

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

Tucson, Arizona

Tuesday, April 23, 2019

1:00 p.m.

REPORTED BY:

John Fahrenwald, RPR

Certified Reporter No. 50901

KATHY FINK & ASSOCIATES

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BOARD MEMBERS PRESENT:

- Fletcher McCusker, Chair
- Chris Sheafe, Treasurer
- Mark Irvin, Secretary
- Jannie Cox
- Edmund Marquez

ALSO PRESENT:

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

* * * *

BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Tucson Community Center, in the City of Tucson, State of Arizona, before JOHN FAHRENWALD, RPR, Certified Reporter No. 50901, on the 23rd day of April, 2019, commencing at the hour of 1:00 p.m.

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P R O C E E D I N G S

CHAIRMAN MCCUSKER: We're going to call this meeting to order. It's 1:04.

Jannie, do you want to lead the pledge?
(Pledge.)

Brandi, 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.

Mr. Marquez is on his way and Mr. Hill is recovering from tax season and we won't see him today.

We have the transcribed minutes from March 26th. Comments? Changes?

MS COX: We will accept the minutes.

MR IRVIN: Second.

CHAIRMAN MCCUSKER: All in favor say "aye."

(Ayes.)

This is the time set for Executive Session.
We need a motion to recess.

MS. COX: So moved.

1 MR. IRVIN: Second.

2 CHAIRMAN MCCUSKER: This should take us about
3 an hour or less.

4 (Recess.)

5 (Record resumes at 2:10 p.m.)

6 CHAIRMAN McCUSKER: I need a motion to
7 reconvene.

8 MR. IRVIN: So moved.

9 (Ayes.)

10 CHAIRMAN McCUSKER: I guess we should talk
11 about hotels first. The good news/bad news -- I think you
12 may have heard -- you probably read that indeed the Marriott
13 Moxy Element project has been scrapped. We don't have all
14 the details. We may never know all the details, but indeed
15 we were advised about the same time the press was advised
16 that that project is not going to go forward.

17 The good news is the other hotel projects
18 we're working on are indeed going forward. The Caliber
19 DoubleTree on the south side of TCC should break ground
20 middle May. That's about a year and a half project. And
21 then we're working feverishly to look at helping build a
22 garage on this side of the TCC to accommodate the parking
23 for that -- and some of the success that the TCC is now
24 having and creating parking problems for everybody.

25 We have the Cathedral Hilton on the agenda

1 today. Hopefully, we'll dot all these I's and T's and move
2 forward on the hotel project.

3 And everything else you pretty much can see
4 on the agenda.

5 Dan, with that, can you give your financial
6 report?

7 MR. MEYERS: Dan Meyers, the CFO for Rio
8 Nuevo. As of March 31st, we had about \$5.5 million in the
9 bank. And with our budget, we expect that to go to 9.1 over
10 the next year. As far as commitments go, we'll claim about
11 \$7.7 million within the next year, so we've got about a
12 \$1.4 million anticipated cushion there.

13 Some really good news is our January TIF
14 revenue we received in April was almost \$1.9 million. That
15 was due to Brandi going back and finding some people that
16 didn't file correctly, and they came back and amended their
17 reports. So that was a nice little kicker there.

18 We currently have a little over \$200,000 in
19 our fund that comes out of the hockey to be used for TCC
20 improvements or hockey-related improvements. And that's
21 going to grow by a hundred thousand dollars here in the next
22 few weeks I think. We're feverishly working on the budget
23 for next year. And -- any questions, if you got any?

24 MR. SHEAFE: This is a very nice report.
25 It's good numbers.

1 CHAIRMAN McCUSKER: Dan, thank you.

2 Item 7, the Overlay Zone. We don't have any
3 action today, but a quick update from us. We have started a
4 public engagement process. I think our first -- you're
5 looking at me like we do have some action.

6 MR. COLLINS: No, we removed the Overlay
7 Zone.

8 CHAIRMAN McCUSKER: But it's still on my
9 agenda, so am I good? You removed it in the addendum?

10 MR. COLLINS: Yeah.

11 CHAIRMAN McCUSKER: Never mind. Look at the
12 website.

13 Congress Street Activation. Again, we're not
14 going to take any action today. We're noodling on some
15 ideas. We want to hear from some property owners on
16 Congress, as well as some tenants and prospective tenants.
17 There's still some vacancy in our main street as they are
18 responsible for the sales tax on that street. And to enable
19 it, we would like to help out there. We don't know what
20 that exactly looks like today, but we are going to be
21 talking to building owners, tenants, prospective tenants, to
22 do something to make certain that every store front on
23 Congress is activated.

24 So you'll hear from us between now and
25 probably the next meeting regarding any interest you might

1 have or you currently have on Congress from -- the bridge
2 all the way through Fox Theater. So we really want to see
3 that street active in every store front and every corner and
4 do what we can to help enable that. We have a lot of tools.
5 We can loan money, we can advance money, we can do tax
6 rebates, we can do the GPLET. We just want make sure people
7 out there know we're around we want to really focus on
8 activating Congress.

9 Item 9 is a real deal. We've been working
10 with the Fentons, some of our most successful vendors
11 downtown and the development of the property on 117 N. 6th.

12 And, Mr. Collins, do you want to walk through
13 that item for us?

14 MR. COLLINS: I believe Zach is here.

15 CHAIRMAN McCUSKER: This is the property
16 across the street from Ronstadt on the northwest corner of
17 Pennington and 6th Avenue.

18 MR. COLLINS: Yes, Mr. Chairman, Members of
19 the Board. It's a building that has not been active for
20 some time. It's about 1700 square feet. Zach bought it in
21 2015. He wants to turn it into a restaurant or bar. He is
22 asking for the District to do a GPLET on it, as you've done
23 in the past, with nominal rent. He wants to have the option
24 of going to the City to seek abatement of excise taxes, in
25 which case, the lease would be for only 8 years, as you all

1 know.

2 If he does not get that abatement, he wants
3 the lease to extend for 25 years. The economic study has
4 been completed. It supports both of those approaches.
5 If -- he's going to have to spend roughly \$180,000 to
6 improve the building to get abatement of excise taxes. If
7 he doesn't get the abatement, he doesn't have to spend that
8 amount of money.

9 I'll let him tell you more about the project,
10 but it's a basic project that you guys have done before.

11 Zach, come on up. State your name and --

12 MR. FENTON: Do you want to ask questions?

13 Or do you want me to just give you --

14 CHAIRMAN McCUSKER: Just give us a brief
15 summary of your project -- and I think he's indicated what's
16 on the tables.

17 MR. FENTON: So we're committed to spending
18 at least 180,000. Obviously, this is a small project
19 relative to some of the others, but I think it could have a
20 big impact -- south Congress it's really the dark part of
21 downtown right now. I think it will draw some activity in
22 that direction. And I have an operator that's been very
23 successful. He currently has two other operations in
24 Tucson. So I think he's going to do a great job and is
25 excited about hopefully moving in.

1 CHAIRMAN McCUSKER: How quickly -- if we
2 approve all this today, how much time do you need?

3 MR. MARQUEZ: We have a lease that's ready to
4 be signed. We're going to move like that.

5 CHAIRMAN McCUSKER: Mr. Marquez.

6 MR. MARQUEZ: I'm just curious. Can you tell
7 us more about the restaurant/bar concept? Give us something
8 exciting here.

9 MR. FENTON: I have to be careful since I was
10 asked to keep the operator's name confidential. But I will
11 I'll tell you that he -- I've gotten to know him a bit
12 personally. He is very much a downtowner. I think he
13 understands the market very well. And he's got a concept
14 that is going to take what is now a very unimpressive
15 building -- but with good character -- and I think he's
16 going -- he's just blowing it out entirely. And it's going
17 to look totally different. And it's going to be a fun
18 concept for downtown.

19 MR. IRVIN: Zach, where are you in
20 discussions with the City relative to their 8-year versus a
21 25-year?

22 MR. FENTON: We were waiting to see what
23 happened here before we really engaged that one.

24 MR. IRVIN: And in your discussion about
25 where you're going today, how much time you envision you're

1 going to spend with the City going through that process
2 before you pull the trigger?

3 MR. FENTON: If we've got a deal with Rio
4 Nuevo, we're going to move forward.

5 MS. COX: Zach, I realize you can't disclose
6 who that tenant is, but did I hear you say he has two other
7 very successful similar projects in Tucson?

8 MR. FENTON: Correct. He has two other
9 projects in Tucson that have been successful. He's been
10 operating restaurant/bar businesses for at least ten years.

11 MS. COX: Okay.

12 MR. IRVIN: Mr. Hill, what's the cap?

13 MR. COLLINS: The cap would be actual cost of
14 --

15 MR. IRVIN: Not to exceed.

16 MR. SHEAFE: Not to exceed with the cost of
17 construction --

18 MR. COLLINS: -- correct.

19 MR. SHEAFE: So just to be clear, there's no
20 real cash investment here. This is consistent with some of
21 the other deals we've done where we're essentially taking
22 what we don't have and trading the future of that for a
23 project.

24 MR. COLLINS: Correct.

25 MR. SHEAFE: So it's unlimited leverage use

1 of our position and our ability to create revenue stream
2 back for the operator.

3 MR. COLLINS: Correct.

4 MR. SHEAFE: Based on his earnings. It's
5 money that's created because the entity exists.

6 MS. COX: And we like it.

7 CHAIRMAN McCUSKER: Zach, thank you very
8 much.

9 MR. SHEAFE: I'd like to move we approve to
10 have counsel prepare the paperwork to follow the numbers as
11 we discussed in exec, and authorize the executive officers
12 to sign that paperwork once it's prepared and agreed to on
13 both sides.

14 MR. MARQUEZ: Second.

15 CHAIRMAN McCUSKER: Any further
16 questions/conversation?

17 Brandi, call the roll.

18 MS. HAGA-BLACKMAN: Edmund Marquez.

19 MR. MARQUEZ: Aye.

20 MS. HAGA-BLACKMAN: Jannie Cox.

21 MS. COX: Aye.

22 MS. HAGA-BLACKMAN: Chris Sheafe.

23 MR. SHEAFE: Aye.

24 MS. HAGA-BLACKMAN: Mark Irvin.

25 MR. IRVIN: Aye.

1 MS. HAGA-BLACKMAN: Fletcher McCusker.

2 CHAIRMAN McCUSKER: Aye.

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

4 That's unanimous. Congratulations.

5 Item 10. The Hilton Hotel. This is also
6 good news. We really excited about this project. If you've
7 been by the Cathedral lately, you've seen the extraordinary
8 development the diocese has done there. And I think there's
9 a real opportunity to add the Hilton across the street. We
10 have tweaked this incentive package a little bit.

11 Mr. Collins, if you'd go through that with
12 us?

13 MR. COLLINS: Yes, Mr. Chairman, Members of
14 the Board. You approved a structure for this project some
15 time ago. Greg and his team suggested a modification of it.
16 You had agreed to rebate up to \$7.5 million of site-specific
17 sales taxes to his -- to this project. We've reduced
18 that -- offered to reduce that in exchange for a cash
19 infusion to help defray or reimburse him for some costs,
20 relocating utilities that he had not anticipated. I'll let
21 him explain that to you or answer questions on it.

22 Let me go back and remind you that this is a
23 dual brand hotel. It's 75 Hampton Inn rooms and 123 -- if
24 I'm not mistaken -- Home2 Suite rooms, all being built on
25 the other side of Stone from the Cathedral. And, as I say,

1 the only "ask" is for some relief on the utilities that --
2 utility expense that Greg has incurred that he did not
3 anticipate.

4 CHAIRMAN McCUSKER: The developer's here, if
5 we need to hear from Mr. Fay.

6 Greg, do you want to say anything to us?

7 Thank you.

8 MR. FAY: Sure. Greg Fay, the developer of
9 the hotel.

10 Like Mark said, you know, we -- working with
11 TEP -- and the utilities that run along the south end of the
12 property, we couldn't extend those far enough into the
13 street to get the minimum distance they require between our
14 building and those lines. So we're having to underground
15 those, which actually I think will make for a much more
16 pedestrian-friendly area along the south end. And there
17 won't be telephone poles as they exist today. And there
18 will be sidewalks -- all of that utility work from the east
19 side of Stone until the west side of the -- or the west side
20 of Stone to the east side of our project will be
21 underground-ed as a result of these improvements that we're
22 asking you to help us basically share the cost of. So
23 that's really the only change from our previous...

24 MR. SHEAFE: Did you respond to the 125 that
25 we said we would contribute?

1 MR. FAY: Yes.

2 MR. SHEAFE: Okay. And that was acceptable?

3 MR. FAY: Yes.

4 MR. SHEAFE: Based on that, we don't really
5 have a lot to worry about here. What do we need to --

6 CHAIRMAN McCUSKER: We need a motion to
7 approve.

8 MR. COLLINS: You need to -- my suggestion is
9 that you consider moving to instruct me to work with Greg's
10 lawyers to finalize the transaction and the deal as we
11 discussed in e-session just a few moments ago.

12 CHAIRMAN McCUSKER: What's your timing now,
13 Greg? Where are you in the process?

14 MR. FAY: We're working with the City. We're
15 hopeful to start construction this summer. We have -- we're
16 going to probably close on the land at the end of May and
17 really as quickly as we can get permits through the City,
18 we're going to proceed with the construction.

19 MR. SHEAFE: Are your plans in review yet?

20 MR. FAY: They are not in -- well, we're in
21 discussion with them. We have not submitted construction
22 drawing yet; that will happen in two to three weeks.

23 MR. SHEAFE: Okay. You're very close?

24 MR. FAY: We're very close, yeah.

25 MR. MARQUEZ: Starting construction this

1 summer, how long would the project take to complete?

2 MR. FAY: 16 to 18 months. So our goal is to
3 be open for season 2021.

4 MR. MARQUEZ: For the Gem Show?

5 MS. COX: For the Gem Show.

6 MR. FAY: That would be nice.

7 MR. SHEAFE: The schedule we saw was you
8 wanted to rent your first rooms in September of '20. Is
9 that a little early?

10 MR. FAY: That would probably be a little
11 early; they'll probably be sleeping with some contractors.

12 MR. SHEAFE: It wasn't your contractor who
13 mentioned it.

14 CHAIRMAN McCUSKER: Okay. So the offer is
15 that we would split the cost of the utility upgrades. We
16 just need a motion to that.

17 MS. COX: So moved.

18 MR. SHEAFE: Let's authorize counsel to
19 prepare the paperwork and finalize the structure of the deal
20 as we discussed in Exec, and authorize the executive
21 officers to sign the final paperwork when it's in complete
22 form.

23 CHAIRMAN McCUSKER: We have a motion. We
24 need a second for that.

25 MS. COX: Second.

1 MR. IRVIN: Second.

2 CHAIRMAN McCUSKER: All right. Brandi, call
3 the roll.

4 MS. HAGA-BLACKMAN: Edmund Marquez.

5 MR. MARQUEZ: Aye.

6 MS. HAGA-BLACKMAN: Jannie Cox.

7 MS. COX: Aye.

8 MS. HAGA-BLACKMAN: Chris Sheafe.

9 MR. SHEAFE: Aye.

10 MS. HAGA-BLACKMAN: Mark Irvin.

11 MR. IRVIN: Aye.

12 MS. HAGA-BLACKMAN: Fletcher McCusker.

13 CHAIRMAN McCUSKER: Aye.

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

15 CHAIRMAN McCUSKER: It's unanimous. Greg,
16 thank you very much for all your hard work.

17 MR. FAY: Thank you so much. Appreciate it.

18 Item No. 11. A little code named adventure.

19 Sorry about that. But often when people are looking to
20 coming to Tucson, they are anonymous.

21 This is another situation where we had the
22 opportunity to attract a major employer -- a public company
23 employer to our downtown. We typically will subsidize
24 parking to help someone make that decision. We often will
25 subsidize rent. And we've done TIs and others. So we have

1 such an in-bound opportunity. And, Mr. Collins, we have
2 kind of a proposal on the table.

3 So what's that look like?

4 MR. COLLINS: Well, you've offered to provide
5 150 parking spaces for five years. And you've offered to
6 pay half of the parking fees for the next five years. And
7 also to subsidize rent for March 12 through 18 of this
8 property that will be rented. All of that is conditioned
9 upon this employer entering into a lease that qualifies for
10 those benefits.

11 CHAIRMAN McCUSKER: Do you know the total
12 number of employees?

13 MR. COLLINS: I do not have it in front of
14 me, no. They're going to take 60,000 square feet of office
15 space.

16 CHAIRMAN McCUSKER: 150 spaces. I think it's
17 well north of 300 employees.

18 TREASURER SHEAFE: In the range of 300.

19 MR. COLLINS: If you're so inclined, I would
20 suggest that you --

21 CHAIRMAN McCUSKER: -- motion to offer that
22 to the --

23 MR. SHEAFE: The motion would be to authorize
24 to move forward with the paperwork working with their
25 counsel. When it's in final form, authorize the executive

1 officers to sign.

2 CHAIRMAN McCUSKER: It's for 150 parking
3 spaces --

4 MR. IRVIN: -- 6 months --

5 MR. SHEAFE: Months 12-18.

6 MR. MARQUEZ: 13-18.

7 MR. SHEAFE: -- rent abatement and 150
8 parking spaces for five years, and one-half of that rate the
9 following five years.

10 MR. COLLINS: And the rent -- that abatement
11 is really reimbursement for the base rent for the --

12 CHAIRMAN McCUSKER: We're not abating
13 anything, we're reimbursing --

14 MR. COLLINS: Correct.

15 MR. SHEAFE: With that correction.

16 MS. COX: Second.

17 MR. MARQUEZ: I believe it's months 13
18 through 18.

19 MR. COLLINS: It is.

20 MR. MARQUEZ: Yeah, I think you said 12.

21 CHAIRMAN McCUSKER: Are we certain what we're
22 voting on? Mark, do you want to just summarize?

23 MR. COLLINS: I think what Mr. Sheafe said
24 was that your motion is to authorize me to work with the
25 executive officers to finalize the incentives that we

1 discussed in e-session, which include parking incentive and
2 some rent incentive for this large employer. And then the
3 executive officers to sign.

4 CHAIRMAN McCUSKER: Let's -- since we danced
5 around it, let's go to specifics. So it's 150 spaces, it's
6 five years of free parking, it's five years of 50 percent
7 parking. And then talking about the rent reimbursement.

8 MR. COLLINS: The rent reimbursement is --

9 MR. SHEAFE: Months 13-18.

10 MR. COLLINS: Yeah, 13-18. Not to exceed --
11 forgive me -- not to exceed \$24.50 per square foot.

12 MR. SHEAFE: Okay.

13 CHAIRMAN McCUSKER: Everybody got it?
14 Brandi, you can call the roll.

15 MS. HAGA-BLACKMAN: Edmund Marquez.

16 MR. MARQUEZ: Aye.

17 MS. HAGA-BLACKMAN: Jannie Cox.

18 MS. COX: Aye.

19 MS. HAGA-BLACKMAN: Chris Sheafe.

20 MR. SHEAFE: Aye.

21 MS. HAGA-BLACKMAN: Mark Irvin.

22 MR. IRVIN: Aye.

23 MS. HAGA-BLACKMAN: Fletcher McCusker.

24 CHAIRMAN McCUSKER: Aye for me.

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

1 CHAIRMAN McCUSKER: It's great news. So
2 hopefully that will be enough to close that deal and we see
3 another major employer moving to downtown.

4 So Brandi, we set time for the audience. Am
5 I missing something?

6 MR. COLLINS: Yeah. You've got the financing
7 of the TCC.

8 CHAIRMAN McCUSKER: Oh, yeah, you give these
9 addendum things.

10 MR. SHEAFE: It's on the last page.

11 MS. COX: Did we do Sunshine Mile?

12 MR. COLLINS: No.

13 MR. SHEAFE: Remember, we tabled that.

14 MS. COX: Oh, we tabled it. Okay.

15 CHAIRMAN McCUSKER: Okay. So indeed we are
16 exploring the opportunities -- Mr. Collins, you can stay up
17 there -- to seek financing for the improvements we want to
18 make to this facility and its site and grounds.

19 What action do we need to take today?

20 MR. COLLINS: Well, based upon the discussion
21 that you had with your financial advisor, Bill Davis, if
22 you're so inclined, I would suggest that you move to
23 instruct me and my office to work with Bill and his office
24 and the lenders involved to be able to bring a formal
25 resolution to this Board at the next meeting so that the

1 facility that's being discussed can be put in place.

2 TREASURER SHEAFE: Well, let's make sure we
3 cover a couple of bases here. First is, I'd like to thank
4 Bill and his team for reaching out to a wide range of
5 lenders.

6 As far as I know, every major lender that has
7 the capacity to play in this arena has been contacted and
8 most have responded. So it's very important to know that
9 this whole process has been done on a wide open basis and
10 it's been offered to all suitable potential lenders.

11 Secondly, it's a big enough facility that it
12 provides the opportunity for several institutions to come
13 together and network. So by next month, what we're really
14 asking for is a compilation of that work that we can then
15 have a solid proposal on the table. And we have some work
16 to do on our side to make sure that we can afford to do what
17 we're talking about doing.

18 CHAIRMAN McCUSKER: I'm not sure we need a
19 motion. If we could just instruct you and Bill to finish
20 the proposal and bring it to the Board next week?

21 MR. COLLINS: Yeah, the big resolution would
22 be at the next meeting.

23 MR. IRVIN: One thing I might add to that is
24 as instructed in the executive session, I'd ask for those
25 that do have a desire to respond to do so within the next

1 couple of weeks.

2 MR. COLLINS: I think you made that clear to
3 Bill, and I will certainly assist him with that task.

4 CHAIRMAN McCUSKER: For full transparency,
5 we're looking at something in the neighborhood of
6 \$70 million, financing that over the remaining life of the
7 TIF through 2035, which would give us the wherewithal to do
8 pretty much everything we want to do to this facility, from
9 the Ex Hall to the Music Hall, to the Eckbo Fountain, to the
10 parking garage, to any other items that collectively all the
11 stakeholders help us to identify. It may be the one
12 opportunity we get to be able to finish our work. So far,
13 the proposals look really competitive. We've asked for a
14 couple of minor changes. So I really don't think you need
15 anything else from us.

16 Audience? Anything, Brandi?

17 All right. Entertain a motion to adjourn.

18 MR. IRVIN: So moved.

19 MR. MARQUEZ: So moved.

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

21 (Ayes.)

22 See you in May. Thank you very much
23 everyone.

24 (2:36 p.m.)

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C E R T I F I C A T E

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

John Fahrenwald, RPR