCUSKER: And it's not atypical for
us. You know, is it 2 million on a 25 million-dollar project, is it 2 million on a 5 million-dollar project? The terms of that would be dramatically different from us and you and, you know, ultimately the deal. So, you know, we're trying to help you close, that's the obvious issue, but the only thing that's going to go at risk right now is the earnest money. So you don't really need our money and you don't need your money and there's really no money unless the project moves forward, and then at some point, we could make a better educated guess about, you know, our investment vis-a-vis your investment.

I assume part of what you're trying to do is to understand your commitments, you know, equity investors, lenders, Rio Nuevo, before your earnest money goes hard. Is that a safe assumption?

Keri, you're welcome to the table. Welcome to the adult table.

MS. SILVYN: Keri Silvyn with Lazarus, Silvyn & Bangs.

CHAIRMAN MCCUSKER: Keri Silvyn.

MS. SILVYN: Yes, S-i-l-v-y-n.

A couple of things that I think I may be able to add.

This is -- this is a weird project in the way that the city RFP was working because the PAD is -- while
there's been a lot of public engagement, as Sloane indicated, it hasn't even started yet in the official PAD process, but there is a sense of what we need to provide. So we don't know what the uses are, we don't know what the densities are, but we're going to be starting that now.

So the issue, Fletcher, I think you're the one who just mentioned this, is that Sloane and his team need to know what this looks like and what Rio Nuevo's commitment might be at the closing because he doesn't need the money kind of up -- up front in the escrow piece of it, and then we're going to be going through the PAD process. And as we do that, Rio Nuevo -- we can make sure we're noticing Rio Nuevo of all the meetings. I'm sure what you would love to do is add another meeting to any of your schedules, but we can also come back and report how this is going, what this is looking like, what the maximum densities are looking like.

We do have an addendum to the offer, which I believe you have, that talks about some of the limitations that are already -- that are part of the RFP relative to some of the uses. The base zoning is OCR-1, so that provides a tremendous amount of height. The question's going to be they also would like us to explore saving some of the buildings that are there. And as you do that, it makes certain portions of the property very difficult
to -- to maximize that height. So those are the kinds of
tings that we're going to have to work through with the
neighbors and work through during the PAD process, which
all has to happen before closing.

MR. MARQUEZ: So, Keri and Sloane, the city's
pushing back on you on the historic perspective. I'm kind
of looking at this design here and cognizant that our --
our district runs through the middle of it. If I look at
what you're proposing within our district -- we're
attracted to sales tax, period. We are sales tax hungry.
The Welcome Diner that's already existing in spot number
one, I've got maybe a coffee shop or a bakery, and I've
got a recording studio. The hotel's not even within our
district.

I kind of echo Mark. We don't -- it's very --
and I'm with you. RFPs are a little funky, so it's hard
to kind of grasp this, but really hard, I think, to get
our appetite at this point because we don't know what your
project is and what you're ask is. And if your total bill
is going to be five million, that's not a lot of juice for
the squeeze.

MS. SILVYN: And to be clear, there is no
restriction in the current RFP that we have to save the
buildings. That has come out from some of the
neighborhood groups. I mentioned there were a tremendous
numbers of neighborhood meetings. But recently there have also been some voices from some of the neighborhoods saying, well, hold on a second, this is an arterial, this is really where we should be having the density. So there's some internal conflict in some of the feedback from some of the neighbors who have been engaged that we're going to have to work through in the PAD, but there is no requirement within the RFP to save the existing buildings.

MR. MARQUEZ: It also comes down to the quality of the sales tax generation, the ROI. Look at us historically. We're a 10 to one return. I would just keep that in mind as you move forward with your PAD.

MS. SILVYN: And a couple things that we -- we had some discussions. I think you all may have had some discussions before I got involved in the project with the idea your traditional investment is TPT, transaction privilege tax reinvestment, and/or a GPLET. Those we've acknowledged at this point it's too early to even engage in those discussions for exactly this reason. We don't know what we're developing. We can't give you the numbers. We can't do the economic analysis yet. It's coming. So some of your traditional investments we've acknowledged from the very beginning are not on the table at the moment.
CHAIRMAN MCCUSKER: We also invest in seed funds. We have a lot of projects. But as Mark indicated, we know better what the leverage is. And it's interesting because you're really not obligated to do anything.

Is there any possibility that the 2 million-dollar ask goes up? You know, if you're going to do a 50 million-dollar project, will you need more than what the current ask is? Can you address that this early?

MS. SILVYN: Well, I'm going to take a crack at it. Someone correct me. I think -- for purposes of actual seed money and investment in the land, I think the answer's no. We've figured that out. We know what the purchase price is. The question is whether or not it turns into a much larger project. And there's a potential exploration of some of those other tools we just talked about, that yeah, we may want to come back and have that discussion but not -- not until we know what we're doing.

MR. MCFARLAND: My understanding as well, and maybe I'm incorrect, is there's an economic return and they're also a return from a -- from a community investment point of view as well as part of the underwriting to -- to this.

MR. MARQUEZ: In regards to like what the ROI is if you're adding in the community?

MR. MCFARLAND: Well, yeah, the -- the --
there's a -- you know, all the projects that I've -- I've
looked at and seen people have done have been incredibly
impactful to whatever neighborhoods they're in or whatever
larger goals there are.

MR. MARQUEZ: We usually look at total built in
relation to how much money we put in. There's the 10 to
one.

MR. MCFARLAND: Yeah.

MR. MARQUEZ: But on top of that, we look at
economic impact.

CHAIRMAN MCCUSKER: One of the things we might
consider -- you know, the advantage of us doing this as a
public meeting is we discuss these things in public, but
maybe we share the earnest money risk, because none of us
today can really identify what's going to happen or what
your ultimate project's going to look like or how we're
asked to participate. And only thing that's really urgent
right now is 175,000 or -- what's the current earnest
money deposit that goes nonrefundable?

MR. MCFARLAND: Roughly that number.

MR. SHEAFE: We're very, very premature on
this. And our board, what we're trying to do is encourage
people to move forward, so we're looking for every way we
can --

MR. MCFARLAND: Right.
MR. SHEAFE: -- to make that development path, but we just cannot at the same time make commitments that are unclear as to what the return would be and how the economics really work. And so I'm just speaking for myself. I'm wondering what the city's going to do if you say, yeah, we're just not going to go hard, period, and we'll handle this later when you guys give us the time to go through the process that you've imposed on us to get to a point to where we can go get the --

MR. MCFARLAND: Well, I think one of the reasons we've invested so heavily, again, we've now purchased three properties, we actually operate a business in one of them, and why we're strategically looking at this is that we like to look at what's -- what is -- how do we create the project at multiple levels, whether it's a $60 million project or it's a five million-dollar project. So this -- where we stand today is we're looking to -- with the purchase price set as it is, with the -- the proposal that you all are looking at, we're really looking at a return on those dollars based on the -- the buildings that are there and looking at the -- the additional value that we can have down the road.

So the -- when you're looking at underwriting the investment, I think we're really looking at -- I just want to be very clear. We're not looking at a
60 million-dollar project as the foundation of that or necessarily a 130-room hotel, which would be a medium size. We're looking at there's an existing -- when you look at the appraisal, there's an existing 18,000 square feet of building there adjacent to ours that has infrastructural buildout and the -- the participation in the purchase of this building really underwrites from that foundational level. Anything else is -- is above and beyond. So if you look at the appraisal and you look at the market valuation of what that -- that building as is, we're -- it -- it -- it underwrites for that purchase price and with our value added component and anything additional is additional. So I think there is a return that's existing.

MR. SHEAFE: Let me ask you a question just sort of directly.

MR. MCFARLAND: Uh-huh.

MR. SHEAFE: If we decide we're not going to participate until we have more specific plans, what does that do to your plans to go hard on the 29th?

MR. MCFARLAND: It puts us in a tough spot. I mean, I think that we're -- we're really looking at -- we're really looking at how to -- how to engage this process in a way. And, you know, it's not just $175,000 just to be clear, too. It's -- it's the -- it's a year's
worth of time and all the -- the -- the cost associated
with doing the underwriting of that and -- you know, it's
a project that we're passionate about, so I tend to -- I
tend to just move forward with things that I'm passionate
about because I want to see it exist, but it adds a
significant challenge to -- I mean, it's a significant
challenge. It's not a -- it's a significant challenge to
go nonrefundable with monies when there's -- there's still
a process that needs to be --

MR. SHEAFE: Well, you do own three of the
other parcels and the city's in a little bit of an awkward
position if you decide not to go hard in that they just
can't say, oh, well, we'll just stick somebody else in
there. I would think anybody else would be very
tentative, so maybe you're in a rather good position to
save the city. You've asked us to put some conditions in
place, but you haven't given us a time to do it. We're
not interested in going hard until we have that process --

MR. IRVIN: I'm not sure myself just splitting
an earnest money deposit does much more than just kick the
can down the road. First of all, we believe in you. We
wouldn't be sitting here having this conversation. You
know what we've done for other people downtown. You know
we want to help you, but it's really impossible to
responded to a hypothetical development plan. And I think
you're in a position right now where you've got some
developer's risk. And I agree with Chris. I think you
need to figure out what you're going to do with that
developer's risk. And once you get your plan a little bit
further along, come sit down and have a serious discussion
with us when you've got that plan. But I think for me to
try to respond to a hypothetical, I'm not really sure, but
I think we're going to do X, Y and Z, is not something I
can see myself supporting right now. Do I like what I
think you're going to do, yeah, but I'm not sure what
you're doing yet.

CHAIRMAN MCCUSKER: Do you have any issue
committing $2 million of our money subject to a final
plan?

MR. IRVIN: I think again, Fletcher, that in my
mind depends on the size of the overall plan, like you
testified, is it, you know, a $2.5 million plan, is it a
$5 million plan, is it a $60 million dollar plan. I think
my support or lack thereof would be really conditioned
upon what you're going to do, what's the size, what the
scope of the project.

MR. SHEAFE: But it has something to do with
how much retail is going to be created and how much tax
revenue is going to come out of it. We're way premature
on that.
MR. MCFARLAND: Well, I think part of the --
the glue in all this is that -- and this is kind of why I
was spending time on it earlier, is our -- our
perspective, and I think it's in general agreement, is
that this is a crossroads location that's going to have a
lot of impact, especially on Sunshine Mile.
And we're in a very unique time period where
the city's gone through the process of RFP. There's no
guarantee that that's going to happen again. And there's
no guarantee our investors who own the other part --
parcels are going to wait. You know, they've got their
money taken away. So I think -- I think that speaks
highly to our -- our -- our commitment to the project at
this point that we're -- we're -- we've -- you know,
we've -- we've gone hard with dollars. We own real real
estate. We're operating real businesses that have, I
believe, community impact that's demonstrated.

CHAIRMAN MCCUSKER: You asked the city for an
extension? Is there any flexibility or is this governed
by the --

MS. SILVYN: We are in the midst of working on
an extension of the inspection period, but the RFP was
very clear from the very beginning that it would be
subject to whoever wins the RFP doing the PAD process.
And while the closing is conditioned on the PAD, they're
not willing to extend the inspection period, the escrow
money being nonrefundable to that -- to that point in
time.

MR. MCFARLAND: If I may add one other element
that I think speaks to some of the questions you were --
were raising. You know, the -- the -- and I think,
Fletcher, you as well. The reason we haven't come in and
brought to the table like a construction number or
participation in that is because we really were trying to
look at it from a very foundational issue of the existing
asset. And I mentioned briefly to that earlier. But I
think the return is easily demonstrable from that
perspective if that's -- if that's an element that the
board needs to focus on.

It's not -- you know, it comes from an praised
value. There's a sitting asset there. We have an
operating history. We own the property around it, which
brings more value. There's a lift in all these things.
And we come from, you know, a 20-year history of building
projects like this, you know, where -- you know, coffee
shops have been around for 20 years that we started and
retail stores. And we brought, you know, folks like
Undefeated from Los Angeles into our buildings. We
brought James Beard award winners into our buildings, we
do a 20-acre site that does community events. We know how
to activate existing infill buildings and bring demonstrable measurable leverage value both economic and -- and community-wise, so I think that's measurable.

CHAIRMAN MCCUSKER: Are any of these other parcels encumbered? Do you have mortgages or --

MR. MCFARLAND: Correct. Yes.

CHAIRMAN MCCUSKER: They are?

MR. MCFARLAND: Uh-huh.

CHAIRMAN MCCUSKER: The Welcome Diner?

MR. MCFARLAND: Yes.

CHAIRMAN MCCUSKER: And the other two parcels?

MR. MCFARLAND: Correct. Yes.

So, you know, I wonder -- that's something that just in that mindset of demonstration I think is what are we demonstrating. I don't know that demonstrating -- I think you guys are right. Demonstrating a 60 million-dollar project is not something that we can do. And in thinking about this process and developing it, the demonstration from my perspective, and maybe I didn't do as good of a job as -- as one could, is really looking at it from the -- the existing asset and -- and developing it as is and then working through a process with the city to see what kind of density is desired or needed or wanted, and then we can add that on top of that.

So as an example, if we wanted to -- this
speaks to your -- your part of your, I think astute
question. This is a concept plan. And when we look
through -- and we've learned more about the tax district
and the GPLETs and all that. We've looked at massing that
onto the building where the -- where number three is. And
that's doable and we have those massing plans that have
done that. That was one of the first things that kind of
came up as we were looking at that. And the critical
question was, all right, well, can we still maintain the
community value piece to it, and we came up with scenarios
that it do that, so it met both the economic necessities
of the project but also the intrinsic community adds. So
I think all those things are things that can be addressed.

CHAIRMAN MCCUSKER: Let me make a couple of
suggestions.

I don't think you can assume that we can play
hardball with the city and have a favorable outcome. It's
just not predictable. Who knows what they would do. They
may sit on it, they may tell -- who knows what they would
do. You know, Edmund's used our kind of standard
reference point of 10 times leverage. You know, I don't
think we have any issue if you were sitting there today
with a 20 million-dollar project and asking for $2 million
and some portion of it was retail and going to make X.
The one thing we might think about doing is doing a deal
subject to those parameters, that, you know, we would
agree to invest $2 million into your project so long that
its total value was greater than $20 million.

MR. IRVIN: And generate a certain amount of
tax.

CHAIRMAN MCCUSKER: I don't know how vague you
can being on the tax piece, but it generated kind of our
standard returns on -- on taxes. I think what we want to
do is get you in a position where you have enough comfort
to risk your nonrefundable deposit.

Edmund, Chris, what do you think about some
kind of contingent proposal?

MR. SHEAFE: Well, let me -- and I like the
fact that we're in public session because I want to
express this in two ways. First, I think we're very
fortunate to have a team like Sloane and his partners in
town. I really appreciate -- I took time to go look at
their developments in Phoenix and was very impressed. And
I don't in any way want to discourage that, but on the
other hand, I think what we're doing here -- and
considering also it's talking to what we're going to face
all the way up and down Sunshine Mile. And I personally
just can't justify in my own mind making commitments
without having anything that we really can put our arms
around because I'm the guy that's trying to figure out how
much money we have out there and I don't want to have 10 projects out there that I have no idea what's going to happen, and yet I've got it all tied up and all of a sudden I'm arguing against a very good, specific project because I think everything is already allocated. So my own -- and I'm only speaking for myself. I think you have to decide. Are you willing to risk 175,000 bucks and continue this process or do you go to the city and say, we're not going to take this risk, we're continuing -- we're willing to continue it, but you, city, are going to back down and give us the time to do it, and then you have a time to come back, present a tight enough proposal that we can put our arms around it and create the kind of commitment with a timeframe and the other elements that we've been able to do with other developments that have actually resulted in dirt being moved and buildings being built or improved.

MR. IRVIN: Well said.

MR. MARQUEZ: My take at the end of the day, we're still appointed by the state legislature. I represent Governor Ducey sitting up here. We invest state dollars.

MR. MCFARLAND: Uh-huh.

MR. MARQUEZ: And I love that you're in our community and willing to invest in our community. I love
Welcome Diner. You guys make some great trout. You know, I'd love to see what the actual project is. In the example Fletcher gave of a 20 million project that -- you know, that had a certain amount of retail, that gave us X amount of dollars on return of TPT, that's something I can get my mind around. It's really hard to get my mind around a concept in which we're not sure what we're building. It's not completely your fault. It's really our process with the city of Tucson, but I'm with Chris on this.

MS. SILVYN: So, if I can, I just want to clarify. We do have the -- we have about nine months to get through the PAD process before we have to close, so the city has given us -- there's a distinction between the earnest money and the actual closing, so the city has given us the time to get through the PAD process. What we're trying to do is be very careful because, as you all are aware, that PAD process is a very public process. We're going to be working with the neighborhoods, we're going to be working with the city. So we don't have a project yet to necessarily show everybody, but we certainly have ideas and there are some basic parameters that have been set up.

One of the things that we were just sitting here chatting about is the idea that if Rio Nuevo is so
inclined to acknowledge a level of commitment subject to some minimums, 20 million-dollar investment, whatever that needs to be, we are going to have the nine months to be working through that. We're going to have a much better idea of the entitlements and what it is we're going to be doing as we work our way through that process.

MR. SHEAFE: Speaking for myself, Keri, we're willing to be in the background, but we don't -- I don't want to support anything specific because, when I do that, I have to start thinking about setting that money aside and I really don't know where this is going to go. And, frankly, the whole problem would go away if the city would say, we understand. This is kind of a pioneering effort. We want these benefits. You know what, we don't need your 175,000. We'll pick up the contingency and keep working with you. And that's what I'm --

CHAIRMAN MCCUSKER: When you have a public RFP, you're not allowed to alter it. We know that from our own experience. They can't make a deal with Sloane that they didn't advertise. And anyone else who wrote an RFP now has a contestable situation. So, you know, you're trying to read between the lines, so I think what people on this board are suggesting is you go hard on the -- on the nonrefundable, get your plan together and we wouldn't have any issues supporting something in the range that we
typically do, but it's got to have some meat on the bone.

MR. MCFARLAND: Okay. I appreciate the -- the

honest feedback as to -- and direct feedback. It's -- you

know, I appreciate it very much.

If we are successful in moving that date with
the city to a point at which we could be on your agenda
and come with a specific plan, the specific dollar amount,
the specific underwriting that met your -- your charter
perspectives, is that something that would be acceptable
to the board?

CHAIRMAN MCCUSKER: We're totally independent

of --

MR. MCFARLAND: I'm saying if --

CHAIRMAN MCCUSKER: Whether it goes hard or
doesn't go hard doesn't really affect us. We would value
the product. We would look at the total --


CHAIRMAN MCCUSKER: -- your commitment to the

project versus ours, and then we would look to a sales
forecast to estimate the TPT returns.

MR. SHEAFE: We want to be as encouraging as

possible.

CHAIRMAN MCCUSKER: And what you might think

about doing is that regard is doing the minimum, you know,
say, at a minimum, we're going to do this.
MR. MCFARLAND: Right.

CHAIRMAN MCCUSKER: And there's the --

the dollars we're committing to the project, there's the
return on the project, here's what we ask of you. And I
think you've seen the reaction. If that's something under
$20 million total, you know, we're going to have to
swallow hard. Now, we've done deals with less leverage,
but they had significant sales tax returns to them, so --

MR. MARQUEZ: Keep it mind, not to make it even
more difficult, but if you come to us with a $20 million
project, which is 10 to one, only half your property's in
our district.

THE WITNESS: Yeah, it will be on that side.

MR. MARQUEZ: Make the south side a parking lot
and build everything on the north side of that line.

MR. SHEAFE: Put all the retail north of the
line.

MR. MCFARLAND: Right. Right.

MS. SILVYN: I think that can be done
relatively quickly. It would still be subject to the
PAD --

CHAIRMAN MCCUSKER: Yeah. I mean, nothing
happens until we all ready to close. You know, I think
we're just trying to find a way to get you a firmer
commitment.
MS. SILVYN: December --

CHAIRMAN MCCUSKER: 11th is our next meeting.

MR. MCFARLAND: Okay. Well, great. I think --
I think you've spoken. I think we understand it and
appreciate the time to --

CHAIRMAN MCCUSKER: So I'm hearing no action
from us, nobody's making a motion, Sloane and Keri, thank
you very much.

MR. MCFARLAND: That you very much. Appreciate
your time.

CHAIRMAN MCCUSKER: Although we did lose Jannie
Cox. We still have a forum.

The FORS project we have previously approved,
Mr. Collins. We're just backing into the documents;
correct?

MR. COLLINS: Mr. Chairman, members of the
board, yes. On the July 24th meeting, you authorized and
directed me to work with FORS to put together the
documents necessary to memorialize what they have proposed
to you. We've done that.

This is the property at 2020 and 2022 East
Broadway. Most of you have been there. They are going
to -- they've acquired it. They're going to spend
$525,000 improving it. We've started the economic
analysis. I have a draft economic analysis report, as you
all know, for you to be able to do a lease of the nature they requested. The public's got to benefit by more than a dollar than FORS does. And I will tell you that the study indicates that the public gets a lot more than a dollar over and above it.

The economic analysis is almost completed. You will purchase the property for its appraised value, $255,000. You will then -- when it is improved, you will lease the property back to the FORS Architecture entity for 25 years. The rent will be $1,000 per year. I can bore you to tears with the rest of the terms, but the economic incentives are as we usually do or as you usually do. There's rebates -- TPT rebates. The rebate cap is $375,000. At any time during the 25-year lease, the developers have the option to buy the property and they must buy the property at the end of 25 years. The purchase price will be $255,000, the same number that you had purchased it for. There is an open question about what the interest would be. That's where we are.

MR. SHEAFE: So I move that we approve the documents as written with the addition of the interest rate in conformance of the earlier discussions that we've had. That will all be posted publicly and the public will be able to see the full deal once we get it done.

MR. MARQUEZ: Second.
CHAIRMAN MCCUSKER: Okay. We have a motion and a second to approve the FORS documents as presented by Counsel.

Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez.

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe.

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin.

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN MCCUSKER: Aye.

Thank you very much. That passes unanimously.

Sunshine Mile, we're going to wear people out, but, you know, we're moving ahead. The Project for Public Spaces were here, a lot of action. The city's working on deeds. We want to move forward on the project manager piece of that.

And, Mr. Collins, we've had a proposal from Swaim to help us with that project, which I don't have in front of me, but if you could kind of just tick off the pertinent parts.

MR. COLLINS: Yes. Mr. Chairman, members of the board, Swaim Associates has proposed that they would be the project manager. Swaim is not involved -- was not
involved in any of the RFPs. Swaim obviously is familiar with the property. They have proposed that their partner, Michael Becker, would act as the project manager. They have proposed various rates from a principal rate of $145 an hour down to administration rates of $65 an hour. Services will be reviewed monthly. It will be very much like an agreement that you have with your lawyer.

CHAIRMAN MCCUSKER: And this is a professional service, so we can -- we don't have to procure these competitively.

MR. COLLINS: Absolutely correct.

CHAIRMAN MCCUSKER: And it's obviously a firm that we're familiar with.

Many times, Mr. Sheafe, we would cap this kind of contract. You know, I think we could do that here. The problem is we really don't know the extent of what we're getting into. So the hourly rates are consistent with market and we keep our eye on it if it gets beyond something that we anticipate.

MR. COLLINS: And as I read the proposal, this contemplates monthly or periodic, anyway, billings, so you can keep an eye on it.

MR. SHEAFE: You don't mind if we pay only once a year?

CHAIRMAN MCCUSKER: What's your pleasure on the
proposal that Swaim be the project manager for the
Sunshine Mile?

MR. MARQUEZ: I move to retain Michael Becker
as project manager for Sunshine Mile for properties within
our district.

MR. SHEAFE: Second.

CHAIRMAN MCCUSKER: Okay. We have a motion and
a second.

Brandi, call that roll.

MS. HAGA-BLACKMAN: Edmund Marquez.

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe.

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin.

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Fletcher McCusker.

CHAIRMAN MCCUSKER: Aye.

So that passes unanimously as well. We're on a
roll.

Meeting dates, Brandi, I will defer to you.

With some board members absent, I don't really want to do
that now, so we'll table that.

A call to the audience. Any other cards from
anybody else?

I'll entertain a motion to adjourn.
MR. IRVIN: So moved.

CHAIRMAN MCCUSKER: Second, please.

MR. SHEAFE: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Motion passes unanimously)

CHAIRMAN MCCUSKER: See you in December. Thank you very much.

(4:37 p.m.)
BE IT KNOWN that the foregoing transcript was taken before me, THOMAS A. WOPPERT, RPR, a Certified Court Reporter in the State of Arizona, in shorthand and thereafter reduced to print under my direction; that the foregoing pages are a true and correct transcript of all proceedings, all done to the best of my skill and ability.

Thomas A. Woppert, RPR
AZ CCR No. 50476