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

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the 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.
PROCEEDINGS

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.
MR. IRVIN: Second.

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

(Recess.)

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

CHAIRMAN McCUSKER: I need a motion to reconvene.

MR. IRVIN: So moved.

(Ayes.)

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

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

We have the Cathedral Hilton on the agenda
today. Hopefully, we'll dot all these I's and T's and move
forward on the hotel project.

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

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

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

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

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

MR. SHEAFE: This is a very nice report.

It's good numbers.
CHAIRMAN McCUSKER: Dan, thank you.

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

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

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

MR. COLLINS: Yeah.

CHAIRMAN McCUSKER: Never mind. Look at the website.

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

So you'll hear from us between now and probably the next meeting regarding any interest you might
have or you currently have on Congress from -- the bridge all the way through Fox Theater. So we really want to see that street active in every store front and every corner and do what we can to help enable that. We have a lot of tools. We can loan money, we can advance money, we can do tax rebates, we can do the GPLET. We just want make sure people out there know we're around we want to really focus on activating Congress.

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

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

MR. COLLINS: I believe Zach is here.

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

MR. COLLINS: Yes, Mr. Chairman, Members of the Board. It's a building that has not been active for some time. It's about 1700 square feet. Zach bought it in 2015. He wants to turn it into a restaurant or bar. He is asking for the District to do a GPLET on it, as you've done in the past, with nominal rent. He wants to have the option of going to the City to seek abatement of excise taxes, in which case, the lease would be for only 8 years, as you all
If he does not get that abatement, he wants the lease to extend for 25 years. The economic study has been completed. It supports both of those approaches.

If -- he's going to have to spend roughly $180,000 to improve the building to get abatement of excise taxes. If he doesn't get the abatement, he doesn't have to spend that amount of money.

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

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

MR. FENTON: Do you want to ask questions?

Or do you want me to just give you --

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

MR. FENTON: So we're committed to spending at least 180,000. Obviously, this is a small project relative to some of the others, but I think it could have a big impact -- south Congress it's really the dark part of downtown right now. I think it will draw some activity in that direction. And I have an operator that's been very successful. He currently has two other operations in Tucson. So I think he's going to do a great job and is excited about hopefully moving in.
CHAIRMAN McCUSKER: How quickly -- if we approve all this today, how much time do you need?

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

CHAIRMAN McCUSKER: Mr. Marquez.

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

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

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

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

MR. IRVIN: And in your discussion about where you're going today, how much time you envision you're
going to spend with the City going through that process before you pull the trigger?

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

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

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

MS. COX: Okay.

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

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

MR. IRVIN: Not to exceed.

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

MR. COLLINS: -- correct.

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

MR. COLLINS: Correct.

MR. SHEAFE: So it's unlimited leverage use
of our position and our ability to create revenue stream back for the operator.

MR. COLLINS: Correct.

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

MS. COX: And we like it.

CHAIRMAN McCUSKER: Zach, thank you very much.

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

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: Any further questions/conversation?

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.

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

That's unanimous. Congratulations.

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

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

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

Let me go back and remind you that this is a dual brand hotel. It's 75 Hampton Inn rooms and 123 -- if I'm not mistaken -- Home2 Suite rooms, all being built on the other side of Stone from the Cathedral. And, as I say,
the only "ask" is for some relief on the utilities that --
utility expense that Greg has incurred that he did not
anticipate.

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

Greg, do you want to say anything to us?

Thank you.

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

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

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

MR. SHEAFE: Okay. And that was acceptable?

MR. FAY: Yes.

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

CHAIRMAN McCUSKER: We need a motion to approve.

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

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

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

MR. SHEAFE: Are your plans in review yet?

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

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

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

MR. MARQUEZ: Starting construction this
summer, how long would the project take to complete?

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

MR. MARQUEZ: For the Gem Show?

MS. COX: For the Gem Show.

MR. FAY: That would be nice.

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

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

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

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

MS. COX: So moved.

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

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

MS. COX: Second.
MR. IRVIN: Second.

CHAIRMAN McCUSKER: All right. 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.

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

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

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

Item No. 11. A little code named adventure.

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

This is another situation where we had the opportunity to attract a major employer -- a public company employer to our downtown. We typically will subsidize parking to help someone make that decision. We often will subsidize rent. And we've done TIs and others. So we have
such an in-bound opportunity. And, Mr. Collins, we have
kind of a proposal on the table.

So what's that look like?

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

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

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

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

TREASURER SHEAFE: In the range of 300.

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

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

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

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

MR. IRVIN: -- 6 months --

MR. SHEAFE: Months 12-18.


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

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

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

MR. COLLINS: Correct.

MR. SHEAFE: With that correction.

MS. COX: Second.

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

MR. COLLINS: It is.

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

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

MR. COLLINS: I think what Mr. Sheafe said was that your motion is to authorize me to work with the executive officers to finalize the incentives that we
discussed in e-session, which include parking incentive and some rent incentive for this large employer. And then the executive officers to sign.

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

MR. COLLINS: The rent reimbursement is --

MR. SHEAFE: Months 13-18.

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

MR. SHEAFE: Okay.

CHAIRMAN McCUSKER: Everybody got it?

Brandi, you can 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 for me.

(The Board voted and motion carries 5-0.)
CHAIRMAN McCUSKER: It's great news. So hopefully that will be enough to close that deal and we see another major employer moving to downtown.

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

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

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

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

MS. COX: Did we do Sunshine Mile?

MR. COLLINS: No.

MR. SHEAFE: Remember, we tabled that.

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

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

What action do we need to take today?

MR. COLLINS: Well, based upon the discussion that you had with your financial advisor, Bill Davis, if you're so inclined, I would suggest that you move to instruct me and my office to work with Bill and his office and the lenders involved to be able to bring a formal resolution to this Board at the next meeting so that the
facility that's being discussed can be put in place.

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

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

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

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

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

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

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

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

Audience? Anything, Brandi?

All right. Entertain a motion to adjourn.

MR. IRVIN: So moved.

MR. MARQUEZ: So moved.

CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

See you in May. Thank you very much everyone.

(2:36 p.m.)

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CERTIFICATE

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

John Fahrenwald, RPR