In The Matter Of:
Rio Nuevo
Board Meeting

11/19/19
November 19, 2019

Kathy Fink & Associates
2819 E 22nd St
Tucson, AZ 85713
520/624/8644
**BOARD MEMBERS PRESENT:**
1. Fletcher McCusker, Chair
2. Chris Sheafe, Treasurer
3. Mark Irvin, Secretary
4. Jannie Cox
5. Edmund Marquez
6. Jeffrey Hill

**ALSO PRESENT:**
1. Mark Collins, Board Counsel

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, Room 222, in the City of Tucson, State of Arizona, before THOMAS A. WOPPERT, RPR, Certified Reporter No. 50476, on the 19th day of November 2019, commencing at the hour of 1:00 p.m.

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**REPORTED BY:**
Thomas A. Woppert, RPR
AZ CCR No. 50476

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KATHY FINK & ASSOCIATES
2819 East 22nd Street
Tucson, Arizona 85713
the Downtown Now event at the TCC ballroom where we celebrate this year's activity in and around downtown.

You'll get to hear from all of our developer colleagues, so it's not so much about making a presentation but hearing from people who are actually doing the work downtown. It's a really fast-paced, fun event. Jannie runs an unbelievable event. She always wonders how she's going to top last year, but somehow she always seems to do that, so tomorrow at 5:00 o'clock.

**MR. SHEAFE:** You've got Edmund to back you up.

**MS. COX:** Right.

**CHAIRMAN McCUSKER:** We can't find a legitimate MC, so Edmund Marquez, he's affordable.

**MS. COX:** Very affordable.

**CHAIRMAN McCUSKER:** We promised you a lot of surprises in December, so normally our Christmas meetings are very slow meetings, but there's a lot of very interesting things happening in our downtown. Many of them will bubble up in our December meeting. Today's meeting is actually pretty brief, although, of course, the Bautista project is probably the largest project we've ever talked about.

You've probably seen the relocation of the bungalow on Broadway. We've moved our first bungalow back on the corner of Warren and Broadway. All seven of them will eventually get moved back. We've had a very nice few days with the El Presidio neighborhood and the same Project for Public Spaces trying to help envision how the neighborhood around the Presidio can evolve, so we're very busy and we're honored to be that busy.

So without further ado, a couple of comments on the agenda. I'm going to move the audit report up right after the financial report. Lydia then will do the Sugar Skulls update and the Bautista.

You probably noticed that we sent Brandi home. She's ill. God bless her. She tried to hang in there with us, but we just wouldn't allow it, so I'm going to table item 10, the 2020 meeting dates, which we really can't do without her being here, so we'll deal with that in December.

So Dan.

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

Okay. As of October 31st, we have a little over $6.7 million in the bank. You can see some adjustments below that number. We've had some significant merchants kind of improperly file their TPT reports for a few months. And I'm thinking once those reports are amended, it should free up a million dollars for us.

When we do the refinancing of the bonds, I put $1.8 million aside to get started on the debt service for this coming year. And I think I only need to have a million dollars in there, so I've added $800,000 back.

And then with the refinancing and the way the new trustees are handling the debt service, it appears we're going to have about 2.5 to $3 million coming to us within the next year, so that adds to the number. So we've got about $11 million available for the next year to invest.

The TIF revenue received in November for August was $907,000. Again, this is low. This is kind of a tough time of year for us traditionally. Our budget's 1.3 million, but, again, we've had some significant vendors that have for one reason or another improperly filed their tax reports and Brandi and I are working hard on catching those people and tracking them down and getting that fixed.

Let's see. So I've kind of changed the way we've allocated the debt service now. Traditionally we've been putting $900,000 a month aside -- excuse me, $800,000 to cover our debt service for 10 months, being $8 million. Our debt service with the new loan is now up to $9,000, but the trustees are --

**MR. IRVIN:** 900.

**MR. SHEAFE:** 900,000.

**MR. MEYERS:** I'm sorry. What did I say?
So our commitments are 9.5 million plus the 427, for the MSA Annex, so our commitments for the next year are about $10 million. So really at this point, we’re only showing an excess of about a million dollars. However, we’re coming into the time of year where our TIF revenues usually exceed 1.3 million, so we should be making up some ground as we get to November and basically the rest of the year. So, as always, this is fluid and I'm going to keep my eye on it with Chris Sheafe's help, we look at this monthly and follow this pretty closely.

MR. SHEAFE: Go ahead.

CHAIRMAN McCUSKER: Mr. Marquez.

MR. MARQUEZ: Dan, you mentioned 1.3 million for November. I'm just curious what kind of income we look at in December with the holidays.

MR. MEYERS: Well, interestingly enough, it doesn't correspond with the holidays like you think it does because we get in excess of a baseline amount, and that baseline amount jumps all around. However, I've got a little schedule here, so I can probably give you some history.

CHAIRMAN McCUSKER: And there's about a three-month delay, right, Dan?

MR. MEYERS: Right.

CHAIRMAN McCUSKER: So we would see it in March or April.

MR. SHEAFE: Well, this is an important point, though, because a lot of people don't understand. Every month the history shows how much money the city was receiving before the TIF started. That's what he's referring to as the baseline amount. So December had a much higher baseline than, say, October. So the problem is that we go to calculate December and the baseline's much higher, so all of a sudden, even though the revenue may be gain, the overall effect may be lower than, say, October with a lower baseline. And it's hard to project because it changes every month.

MR. MARQUEZ: I was curious because downtown we haven't really built on retail yet. Retail's still up and coming here downtown, but we pick up Park Place Mall and El Con Mall in our TIF district and --

MR. SHEAFE: You know, and then you have a -- you know, a Circle K or a K-Mart or one of those close down. We haven't seen the revenue, for example, from the new arcade which was in the Sears place, which, you know, people that have been in there go this is -- it's not my style to spend time in an arcade.

CHAIRMAN McCUSKER: There's a bowling alley in there, too.

MR. SHEAFE: Well, go back and bowl. But it is fascinating.

Dan, when you're trying to answer the question, maybe you could go back and just look at the estimated forthcoming line and kind of walk through where that million came from in your mind because that's an estimate.

MR. MEYERS: Right.

MR. SHEAFE: We're kind of guessing at it and I'm hoping that's going to work out, but what makes up that line?

MR. MEYERS: The primary chunk of that is from a big box store that somehow stopped filing correctly for a four-month period of time. And we got $170,000 from them for August just recently, so four times 170, if we just use that, that's almost $700,000 in itself.

We found a construction company that was sold to a new company and they weren't sure how to fill out the form, so we tracked them down.

I mean, there's a lot of this stuff that Brandi and I track every month to try to keep people straight. And I don't know what was done, you know, in the year before I got here.

CHAIRMAN McCUSKER: I'll tell you what was done before you got here, nothing. No one even knew whether monies that historically would have otherwise been lost.

MR. MEYERS: Right.

CHAIRMAN McCUSKER: So we're pretty confident now that we catch everything up and down the strip.

There's a new At Home going into the Target store on Broadway. At Home is the largest retailer -- the fastest growing retailer in the country right now. They're going to take the vacant Target store, so it's incumbent on us to go introduce ourselves to them and say this is how it works, because remember, you have to sell (inaudible).

The state doesn't automatically attribute Rio Nuevo to anything, so we have to educate our tax filers that they have to identify then the district.

And, Dan, when you're trying to answer the question, the department of revenue in their infinite wisdom deemed that we were not allowed access to these records, so part of what we've done in the last few years is to negotiate that in our governmental agreement, which now provides us access. We're not the tax collector, but we can watch it, which is what you and Brandi do with great zeal, and we capture now any and monies that historically would have otherwise been lost.

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1 Mr. Meyers: These numbers jump around also because like we'll tax somebody and all of a sudden we'll get a windfall of tax that may be two years behind, so they're still jumping around quite a bit, but, you know, I anticipate as time goes on, we just keep getting a better picture of this and we can do a better job of estimating our revenues, but, you know, it's still just an estimate.

Mr. Marquez: Well, kudos to you and Brandi. For every dollar you find that's then deposited into Rio Nuevo. That's another dollar we get to invest in our community, so I appreciate it.

Chairman McCusker: Which is creating $10 of private sector.

Ms. Cox: At least.

Chairman McCusker: Any other questions for Dan?

(No oral response).

Chairman McCusker: Thank you very much.

That's a good safe way to Beach, so --

Mr. Meyers: Oh, I have one more on --

Chairman McCusker: Go ahead.

Mr. Meyers: So we're trying to wrap up our performance audit as well. It's gotten delayed for one reason or another and we're anticipating the performance audit results either later this week or early next week and we can put that to bed as well.

Chairman McCusker: Thank you.

So Beach Fleischman is our independent auditors. They've completed the audit for last fiscal year. Lydia is here to walk us through their audit report. Thank you.

Ms. Hunter: Thank you, Mr. Chairman, members of the board.

My name is Lydia Hunter. I'm a senior manager with Beach Fleischman.

So in front of you you should have two documents. One is the required communications letter and the second one is our draft audit.

So first I'd like to go through and review the required communications. So we do talk in the letter about accounting policies. The district's accounting policies are all disclosed in footnote one. We adopted no new accounting standards this year. There are no transactions entered into by the district this year that lacked authoritative guidance, and all significant transactions have been reported in the appropriate period.

The letter also talks about estimates. And we bring that up because estimates could change in the future if the assumptions which they're based on do not result, so there are some significant estimates in the district's financial statement, one being the depreciation of capital assets and another is the net reliable value of any of the long-term receivables.

I'm pleased to report that we had no significant difficulties working with management and no difficulties or disagreements with management during the audit.

I'm on the second page of the letter now. It does talk about adjustments attached to the letter. It's a summary of our audit adjustments. You'll see that some of those were proposed by the client, by Dan, and some of those were proposed by us, so they're normal audit adjustments. You'll see the largest one there was to adjust depreciation expense and help the client determine the annual depreciation adjustment, so no concerns there with the type of adjustments or what were adjusting. Those are all standard recurring adjustments.

We will be asking the board and management to sign a representation letter to us. And other than that, there's no other significant communications I want to share. I'll let you guys read that letter on your own time.

So if you turn to the second handout, the draft itself, I do want to point out a few things on page one and two. That is our audit report. And at the top of page two, it shows that we are prepared to issue a clean opinion. And so basically it says the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities in each major fund of the district. So congratulations to the districts on the clean opinion, what we call an unmodified opinion. That's the best news I have to share today.

So just a couple other things I'll highlight on the draft. If you turn to page three, this is your balance sheet on a full accrual method. And this is as of a point in time. This is as of June 30. A couple of things. If you compare this to last year, you'll see your capital assets have increased significantly, and that's with the continued building of the Caterpillar. Your noncurrent liabilities have also gone up somewhat related to that.

A positive is that your taxes receivable has gone up about 1.4 million. And if you turn the page to the statement of activities income statement, your tax year TIF revenue actually went up about 2.9 million from the prior year, so it's a very good year for the sales tax for FY 19.

And also I do want to point out, if you're looking on page four, the program expenses are actually
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1 really comparable to last year. Last year's were about
2 8 million, now they're about 8.7, but depreciation expense
3 itself increased 700,000, so that basically explains the
4 increase from one year to the next. And so overall, you
5 do have a positive change in that position when we look at
6 it on a full accrual basis.
7 So I'm not going to go through most of the
8 notes. If you start looking at the notes, note one is the
9 general policies and there's footnotes on -- that describe
10 your capital assets, your long-term debt.
11 I do want to bring your attention to page 21.
12 And that is where we start to talk about the district's
13 commitments. So we added a table this year that you'll
14 see on page 21 which shows the commitments in progress at
15 June 30th and how much of the commitment is still left to
16 be spent, so we hope that would maybe summarize the
17 commitments a little bit better.
18 And then also, if you turn to page 24, that is
19 where we start talking about the tax abatement agreement
20 the district has entered into, so we also added a table
21 there so you can see what's the rebate path on these
22 agreements and how much of the rebates have been generated
23 to date.
24 So with that, I do want to thank Dan and Brandi
25 for all their help through the audit. It's a very smooth

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1 process. I'm happy to entertain any questions on that.
2 MR. SHEAFE: Well, we're very happy to --
3 MS. COX: Very.
4 MR. SHEAFE: -- have the -- really that you
5 have no significant observations and that's essentially
6 a clean audit. And that is what, our third year?
7 MR. IRVIN: No, fifth year.
8 MR. SHEAFE: Well, that's really good because
9 it is a major departure from what was the condition
10 originally, so that's the most important thing here.
11 And thank you for adding the schedule on 24.
12 That actually is a very handy schedule to have. First
13 time I've seen it broken down like that.
14 CHAIRMAN McCUSKER: Lydia, you may not know.
15 Dan, the sales tax, we're showing $15.4 million. Dan, do
16 you know what that was the year before? You mentioned it
17 was up, but do you know the --
18 MR. SHEAFE: He's got a schedule right there.
19 MS. HUNTER: I can tell you it went up 2.9
20 million from the prior year.
21 CHAIRMAN McCUSKER: So $3 million.
22 MS. HUNTER: My number is net of the rebates.
23 CHAIRMAN McCUSKER: That's the way it would be
24 recorded. That's a 25 percent increase.
25 MS. HUNTER: Yeah. And the year before that --

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1 MR. SHEAFE: A note of caution, because as we
2 do, you know, GPLET rebate deals, we're essentially giving
3 away our future and we have to be very, very thoughtful
4 about that in our planning.
5 MS. HUNTER: And actually on page 24, the top
6 of that page shows what your gross sales tax was and what
7 those rebates in the current year were to review so you
8 can get a sense of --
9 CHAIRMAN McCUSKER: What's encouraging about
10 that, though, Chris, is our sales tax revenue for the year
11 just ended was $15 and a half million. And, Dan, I think
12 we're only budgeting like a million dollars a month, so
13 we're not pushing the envelope on the budget.
14 Any questions for Lydia?
15 (No oral response).
16 CHAIRMAN McCUSKER: Thank you very much --
17 MS. HUNTER: Thank you.
18 CHAIRMAN McCUSKER: -- for all your hard work.
19 MS. HUNTER: Thank you.
20 CHAIRMAN McCUSKER: All right. It's time for
21 the Sugar Skulls.
22 Coach, you ready.
23 I shouldn't call you coach down here. You're
24 an owner guy here.
25 MR. GUY: I just want to give you a little

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1 update.
2 CHAIRMAN McCUSKER: introduce yourself and who
3 you are and who you're with.
4 MR. GUY: Kevin Guy, owner of the Tucson Sugar
5 Skulls accompanied by --
6 CHAIRMAN McCUSKER: If you'll slow down just a
7 minute to let the media catch up to you. They're very
8 interested in what you have to say, plus you're very
9 photogenic.
10 MR. SHEAFE: Which is your good side? We can
11 put the camera the other way.
12 MR. GUY: I'm still figuring that out.
13 CHAIRMAN McCUSKER: All right. Thank you.
14 MR. GUY: Okay. I appreciate you having us
15 here today. I want to give you an update on our inaugural
16 season here in Tucson at the TCC.
17 You know, there's a lot of hard work that went
18 into the first year. Getting it off the ground was
19 probably a little harder than I originally anticipated,
20 but we got through it and -- you know, designing the field
21 and uniforms, hiring staff, you know, filling our roster
22 out, hiring coaches, there was a lot that went into it the
23 first season.
24 And, you know, then on top of that, we had to
25 get out and start our sales, so -- but, you know, at the
end of the year, we were pretty pleased on where we were at. We always want to get better and, you know, I always -- you know, I always start looking in the mirror at myself first and, you know, how we can improve and -- but we were excited about the first year. We were the first expansion team in league history to ever make the playoffs. We played the first playoff game on the road this year. We made some changes and really feel like we're going to get some home playoff games here in Tucson this year.

Average attendance, we were at 4,300 with two games going over 500. It took me a year to kind of figure out the market. Our last two games were two of our better attended -- our first game and our last two games were better attended games. You know, we -- we were depending a lot on our marketing the first year to drive sales. As the year went on, we kind of picked up on our group sales. We've gotten a lot of group sales working for us right now in a positive way.

Our average viewership for the first year was 16,000 when you include our -- our home attendance. We have a streaming partner, which is YouTube, all our games are on YouTube, and then our TV partner, which was CW last year, KGUN, and we averaged about 16,000 watching our games when you put all three of them together. So there was a lot of interest in our product. You know, we're going to continue to grow and continue to build those relationships. We're going -- you're going to see a jump this year in our -- in our ticket sales, in our group sales.

A little bit about our leadership. You already know myself, Kathy, my wife, also an owner, and Ali Farhang, and then, you know, we hired a new team president this year, Jay Gonzalez, who's here to my right. Jay was born and raised here in Tucson, went to U of A and has worked at the newspaper, TEP, several -- Business Tucson, the magazine, so Jay's been here in Tucson. And, you know, I really enjoyed working with Jay the first year with the team and we felt like he was the right man for the job. And Jay brings a lot of things to the table, but structure and organization was an area that, you know, we felt like we needed to get better at and Jay certainly provides that. So that's our leadership group. Obviously Kathy makes all three of us -- the other three look a little better, but she's done a great job of also handling the finances and everything behind the scenes.

One of the improvements that we made this year was at the -- at the coaching level. We went out and hired a championship coach. He's averaging 13 wins a season since he's became a head coach in our league, Dixie season since he became a head coach in our league, Dixie hired a championship coach. He's averaging 13 wins a year.

The league is expanding. We're growing. I do sit chair on the expansion committee and, you know, not only are we focused on Tucson, but we're focused on strengthening the league as well and we're adding four new teams this year. We're going to be up to 13 teams, Duke City, which is Albuquerque, which, you know, we're really excited about. You know, we have a natural rivalry there.

Oakland is coming in this year and Spokane, Washington, so -- and we're adding a new team we haven't announced yet. We have a fourth one. I can't say who they are yet. We're going to announce them here in the next couple days, but they're from a state that likes to play football and we're really excited about taking that market as well, so we feel -- we've already got three or four applications in from teams for the next year, for 2021, so we feel like the league's in great shape right now.

We just hired a new commissioner, Todd Tryon. He used to be the owner of the Sue Falls Storm and he knows what all the owners are going through and what our needs are, so I feel like he's a great fit for the commissioner spot.

And then, you know, another thing that I was involved in was -- we're going to announce this in the next few days as well, but we just did at the league level a seven digit deal that's going to renegotiate a deal that's going to strengthen our league from a marketing standpoint and bring in, you know, some national sponsors at the league level that's really going to make us better. And Tucson deserves all the credit for that.

You know, Tucson started -- Phoenix was out here -- Arizona Rattlers were out here by themselves in the west,
1 and when we added Tucson, it really opened up the other markets on the west coast, so -- that and the teams that we spoke about, so the league's headed in the right direction as well.

We have a seven home game schedule. The schedule should be out -- I believe it's going to get released on Thursday. Our home opener is going to be March 29th. Regular season will end in June and playoffs in July.

We're doing a lot of new things this year that we didn't do the first year. The last two games of the season, we had some game promotions at the door, you know, first 1,000 or first 2,000 through the door, you know, get some kind of door promotion, game promotion, and so we're doing that for all seven games this year.

You know, we're obviously, you know, working on our group sales and our sponsorships. Our sponsorships are also headed in the right direction. Our ticket sales are up. Within a month of the season being over, we had already renewed 65 percent of our season ticket holders from last year, which, you know, I know our first year, a lot of people bought season tickets late -- you know, right before the season started, so there was a lot of interest right after the season was over and -- you know, so we feel like we're in a good spot there.

So, you know, we're continuing to grow. We're continuing to make moves to try to improve our product on the field but also improve our ticket sales and our sponsorship sales.

So, again, we appreciate the support that we've got from Rio Nuevo and the city of Tucson and, you know, we're excited about next season.

**CHAIRMAN McCUSKER:** Coach, thank you very much.

We've talked a couple times, I think, either Edmund or I, about some improvements that we might make to the venue.

If you want to just touch on how it feels working -- the locker rooms. I know we've talked about maybe increasing the access in and out of the field. You know, just touch on some things that we might think about as the owners of the venue.

**MR. GUY:** Well, you know, I thought we had the best looking field in the league last year, so I was excited about our field. And, you know, one thing that -- you know, when I evaluate and look at maybe some improvements that we feel like we can address, you know, we've really got two doors that enter onto the field, which are -- the way -- we're set up a little different than hockey. Hockey has their benches, you know, in the middle and we have ours in the corners. We do away with the hockey benches and let the seats come all the way down to the, so we're selling that area. And, you know -- but some of the challenges that we had last year was, when we wanted to run game ops out on the field or our cheerleaders out on the field, because the visiting team and home team aren't aware where the doors are at because they've got to -- we've got to substitute players in and out throughout the game, it was very difficult at times trying to get it out, so, you know, one of the things that we talked about was maybe adding a door to the rink that we can have another access to run game ops and the cheerleaders out on the field.

You know, and then fan experience, we've got a great venue in the TCC. We're excited about all the construction that's going on right now. At the same time, Jay and I have taken a lot of steps to get out in front of parking. We're going to do a great job of communicating with our fan base and let them know where the areas are that they can park to make it convenient for them to go to the games.

And then, you know, lastly, you know, I've seen what an LED board can do to the venue and the fan experience, honestly, being the head coach and general manager of the Arizona Rattlers the last 11 years and the excitement that you can create in the building. So that's something else that I think that -- I know I've had a few conversations with Bob Hoffmann about it and it's something that we both feel that would bring a lot of excitement to the building.

**MR. IRVIN:** Kevin, I just wanted to say great job. You know, it's unusual to have an inaugural season where you get in the playoffs. I love the attendance records. You're going to do without going parking, as you know, for the first part of your season this year except on the backside, so I'm glad you're on top of that, but that will improve over time. And love the new coach. I think a lot of Jay. Really great hire there. I just like all the moves you guys are making, so welcome to town.

**MR. GUY:** Thank you. Thank you, Mark.

Edmund, do you have a question?

**MR. MARQUEZ:** Yeah. I see Elaine Becherer in here with the Coyotes. What type of collaboration or discussion have you had with the Coyotes? And before you
1 answer, just know that obviously there's two professional
to facilities. So I'm just curious, back to the Coyotes,
what type of collaboration or discussion do you have in
regards to parking or LED screens, et cetera?
6 MR. GUY: Well, you know, I've spoken a little
bit with Elaine about it, but also I've had more
conversations with Bob about it. And obviously, you know,
fan experience, you know, when you look at it is important
to us. And, you know, I also think, that, you know, it
will help our sponsorship sales as well, not only with
ticket sales but sponsorship as well with the environment
that it creates. I mean, it's a lot of flash in the
building and, you know, there are some places that we can
definitely put that.
16 You know, I've talked a little bit with Bob
about, you know, the parking and, you know -- and that's
why Jay and I have sat down and put a plan together. So,
you know, that's been my conversation with Bob.
20 I haven't really -- I did speak with the
Coyotes last night, but I didn't speak to them about that.
22 They're another partner of ours in a different way with
some other things that I've got going on outside of
Tucson. But, you know, just looking at it overall, I
mean, I think it's great. I love the direction that the

1 TCC is going with all the construction and what we're
adding to the -- to the facility, but, you know, there are
certainly a lot of other things that, you know, if we can
get done, that I think is really going to make the
atmosphere really great to be in.
6 MR. MARQUEZ: And I'd like to echo Mark Irvin's
comments and just say you're doing a fantastic job. I
love fact that you're striving for excellence. I love the
Tucson brand is synonymous with the Sugar Skulls and
excellence. We just have one request from the board. We
fully expect you to sweep the Rattlers this year.
12 MR. GUY: That's why we went out and hired
Dixie Wooten, because I've never beaten Dixie, so that's
good enough. So Dixie's going to do a great job. He's an
outstanding coach, obviously won the championship year
before last with the Iowa Barnstormers. Iowa was the team
that Kurt Warner played for when he played in the league
and -- you know, and they had not made the playoffs for
like three years before he got to be the head coach there.
And once he took it over, you know, he averaged 13 wins a
season and hosted home playoff games every year and
obviously won the championship. So we want to own a
trophy up here in Tucson and, you know, we feel like we've
hired the guy that can do that.
25 CHAIRMAN McCUSKER: Coach, thank you very much.
project-based sales tax in the future. And at the moment, contribution as well as the possible rebate of dollar overall investment in the form of a cash that would allow us to achieve the intended 2.8 million. We're looking at a couple of different ideas communications thus far.

end. So we have, I think, had fairly successful fruition and get this closed and be able to take advantage to have you participate in order to bring this project to with Rio Nuevo and development counsel to figure out a way last meeting, as you mentioned. We've worked with counsel And we have been in conversations since our leverage from private equity.

tucson with a partner group out of salt lake. And the development team will be putting in over $21 million of private equity. we're leveraging to build a 55 million dollar construction cost for a 72 and a half million dollar project and we have requested of rio nuevo for consideration of a leverage of -- for every one dollar of rio nuevo investment, a 27 dollar impact ratio leverage from private equity.

And we have been in conversations since our last meeting, as you mentioned. We've worked with counsel with rio nuevo and development counsel to figure out a way to have you participate in order to bring this project to fruition and get this closed and be able to take advantage of this opportunity to invest in (inaudible) before year end. So we have, I think, had fairly successful communications thus far.

we're looking at a couple of different ideas that would allow us to achieve the intended 2.8 million dollar overall investment in the form of a cash contribution as well as the possible rebate of project-based sales tax in the future. And at the moment, that is where we have left that.

We also were asked to consider the -- on a global perspective, the entirety of the rio nuevo commitment to the west side of downtown tucson and gadsden's involvement in myriad developments throughout the mercado district in order to build what is the largest sales tax base for that particular area, and in doing so, entertaining the idea of how we might actually also be able to above and beyond our current commitments look at possible retirement of some of the investment money that has been put forth in some of the other projects. So we have taken that to heart and we have been working collaboratively with staff and counsel to -- to figure out the best approach and to hopefully be able to jointly take advantage of the bautista execution.

Now for the big dogs. Jerry and Adam, come talk to us about the bautista.

If you weren't here last month, we were introduced to this spectacular west side project that's -- i think if it's not the, it's one of the top two largest projects rio nuevo's ever entertained. Adam, you might just refresh everyone's memory about what your plans are there. We got introduced to the economics at the last meeting. You've all seen us reference the treasurer's report, so, you know, we're trying to, you know, manage our dollars. and we've had a lot of conversations with the development team over the last month.

So, Adam, kind of remind us what you're doing, and then let's talk through how we can help you.

Mr. Weinstein: Good afternoon, Adam Weinstein, 408 south convent, Tucson.

So, Mr. Chairman, just to refresh, where we left off was with a phenomenal commercial mixed use project called bautista. It's a 253-unit market rate project of 16,500 square feet of ground floor commercial retail over a podium deck with underground parking. And we have the -- what appears to be one of the largest and one of the first opportunity zone investments that we've been able to put together for the west side of downtown Tucson with a partner group out of salt lake.

We are in a process right now which is -- with great commitment to the west side of downtown Tucson and the global perspective, the entirety of the rio nuevo commitment to the west side of downtown Tucson and Gadsden's involvement in myriad developments throughout the mercado district in order to build what is the largest sales tax base for that particular area, and in doing so, entertaining the idea of how we might actually also be able to above and beyond our current commitments look at possible retirement of some of the investment money that has been put forth in some of the other projects.

Mr. Weinstein: And, Adam, talking about the timing, this is an opportunity zone which I understand has to close by the end of the calendar year, so --

Mr. Collins: That is correct, Mr. Chairman.

We are in a process right now which is -- with great thanks to Mark and Laura on behalf of Rio Nuevo. they've worked collaboratively with our joint developer as well as counsel in order to get this transaction teed up so that it can actually move forward somewhere in the mid-December timeframe so that we can have this investment placed based on the deadlines that are on us from the opportunity zone investment.

Mr. Weinstein: Right.

Mr. Sheafe: And I asked you to make one other comment just to supplement what the global pictures was.

Mr. Weinstein: Certainly. And I'll do my best to do that, Chris.

So the structure that's been being worked on
1 since the last meeting and in furtherance of requests by
2 Rio Nuevo counsel was a global outline that looked at each
3 of the steps of the transaction in order for it to come to
4 pass accordingly and meet all of the opportunity zone
5 regulations.
6 There are a couple of unique features with it
7 with a lease component to the opportunity zone investment,
8 which is more detailed than probably necessary for this
9 conversation, but at the end of the day, our joint venture
10 partner and us are bringing in $21 million of equity.
11 We're doing that in the form of a 5 million-dollar equity
12 infusion at initial closing along with the 2.8 million
dollar equity infusion from Rio Nuevo. That comes in the
13 form of two steps, 1 million 8 in cash initial
14 contribution and a request for a 1 million-dollar future
15 abatement of the project-based sales tax.
16 And in addition to that, the -- on the global
17 perspectives, I tried to mention previously we are also
18 working with counsel for Rio Nuevo on how we might be able
19 to actually construe that -- that abatement request and,
20 furthermore, look at that in conjunction with some type of
21 additional repayment that might come in the form of a
22 global pay down on some of the other investments that Rio
23 Nuevo has made to date on these -- on the other requests
24 and activities.

MR. SHEAFE: So to kind of put this in
1 perspective, the 1.8 million would be an immediate cash
2 infusion at closing by Rio Nuevo and you present that to
3 your opportunity zone and partners.
4 MR. WEINSTEIN: Correct.
5 MR. SHEAFE: And then you have a note from Rio
6 Nuevo which gives you evidence of another million dollar
7 capacity. However, that note repayment would be made from
8 tax. In other words, we would keep that schedule and, as
9 we receive those tax incomes, we would reduce that note to
10 zero?
11 MR. WEINSTEIN: That is correct, or by --
12 CHAIRMAN McCUSKER: It's got to go to somebody.
13 so --
14 MR. SHEAFE: It comes into the district, but we
15 give them credit --
16 CHAIRMAN McCUSKER: So it's a straight up
17 rebate.
18 MR. SHEAFE: And then the other question was
19 the $1.8 million, well, we expand that out and because we
20 have some other debt structures that we're dealing with,
21 it isn't clear -- and this is -- I'm explaining to you
22 what I think I understand -- it isn't clear today exactly
23 what the restructuring would be, but you would be
24 approaching us in a reasonable period of time, two to
25
1 three months, and say, okay, here's how we can collapse a
2 bunch of money back so the district isn't quite so heavily
3 weighted to the projects that we've done for you. And, of
4 course, we're looking at one of the other big projects
5 that you just finished that you had some problems with.
6 You can't tamper with that too much, so you kind of have
7 to look at the overall universe and say, all right, here's
8 our resource and we're going to give you these monies
9 back.
10 CHAIRMAN McCUSKER: That doesn't sound like a
11 condition of this deal. It sounds like something we're
12 hopeful for, but you're not tying it together. So what I
13 think I've heard you both describe is an immediate equity
14 infusion of $1.8 million and we will GPLET this property
15 back to your development, and then there's a million
16 dollar rebate, a million dollar capped rebate, that
17 fulfills the commitment you need to your partners for the
18 total $2.8 million.
19 Did I oversimplify that, Mr. Collins?
20 MR. COLLINS: Mr. Chairman, no. I think that's
21 very accurate. It is -- in the terminology that we've
22 used in the past, Adam said it was abatement. It's really
23 the rebates that would be coming from --
24 CHAIRMAN McCUSKER: It's really not a note
25 there, so -- I mean, there's -- there's a commitment on

our part to rebate $1 million of our portion of the sales
1 tax back to the developer.
2 MR. COLLINS: I'd have to defer to Adam's
3 counsel, who knows a lot more about O zones than I do.
4 CHAIRMAN McCUSKER: But if we agreed to the
5 terms, we can instruct you to provide the proper
6 structure?
7 MR. COLLINS: Yes, sir.
9 CHAIRMAN McCUSKER: All right.
10 MR. MARQUEZ: Will the O zone accept a rebate
11 or they want to see an actual loan?
12 MR. WEINSTEIN: The answer is yes. We've run
13 this through O zone tax counsel at Beach Fleischman that
14 also does work for our company as well as globally for our
15 partner. It's been confirmed that that will allow us to
16 authenticate a full 2.8 million dollar investment
17 regardless of the fact that it's only actually 1.8 in cash
18 and then another instrument that has the ability to be
19 satisfied by --
20 MR. SHEAFE: It could be any kind of -- how you
21 want to describe the obligation, but you're presenting an
22 obligation to your partner.
23 CHAIRMAN McCUSKER: We have several precedents
24 for this. We've done a very similar transaction a number
25 of times where there's a cash piece and there's a rebate
1. piece, and then the GPLET is overlaid on all of that.
2. This is not an unusual structure. It was just really a
3. matter of backing into the math so we could satisfy the
4. opportunity zone.
5. **MR. SHEAFE:** You know, we should probably touch
6. on it, too, because, you know, the whole rebate idea puts
7. us in ownership on the project.
8. **MR. WEINSTEIN:** That's correct.
9. **MR. SHEAFE:** And I want to make that -- that
10. has to be kind of part and parcel because that's the only
11. way it works.
12. **MR. WEINSTEIN:** And it's a big feature, Chris,
13. because for the 2.8 million dollar investment, a million
14. dollars of which would be a back end component, it will
15. take fee simple title to a 10.8 million dollar parcel at
16. current value within the last 30 days.
17. **CHAIRMAN McCUSKER:** So I think we have enough
18. information to move, if we're so inclined. What we're
19. being asked to approve is a 1.8 million cash investment, a
20. 1 million-dollar capped rebate and a GPLET for the
21. Bautista project. If someone can move that, I think we
22. can instruct counsel then to finish this up in time to
23. meet the deadline.
24. Mr. Irvin.
25. **MR. IRVIN:** Mr. Collins, just so that I think

1. we're all on kind of the same page, I know each project
2. needs to stand on their own. And I've said this in the
3. past. You know, we've got a lot of money invested on the
4. west side and I just want to just talk through that a
5. little bit.
6. So I know we stepped in and bought the bonds.
7. That was about a million three or a million four, if I
8. recall. Do you recall that number when we stepped in to
9. help with the bonds?
10. **MR. COLLINS:** 1.2.
11. **CHAIRMAN McCUSKER:** Hang on a minute. Is this
12. properly agendized, Mr. Collins?
13. Hang on. He may be out of order. Just let me
14. clarify.
15. So can he go back through the history of our
16. interactions with this as it relates to the financing?
17. **MR. COLLINS:** Yes.
18. **CHAIRMAN McCUSKER:** You feel comfortable we're
19. properly agendized?
20. **MR. COLLINS:** I do.
21. **CHAIRMAN McCUSKER:** All right. Mr. Irvin.
22. **MR. IRVIN:** Okay. So we've got 1.2 in
23. purchasing the bonds and then the Mercado, MSA Annex, what
24. was our outlay on that?
25. **CHAIRMAN McCUSKER:** 2.4.
So we're at a very shaky line here.

CHAIRMAN McCUSKER: What I hear generally described by Mr. Irvin and Mr. Sheafe is a willingness on the developer's part to look at the entire project and opportunities to maybe pay us back a little sooner. That's in the spirit of a handshake. There's nothing we're going to do today because we can't, but I think I heard you express your willingness to do that.

MR. WEINSTEIN: That's correct.

CHAIRMAN McCUSKER: And, you know, we really don't have the time to make that a condition of this. This developer stood up every time we've asked him to. I think in the context of this $7 million, you have to remember, you know, if you stand on A Mountain and look east, there's 85 acres of undeveloped land over there that is all in the Rio Nuevo District, so it lends itself naturally to think there's a lot of opportunity cost over there.

We've backed into this as we've created revenue for ourselves. We never really had the money to develop the project as the original Rio Nuevo board had been and a lot of that, thank God, didn't get developed. But, you know, I think because we have so much land and so much opportunity and now just coincidentally it's in an opportunity zone, this is the time for us to act.

So, you know, I think I really compliment you on being creative about this and we're going to take you at your word that you're going to help us deal with the entire project and its repayment, because you can see that -- that we are indeed favoring the west side and we may have to forego something else to make this project happen.

MR. WEINSTEIN: Thank you. I just wanted to add one comment. Mr. Collins, unless it's inappropriate to speak about the Monier, I will refrain. If you'd like me to address something, I --

MR. COLLINS: Go ahead and talk about it to the extent that it bears upon this request.

MR. WEINSTEIN: It bears upon this request only in so far as for clarity for this conversation. One of the key features to the Monier transaction, which is yet to commence, is the potential for the incentive feature post C of O. And the reasoning for that is because of the timing of what will be required for the HUD lender to ultimately consent. So at the moment, those dollars are completely at risk with no -- with no -- at the moment, no option for there to be a repayment feature or otherwise as had originally been discussed when that request was brought --

CHAIRMAN McCUSKER: I'm going to stop you there.
CHAIRMAN McCUSKER: Aye with a great deal of pleasure. And thank you very much. It's unanimous.

Thank you for your flexibility and working through what I think is the largest project we've approved.

I think that's the agenda except for call.

Did I touch everything?

And I only have request. Is Camille still here?

Come on up. Just state your name. And if you represent anybody, let us know that, and off you go.

MS. TEISHNER: My name is Camille Teishner. I represent myself at the moment, but I'm also (inaudible) personal advocacy groups and someone who can kind of speak to some of those aspects that actually have been touched on by some of these others speakers.

So actually I'm here because I first misread your agenda item of the 2020 meeting schedule discussion as one of how to attend the 2030 district monthly meetings. Last I knew, those were on Wednesdays at noon at the YWCA, coincidentally just a streetcar ride away, especially in this weather, or perhaps serendipitously instead, because although the recently established district boundary was set to coincide with the streetcar line as a way to meet the goal of decreasing transportation emissions 30% by 2030, the actual edge of the district is Broadway/Campbell. This makes you a potential stakeholder in addition to the three major signatories of the city, county and U of A. And with your involvement in the Sunshine Mile, you present a powerful leverage tool to build on the initial streetcar investment by including the first extension in conjunction with the Broadway corridor project. This would not only provide considerable trajectory towards that 2030 district emissions goal but also the recent complete streets legislation that prioritizes pedestrian safety. This is not just a city-wide effort. The county resolution was passed in 2015 and I believe state legislation has been proposed out of Phoenix as well, so please consider getting involved in these ongoing, multi-faceted community efforts.

CHAIRMAN McCUSKER: Thank you. Do you have a written statement?

MS. TEISHNER: I can type it out and mail it.

CHAIRMAN McCUSKER: That would be very helpful.

Thank you.

Yeah, sure, come on.

MS. GAXIOLA: Hello. My name is Olivia Gaxiola. I'm from Tucson, Arizona, born and raised. You can tell I'm very nervous a little bit.

CHAIRMAN McCUSKER: Say your name again slowly and clearly.

MS. GAXIOLA: Olivia Gaxiola.

CHAIRMAN McCUSKER: Got it.

MS. GAXIOLA: And the reason I'm here today is -- by the way, I've been e-mailing back and forth with Brandi about this as well. So my goal is to revitalize the Congress Street activation by adding a bar studio to Congress. So that is my goal. I am a fitness instructor, I also teach, (inaudible), and we are located right next to Berry Divine studio. So my goal is to bring new members, walking members, expose Tucson more by attracting U of A students. That's all we see walking back and forth, right? We want to attract those kinds of students.

And also my target market are women from 18 to 26, so that is who I'm targeting.

As far as my request, I'm requesting 22,100.

That's so I can get started on the studio and I can teach some classes, too.

CHAIRMAN McCUSKER: Thank you. I think from we have that. You submitted that?

MS. GAXIOLA: Yeah.

CHAIRMAN McCUSKER: Thank you very much.

Stand by. We're going to look at all those in December.

CHAIRMAN McCUSKER: Thank you very much.

MS. GAXIOLA: Okay.
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