

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING VIA ZOOM

Tucson, Arizona

June 27, 2023

1:01 p.m.

REPORTED BY:

Thomas A. Woppert, RPR

AZ CCR No. 50476

---

KATHY FINK & ASSOCIATES

2819 East 22nd Street

Tucson, Arizona 85713

(520)624-8644

1 BOARD MEMBERS PRESENT:

2 Fletcher McCusker, Chair

3 Edmund Marquez, Secretary

4 Jannie Cox

5 Ross McCallister

6 Michael Levin

7

8 ALSO PRESENT:

9 Ms. Brandi Haga-Blackman, Administrative Director

10 Mr. Mark Collins, Board Counsel

11 Mr. Daniel Meyers, CFO

12 Mr. Tim Medcoff, Board Counsel

13 \* \* \* \*

14

15 BE IT REMEMBERED that a meeting of the Board of

16 Directors of the Rio Nuevo Multipurpose Facilities

17 District was held via ZOOM, in the City of Tucson, State

18 of Arizona, before THOMAS A. WOPPERT, RPR, Certified

19 Reporter No. 50476, on the 27th day of June 2023,

20 commencing at the hour of 1:01 p.m.

21

22

23

24

25

1           CHAIRMAN McCUSKER: Good afternoon, everyone.  
2 Welcome to the June meeting. It seems like it's been a  
3 very quick spring. It was 113 yesterday.

4           So thank you for coming. For those of you that  
5 are new to us, we go to executive session first. So right  
6 after roll-call and minutes, we'll do exec and we expect  
7 to be back in the meeting around 2:00 o'clock.

8           So with that, let's launch the pledge, Brandi.  
9 Okay. Here we go.

10                           (Pledge of Allegiance)

11           CHAIRMAN McCUSKER: Okay. Brandi, you can call  
12 the roll.

13           MS. HAGA-BLACMAN: Jannie Cox.

14           MS. COX: Here.

15           MS. HAGA-BLACMAN: Edmund Marquez.

16           MR. MARQUEZ: Here.

17           MS. HAGA-BLACMAN: Ross McCallister.

18           MR. McCALLISTER: Here.

19           MS. HAGA-BLACMAN: Mike Levin.

20           MR. LEVIN: Here.

21           MS. HAGA-BLACMAN: Fletcher McCusker.

22           CHAIRMAN McCUSKER: I'm here. And, as we  
23 mentioned, Mr. Sheafe is excused and Mr. Hill is still  
24 recovering.

25           So you've got the transcribed minutes. Unless

1 there's a change, I would need a motion to approve.

2 MR. LEVIN: So moved.

3 MS. COX: Second.

4 CHAIRMAN McCUSKER: All in favor say aye.

5 (Motion made, seconded and passed unanimously)

6 CHAIRMAN McCUSKER: Thank you for that.

7 This is the time we've set aside for executive  
8 session. I would need a motion to recess.

9 MR. LEVIN: So moved.

10 MR. MARQUEZ: Second.

11 CHAIRMAN McCUSKER: All in favor say aye.

12 (Motion made, seconded and passed unanimously).

13 CHAIRMAN McCUSKER: Okay. We'll see you back  
14 here around 2 o'clock.

15 Members, click out of this meeting and click  
16 into your exec link.

17 (Recess)

18 CHAIRMAN McCUSKER: I need a motion to  
19 reconvene.

20 MR. MARQUEZ: So moved.

21 MS. COX: Second.

22 CHAIRMAN McCUSKER: All in favor say aye.

23 (Motion made, seconded and passed unanimously).

24 CHAIRMAN McCUSKER: Good afternoon, everyone.

25 Thank you for your patience. It's an important day for us

1 obviously. We posted our draft budget a month ago. We're  
2 going to finalize that today. We've not drifted too far  
3 away from our plans.

4           The remarkable thing you'll see, we'll talk  
5 about it in the actual hearing, is that we've been  
6 invested over \$20 million post COVID, but our private  
7 sector partners have invested almost \$250 million.

8           And, you know, there's one iconic deal after  
9 another occurring in downtown. They're all transformative  
10 now. They're huge, restaurateurs, hotels. You know, we  
11 have bidders for 75 East Broadway. You're going to see  
12 some projects today that are equally iconic.

13           So the bad news is we're broke. Now, what's  
14 interesting about our current status, we'll talk about it  
15 here in a minute with Dan, our monthly revenue's never  
16 been higher, and we talked about at the last meeting that  
17 we would likely double the historical tax base, so we can  
18 assure you that we now have done that. We're on an annual  
19 run rate, not a fiscal year run rate, but an annual run  
20 rate approaching \$20 million of sales tax revenue. The  
21 base when Rio Nuevo started was 9 million, so we've more  
22 than doubled the base. And, of course, everyone knows  
23 that the year of COVID, our revenue was zero, you know, so  
24 we've literally gone from zero to 20 million a year in the  
25 last, you know, call it 18 months.

1           So our objective will be to spend that as we  
2   earn it. We'll continue to look at projects, we'll  
3   continue to look at incentives, sales tax rebates, GPLETs,  
4   you know, investments, the other kind of things that we've  
5   done historically to try and complete our mission, which  
6   is still 12 years away, so Edmund will be 35.

7           Dan, are you ready with your financial report?

8           MR. MEYERS: I am.

9           MS. HAGA-BLACMAN: Hold on a second.

10          There we go. Okay.

11          MR. MEYERS: Okay. This is Dan Meyers. I'm  
12   the CFO at Rio Nuevo. And I think the good news, as  
13   Fletcher alluded to, continues. At the end of May, we had  
14   almost \$10 million sitting in our bank accounts. We've  
15   got the mortgage payment and some other things to pay, so  
16   that leaves about \$8.8 million on hand that's available.

17          And then we try to anticipate what's coming our  
18   way for the next year in cash flow based on our projected  
19   revenue less any debt service, and we anticipate that to  
20   be about \$3.6 million, \$300,000 a month. And then we've  
21   got a note payment coming due on June 30th of 2.4 million,  
22   which leaves us nearly \$15 million on hand a year out.

23          We've got a bunch of commitments remaining, a  
24   little over 16 million. We believe about 3 million of  
25   that will be outside of the next one year. And that comes

1 from many conversations with our developers and -- and the  
2 timing of some commitments we made that are spread out  
3 over time, so that shows we've got about 13.4 million of  
4 commitments within the next year and \$14.8 million of  
5 available cash, so that shows a surplus in this  
6 calculation of about \$1.4 million. When we get to the  
7 budget, that will change a little bit, but, as Fletcher  
8 said, our cash reserves should be coming down for the next  
9 year.

10 I think the one thing we've got going in our  
11 favor is that our projections are pretty conservative as  
12 far as cash coming in. We just project \$1.3 million a  
13 month, which is close to 16 million. I think we're going  
14 to end up this year -- we haven't gotten May or June yet,  
15 we don't know what those numbers will be, but I anticipate  
16 we're going to be very close to \$17 million for this  
17 fiscal year.

18 The last four months, we've been averaging over  
19 1.5 million, so, again, we're hopeful that's going to  
20 continue over the -- from this point on as new projects  
21 come on board and we just -- we just get better at  
22 tracking our merchant revenue.

23 Recently Brandi's been working on one  
24 particular merchant that I think could -- that needs to  
25 amend their returns, and I think that could lead to

1 anywhere between 500,000 and \$700,000 once those  
2 amendments are done, so we're strongly encouraging them to  
3 make the effort to -- to make those amendments.

4 And finally the April TIF revenue was  
5 1.66 million, so, again, we're hopeful that will continue.

6 MS. COX: Dan, I have a question. The summer  
7 months are here. How much does revenue dip in the summer?

8 MR. MEYERS: Well, Jannie, keep in mind that,  
9 you know, the revenue comes in, and then we get in excess  
10 of the baseline. So in the summer months, the baseline  
11 drops, so if revenue does drop because of summer, then  
12 it's kind of reflected to the baseline --

13 MS. COX: So it's a lower baseline, so it  
14 washes out. Good. Okay.

15 MR. MEYERS: And I've been tracking just gross  
16 revenue, what the state receives, every month and it's  
17 staying consistently in a good spot. So, you know, until  
18 I hear otherwise, I think it's going to -- I think it's  
19 going to stay in a good place, you know, unless this  
20 recession talk or inflation stuff really starts hitting  
21 home. But keep in mind, as prices go up, sales tax goes  
22 up accordingly, so inflation doesn't hurt us as long as  
23 people continue to spend.

24 CHAIRMAN McCUSKER: We talked about it before.  
25 I think pre COVID our investment activity was almost all



1 local. You know, when the Forbes article came out in 2020  
2 that Tucson was one of the top five post-COVID  
3 destinations, we've been inundated with development  
4 activity, Jannie, from literally around the country, from  
5 Miami, from Chicago, from Denver, California. You know,  
6 the grocery provider we're going to talk about is  
7 international, you know, so we don't see any of that  
8 slowing down based just on the volume of interest that we  
9 have in Tucson. Hotels attract other hotels, restaurants  
10 attract other hotels. Some of these new restaurants that  
11 we've approved are budgeting upwards to near 20 million a  
12 year of revenue. You know, those are L.A. kind of  
13 numbers, Dallas numbers, you know, Scottsdale numbers.  
14 So, you know, we've only budgeted a million two a month of  
15 income, but we just hit a million seven and I tend to  
16 think you're going to keep seeing those numbers all year.

17 The good news is we can cover all of our  
18 commitments. We've got about a million bucks left and we  
19 could earn as much as 400 grand a month.

20 Any questions for Dan?

21 Dan, do you want to scroll -- Brandi, scroll  
22 through the commitments just so that the board and public  
23 can see.

24 There's nothing really new in this column.  
25 These have all been long-term commitments that you can see

1 that we commit, and then they draw against that  
2 commitment. That leaves the remaining column.

3 The fourth column is a new column for us that  
4 Dan added. This shows the total project. So, for  
5 example, you know, La Buhardilla, you know, we've  
6 committed 600, but the total project is \$400,000 -- or  
7 \$4 million. So, you know, you can see the leverage that  
8 we're capable of.

9 One of the things that we've learned that our  
10 development partners will tell you is we make the  
11 difference between DOB and financed or not, because even  
12 though we call it 10 percent of a deal, we make up the  
13 debt service coverage ratios, so it makes all these  
14 projects much more financeable.

15 MR. MEYERS: Yeah. Just for your knowledge,  
16 the ones that are highlighted there, those are the  
17 projects that we anticipate to extend more than 12 years  
18 out from now, so that's -- those things kind of are under  
19 different amounts for each project, but that's kind of  
20 where the \$3 million of deferred we come with.

21 CHAIRMAN McCUSKER: None of these projects have  
22 evaporated. Some of them have slowed down or bumped into  
23 issues with getting permits or other kind of challenges.  
24 A lot of these old buildings that we're retrofitting have  
25 been in worse shape than anyone imagined, but there isn't

1 a single project that we've committed to save the Citizen  
2 Hotel that's not going to activate.

3 Any questions for Dan?

4 MS. COX: I just want to say thank you, Dan,  
5 for the great job you do. And I appreciate the amount of  
6 information that you send to us in advance of the meeting  
7 so that we -- we get a chance to ask you questions ahead  
8 of time, and I appreciate that a lot.

9 MR. MEYERS: My pleasure. That list just keeps  
10 growing, so it's fun to watch this thing grow. And I'll  
11 be excited to have these things drop off and be completed  
12 as well.

13 CHAIRMAN McCUSKER: So you told me an anecdote  
14 the other day, Dan. When you came to work for us, how  
15 many projects were on this list?

16 MR. MEYERS: That was 10 years ago. I think  
17 there were like maybe like six projects. The primary one  
18 was the TCC initial renovation. This report took about,  
19 you know, three minutes to do, so it's been really amazing  
20 to watch the progress. And I think it's a real -- really  
21 cool that you guys make all this stuff happen.

22 CHAIRMAN McCUSKER: The systems that they put  
23 in place, Jannie, to track our sales tax, those didn't  
24 exist. The state had no idea who was paying and who  
25 wasn't paying. We can now catch -- the developer they're

1 talking about is out of the country. They're  
2 international. They're not filing their tax returns.  
3 Well, Brandi and Dan found that out and we're chasing  
4 them.

5 MS. COX: That's great.

6 MR. MEYERS: Brandi, does a great job at  
7 staying on top of these people. And if I have to get  
8 involved I do, but most of it Brandi takes care of.

9 CHAIRMAN McCUSKER: We've got three deals we're  
10 going to talk about before the budget hearing. Given that  
11 Marcel is international, it's 11:00 p.m. over there, let  
12 me move that to first.

13 Marcel, if you're ready, I think you also have  
14 a PowerPoint. I'll help set this up for you. Of course,  
15 Marcel Dabdoub is no stranger to us. He got involved in  
16 downtown about the same time I did, about 2010, and I can  
17 assure you he's spent a lot more of his checkbook than I  
18 have.

19 But this particular project is on the Sunshine  
20 Mile, and Marcel and his partners have accumulated a  
21 number of parcels at the corner of Broadway and Plumer.  
22 That would be the southwest corner of Broadway and Plumer.  
23 They have the opportunity to bring in a national --  
24 international grocer to that site. It's going to be  
25 challenging to say the least to attract someone of their

1 means to Sunshine Mile, Tucson, so we want to do  
2 everything we can, Marcel, to help you land this project.  
3 So if you're ready, go ahead.

4 You're muted.

5 MR. DABDOUB: Yes, I'm ready. Thank you so  
6 much.

7 Thank you, Mr. Chairman, members of the board.

8 Let me -- let me try to bring this on -- the  
9 presentation has some images of the block which will make  
10 it easier with visuals. Give me one second.

11 MR. MARQUEZ: Hopefully you're going to show  
12 that aerial rendering that we saw. That was super  
13 impressive.

14 MR. DABDOUB: Yes. Yes, I will.

15 Here it is.

16 Can I share my screen?

17 CHAIRMAN McCUSKER: Huna?

18 You should be able to.

19 MR. HAMMOND: Marcel, you're set up as a  
20 co-host. You should be able to share.

21 MR. DABDOUB: Okay. Thank you.

22 Okay. So thank you so much. I'm going to  
23 start --

24 Okay. Can you see my screen now?

25 MR. MARQUEZ: No.

1 MR. DABDOUB: Oh, I have to click on share.

2 MR. MARQUEZ: There we go.

3 MS. COX: There we are.

4 MR. DABDOUB: Okay. Thank you. Now let me go  
5 into slide mode.

6 So as -- as Fletcher said, this is the  
7 intersection of Broadway and Plumer. I always called it  
8 Plumer, but somebody corrected me recently and I think  
9 you're supposed to pronounce it is Plumer. I'm not  
10 absolutely sure, but I'm going with that for now.

11 There used to be a Dollar Store right there on  
12 the corner. The Dollar Store is facing east, so it was --  
13 basically the current location didn't have -- didn't have  
14 that much parking out in front. And then there's a  
15 U-Haul -- a small U-Haul/parcel business right behind the  
16 vacant Dollar Store, and -- and then there's a tabernacle  
17 on the corner, and then -- and then there's this old  
18 office building, which is currently vacant, right behind  
19 the tabernacle.

20 So two -- two of the buildings are vacant, two  
21 of the buildings are on month-to-month leases at very low  
22 rates. We see this as a great opportunity for  
23 redevelopment. So this is what the -- what the -- what  
24 that block looks like. You have the Dollar Tree there on  
25 the upper right-hand corner, and then you have two more

1 buildings right behind it and an office building before  
2 it.

3                 So we -- we've been pursuing a grocer and --  
4 and we -- we've disclosed the name confidentially to Rio  
5 Nuevo. We can't disclose it publicly yet until they give  
6 us the go ahead, but they're very selective about their  
7 store openings. They're -- they're -- they drive a hard  
8 bargain. They're -- you know, they're -- they -- they  
9 grow very conservatively, responsibly, and -- and that's  
10 one of the reasons why they're so successful.

11                So we -- we -- we've gone through numerous --  
12 I'm going to go through these quickly just to give you a  
13 sense of how this has evolved trying to -- trying to make  
14 this work, trying to make the numbers work with additional  
15 retail and -- and also meeting this grocer's demands.

16                So this is -- this is the -- the most recent  
17 plan that we've come up with. This is the one that's been  
18 approved. And I believe it's going to the next real  
19 estate committee meeting. So we're taking a total of five  
20 parcels, four of which have existing buildings, two of  
21 which would be under a long-term lease with TUSD, and we  
22 would be basically demoing and just doing a new single  
23 tenant build to suit to -- to accommodate this grocer.

24                These are two pictures showing what the -- what  
25 the -- what the block looks like right now, so -- and I

1 don't know if you can see my cursor, but this is the  
2 discount store plus the other two buildings and this one  
3 and there's another parcel that we're buying here. And --  
4 and the picture on the right represents what -- what the  
5 new grocer development would look like.

6           They're very secretive about their numbers.  
7 We -- you know, they never disclose their sales numbers.  
8 And we've talked to a lot of people to try to get a sense,  
9 and the best estimate that we have been able to come up  
10 with is around \$2,150 per square foot. And, you know,  
11 that's -- there's a raise that goes right above that, but  
12 that could represent a potential gross revenue of 28 to  
13 \$30 million annually.

14           It's a grocer, so not all of it is taxed and,  
15 you know, the best estimate we've able to come up with for  
16 how much -- you know, tax revenue that they'll be able to  
17 generate is between 460 and \$480,000 annually and 50  
18 direct and indirect employment opportunities.

19           I -- I -- we really feel that this will be a  
20 home run. It will -- it will change the landscape for the  
21 Sunshine Mile. This particular block is a block that has  
22 four buildings that are -- are difficult, especially with  
23 one being basically a discount store that has a little bit  
24 of a parking constraint. It's 8,000 square feet on the  
25 existing building, so we're taking five parcels with four



1 buildings that are functionally obsolete to different  
2 degrees and doing one building that will have a big impact  
3 on this section of the Sunshine Mile.

4 As you can see on the last plan, you can barely  
5 notice there are these red dotted lines, and we were able  
6 to come up with a design that would put the building  
7 squarely within the Rio Nuevo District. The Rio Nuevo  
8 District, you know, basically hugs that -- that southern  
9 wall of the proposed building.

10 And with that, you know, I'd be happy to answer  
11 any questions.

12 CHAIRMAN McCUSKER: Marcel, do you want to talk  
13 about your ask?

14 MR. DABDOUB: Yes. Yes. Thank you so much.

15 So the -- the challenge with this user is that  
16 we -- we -- we -- we're required to buy five parcels, all  
17 of which are valued based on having existing buildings  
18 with the owners thinking that those buildings are very  
19 useful and viable and marketable, and the -- what we feel  
20 and what we know is that the highest and best use for this  
21 site is to do an assemblage and to do one bigger offering  
22 that -- that makes sense to -- you know, to attract a  
23 strong user.

24 So this user is -- you know, the yield -- you  
25 know, you have several things that are coming together

1 that make the, you know, funding of this deal difficult.

2 One is five separate parcels with four buildings that  
3 you're having to buy them for the value of the building  
4 and tearing them down. You have pretty much, you know, a  
5 very high interest rate environment, and you also have  
6 high construction costs.

7           And none of this really -- none of this really  
8 affects the negotiations with the user that we're  
9 pursuing. They can only pay up to a certain of rent and  
10 that puts our yield at something that's, you know, sub  
11 five percent, which is very difficult to deal with, so  
12 what we're requesting from Rio Nuevo would be an  
13 assistance in the amount of \$1.5 million when we open the  
14 store. So we would not be requesting any funding before  
15 we actually open the store. We would just do the  
16 agreements now. And the store is -- is projected to be  
17 open in 2025. And there are -- and then, you know, we're  
18 requesting the same sales -- sales tax rebate structure  
19 for the portion that does generate sales tax rebates to --  
20 to basically, you know, get the yield on cost number to  
21 something that makes sense.

22           MR. MARQUEZ: Is there a dollar figure on your  
23 rebate or are you just saying for the end of Rio Nuevo in  
24 2035?

25           MR. DABDOUB: No, there is a cap. So what --

1 what -- you know, when we were doing the numbers on a  
2 prior deal, which is not the same, because pharmacy --  
3 pharmacy generates a lot -- you know, everything they sell  
4 basically generates sales tax. When we were doing a CVS,  
5 we had -- you know, there was a 6 million cap on that deal  
6 and here what we're proposing is to go half of that, so it  
7 would be a 3 million-dollar cap on the sales tax rebates.

8 MR. MARQUEZ: What's your total cross of  
9 construction?

10 MR. DABDOUB: The total cost of construction is  
11 around \$6 million, you know, not putting the cost of  
12 acquisition and other costs.

13 MR. MARQUEZ: So, Dan Meyers, what would our  
14 proposed construction sales tax income be from that deal  
15 if you have a calculator? Off the top of your head since  
16 you're our CFO.

17 CHAIRMAN McCUSKER: It would be about two and a  
18 half, three percent.

19 MR. MEYERS: I would say closer to two percent  
20 of the construction costs.

21 MR. MARQUEZ: Okay. I'll get my calculator  
22 out.

23 That's 100 --

24 MR. MEYERS: Five percent and 35 of that is not  
25 subject to tax, and then --

1           CHAIRMAN McCUSKER:  If these numbers hold, you  
2 know, our portion of this is a quarter of a million a year  
3 plus the construction sales tax.  You probably wouldn't  
4 hit that 3 million-dollar cap.  We sense that presently,  
5 you know, 2035.

6           We've done other deals, Stiteler's deal and  
7 others, where if for some act of God Rio Nuevo gets  
8 continued beyond 2035, the caps survive into that new  
9 entity, so the only way Marcel would hit that cap would be  
10 if Rio Nuevo's sunset was extended.

11           MR. MARQUEZ:  Start lobbying, Marcel.

12           MR. LEVIN:  So if I'm reading the projected  
13 gross annual sales tax revenue, Dan, is my understanding  
14 that half of that is actually what we would get back if  
15 Rio Nuevo was --

16           MR. MEYERS:  Right.  Right.  We split with the  
17 state.

18           MR. LEVIN:  So we can --

19           MR. MEYERS:  (inaudible) divide that by 65  
20 percent and then take half of that.

21           MR. LEVIN:  Okay.  So say we take the low-end  
22 number.  It would hit 230,000 per -- you know, per year,  
23 which I think, if I calculate it out, that's 12 and a half  
24 years, which puts us, you know, past 2035.  Am I  
25 calculating that out correct?

1                   CHAIRMAN McCUSKER: Yeah. So I think, you  
2 know, Marcel goes at risk if we don't get to the cap.  
3 He's basically -- I think Edmund suggested this. He gets  
4 all of our incremental sales tax through the Rio Nuevo  
5 life under the current statutes. This would be  
6 incremental. It's not money we enjoy now. These  
7 buildings don't produce any tax, so that would go back to  
8 the developer basically to create a rent that would be  
9 acceptable to the tenant. We get a little money on  
10 construction sales tax, you know, but, you know, you have  
11 to look at this for the greater good of the Sunshine Mile.  
12 We know grocers like this attract residential, they'll  
13 attract other businesses. You know, there's opportunities  
14 for this to attract housing. You know, it just does a lot  
15 for the Sunshine Mile core.

16                   MR. MARQUEZ: Marcel, to Fletcher's point,  
17 traditionally a grocery store in a development is an  
18 anchor property. Do you have any data on any peripheral  
19 economic impact that this might have? Do you know of any  
20 other projects that are happening in the area that may  
21 happen if this grocery store comes into play.

22                   MR. DABDOUB: So at one point -- you see the  
23 office building in the back behind the tabernacle? At one  
24 point we also had that parking lot under contract. It  
25 was -- we had it under contract along with 2030 Broadway,

1    which is a group of offices right -- which would end up  
2    being right behind (redacted). And we were looking at --  
3    we were looking at that as a possible residential  
4    conversion. The current offices are small. We came up  
5    with a plan, but ultimately we were concerned by two  
6    things. One was parking, but the primary one was  
7    construction cost, the cost of converting those units to  
8    residential.

9                    But I think once (redacted) is there, it's  
10   going to have an impact. It's going to have -- you know,  
11   the Auto Zone right now, who knows what that use could end  
12   up being in the future, but having -- you know, and we  
13   don't own the Auto Zone. It's -- my understanding is that  
14   it has been for sale -- offered for sale, but it was at a  
15   cap rate that was really low. But regardless, you have  
16   other uses, we believe, that will -- will develop around  
17   this grocer as -- you know, once it's developed just  
18   because of the quality of the grocery that they represent.

19                   MR. MARQUEZ: There are a lot of moving pieces  
20   in this deal. I know this is a tough question. There's a  
21   lot of moving pieces in this deal. If we approve this  
22   today, what's the likelihood percentage-wise that this  
23   comes to fruition, like 90 percent, 99 percent, 70  
24   percent? Does this actually happen?

25                   CHAIRMAN McCUSKER: So Marcel -- Marcel, you

1 did inadvertently announce your tenant, so be careful.

2 We'll strike that from the transcript.

3 MR. DABDOUB: Thank you.

4 MR. MARQUEZ: The reporter that's on this call  
5 won't know.

6 MR. DABDOUB: Thank you. And I caught myself  
7 doing it, but --

8 So your question, Edmund, was -- oh, the chance  
9 of this happening. The chances of this happening if we  
10 get Rio Nuevo's support are very high. We expect to have  
11 a signed LOI by next week. The terms of the LOI have been  
12 approved. The only thing that we're working on is sending  
13 them back comments -- final comments. And it has nothing  
14 to do with -- you know, not so much to do with the work  
15 that has to be done but rather with the timing of the  
16 plans of each section of the entitlement process. We just  
17 want to give ourselves enough time, and ill be responding  
18 to that tomorrow.

19 So once -- once this LOI gets signed, we would  
20 go to real estate committee. They then go to real estate  
21 committee, and my understanding is that they -- you know,  
22 the process from real estate committee to having a lease  
23 is -- is very quick. The broker's telling us, you know,  
24 we would have an initial draft in a couple of weeks. The  
25 lease that they have does have certain contingencies, but

1 those contingencies are pretty basic contingencies,  
2 meaning that they -- they have an option to terminate the  
3 lease if certain things don't happen. If they don't  
4 approve the final set of construction drawings, we're  
5 building the building for them, so we don't see any risk  
6 of that happening just because we're building to their  
7 specs. If they don't get a liquor license, and there's  
8 nothing here that would suggest to us that they wouldn't  
9 be able to get a liquor license based on the preliminary  
10 analysis that has already been -- they've already done,  
11 and basically making sure that the site is cleared  
12 environmentally.

13 So we don't see any of those contingencies  
14 really being an issue on this site, so I believe that, you  
15 know, the likelihood of this happening -- just because I  
16 don't like to be -- I like to be conservative, but I would  
17 say, you know, above 80 percent if -- if this gets  
18 approved.

19 MR. MARQUEZ: I appreciate that.

20 For my fellow board members, you know, Fletcher  
21 and I have been involved in this deal for a while and this  
22 is a pure upgrade activation deal. We're not really  
23 looking at the ROI side cash flow-wise, tax income-wise  
24 for Rio Nuevo, but this is a vastly under-redeveloped  
25 area. I mean, a Dollar Store failed, it closed, right?



1 So this is -- this is a chance for us to bring in a  
2 grocery store alongside the four other deals or projects  
3 that we have in place with Larsen Baker and Grant Krueger,  
4 et cetera. This is a way in which we can redefine  
5 Broadway and the Sunshine Mile.

6 CHAIRMAN McCUSKER: There's three things on the  
7 table for us as you think about this. One would be a cash  
8 contribution. A million five is the ask. That would be  
9 at certificate of occupancy. This is another item we can  
10 budget for and create a reserve for. A tax rebate with a  
11 cap of 3 million, we probably wouldn't get there based  
12 upon these projections, but if Rio Nuevo got extended, the  
13 cap would survive the sunset.

14 The other piece of this is to negotiate a  
15 sublease to Marcel and his partners' entity that passes  
16 through the TUSD lease to us. We did execute that lease  
17 anticipating a development. It does not take effect until  
18 the developer tells us he's ready to go, so -- but we  
19 would pass those terms along to this developer or another  
20 one if that for some reason failed.

21 So what's in front of the board, if you want to  
22 enable this project, would be a cash contribution, you  
23 know, at certificate of occupancy, a sales tax rebate,  
24 these are very consistent with the other deals we've done,  
25 and a sublease that passes through the terms we have with

1 TUSD.

2 MR. DABDOUB: And one -- one more item,  
3 Fletcher. The TUSD lease has increases capped at  
4 three percent. Our lease with the grocer has CPI  
5 increases capped at two percent, but we would still  
6 take -- take -- assume the TUSD lease as -- as negotiated,  
7 so we -- we would -- we would basically absorb that  
8 additional exposure in the inflation on the CPI even  
9 through there's a mismatch between the leases.

10 CHAIRMAN McCUSKER: Any other questions for  
11 Marcel?

12 MS. COX: Mr. Chairman, I move that we approve  
13 this grocery store development investment of 100 --  
14 \$1.5 million as discussed in E-session and assuming no  
15 material changes and authorize the executive officers to  
16 execute the deal.

17 CHAIRMAN McCUSKER: I think you meant  
18 1.5 million, not 105 million.

19 MS. COX: Well, I said 100, and then I  
20 corrected myself. I'm sorry.

21 CHAIRMAN McCUSKER: It became 101.5, so --

22 MS. COX: Oh, I see.

23 CHAIRMAN McCUSKER: State your motion again,  
24 Jannie.

25 MS. COX: I move that we approve this grocery

1 store development investment of \$1.5 million as discussed  
2 in E-session and assuming no material changes and  
3 authorize the executive officers to execute the deal.

4 MR. MARQUEZ: Would you accept an amendment of  
5 up to \$3 million cap on a rebate?

6 MS. COX: Sure.

7 MR. LEVIN: Would you accept an amendment to  
8 also allow counsel --

9 MS. COX: We don't have a second, do we?

10 CHAIRMAN McCUSKER: Not yet. They're still  
11 working on the motion, so --

12 MS. COX: Okay.

13 MR. LEVIN: Would you accept an amendment to  
14 authorize counsel to -- and the executive committee to  
15 negotiate a sublease to Marcel's group for the grocery  
16 store that passes through the TUSD lease?

17 MS. COX: I think that's all assumed to be  
18 included in our executive --

19 CHAIRMAN McCUSKER: What Jannie did was  
20 reference executive session, which does encompass all of  
21 those items, so her motion works. You know, she's making  
22 a motion to authorize the cash and the other items were  
23 discussed in exec, or, Jannie, you could restate your  
24 motion to capture all three components since no one  
25 seconded it, a million five in cash, 3 million dollar

1 rebate and the sublease from the TUSD master lease.

2 MS. COX: Okay. I accept those amendments as  
3 you just stated.

4 CHAIRMAN McCUSKER: So --

5 MS. COX: (inaudible) for this grocery store  
6 development investment of \$1.5 million with a  
7 3 million-dollar rebate of sales tax and the --

8 CHAIRMAN McCUSKER: Sublease.

9 MS. COX: -- as discussed in E-session assuming  
10 no material changes and we authorize the executive  
11 officers to execute the deal. How's that?

12 MR. LEVIN: Second.

13 CHAIRMAN McCUSKER: There you go.

14 Did somebody second that?

15 MR. LEVIN: Mike.

16 CHAIRMAN McCUSKER: Mike Levin.

17 Chris Sheafe would be proud, Jannie.

18 MR. MARQUEZ: I was going to say. Can you  
19 imagine, we're missing Chris Sheafe right now.

20 MS. COX: Tell him I can actually make a  
21 motion.

22 CHAIRMAN McCUSKER: Except he won't hear this  
23 or ever find that out.

24 So you can drop your screen, Marcel. Save  
25 those renderings for the press assuming this passes.

1           So the motion is to authorize the executive  
2 officers and counsel to prepare the documents associated  
3 with this transaction, which include \$1.5 million in cash,  
4 a 3 million dollar sales tax rebate, that's all  
5 incremental sales tax up to \$3 million, and to finalize  
6 the sublease between Rio Nuevo and the developer.

7           Any questions?

8           Brandi, call the roll.

9           MS. HAGA-BLACMAN: Mike Levin.

10          CHAIRMAN McCUSKER: Somebody had a question.  
11          Marcel?

12          MR. DABDOUB: The C of O for the one and a  
13 half, but I'm proposing store opening, so that way Rio  
14 Nuevo is protected. You know, I could technically get a C  
15 of O for a grocery store that just never opens, so we're  
16 good doing it at store opening and not doing it at C of O  
17 just to clarify.

18          MR. MARQUEZ: So, Jannie, will you accept an  
19 amendment to strike C of O and instead replace that with  
20 the store opening?

21          MS. COX: I will.

22          MR. LEVIN: I amend my second.

23          CHAIRMAN McCUSKER: I'm not sure she said  
24 anything about C of O, did she?

25          MR. DABDOUB: You mentioned the timing of the

1 1.5.

2 CHAIRMAN McCUSKER: Tom, will go back to the  
3 motion? I don't think she said --

4 MS. COX: I did not mention that in the motion.

5 CHAIRMAN McCUSKER: Okay. So that just  
6 clarifies that, Marcel. We did talk about that in exec.  
7 So we'll clarify the conversation so that when the  
8 documents get produced, Tim, you're following this, the  
9 1.5 would come at store opening, a 3 million-dollar sales  
10 tax rebate capped and negotiated sublease.

11 Brandi, now you can call the roll.

12 MS. HAGA-BLACMAN: Okay. Mike Levin.

13 MR. LEVIN: Aye.

14 MS. HAGA-BLACMAN: Edmund Marquez.

15 MR. MARQUEZ: Aye.

16 MS. HAGA-BLACMAN: Jannie Cox.

17 MS. COX: Aye.

18 MS. HAGA-BLACMAN: Ross McCallister.

19 MR. COLLINS: Ross, you can't vote in this one.

20 CHAIRMAN McCUSKER: Yeah, you're -- you're --

21 MS. HAGA-BLACMAN: Fletcher McCusker.

22 CHAIRMAN McCUSKER: I vote aye, so that's --

23 I'm quorum'd (sic) up, right, Mr. Collins? There's four  
24 votes, one abstain.

25 MR. COLLINS: Yep. You've still got your

1 quorum, but Ross can't --

2 CHAIRMAN McCUSKER: That motion passes, Marcel,  
3 with one abstention. You continue to show up for the  
4 downtown core. This looks like a great project. We'll  
5 get after the documents posthaste.

6 MR. DABDOUB: Thank you, everyone. Thank you  
7 so much for your support.

8 CHAIRMAN McCUSKER: Thanks for plugging in from  
9 Europe.

10 MR. MARQUEZ: You can go to bed now.

11 CHAIRMAN McCUSKER: No, they're just now  
12 starting in Paris.

13 MR. DABDOUB: No, we're going to go out and get  
14 some dinner.

15 CHAIRMAN McCUSKER: Thank you.

16 Okay. We'll move to Greg Fay. Thank you for  
17 indulging me, Greg, since he's in Paris and you're not.

18 I think everyone knows Greg is responsible for  
19 the Cathedral Square Hotel properties. There's always  
20 been an idea that the street levels would contain some  
21 retail, and Greg has a really great project he wants to  
22 discuss with us.

23 So, Greg, I think you have a presentation as  
24 well. Introduce yourself and --

25 MR. FAY: Yeah, Greg Fay here again. I think

1 I've met most of you, but I think there are a couple of  
2 new faces there.

3 Just before I get to the -- to the PowerPoint,  
4 one, you know, thanks everybody. You know, we've been  
5 talking with a couple of the members about how to best  
6 frame this for the entire board, so we've been working for  
7 many months to bring a bakery to the corner space of Stone  
8 and Ochoa, which we think would be a great utilization of  
9 that corner space. It's right across the street from the  
10 cathedral, so they're, you know, really looking forward to  
11 Sundays and other events at the cathedral that will help  
12 them generate sales in that space.

13 You know, it's -- it's a corner that, you know,  
14 right now doesn't have a lot of activation other than the  
15 hotel guests coming in, but, you know, to really have  
16 something, you know, Stone facing, we are excited about.  
17 We've been working with FORS Architecture Group to design  
18 the space, so I'll go ahead and share here. Make sure I  
19 pick the right screen.

20 All right. I think everybody can see that now.

21 CHAIRMAN McCUSKER: Yes, sir.

22 MR. MARQUEZ: Yep.

23 MR. FAY: All right. So this is the, you know,  
24 Stone-facing picture of our current hotel. The space  
25 we're talking about is kind of the far left space with the



1 double doors just on the left side of the Hampton  
2 Inn/Home2 Suites signs there. It's just the first level.  
3 The space is just under 800 square feet.

4           And we would have -- the name's not a secret.  
5 Some secrets are better kept than other secrets as we  
6 learned, but it's okay. The La Estrella Bakery, we've  
7 been working with Isabel and the family extensively.  
8 We've had, you know, probably at least a dozen meetings  
9 with them on site to really come up with something that  
10 really works for them that they can do, what they need to  
11 do there.

12           Just to -- kind of a quick rendering of what  
13 the outside would look like, there may be some, you know,  
14 small outdoor seating. There is a second retail space  
15 that we are still looking for tenants for that's just to  
16 the right of that Hampton Inn/Home2 sign, a space about  
17 the same size. We'll continue to look for a tenant there,  
18 but we have not identified one. We were talking to  
19 somebody and we thought let's just -- let's make this one  
20 nice and easy and not try to bring two tenants to you at  
21 the same time.

22           Here's a quick rendering of the inside, you  
23 know, very, you know, simple space. The -- kind of the  
24 backside of this window is the park portion -- or the  
25 entrance to the hotel, so we think great visibility for

1 them.

2 MR. MARQUEZ: Mike, you need to mute.

3 MR. LEVIN: Hold on just a second. I need to  
4 put you on mute.

5 MR. FAY: All right. So, you know, but a real  
6 simple layout. There's some kind charge-back house space  
7 in the back. There's just a nonpublic restroom here  
8 for -- well, actually I think it will be both, restroom  
9 for both employees and local, just one quick restroom  
10 there, but a really simple place, but, you know, excited  
11 to get a local Tucson business in the space.

12 You know, we looked at a lot of different uses  
13 for this space. I think all of you guys know I work  
14 really closely with Jerry Hawkins and, you know, use him  
15 extensively to kind of think about, you know, what's the  
16 best use of this. He was certainly helpful to us in  
17 looking at a lot of different uses for this.

18 I will say, a little shout out to Edmund,  
19 Edmund was the one who officially made the introduction to  
20 Isabel and the family to help us land this tenant, which  
21 we are, again, just super excited to potentially get them  
22 in the space.

23 And I'll just quickly flip through a couple of  
24 the renderings of the inside of the space, a little floor  
25 plan, kind of top down view of the space.

1           And then, you know, here's -- here's what, you  
2 know, everybody wants to see, you know, what's our  
3 investment, what's the request of Rio Nuevo. Basically we  
4 are asking for 50 percent of just the tenant improvement  
5 costs. You know, we have already completed, obviously,  
6 the shell of the space. You know, we've completed the  
7 windows, the floor, the ceiling, et cetera, but we need  
8 to, you know, basically fit it out for -- for the bakery.  
9 And then you can see the -- you know, the revenues. There  
10 again, because the space is currently empty, all  
11 incremental revenues to the -- to the district.

12           I did want to just kind of give you guys some  
13 numbers.

14           So in 2022 just the Rio Nuevo District sales  
15 taxes for the hotel portion of this project, we were just  
16 over \$350,000 in tax revenue for the hotel last year in  
17 2022, and we are already at just shy of \$260,000 this year  
18 through May, so, you know, fairly significant tax revenues  
19 that, you know, the overall project is generating. We  
20 think this is a great fit for the hotel and the area and  
21 Tucson, so I'll quit talking.

22           MR. MARQUEZ: Do you mind un-sharing so we can  
23 see you?

24           MR. FAY: Yes.

25           MR. MEYERS: I've got a question. This is Dan

1 Meyers. Do we know what the current bakery is generating  
2 in the form of sales tax? There seemed to be some  
3 confusion on which products are taxable and which are not.  
4 We've got a couple bakeries within our district and they  
5 claim that they don't need to pay sales tax, so do we have  
6 any information on what they're currently paying?

7 MR. FAY: I don't have any of their current  
8 financial information. I can ask the question. I do  
9 not -- they did not share any of their other location  
10 revenues, but they -- I would be surprised if -- if it's  
11 not, only the fact that I've been very up front with  
12 Isabel and the family about what we were doing and why we  
13 were asking for the information we were asking for, but  
14 again, I can -- I can ask the question.

15 CHAIRMAN McCUSKER: Dan, do you think that's  
16 maybe because it's viewed as a food product as opposed  
17 to --

18 MR. MEYERS: Yeah. Well, Brandi and I were  
19 just chatting here. We've got a couple bakeries in our  
20 district and we don't think they pay any sales tax that we  
21 can tell.

22 MS. HAGA-BLACMAN: Yeah, they don't.

23 MR. MARQUEZ: On what grounds, Dan?

24 CHAIRMAN McCUSKER: Are they wholesale?

25 MR. MEYERS: It's groceries versus -- you know,

1 if you buy groceries, you don't -- but finished products,  
2 a lot of times those are taxable if you take them out the  
3 door. If you go to, you know, a deli, I think, and buy a  
4 box of chicken to go or something, I think that gets  
5 taxed. So I just want to make sure that -- it would be  
6 nice if we had some information from their current store  
7 that they are in fact, you know, paying sales tax.

8 CHAIRMAN McCUSKER: It's not a big number if  
9 they do. It's 12 grand a year, you know, so it's  
10 probably -- again, this is a project where we're not, you  
11 know, getting our money back. You know, is it good for  
12 downtown, is it great for the neighborhood, does it  
13 diversify our vendors? I mean, you look at this kind of  
14 things they bring and whether we get 12 grand or 10 grand  
15 a year, maybe we don't really worry too much about that.  
16 You know, I think we should clarify that, but it sounds  
17 like maybe we don't count -- you know, I think the project  
18 stands, you know, as a great idea even if it's not a  
19 taxable producer.

20 MR. MARQUEZ: Well, I personally would like to  
21 see them generate some sales tax in that space.

22 CHAIRMAN McCUSKER: We can find that out pretty  
23 quickly. We can do something subject to that. You know,  
24 the issue is going to be, if Dan's right, you know, what  
25 we do? You know, do we abandon it because we're not going

1 to -- for 10 grand a year?

2 MR. MEYERS: I just wanted to throw it out, but  
3 I don't know what it comes to.

4 CHAIRMAN McCUSKER: We're going to keep you  
5 muted from now on.

6 MR. LEVIN: I have a question, Mr. Chairman.  
7 And maybe this is a question for counsel. In past  
8 agreements, have we -- what's our typical approach to soft  
9 costs such as architectural fees, or do we go both ways?

10 CHAIRMAN McCUSKER: We -- we -- yeah, we do and  
11 then we don't. There's no standard. On a smaller  
12 project, we tend to allow it because it's a big bite of a  
13 small apple.

14 MR. LEVIN: Okay. Mr. Chairman, I would like  
15 to make a stab at a motion for this. I'd like to move and  
16 direct counsel to put together an agreement as discussed  
17 in executive session for the 200,000-dollar contribution  
18 towards the project and authorize the executive committee  
19 to execute said agreement as long as there's no material  
20 change, if there is any substantial change, that would  
21 come back to the board for review, and -- and prior to any  
22 execution of that, that the board be advised as to what  
23 the -- the sales tax revenue could be from this project.

24 MR. MARQUEZ: Would you like to -- would you  
25 accept an amendment in which we don't come back to the

1 board, we just simply make the deal subject to La Estrella  
2 paying sales tax towards Rio Nuevo?

3 MR. LEVIN: Yes, I would do so.

4 CHAIRMAN McCUSKER: Somebody want to second  
5 that?

6 MR. MARQUEZ: Second.

7 CHAIRMAN McCUSKER: So what that does, however,  
8 is if they are not a taxpayer, the deal is voided.

9 MR. MARQUEZ: In full transparency, like as I  
10 recommended La Estrella and others, the entire goal was  
11 activation for sales tax. When people approach us at Rio  
12 Nuevo, I tell them unabashedly we are turned on by sales  
13 tax generation, period, so yeah, we would need to find a  
14 tenant that generates sales tax.

15 CHAIRMAN McCUSKER: Greg, there's another twist  
16 to this that we'll find out for you. They can voluntarily  
17 pay TPT tax. It's not a big number. You know, it's --  
18 and it's, of course, passed on to the consumer, so it's  
19 just a matter of, when they ring it up, they put tax on it  
20 and they pass that tax on to the department of revenue and  
21 it comes back to us. There's no prohibition on someone  
22 charging tax unless this somehow gets conflicted into a  
23 grocery store tax debate.

24 Now, there was a huge issue in this legislative  
25 session regarding grocery sales tax, and ultimately that

1 was vetoed. So there is, Edmund, some political  
2 undercurrent regarding whether, you know, grocery stores  
3 or grocery items are taxed or not, but the motion provides  
4 that they have to pay tax the way I understand the motion.

5 MR. MARQUEZ: Yes, subject to.

6 MR. FAY: And, Fletcher, just so you know, my  
7 understanding of the offering there, these are going to be  
8 baked goods that are brought into the space. They're  
9 going to be displayed and sold. Coffee is going to be a  
10 big portion of those sales. The actual display cases of  
11 what one would consider grocery items is very minimal to  
12 the overall project.

13 CHAIRMAN McCUSKER: It just depends on whether  
14 baked goods are paid tax on. I guess we've never faced  
15 that --

16 MS. COX: I'm pretty sure they don't. I just  
17 Googled it and pastries are not exempt from sales tax.

18 CHAIRMAN McCUSKER: Not exempt.

19 MS. COX: Stick a pizza in there and they  
20 combine cheese with their pastry, they can charge -- they  
21 charge sales tax. Doughnuts do not get taxed.

22 MR. LEVIN: Could I perhaps restate my notion,  
23 Mr. Chairman?

24 CHAIRMAN McCUSKER: Hang on. Let's --

25 Jannie, can you -- what you've researched is



1 pastries do not --

2 MS. COX: I asked the question does a bakery  
3 have to pay sales tax on the sale of doughnuts, that's  
4 what I asked, and they said yes. No. They said, no, they  
5 are exempt -- sorry, exempt from sales tax.

6 MS. HAGA-BLACMAN: I think probably coffee and  
7 candy.

8 MS. COX: Exempt items are those that a typical  
9 bakery would sell. It does not include savory baked goods  
10 that include additional toppings and fillings, but sales  
11 tax exempt bakery items include pastries, doughnuts,  
12 croissants, bagels, cookies, cake slices, dessert and pie  
13 slices.

14 MR. FAY: So Fletcher, they're encouraging just  
15 regular doughnuts, but if you get chocolate on that  
16 doughnut, they don't want any --

17 MS. COX: That's right. That's right.

18 MR. MARQUEZ: Now I feel bad I told you to put  
19 a bakery in there.

20 CHAIRMAN McCUSKER: This is probably something  
21 we should have Googled before the meeting.

22 MR. FAY: And, again, I've had this  
23 conversation with Isabel and we've talked about sales tax  
24 repeatedly and it never came up that they don't. But,  
25 Fletcher, I think what I will -- if we find out that most

1 of the items would not be taxed, whether she would be  
2 okay, and I'm going to guess she would be, that they  
3 collect sales tax at the register on everything they sell  
4 at this location and they pay sales tax on it. So I'll --  
5 if they don't, I'll make sure -- I'll see if -- and I can  
6 come back and just report to whoever you want me to report  
7 to.

8 CHAIRMAN McCUSKER: Yeah, assuming this doesn't  
9 attract some sort of anti-tax doughnut protesters.

10 MR. MEYERS: Keep in mind that the coffee and  
11 stuff, that's taxed, so there is going to be some sales  
12 tax, we just don't know to what extent.

13 CHAIRMAN McCUSKER: Mike, go ahead.

14 MR. LEVIN: I might restate my motion if that's  
15 all right. I would move that the developer provide  
16 information to the executive committee on the potential  
17 revenues from sales tax or voluntary TPT tax. Upon  
18 approval of the -- majority approval by the executive  
19 committee of those numbers and approval of the project,  
20 that we would fund \$200,000 towards the project costs and  
21 we would direct counsel to generate those documents and  
22 authorize the executive committee to execute those  
23 documents should they approve the projected sales tax or,  
24 even if there's not, at the executive committee's  
25 discretion to -- to authorize that and execute it.

1 MS. COX: I'd offer an amendment that you  
2 replace the word committee with officers in that motion,  
3 and then I would second it.

4 MR. LEVIN: I would amend as such.

5 CHAIRMAN McCUSKER: Okay. Roberts is freaking  
6 out. So we have a motion and a second that if he's going  
7 to amend, Edmund, I think you seconded the motion --

8 MR. MARQUEZ: Jannie did, but I have another  
9 amendment that maybe Mark Collins didn't catch.

10 Would you please amend your -- would you be  
11 open to an amendment on your motion to strike the word  
12 majority -- majority support of executive officers to  
13 unanimous support?

14 MR. LEVIN: Yes, I would amend as such.

15 MR. McCALLISTER: I have an amendment.

16 No, I'm just kidding.

17 MR. MARQUEZ: Oh, no.

18 CHAIRMAN McCUSKER: Let's get -- let's get all  
19 the discussion on -- so let me do it this way. We have a  
20 motion and a second. This is all discussion, so don't use  
21 the word amendment just yet. At some point we'll come  
22 back and restate the motion based upon the questions that  
23 are coming from the current motion and second.

24 So, Ross, go ahead.

25 MR. McCALLISTER: I actually don't have an

1 amendment. I felt left out. I mean --

2 CHAIRMAN McCUSKER: All right. Tom, Tim, I  
3 think you're following this. The motion is subject to the  
4 bakery's ability to pay sales tax or willingness to pay  
5 sales tax. The board would authorize a 200,000-dollar  
6 investment, Greg, into your project and the motion would  
7 authorize the executive officers and counsel to complete,  
8 execute and close on that transaction.

9 Now, none of this happens, this is my point, if  
10 there's not a sales tax piece to this, this dies and we  
11 can -- you know, it doesn't get our support. It doesn't  
12 stop Greg from building it -- or leasing it, but he's not  
13 going to get any money from Rio Nuevo.

14 MS. COX: Mr. Chairman, I -- because -- I  
15 seconded the motion, because I thought it said that was  
16 left up to the executive officers. And maybe I  
17 misunderstood that, but I agree with you that I think that  
18 we should gather this information. Then I would leave it  
19 to the -- I would recommend we leave it to the executive  
20 officers to make a decision. If we're not able to have  
21 sales tax revenue, the executive officers should decide  
22 whether or not to fund this deal.

23 CHAIRMAN McCUSKER: I think Edmund's already on  
24 the record there, and it takes unanimous consent at the  
25 executive officers level. That's our standard operating

1 procedure. So I do believe, Mike, your motion provided  
2 that it would not go forward unless they were a sales tax  
3 payer.

4 MR. MARQUEZ: And I apologize. I do have an  
5 amendment. Whether it's discussion or amendment, is it  
6 amendment?

7 CHAIRMAN McCUSKER: So we have a very  
8 long-winded motion and a second. We may end up redoing  
9 the whole thing, but, Edmund, go ahead.

10 MR. MARQUEZ: So the amendment would be, it  
11 sound like we're going to restate it anyway, up to  
12 \$200,000 via construction draws.

13 MR. LEVIN: I would accept such amendment.

14 CHAIRMAN McCUSKER: And, Jannie, your the  
15 seconder.

16 MS. COX: I accept.

17 CHAIRMAN McCUSKER: All right. Are we as clear  
18 as mud now?

19 MR. MARQUEZ: We miss Chris Sheafe.

20 CHAIRMAN McCUSKER: So the motion -- subject to  
21 the bakery, Greg, paying sales tax, the motion would  
22 authorize the board and counsel to complete what we call  
23 an economic benefits agreement that would provide \$200,000  
24 to you in the form of construction draws, and it  
25 authorizes the executive officers and counsel to complete

1 that transaction. And, again, if there's not a sales tax  
2 number there, let's be crystal clear, the project doesn't  
3 advance as far as Rio Nuevo is concerned.

4 MR. MARQUEZ: And it's up to 200,000.

5 CHAIRMAN McCUSKER: Yes, that was in the  
6 motion.

7 Everybody understand that?

8 (No oral response)

9 Okay, Brandi, I think you can do the roll.

10 MS. HAGA-BLACMAN: Mike Levin.

11 MR. LEVIN: Aye.

12 MS. HAGA-BLACMAN: Edmund Marquez.

13 MR. MARQUEZ: Aye.

14 MS. HAGA-BLACMAN: Jannie Cox.

15 MS. COX: Aye.

16 MS. HAGA-BLACMAN: Ross McCallister.

17 MR. McCALLISTER: Aye.

18 MS. HAGA-BLACMAN: Fletcher McCusker.

19 CHAIRMAN McCUSKER: I vote aye.

20 We'll get after that, Greg, straightaway to  
21 confirm. And it would be good, I think, to talk to them,  
22 because they would obviously know whether they're paying  
23 sales tax. So if you'll let us know what they think,  
24 we'll do some research under the law.

25 MR. FAY: Will do. Thank you, guys.

1 Appreciate it.

2 MR. MARQUEZ: And there is a La Estrella in our  
3 district, as you know, an -- not annex but the Mercado San  
4 Augustine, so you need to see if they're paying sales tax  
5 there.

6 MR. FAY: Will do.

7 CHAIRMAN McCUSKER: Last item before the budget  
8 hearing, the Indian Trading Post.

9 To refresh everybody's memory, two months ago,  
10 we approved this transaction, which is a result of a  
11 competitive bid for the property known as the Indian  
12 Trading Post on the corner of Scott and Broadway. The  
13 awardee was a partnership between Zach Fenton and Danny  
14 Scordato. We agreed to the terms then, economic terms.  
15 When there's a GPLET involved, we're obliged to post that  
16 to allow anyone 60 days to comment on the GPLET.

17 Tim, we didn't get any comments; correct?

18 MR. MEDCOFF: No comments.

19 CHAIRMAN McCUSKER: So what's in front of you  
20 today is the finalization of those documents. We went  
21 through them in exec. There's nothing inconsistent with  
22 what the board approved two months ago.

23 MR. LEVIN: Mr. Chairman, I'd like to take a  
24 shot at this motion. Hopefully I can do it with only  
25 three amendments from Edmund.

1 I'd like to move to direct counsel to amend the  
2 agreement as discussed in executive session and authorize  
3 the executive committee to execute documents as long as  
4 there's no material changes from what was discussed in  
5 executive session. If there's any substantial change,  
6 direct counsel to confer with the executive members to  
7 authorize the changes.

8 MR. MARQUEZ: Second.

9 CHAIRMAN McCUSKER: We do use the term officers  
10 as opposed to committee.

11 MR. LEVIN: Officers. Excuse me.

12 CHAIRMAN McCUSKER: We'll fix that in the  
13 motion.

14 MS. COX: I knew you would.

15 CHAIRMAN McCUSKER: For full transparency's  
16 sake, let me walk through the economics of this.

17 This is a huge project. Obviously it's been  
18 vacant for as long as I've been associated with downtown  
19 and long before that. This is a property that's in an  
20 incredible state of disrepair. It's -- it's lucky that it  
21 survived structurally. It's been riddled with hazardous  
22 material. It's basically been gutted. It's a brick shell  
23 with a dirt floor. And to see Danny Scordato going into  
24 that space, oh, my God. So the developers, who will spend  
25 in the neighborhood of \$4 million to acquire and renovate



1 that facility, we're going to contribute half of that  
2 basically in the form of a cash contribution and a portion  
3 of the acquisition of the property. So what you're  
4 authorizing us to complete basically amounts to a  
5 2 million-dollar contribution to 4 million-dollar plus  
6 project.

7 The revenue projections from the developer, and  
8 you've got to believe Danny knows his numbers, is  
9 \$7 million a year of revenue. That's a huge project and  
10 it's all incremental. It's a vacant building. Nobody  
11 wanted to touch this. It never would have happened except  
12 for Rio Nuevo.

13 MR. MEDCOFF: Mr. Chairman, I just had a point  
14 of clarification with respect to the original motion,  
15 which may require an amendment. If I heard it correctly,  
16 Mr. Levin had said if there's any material changes, that  
17 they would authorize the executive committee to try to  
18 resolve that as opposed to going back to the full board.  
19 If that's the intent and that's what you guys want, fine,  
20 but I wasn't sure if that was the intent or if it was  
21 meant to come back to the full vote for a vote if there's  
22 a teller change.

23 MS. COX: It certainly has been our practice  
24 that if there are material changes, it should come back to  
25 the full board.

1           CHAIRMAN McCUSKER: So the motion, and I don't  
2 remember how it was stated, typically would be subject to  
3 no material changes, so that's what he meant. We're  
4 clarifying that as part of the motion.

5           MR. LEVIN: All right. I would amend my motion  
6 to say that -- just to stop at that there are no material  
7 changes, and if there are any substantial changes, that  
8 the issue would come back to the full board.

9           MR. MARQUEZ: Second.

10          CHAIRMAN McCUSKER: Okay. Any other questions?

11                                 (No oral response)

12          CHAIRMAN McCUSKER: This is going to close  
13 quickly unless the lawyers mess this up.

14           Brandi, call the roll.

15          MS. HAGA-BLACMAN: Mike Levin.

16          MR. LEVIN: Aye.

17          MS. HAGA-BLACMAN: Edmund Marquez.

18          MR. MARQUEZ: Aye.

19          MS. HAGA-BLACMAN: Jannie Cox.

20          MS. COX: Aye.

21          MS. HAGA-BLACMAN: Ross McCallister.

22          MR. McCALLISTER: Aye.

23          MS. HAGA-BLACMAN: Fletcher McCusker.

24          CHAIRMAN McCUSKER: I vote aye.

25           Zach, I think I saw you online. This is huge

1 for downtown. We're really pleased to see you and Danny  
2 put this project together. When you look at the other  
3 work that you and your family have done, you know, we're  
4 really glad that you've taken on this project, so we are  
5 going to move very quickly.

6 Okay. This is the time we've set aside for the  
7 budget hearing. It's actually a separate hearing, so I  
8 would need a motion to call the budget hearing to order.

9 MS. COX: So moved.

10 MR. LEVIN: Second.

11 CHAIRMAN McCUSKER: Someone made a motion to  
12 move to the budget hearing. Who was that?

13 MS. COX: So moved.

14 CHAIRMAN McCUSKER: That was Jannie.

15 MR. LEVIN: Second.

16 And who seconded that?

17 Mike Levin.

18 All right. So we're suspending the regular  
19 meeting. I'm going to declare the budget hearing open.

20 Dan, if you want to go ahead and present the  
21 budget.

22 MR. MEYERS: Okay.

23 CHAIRMAN McCUSKER: The first person -- first  
24 portion of this is discussion only, and make sure you get  
25 your questions on the record. We do allow the public to

1 address us.

2 I don't believe, Brandi, anyone requested to  
3 speak.

4 MS. HAGA-BLACMAN: No.

5 CHAIRMAN McCUSKER: Okay. Dan, go ahead.

6 MR. MEYERS: Okay. So we went and we presented  
7 this last month and we had some discussion, and since that  
8 point in time, we've gone back and contacted the  
9 developers to try to get a sense on when their projects  
10 will be funded. I think we all have to understand that  
11 these things typically get delayed more than they get  
12 accelerated. So based on that, as we talked about  
13 earlier, we've got budgeted \$1.3 million a month for  
14 revenue. You know, we've decided to do this on a  
15 conservative basis and become more inclined to fund as we  
16 go as opposed to making these huge commitments.

17 We have many merchants with rebates now.  
18 Obviously the more we bring in, the more the rebates go  
19 up, but based on this \$1.3 million a month revenue, we're  
20 estimating about \$100,000 a month for rebates.

21 Then you see our other things. Rental income,  
22 that's from the Greyhound. Interest income, of course,  
23 with rates going up, it's become a bigger item for us now,  
24 so we're going to make a guesstimate of 180,000 on that.  
25 And the hockey surcharge, that's a split we have with the

1 Tucson Convention Center. I spoke with Glenn Grabski and  
2 I think that's kind of a good number to use. So total  
3 revenues, 14.7 million.

4 Here's all the details of the expenses we have.  
5 I think that's pretty much based on history. I think our  
6 legal number is going to be lower for this current year --  
7 this coming year just because I think we're having less  
8 projects. We kept both Mark Collins and Tim Medcoff very  
9 busy for the last year. So that comes down to  
10 13.4 million available for projects and debt service.

11 I've estimated \$740,000 a month for our debt  
12 service on the bonds. Just before this meeting, I was  
13 notified that that was going to drop down to probably 730,  
14 and that's due to all the accumulation of interest for  
15 this last fiscal year. And then we've got the debt  
16 service on the TCC renovation.

17 So that leaves us about \$4 million for projects  
18 and other expenses. I kind of put three of our bigger  
19 items here. We've got security services, which is keeping  
20 portions of the downtown district safe, we've got events  
21 sponsorships, that includes our big events, the big 10,  
22 plus other smaller events that bring people downtown, and  
23 then we've got several parking deals, so that will leave  
24 about \$2.4 million cash flow for next year.

25 We've still got some expenses to pay the next

1 three or four days. I'm anticipating we have \$10.5  
2 million in the bank at the end of this fiscal year. We  
3 add to that the \$2.4 million that we expect to generate  
4 next year, and then, according to all the conversations  
5 and the information from your developers, it's looking  
6 like we're going to spend \$12 million on already  
7 commitment projects within the next year. So that leaves  
8 us, I think Fletcher alluded to it earlier, about, a  
9 million dollars.

10 Again, I think this is conservative. What we  
11 don't have in there, as I spoke about earlier, is some of  
12 these amendments that we have coming in. It looks like  
13 we're also going to have some of the great Jim Click car  
14 shows down in the TCC, possibly two or three within the  
15 next fiscal year, and I don't have those really in this  
16 yet, so, you know, it shows a million dollars here, but I  
17 think we're going to be in better shape and have money to  
18 fund some of these projects we talked about today as well.

19 CHAIRMAN McCUSKER: To clarify security  
20 services --

21 MR. MEYERS: That's the off duty --

22 CHAIRMAN McCUSKER: Yeah, that's the off duty  
23 Tucson Police. And everything that were told and  
24 observed, that's made a huge difference to downtown,  
25 particularly evening and late night. There remains some

1 trouble makers downtown, so I think it's imperative on us  
2 that we continue that. So I think that's -- but I think  
3 that number, Dan, is what we paid the last year, so I  
4 think we're kind of keeping that.

5 I don't think anything we did for Marcel  
6 affects this budget here. If we do the Greg Fay  
7 transaction, that's 200 grand, we might have to back into  
8 the budget, but it sounds like that could go pretty  
9 quickly, there's not a lot of renovation there, but I  
10 wouldn't budget it yet until we resolve the contingency.

11 MR. MEYERS: Well, we beat this thing to death,  
12 you know, the executive committee and Brandi and I, so I  
13 feel pretty good about this. But as we know now, things  
14 can change so quickly, and if we get a few of those  
15 \$1.6 million months like we've had, you know, that frees  
16 up a lot of money, and if we get that 5 to \$700,000 for  
17 the TPT amendments, I mean, this could be a lot rosier,  
18 but I think --

19 CHAIRMAN McCUSKER: We did hear from Jim Click.  
20 They are planning, you know, at least three events. Those  
21 have been huge, right, Dan, produced several hundred  
22 thousand dollars each time?

23 MR. MEYERS: Yeah, I think -- yeah, I think  
24 around maybe \$200,000. They jump around pretty good, but  
25 I think we're pretty safe. Who knows what's going to

1 happen when they start up again, but they've been very  
2 successful for us.

3 CHAIRMAN McCUSKER: The way that works, and  
4 we're very grateful to Jim, because the cars are sold at  
5 the TCC, that's the base for the tax, so that creates Rio  
6 Nuevo sales tax as opposed to dealer tax from one of their  
7 other physical locations. And that's been -- pre COVID.  
8 That was as much as almost a million bucks a year.

9 MR. MEYERS: Yeah, at least, so we're excited  
10 to have that happening again. But, again, I just want to,  
11 you know, make -- this is -- this is done on a pretty darn  
12 conservative basis.

13 CHAIRMAN McCUSKER: Any questions for Dan,  
14 questions on the budget?

15 (No oral response).

16 CHAIRMAN McCUSKER: I think everyone has seen  
17 the detail on the sponsorship pieces, the  
18 marketing dollars. We talked about TPD. Our admin budget  
19 is basically sitting in the left-hand corner up there.  
20 It's a lean machine. There's only two staff and we rent a  
21 little bungalow that some day will be a coffee shop maybe.  
22 We pay a lot of money to lawyers.

23 Okay. We can move to the action part of the  
24 budget. If you don't have any changes as presented, I  
25 would just need a motion to approve the budget as



1 presented.

2 MS. COX: So moved.

3 MR. MARQUEZ: Second.

4 CHAIRMAN McCUSKER: All in favor say aye.

5 (Motion made, seconded and passed unanimously).

6 CHAIRMAN McCUSKER: Okay. Dan, that gets

7 posted with the county and the state as you know.

8 I need a motion to adjourn the budget hearing.

9 MR. LEVIN: So moved.

10 MS. COX: Second.

11 CHAIRMAN McCUSKER: All in favor say aye.

12 (Motion made, seconded and passed unanimously).

13 CHAIRMAN McCUSKER: The only other item on our

14 agenda is to properly adjourn. Somebody make a motion.

15 MR. LEVIN: So moved.

16 MS. COX: Second.

17 CHAIRMAN McCUSKER: Thank you everyone. We are

18 adjourned.

19 (3:20 p.m.)

20

21

22

23

24

25