

In The Matter Of:

Rio Nuevo

2/24/26

Board Meeting

February 24, 2026

Fink & Associates

6095 E Grant Road

Tucson, AZ 85712

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING VIA ZOOM
Tucson, Arizona
February 24, 2026
1:00 p.m.

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

FINK & ASSOCIATES
6095 East Grant Road
Tucson, Arizona 85712
(520)624-8644

Page 3

1 **CHAIRMAN McCUSKER:** Good afternoon, everyone.
2 Welcome to the February 24th Rio Nuevo meeting.
3 If you're new to us, there are a few attendees,
4 we go into executive session first. That usually is
5 scheduled for about an hour, so you can hang around or
6 come back. We should be pretty much on time at 2 o'clock.
7 Let's launch the pledge.
8 Huna, you have a flag?
9 Mr. Sheafe, do you want to lead the pledge?
10 **MR. SHEAFE:** All right. Yeah.
11 (Pledge of Allegiance)
12 **CHAIRMAN McCUSKER:** That was terrible. I
13 wonder if it's legal that we just have like, you know,
14 James Earl Jones recite it or something like that.
15 I think the point is we're supposed to be
16 pledging. It's not just the words.
17 Kristin, you can call the roll.
18 **MS. SAAD:** Chris Sheafe.
19 **MR. SHEAFE:** Here.
20 **MS. SAAD:** I know you said no Edmund, so Jannie
21 Cox.
22 **MS. COX:** (No oral response).
23 **CHAIRMAN McCUSKER:** Jannie, you're muted.
24 **MS. COX:** I was afraid my dog was going to
25 bark.

Page 2

1 **BOARD MEMBERS PRESENT:**
2 Fletcher McCusker, Chair
3 Edmund Marquez, Vice Chair
4 Chris Sheafe, Treasurer
5 Taunya Villicana, Secretary
6 Jannie Cox
7 Shay Jimenez
8 Richard Oseran
9 Corky Poster
10
11 **ALSO PRESENT:**
12 Ms. Kristin Saad, Administrative Director
13 Mr. Timothy Medcoff, Board Counsel
14 Mr. Mark Collins, Board Counsel
15 Mr. Dan Meyers, CFO
16 * * * *
17
18 BE IT REMEMBERED that a meeting of the Board of
19 Directors of the Rio Nuevo Multipurpose Facilities
20 District was held via ZOOM, in the City of Tucson, State
21 of Arizona, before THOMAS A. WOPPERT, RPR, Certified
22 Reporter No. 50476, on the 24th day of February 2026,
23 commencing at the hour of 1:00 p.m.
24
25

Page 4

1 Here.
2 **MS. SAAD:** Taunya Villicana.
3 **CHAIRMAN McCUSKER:** Didn't see her yet.
4 **MS. SAAD:** Okay. Shay Jimenez.
5 **CHAIRMAN McCUSKER:** You're muted, Shay.
6 **MS. JIMENEZ:** Here.
7 **MS. SAAD:** Corky Poster.
8 **MR. POSTER:** I'm here.
9 **MS. SAAD:** Richard Oseran.
10 **MR. OSERAN:** Here.
11 **MS. SAAD:** And Fletcher McCusker.
12 **CHAIRMAN McCUSKER:** I'm here.
13 Mr. Levin is not going to make today's meeting.
14 We do have a quorum. We're waiting for Edmund and Taunya
15 to log on, but let's go ahead and look at the minutes.
16 These are transcribed minutes. Unless you have
17 a change, I just need a motion to approve.
18 **MR. POSTER:** So moved.
19 **MS. COX:** Second.
20 **CHAIRMAN McCUSKER:** All in favor say aye.
21 (Motion made, seconded and passed unanimously)
22 **CHAIRMAN McCUSKER:** Thank you for that.
23 This is the time we set aside for executive
24 session. If you just came online, it takes us about an
25 hour.

Page 5

1 I would need a motion to recess to exec.
 2 **MS. COX:** So moved.
 3 **MR. POSTER:** Second.
 4 **CHAIRMAN McCUSKER:** All in favor say aye.
 5 (Motion made, seconded and passed unanimously)
 6 **CHAIRMAN McCUSKER:** Thank you.
 7 Board members, click out of this meeting, click
 8 onto your executive link.
 9 If you're an attendee, you can hang out here or
 10 log back in. We should be back about 2 o'clock.
 11 (Recess)
 12 **CHAIRMAN McCUSKER:** All right. I need a motion
 13 to reconvene.
 14 **MR. SHEAFE:** So moved.
 15 **CHAIRMAN McCUSKER:** Second that.
 16 Who was that?
 17 **MR. SHEAFE:** That was Chris.
 18 **CHAIRMAN McCUSKER:** And second, please.
 19 **MR. OSERAN:** I second it.
 20 **CHAIRMAN McCUSKER:** All right, Mr. Oseran.
 21 All in favor say aye.
 22 (Motion made, seconded and passed unanimously).
 23 **CHAIRMAN McCUSKER:** Thank you, everyone. You
 24 see more presenters than you do participants. That will
 25 change here pretty quickly.

Page 6

1 Thank you, everybody. This new format of ours
 2 I think has really helped us. We give everybody a
 3 two-week period between introducing a project and voting
 4 on a project. That was initiated as a result of the Live
 5 Nation dust up that's turned out to make us, I think, more
 6 deliberative and gives the public an opportunity to
 7 intervene and also gives us a chance to visit with and
 8 talk to our partner colleagues.
 9 So three of today's projects are action items
 10 because they've been here before. That's Lucky Penny,
 11 Desert Drifters, sorry about the extra S there, Eddy, and
 12 Fairway Cigars.
 13 We have a new presentation from Presidio and
 14 some interesting expansion there.
 15 We're going to hear a presentation from our
 16 friends in the housing business on how we might impact
 17 their work.
 18 We'll just get a brief update on the troubles
 19 we're seeing financially, which are pretty consistent with
 20 what the city's going through.
 21 So, Dan, go ahead and do your financial report.
 22 **MR. MEYERS:** Okay. At the end of January, we
 23 had about \$6.8 million cash in the bank. A little over
 24 700 is reserved for our debt service leaving us a net of
 25 about 6.1 million. We reduced our projected monthly we'll

Page 7

1 call it profit to \$225,000 a month due to our significant
 2 slowdown in TIF revenue, so that's \$2.7 million for the
 3 next year coming up with anticipated cash available for
 4 projects of 8.8 million.
 5 We've currently got about \$25 million in
 6 commitments on the books. We've paid 6.8 million of that
 7 leaving about 18.3 million. I anticipate about 10.7
 8 million of that falling outside of the next year, which
 9 kind of shows a cash requirement of 7.6 million, which
 10 leaves, in my opinion, a very slim margin of just about
 11 1.2 million. We've been carrying about a 4 million
 12 dollar, 5 million dollar excess a long time until this
 13 sudden and unexpected reduction in our TIF revenue has hit
 14 us.
 15 December TIF revenue, we just got the results
 16 in a few minutes ago, 1.1 million. Keep in mind that we
 17 were budgeting 1.6 a month for this current fiscal year.
 18 We reduced it to 1.35 million last month and we do need to
 19 make that this month.
 20 So the question I'm dealing with in talking to
 21 people at the city of Tucson, state of Arizona. Chris
 22 Sheafe and I are going to go down and visit with the U of
 23 A tomorrow and see if they can help us figure out what the
 24 heck is going on.
 25 I mean, I think a lot of it, especially during

Page 8

1 the holiday season, I'm really more and more convinced
 2 that there's people buying online and they're not going
 3 into the malls and they're not going to Target, they're
 4 not going to Walmart. And when they do that, the city of
 5 Tucson gets their sales tax because it's based on where
 6 they live, but we don't get our share from the state and I
 7 think it's really adding up.
 8 But I don't have any proof of that. I know our
 9 number of people paying -- we get TIF revenue from, from
 10 entities, it was now almost 800 entities last month. Of
 11 like 2,200 entities on our list, 800 were online, so that
 12 just tells me more and more stuff is being purchased on
 13 line and it's really to our detriment.
 14 So I'm digging into this as much as I possibly
 15 can trying to come up with some answers, but in the
 16 meantime, I just -- I think we've just got to get leaner
 17 and we've got to be more careful of what we're investing
 18 in.
 19 It looks like we're taking on two hotels, which
 20 are using big chunks of cash, some down the road, but I
 21 just think we have to be conservative and make sure that
 22 we don't overcommit ourselves here.
 23 I'm open for questions or comments.
 24 **MR. SHEAFE:** Dan, you might just comment about
 25 the 10.7 million that we have deferred in the fact that

1 how that decision is made. We do our best guess of it,
2 but it is actually a guess. For example, that includes
3 the full 4.8 million that we have set up for Moxie and
4 that starts once they get their building permit. So if
5 they get their building permit say in October, then
6 suddenly we pick up that 100,000-dollar obligation in
7 October and it won't be, at least all of it, beyond a
8 year.

9 And the point that I'm trying to make here is
10 that that number is an estimate always and it could have
11 some reversal in it, which would remove the -- reduce the
12 1.1 million to the degree that those numbers begin to
13 impact the current year.

14 **MR. MEYERS:** You're right, it is an estimate.
15 You know, it is -- and, you know, sometimes projects get
16 delayed as well, so it could go both ways. But with this
17 list here, most of these projects are underway and I don't
18 expect anything to be pushed back like we were seeing
19 several years ago.

20 But our revenue for calendar year 2025, I just
21 got December's a few minutes ago, was back to the 2023
22 level. And, again, I've not been able to figure out why
23 that happened. But I'll just go through the numbers and
24 compare merchants and break down the detail of each
25 significant merchant and see what's going on.

1 have to adjust is the commitments in how we manage cash
2 going forward. But for those that are watching and those
3 that are applying, we've never seen tighter cash.

4 **MR. MEYERS:** Yeah. I might say it's -- I mean,
5 to me this is totally unexpected. You know, we are
6 talking to our lenders. There may be some ability to get
7 some cash without having to incur more debt. But there's
8 some -- there's some options available and we're looking
9 at each and every one of them at this point in time. I
10 think we have to keep our options open.

11 **CHAIRMAN McCUSKER:** Any questions for Dan,
12 comments?

13 (No oral response)

14 **CHAIRMAN McCUSKER:** Chris is meeting with U of
15 A tomorrow. They're going to do some analytical analysis
16 for us. The city's got a 27 million dollar deficit.
17 They're pointing to sales tax as part of their issues, so
18 we're all working through this at the same time.

19 Thank you, Dan, as always.

20 Okay. We have an interesting panel.

21 Corky, if you want to introduce everyone, but
22 it looks like they're online. I've seen Jim, Donald,
23 John. Looks like Tyler's online.

24 So this item was requested by Corky Poster.
25 We've pulled together some experts in the field of

1 If any of you have got any great thoughts on
2 this, I'd love to hear them.

3 **MR. SHEAFE:** Well, do you want to make any
4 comment about the fact that the district, especially the
5 downtown district, is finding results below the general
6 economic impact that's happening to businesses all over
7 town? And the second item is Tucson is in worse shape
8 than most other communities in the state in terms of how
9 much we've lost.

10 **CHAIRMAN McCUSKER:** Let's see how that plays
11 out with the malls, you know, how is Tucson Mall compared
12 to the Broadway Mall. They're our largest retail
13 contributor along with the big box stores. You know, it
14 would be interesting to see, you know, how city wide this
15 issue is.

16 We do have a flaw in our revenue plan, because
17 when Rio Nuevo was created, there was no online sales,
18 there was no Amazon, you know, so we participate in the
19 physical store locations' sales tax revenue.

20 We are talking to the governor's office, we're
21 talking to the legislature about that formula. It might
22 be able to be revised. We're very successful. You know,
23 that would be a year away. You know, we still have
24 \$150 million or so coming to us between now and 2035, you
25 know, so what Chris has suggested, a lot of what we might

1 housing, particularly affordable housing. It's in our
2 master plan. We've tried to find ways to commit. We've
3 done a couple of projects. We have helped Tofel Dent with
4 Cathedral Square. We also sold some property to La
5 Frontera that will become affordable housing, but it's
6 been particularly challenging to find sites and financial
7 sponsors, so we wanted to hear from the experts.

8 So, Corky, I'll let you introduce --

9 **MR. POSTER:** Yeah, let me -- just for a little
10 bit of background, particularly for the folks watching the
11 meeting, goal number four in our master plan says we're
12 going to increase housing opportunities in the Rio Nuevo
13 District. Then there are five points, partnering with
14 IDA, city, county, federal government, identify dormant
15 parcels, meet with mall orders for underutilized parking
16 in those areas, looking at height restrictions and looking
17 at gap funding for affordable units.

18 As all of you have just heard, we don't have a
19 lot of money, and as almost all of you know, housing costs
20 a great deal of money. And so the purpose of this panel
21 discussion today is to look for smart ways that Rio Nuevo
22 might be able to facilitate housing, particularly with a
23 focus on affordable housing.

24 I do this for a living, and so I asked
25 colleagues of mine to educate our board, educate the

Page 13

1 public on how Rio Nuevo might be useful or what
2 limitations we have.
3 So I'll introduce some of my friends here.
4 David Wohl is a private developer with Newport
5 Southwest. Southwest also does consulting on affordable
6 housing.
7 Tyler Bump is a consultant with a focus on
8 housing. He comes from Econorthwest and has been doing
9 several projects in the city of Tucson.
10 Johanna Hernandez is the deputy director of
11 housing and community development at the city of Tucson,
12 which has been extraordinarily active in the last few
13 years developing a substantial number of affordable
14 housing units.
15 And then Jim Tofel of Tofel Dent Construction
16 is both an important affordable housing general contractor
17 but also sits on the equitable housing commission.
18 Did I forget anybody?
19 **CHAIRMAN McCUSKER:** There's some people in the
20 attendee side, you know, Jacqueline, Marisol. I don't
21 know if they're presenters. Corky, if we need to move
22 them --
23 **MR. POSTER:** No, I think we've got everyone on
24 board that we have.
25 **CHAIRMAN McCUSKER:** Okay.

Page 14

1 **MR. POSTER:** So I'm not sure how you're
2 organized, so --
3 **CHAIRMAN McCUSKER:** We haven't organized
4 anything. I think it would be interesting to hear from
5 the developers first, maybe David, maybe --
6 **MR. WOHL:** Well, I think when we ball parked
7 this that Johanna was going to go first to give sort of the
8 big overarching picture.
9 **MR. POSTER:** Do whatever works for you guys.
10 Johanna.
11 **MS. HERNANDEZ:** HI. Thank you so much for
12 having us here. I am going to get us started off with
13 just sort of discussing like the need for affordable
14 housing in Tucson specifically but some context around
15 that, and then I will pass it off to Jim.
16 I'm going to see if I can manage to share the
17 right screen at the right time.
18 Are you guys seeing my presentation?
19 **MR. POSTER:** Yes, ma'am.
20 **CHAIRMAN McCUSKER:** Yes.
21 **MS. HERNANDEZ:** Excellent. Okay. I have a
22 couple of slides, and then, of course, I'll be here as the
23 group talks and can jump in to answer any questions.
24 Okay. These data points are ones we often use
25 with folks when we're trying to help people understand

Page 15

1 sort of the context in which we're working and living
2 right now, and so these are the first group.
3 If you can see my mouse here, the first group
4 really talks about those folks in our community living
5 below the poverty level specific to Tucson.
6 And so this is quite a big chunk, 18.6 percent
7 in 2023 living below the poverty level. That number jumps
8 significantly when we're talking about people under 18
9 living under the poverty level. That's 25.7 percent. And
10 so this is a really big, important set of numbers for us
11 when we're talking about affordable housing.
12 When we talk about rent burdened, we talk about
13 anyone who's spending more than 30 percent of their income
14 on rent, and so understanding where people are at in terms
15 of their income and their poverty is very important.
16 This next set of numbers talks about how much
17 we've seen housing costs increase. It's increased
18 significantly for both renters and homeowners in Tucson
19 between 2017 and 2024. And I'll provide a more detailed
20 chart on these numbers specifically, but we've seen
21 increases at really high levels, 66 and 86 percent
22 increases over that time period, and that's very
23 significant in the community.
24 And we have a large chunk of folks that are
25 housing cost burdened, 49.6 percent spending more than

Page 16

1 35 percent on their rent in 2023.
2 And then a really important piece of the puzzle
3 is unsheltered and sheltered homelessness. And you can
4 see these numbers are pretty astounding, a 52 percent
5 increase in Pima County from 2018 to 2024 of people
6 experiencing sheltered and unsheltered homelessness and
7 253 percent experiencing unsheltered homelessness
8 specifically.
9 These charts sort of dig into the affordability
10 crisis and how it's changed over time. And you can see
11 the dramatic increase on really the 2020 and seems to
12 have -- it's not leveled out entirely, but the rate of
13 increase has slowed right around 2023. But you can see
14 here this is a 66 percent increase in Tucson median rent.
15 And then the other chart is the Tucson median home sales.
16 This puts over 51 percent of renters in housing cost
17 burden and over 21 percent of homeowners.
18 In a recent study done by Econorthwest, thank
19 you, Tyler for being here, we present these numbers to
20 everyone. This chart reflects the need by 2045 of new
21 housing units. You can see here all combined we need over
22 62,000 new housing units by 2045. That's over 3,000 new
23 housing units a year. Some years -- some time has already
24 passed. We've already not hit sort of our year's goal
25 there, but it is a big number. And then 34,000 of those

1 are for this very lower affordability range between zero
2 and 60 percent and 26,000 for higher income households.
3 This is market rate 120 percent plus in terms of area
4 median income.

5 And just to release that in a little more
6 context, we have over 41,000 individuals on public housing
7 and housing choice voucher wait lists. We had to close
8 the wait list for both as we will never meet that need and
9 it's really unfair to keep people on a list when we know
10 we're not going to be able to meet that need.

11 And then, by the way, I'll talk a little bit
12 about what we are doing development-wise. EPHD is the
13 city's nonprofit development arm and we have quite a
14 robust pipeline. This is a reflection of our sort of 2024
15 to 2030 project pipeline. We have a couple of completed
16 projects. You can see those at the top, Milagro on Oracle
17 and Amazon Motel. And then we have ten projects sort of
18 in the works in planning stages between now and 2030.

19 This is an amazing achievement. We're very
20 busy and it's super important work. And I think it's
21 important to note sort of the timeframe there, and that
22 even with such a robust pipeline, we're getting 1,328
23 units out of it. That's a lot. It's significant, it's
24 important, it's valuable work and it just speaks to the
25 really -- the gap between the need and our current ability

1 to produce.

2 With that I will turn it over to Jim and he
3 will provide some more if I can figure out how to stop.

4 **MR. TOFEL:** All right. Can you guys see this
5 okay?

6 **MS. COX:** Yes.

7 **MR. TOFEL:** All right. So -- okay. So my
8 name's Jim Tofel. The company is Tofel Dent Construction.
9 We're are a third-party general contractor based here in
10 Tucson. I do not develop any projects. We -- we are
11 strictly a third-party builder.

12 We -- we're based in Tucson, but I would say
13 the majority of our work has been in Maricopa County.
14 About 65 percent of our business is up in Maricopa County.
15 We work across the state in Arizona and in New Mexico and
16 our specialty is multi-family housing projects. We've
17 built over 150 multi-family housing projects now, over 100
18 affordable housing projects, and we've built roughly 25 to
19 30 percent of all the affordable housing projects in the
20 state of Arizona for the last about 10 or 15 years, so
21 we're very engrained in those programs.

22 So just to add to what Johanna said in terms of
23 kind of the status of the industry, this is a statewide
24 metric from the National Low Income Housing Coalition, but
25 we have about 194,000 renters who are extremely low income

1 and there's a shortage of 144,000 statewide, so there's --
2 Arizona is -- I don't know what it is now, but I know a
3 couple years ago we were ranked 49th out of 50th in terms
4 of meeting the needs for affordable housing across the
5 country, so we've not done well. There's a lot of
6 challenges right now that are prohibiting us from getting
7 what we need done.

8 So one of the things I just wanted to add to
9 Johanna's presentation was the housing commission tried to
10 set a goal for the city of Tucson of 15,000 affordable
11 housing units by 2030. So given that, we have a deficit
12 of roughly 34,000. That would add roughly 4,000 units
13 over the next five years or about 755 units a year and
14 we're struggling to hit those numbers as a city. There's
15 a number of reasons why. I could talk about that.

16 So the primary funding mechanism for affordable
17 housing projects is the low income housing tax credits.
18 Nationally there have been over three million units
19 developed serving over seven million households. This was
20 created during the tax reform of 1986 under Ronald Regan
21 and it is -- basically it's a public/private partnership
22 to develop affordable housing units. So it's a federal
23 tax credit that is -- that is sold to an equity investor
24 to generate equity for a project. And because the rents
25 are lower, they are -- I'm sorry, the loan -- there's very

1 low debt service, so they're able to charge less for rent.

2 So when you look at the low income housing tax
3 credit, there's two types of tax credits. There's the
4 nine percent and the four percent. The nine percent is a
5 competitive round. Projects are submitted to the state
6 each year on April 1st. They score them. There's
7 typically about -- I think this year we're going to have
8 12 or 13 projects awarded in the state. Tucson has done a
9 fairly good job these last few years of competing for
10 those. And that was the primary reason I joined the
11 housing commission, is I wanted to make sure that as a
12 city we were competing for those projects and I think
13 we're doing a good job on that now.

14 So I expect the city of Tucson to get two to
15 three projects out of this round. They're going to
16 average in size probably 60 to 70 apartments, so they're
17 not huge, but they target lower area median income
18 individuals, so people that are in the 30, the 40, the
19 50 percent area median income.

20 For the very low income is with the
21 nine percent. The four percent tax credit is roughly a 40
22 percent subsidy instead of a 70 percent subsidy, so
23 there's more debt on those projects. As a result they
24 typically target higher median income levels like the
25 80 percent median income. The projects tend to be much

Page 21

1 larger, so these tend to be more like workforce housing
 2 projects.
 3 Historically these were on a first come first
 4 serve basis. This last year they became very
 5 oversubscribed, so there having to allocate these by a
 6 lottery where they basically put the project names into a
 7 hat and draw the names out of a hat. It's a really stupid
 8 process in my opinion, but they do it.
 9 And the thing that I found interesting about
 10 this last round, there was -- the allocation was
 11 \$400 million of tax credits that they were allocating.
 12 There were requests for \$1.6 billion, so roughly
 13 25 percent of the projects received an award. The problem
 14 was we didn't have a single project in Tucson that was
 15 submitted for that round.
 16 So some of the challenges for Tucson projects
 17 are that the costs here are higher than in Phoenix, so
 18 construction costs are about five to 10 percent higher in
 19 Tucson than Phoenix. But the real issue is our area
 20 median incomes are lower, so we're about 20 percent below
 21 Maricopa County, which means because the rents are set on
 22 the area median incomes, we can charge less for rent. And
 23 so because construction costs are higher and rents are
 24 lower, projects right now really just can't work
 25 financially in Tucson without some assistance.

Page 22

1 And so the next problem is, is that we have
 2 shrinking sources of funds to provide gap funding, so the
 3 state has a budget deficit and they wiped the housing
 4 trust fund this last year. As you guys know, the city has
 5 a funding deficit. So they have home funds that they get
 6 from the feds, but there are shrinking sources there.
 7 Really the only source that's available right
 8 now is the county, so the county has pledged \$25 million a
 9 year for affordable housing projects. A lot of that is
 10 going towards housing vouchers and things like that, so
 11 it's really about five million bucks a year, is what
 12 they're pledging right now for new projects.
 13 So when you look at the Rio Nuevo District, one
 14 of the things that's really important is that the
 15 project -- well, especially for the four percents, which
 16 is -- you know, the nine percents we're going to get --
 17 we're going to get each year and I think we're doing a
 18 good job competing there. Where we need to do a better
 19 job competing is on the four percents.
 20 And the projects have to be in a qualified
 21 census tract, because that provides a 35 percent basis
 22 boost to the tax credit. So when you compare the maps of
 23 Rio Nuevo, this top map is the Rio Nuevo map, this bottom
 24 map is from the HUD website on the qualified census
 25 tracts, so basically everything that's going out on

Page 23

1 Broadway is outside of QCT, so I think El Con Mall, I know
 2 they're looking at some stuff over at Park Place Mall
 3 where they have large parking lots that are not being
 4 used. I think those are good sites for housing, but
 5 they're not good sites for affordable housing because they
 6 don't get that QCT bonus.
 7 So really all we're looking at is some of the
 8 sites here in downtown. And I went through with David
 9 yesterday and we kind of looked at, you know, where there
 10 was available land that was within the QCT, that was
 11 within Rio Nuevo, and it's pretty ugly. I'll just tell
 12 you guys that. So there is a site here at the base of A
 13 Mountain that's a 28-acre sight which is owned by Rio
 14 Nuevo. If this could be earmarked for affordable housing,
 15 we should be able to get over 1,000 units on this site.
 16 The problem is, as Fletcher pointed out to me
 17 yesterday, this is a former landfill and it's going to
 18 cost roughly a million dollars an acre to remediate that
 19 to get it so it's buildable. There's also been some
 20 commitments to the city of Tucson that this needs to
 21 remain open space.
 22 This site here is where the 6th Street exchange
 23 is -- the connection to the freeway is occurring, right
 24 where the Stone underpass is and 6th Street come together,
 25 so there's a staging area that's currently being used for

Page 24

1 the construction work. That land is open -- is owned by
 2 the state, it's not owned by the city, but this is one of
 3 the few pieces of property I found that overlaps that's
 4 available at some point.
 5 The third site, this is -- I didn't put the
 6 text here, but basically this is Hotel Arizona. This is
 7 owned by HSL. So the lot here to the west, HSL I believe
 8 is planning to do a senior housing project there at some
 9 point. I was trading messages with Omar Morales
 10 yesterday. He said the sliver of land between the Arizona
 11 Hotel and the Flynn, they are considering a workforce
 12 housing project there, so that might make a good site for
 13 a four percent.
 14 And that's -- that's the end of my
 15 presentation. I'm going to hand it over to David.
 16 **MR. WOHL:** So thank you.
 17 So just by way of introduction, I will now
 18 share my screen.
 19 Can you all see that?
 20 **MR. POSTER:** Yes.
 21 **MR. WOHL:** Okay. Good. So my name's David
 22 Wohl. I have really two roles here. I'm the president of
 23 a development company called Newport SW. We're a
 24 partnership with a company in California, Newport
 25 Partners. We've been in business since 2018. We have

1 completed two affordable housing projects both for
2 families, Newport at Amphi, which is shown here, which is
3 a 40-unit project, and Newport at the Rodeo down on South
4 Nogales Highway, which is a 77-unit family project. And
5 we are hopefully, knock on my wooden desk, going to get a
6 certificate of occupancy this week for a 72-unit senior
7 project, Belvedere Terrace, on East 22nd Street between
8 Columbus and Swan.

9 Strangely enough, all three projects were
10 designed by Poster, Mirto, McDonald and built by Tofel
11 Dent Construction. We have a pretty strong team.

12 In wearing my other hat, I am an affordable
13 housing financing consultant. I have worked with the city
14 for many, many years on a number of their projects, the
15 Martin Luther King Apartments downtown and then the
16 Milagro on Oracle project that Johanna mentioned that Old
17 Pueblo Housing Development recently completed, and I'm
18 working with the city on a project that's going to go in
19 for nine percent low income housing tax credits this
20 spring. Newport is also going in for a nine percent
21 project this spring that we believe will have as many as
22 86 units.

23 So I've been working in this business since the
24 low income housing tax was completed. I practiced law for
25 nine years, and then I decided that was a horrible way to

1 certain cases a project can get a boost of an additional
2 30 percent, and I hate to contradict my friend Jim, but
3 it's 30 percent, not 35 percent, in certain circumstances,
4 which include a qualified census tract designated by HUD.
5 And that's based on the income levels, the poverty levels
6 in that area.

7 So the eligible basis at Newport at the Rodeo
8 was about 24 and a half million dollars. With the
9 30 percent basis boost, this increased to \$33 million.

10 So let's talk about the difference between
11 nine percent and four percent credits. As Jim said,
12 nine percent credits, very competitive. Arizona
13 Department of Housing, ADOH, does a -- has a limited
14 supply. They do a once a year round and it's based on
15 state population. It's a federal program, but it's
16 administrated by states. And the Arizona Department of
17 Housing this year expects to have about \$25 million to
18 allocate for nine percent credits.

19 The 130 percent basis boost is available
20 statewide if you can demonstrate you need it. The
21 developer can get nine percent of the adjusted basis,
22 that's the eligible basis, plus a 30 percent booth per
23 year for ten years. But in order to spread the wealth and
24 make sure that more projects get funded, ADOH limits the
25 annual credit to no more than two and a half

1 live, so I went to graduate school to learn a little about
2 housing finance. And while I was in school, the low
3 income housing tax credit was enacted as part of the 1986
4 tax reform act that Jim mentioned, and so almost
5 immediately I started working in that -- in that -- in
6 that space.

7 So what I'm here to talk to you about is to go
8 into a little more detail on nine percent versus
9 four percent projects. Jim touched on that and I'm going
10 to go into a little more detail, hopefully not too mind
11 numbing.

12 So I'm going to use as the basis just for the
13 cost purposes our Newport at the Rodeo project.
14 Construction started in the fall of 2022 and was completed
15 in March of 2024, 77 units with a mix of one, two and
16 three bedroom apartments. Excluding land the total
17 development cost was just under \$27,000. And this was
18 done with nine percent credits.

19 So let's start with how you calculate low
20 income housing tax credits. And it starts with the
21 accounting concept of basis. The amount of tax credit,
22 LIHTC, depends on a project's eligible basis, which is
23 based on the depreciable cost and doesn't include land,
24 syndication, organization or permanent financing costs.

25 Under the rules of the LIHTC program, in

1 million dollars per project, and that limits how much, of
2 course, you have available to spend. So, as Jim said, a
3 nine percent project generally has anywhere from 40 to 90
4 units.

5 Four percent credits are limited to projects
6 with tax exempt private activity bonds, which are awarded
7 by a lottery. Unlike a nine percent project, the
8 30 percent basis boost is only available in the qualified
9 census tract, and that's where the overlay of the maps
10 that Jim showed is important. Because there is very
11 little overlap between the Rio Nuevo District boundaries
12 and the qualified census tracts, there are not that many
13 sites in the Rio Nuevo area that are eligible for a basis
14 boost.

15 So a developer can get four percent of the
16 adjusted basis per year for ten years. There is no annual
17 cap on the credit, so you can get as much credit as the
18 project will support -- as the project basis will support,
19 and because of that and because these deals have very high
20 transaction costs because they involve tax exempt bonds,
21 which have high underwriting costs, high legal costs,
22 they're typically used for larger projects, typically much
23 larger than 100 units.

24 So for purposes of simplicity and as I'll
25 explain later, this is not an apples to apples comparison,

1 but I'm going to compare the same 77-unit project with
2 nine percent credits and four percent credits. So, again
3 Newport at the Rodeo had total eligible basis after the
4 boost of about \$33 million. With nine percent credits
5 right here, that would support 2.9, almost \$3 million in
6 annual credits. But because of the cap that ADOH puts on,
7 it was only eligible for two and a half million dollars.
8 That's \$25 million over ten years in credits that we sold
9 to an investor group. They bought 99.99 percent of the
10 deal. Today's -- the pricing when we did it was
11 different, because it depends on economic conditions, but
12 let's say you could get 84 cents on the dollar for
13 credits. That would support just under \$21 million and we
14 were able to make the deal work.

15 If it were a four percent deal, the amount
16 supported by basis, because you're only multiplying the
17 basis by four percent rather than nine percent, is about
18 \$1.3 million. There's no cap, so we would get all of that
19 \$1.3 million, but that only is 13.2 million over ten
20 years, which at the same pricing assumption generates just
21 over \$11 million in equity rather than \$21 million in
22 equity, an almost 10 million-dollar difference.

23 So let's look at how that works in the capital
24 stack. With a nine percent deal with \$21 million in
25 equity with the debt we supported, it would be a

1 5 million-dollar loan. Jim talked about Pima County and
2 City of Tucson Home. There's five -- assuming \$500,000
3 each, that's a subtotal of 26, almost \$27 million, which
4 is actually more than the total development cost before
5 land. With four percent, however, it only supports
6 \$11 million in equity.

7 Now, the loan is probably going to be bigger
8 because you can go up to 60 percent of area median income
9 whereas with nine percent deals for competitive reasons
10 you're going to have to go less. But let's say a
11 5 million-dollar loan instead of a 7 or 8 million dollar
12 loan, the same soft sources of funds, you're looking at
13 almost a 10 million-dollar deficit before you get the
14 land.

15 Now, as I said, this is not a true apples to
16 apples comparison. A four percent deal is going to be
17 bigger, so there will be economies of scale. The
18 incomes -- I'm sorry, the rents will probably be somewhat
19 higher, a little higher, although with a softening market
20 that we're facing, you may not be able to get higher --
21 much higher rents. But even in a qualified census tract,
22 the project is going to need additional subsidies in the
23 form of deeply discounted debt or donated land.

24 The last thing I'm going to talk about is there
25 have been suggestions that mixed income housing is the way

1 to go and is a way to solve the problem, which, as I'll
2 show you, is something I'm pretty skeptical about. For
3 one thing, there's no tax credits on the market rate
4 units. You only get tax credits on income or (inaudible)
5 units. So the market rate units have to be financed
6 entirely from debt supported by the rental revenue.

7 Except in very tight markets, rents for market
8 rate units may have to be discounted to attract tenants to
9 live in a mixed income building. Do I wish that were
10 true, no. Is it true? In my experience, it is true, that
11 you have to give a discount for a mixed income building.
12 And in that case, there's less revenue to support rent, so
13 in most cases, the financial loss from having less equity
14 is far greater than would be offset by any gains from
15 higher potential rent.

16 And finally the rules for management of a mixed
17 income property are far more complex than they are for a
18 100 percent loan housing tax credit project.

19 So it's a difficult business. Nine percent
20 deals are considerably easier to do than four percent
21 projects, which is why there are more of them. You need a
22 lot of subsidy to make four percent projects work. They
23 have to be in qualified census tracts unlike nine percent
24 projects. And I think what Jim pointed out, there is not
25 a lot of overlap between Rio Nuevo and good qualified

1 census tracts, but to the extent there is, Rio Nuevo can
2 certainly be helpful in either providing land, if the land
3 can be made to work like that large site near A Mountain,
4 or if it can acquire land for disposition to an affordable
5 housing developer or -- and I realize that based on the
6 financial report with which this meeting started, I might
7 be living in hope rather than experience, providing some
8 kind of discounted financing.

9 And with that, I will pass it on, but I'm happy
10 to answer any questions. Thank you so much.

11 **CHAIRMAN McCUSKER:** And, David, even with that,
12 you only have a once a year window; right?

13 **MR. WOHL:** Well, for nine percent you have a
14 once a year window, and then with the bond lottery, there
15 are a couple of times -- they do a bond lottery a couple
16 of times a year. The Arizona Finance Authority does a
17 couple of annual bond lotteries, one in January, one in
18 July, so there's a little more flexibility there.

19 **CHAIRMAN McCUSKER:** But then you have to win
20 the lottery.

21 **MR. WOHL:** But then you have to win the lottery
22 unless you can get director's discretion, which is --
23 Johanna can talk about more than I can because she's
24 actually been there.

25 **CHAIRMAN McCUSKER:** So a couple of the parcels

1 we talked about are untouchable, but the state owned one
2 is interesting because we're also state. There may be
3 some sort of deal that could be made there. But if we
4 were to obtain something like that, would his contribution
5 to a project be enough of a subsidy to get something built
6 or do you still need financing?

7 **MR. WOHL:** Probably would need financing,
8 because, as I said, with a four percent -- you know, the
9 difference between -- you know, let's -- let's say you
10 were doing a really, really large couple hundred unit
11 project and your total development cost was, you know,
12 \$80 million and your basis was \$70 million. Nine percent
13 of \$70 million is a lot more than four percent of

14 \$70 million, so you would probably need some kind of
15 subsidy. But certainly contributed land, particularly
16 downtown, which is the most valuable land there is --

17 **MR. TOFEL:** David, that site that we're talking
18 about is probably not big enough for a four percent.

19 **MR. WOHL:** It might be. And the height
20 restrictions there I think would be pretty loose.

21 **MS. HERNANDEZ:** I think that, you know,
22 providing support around -- sort of public support around
23 those developments since you're generally downtown,
24 supporting efforts to change things like height
25 requirements and restrictions and things like that is

1 developer. I would probably -- you know, I could create
2 the condominium structure, we would develop, you know, a
3 vanilla white box for the ground floor, and then tenant
4 improvements would come later once there was a lease with
5 the end user of the commercial space.

6 **MS. HERNANDEZ:** Yeah, we are developing --
7 Stone and Speedway, which is on my list, is a mixed use,
8 mixed income affordable housing development. It's got
9 lots of challenges to it, but some of the challenges we
10 face with the commercial space are sort of the -- the --
11 depending on how you do it, you can -- and if we're moving
12 that space out of the basis, which helps determine the
13 credits, and so I think having it be a community benefit
14 is what keeps it in basis and there are things that we can
15 do to ensure that, and one of them is having a nonprofit
16 be the lessee for those spaces. And so where Rio Nuevo
17 would provide nonprofits to lease those spaces and we can
18 keep that in basis, it doesn't harm the project as much.
19 There are definitely ways to do that that, you know, I
20 think you all could have a role in supporting whether it's
21 in basis or out of basis. But the general preference
22 would be that it's in basis so that it doesn't hurt the
23 prospects of the development.

24 **CHAIRMAN McCUSKER:** And unfortunately not for
25 profits don't pay sales tax.

1 valuable, and then there are other things that Rio Nuevo
2 can do that would also be helpful depending on the
3 project. But providing space for, you know, shared
4 parking, storage and mobilization for projects that are
5 going on downtown, those are all significant challenges we
6 face which we're developing downtown. So those things
7 that -- the push back we get from the community, the need
8 to mobilize, the need to have parking, those are all
9 things we can -- you know, would benefit a project. They
10 wouldn't make a project happen, but they would absolutely
11 benefit a project. And so, you know, there are multiple
12 facets here that I think Rio Nuevo could sort of live in.

13 **CHAIRMAN McCUSKER:** Of course, we're a sales
14 tax TIF, so that means retail. And I'm troubled, David,
15 with the, you know, restrictions on commercial activity in
16 a LIHTC project. Could it be a -- is it --

17 **MR. TOFEL:** Oh, you can do it.

18 **MR. WOHL:** And often -- well, I won't say
19 often, but it's not uncommon to have, particularly in a
20 vertical building, ground floor commercial activity of
21 some kind with residential above. That would be done
22 through a condominium structure where the residential
23 piece is owned by one entity and the commercial piece is
24 owned by another entity and the -- let's say I were
25 developing a mixed use property. Let's say I was the

1 Okay. We will regroup with you. Corky, thank
2 you very much. You know, clearly there's some challenges,
3 we have not shied away, the chemistry, the site
4 availability. There is some conversations about expanding
5 Rio Nuevo geographically. That could open up some other
6 sites. It's definitely not going to be easy. And you saw
7 our financial predicament.

8 Are there -- I guess Jim would know. Are
9 there, you know, ready and able lenders that if, you know,
10 you had a mixed use project that had some retail component
11 to it and a LIHTC component, is there funding for these
12 kind of projects?

13 **MR. TOFEL:** Yeah, I think so. There's a lot of
14 developers nationally that are looking -- like the biggest
15 challenge is finding a site which works. So, you know, if
16 there's a site which works and if we can get some
17 assistance in Tucson, there's definitely a demand. We've
18 had -- I've talked to probably 15 or 20 different national
19 developers about doing stuff in Tucson and it's just right
20 now with where area median incomes are and casts, it's
21 just difficult to make deals work.

22 I think there might be some ways that we
23 could -- we could change some things at the state level
24 that would assist Tucson. They're talking about trying to
25 bring back the state low income housing tax credit. That

1 would help us. That would be another supplemental source
2 that would stack with the four percent tax credit.

3 **CHAIRMAN McCUSKER:** And it has to be in an
4 census tract, so if we made a deal with El Con, that's not
5 going to get financed.

6 **MR. TOFEL:** No. But one of the things to
7 understand is that the QCTs change yearly, so what's in a
8 QCT today may not be in a QCT next year and vice versa.

9 **MR. WOHL:** I would point out that would
10 probably work for a nine percent, because you can get the
11 basis boost. You can get the basis boost anywhere for a
12 nine percent. It would not work for a four percent under
13 the current qualified census tract on that.

14 Just, Fletcher, to answer your question about
15 lenders, there are a lot of lenders out there. And if you
16 can show them that you can pay back their loan, they are
17 out there looking for -- they're looking for deals because
18 they have Community Reinvestment Act obligations and I've
19 never had -- we've never had trouble findings a lender.
20 It's like Jim says. Land is our big problem. Finding
21 land is our biggest problem. And if we can find a good
22 site and if we can get an allocation of credits, we can
23 find a lender, we can find an equity investor.

24 **MR. SHEAFE:** I do have a question. And I'm
25 just curious, Jim Tofel, but when I was building

1 apartments in both cities, our costs were always a little
2 lower in Tucson than they were Phoenix. Your report
3 indicated 15 percent higher. Why is that? Because our
4 wages are lower here, our land is lower here, why would
5 our costs be higher than the, you know, Maricopa County
6 market.

7 **MR. TOFEL:** So I don't really see the land side
8 of it, I just look at the construction side, but I think
9 in general the subcontractor community is more mature in
10 Phoenix. There's a lot of bigger subs out there and a lot
11 of times the Phoenix subcontractors will come to Tucson
12 and be able to beat the Tucson subcontractors on an
13 apartment complex and they're paying travel and
14 sustenance. So that's just -- it's -- I mean, it's hard
15 because every project has a different design, different
16 location, different materials. It's hard to really come
17 up with an exact figure. I think it's about five percent,
18 maybe -- maybe a little bit more to do deals here in
19 Tucson. And it's just because we have a -- you know,
20 there's really one framer in Tucson that's capable of
21 doing apartments, that's it. They don't have as much
22 competition down here whereas in Phoenix --

23 **MR. SHEAFE:** It's a competitive factor then.

24 **MR. TOFEL:** Yeah. You've got seven or eight
25 framers in Phoenix that are doing it. There's two or

1 three concrete companies. You know, there's a limited
2 number of subs who do this work down here.

3 **MR. POSTER:** Mr. Chairman --

4 **CHAIRMAN McCUSKER:** Thank you, everybody. It
5 sounds like job one is to look for some property.

6 Johanna, we'll catch up to you, maybe continue to work on
7 site availability and get lucky with a developer and a
8 lender. If it's state owned, we have a pretty good shot
9 at doing something that's sole source, but it would have
10 to have a retail component, so --

11 **MR. POSTER:** Mr. Chairman, I just had one
12 closing comment I wanted to make.

13 **CHAIRMAN McCUSKER:** Go ahead.

14 **MR. POSTER:** You know, I had an ulterior motive
15 for asking for this agenda item, and it was really
16 threefold. Number one, that I hoped this work out, that
17 the board needed to be really educated on the complexity
18 of affordable housing. Some of you are involved, some of
19 you are now and I thought it would be useful to have the
20 best experts I know come and give us a little bit of a
21 seminar on the issues.

22 The second is we've had a lot of pressure from
23 the greater community to do affordable housing, but I
24 think this conversation says it's not very easy and it
25 requires large amounts of money that we do not have.

1 And my third motivation was to look for those
2 small angles, those vulnerabilities, so to speak, within
3 the affordable housing community on how we can actually
4 help.

5 And so I want to thank all the participants for
6 taking their time today to help us with all three of those
7 motivations and we'll see what can come of this.

8 And, Tyler, I'm sorry you didn't get to speak
9 very much, but my guess is that everything you were going
10 to say was covered by your colleagues.

11 Anyway, I want to thank everyone for taking the
12 time to do this today.

13 **CHAIRMAN McCUSKER:** Thank you. You'll hear
14 from us, all of you. Thank you.

15 Corky, thanks.

16 Okay. Let's go earn some money now. We've got
17 three projects that we've seen and discussed and waited
18 for two weeks. In order that's Lucky Penny, Desert
19 Drifter, Fairway Cigars.

20 So, Brock, you're up first. And I think you
21 have an updated presentation.

22 And, Huna, let's make sure he can share.

23 And reintroduce yourself for the record and
24 launch your PowerPoint.

25 **MR. LYNCH:** All right. Is it up on the screen

1 for everybody to see?
2 **CHAIRMAN McCUSKER:** Yes.
3 **MR. LYNCH:** Great. Let's see. I want to make
4 sure that I can actually thumb through it this time.
5 Here we go. Okay. I don't need to ask for
6 Tim's help this time.
7 Okay. Thanks again, Fletcher. And, once
8 again, my name's Brock Lynch. I'm one of the operating
9 partners of (inaudible) Tanner Hospitality Group and
10 recently -- relatively recently anyways a full-time
11 resident now of Tucson. I'm excited to be here and
12 excited to pursue these projects.
13 As Fletcher mentioned, we presented last time,
14 so I'll spare some of the more tedious details and we'll
15 kind of get down to brass tacks for the most part. But
16 we'll briefly introduce the projects before we get down to
17 the economics of the presentation.
18 So, again, my name's Brock Lynch. Donald, one
19 of my business partners, is online as well, and then David
20 Knight our other partner, is not with us today. Donald
21 and David will actually plan on being down here in --
22 well, Donald sooner rather than later, David in July, and
23 we're all looking forward to being full-time residents
24 down here.
25 So this project really again takes place at 47

1 North 6th Avenue, the old Ms. Saigon building. That's
2 where Lucky Penny will be located as the anchor tenant for
3 the former Arizona Hotel, which currently is a short-term
4 rental, an apartment project, and we'll get more into that
5 in just a moment. But Lucky Penny is really kind of the
6 foundation of this project and really is the bulk of a lot
7 of the expense that we're going to be talking about.
8 It's a 4,000 square foot currently vacate
9 space, again, formerly Ms. Saigon, and we'll also be
10 activating the parking lot in the back side of the
11 building converting it into our patio.
12 Much of this project involves really just
13 rehabilitating the building back up to code. There's a
14 number of issues related to HVAC. We've also got to
15 address a water leak issue from Ms. Saigon that involves
16 repping up all of the flooring all the way down to the
17 subfloor, replacing all that, demolishing existing
18 bathrooms and building new ones to meet capacity
19 restrictions, replacing ceiling tiles, relocating a lot of
20 infrastructure related to plumbing, electrical, a water
21 heater, a walk-in cooler. The current grease interceptor
22 in the building is far insufficient, so we need to address
23 that and do some concrete cutting and install a new grease
24 interceptor. And then in addition to that, there's all
25 your typical TI projects involving a restaurant, framing,

1 paint, all that kind of stuff.
2 So, again, Lucky Penny really is the bulk of
3 this project. It currently is a bit of an eyesore, but
4 when it's all said and done, we real envision Lucky Penny
5 being a pretty substantial and exciting addition to
6 Tucson.
7 The concept Lucky Penny is really kind of like
8 a -- it's a Sonoran inspired contemporary barbecue
9 concept, and so will play a lot into our paying homage to
10 our surroundings here and introducing a lot of these
11 desert tones with kind of a mid-century modern motif.
12 Again, really every inch of the space is getting touched
13 and we're really excited to make it a really warm,
14 welcoming environment for our guests.
15 And, again, on the backside there, that parking
16 lot gets converted into sort of a mixed use patio, so
17 obviously hotel guests will have direct access to it, but
18 another aspect of our project, Bonanza Coffee Company,
19 which I'll talk about here in just a moment, also shares
20 this patio space.
21 So about a 2,000 square foot patio. It will
22 house not only our smokers for Lucky Penny but a generous
23 seating area. You can see right there it's current state
24 including our smokers that hopefully this week or early
25 next week get sent off to fabrication. And then this is

1 kind of what we envisioned for the patio there, again,
2 outside yards games and plenty of seating for guests to
3 enjoy in kind of a private, secluded environment back
4 there behind the building.
5 And, again, that brings me to Bonanza Coffee
6 Company. So on the other side of the building from Lucky
7 Penny is a 615 to 630 square foot space that's currently
8 vacate that again borders the patio and is also adjacent
9 to that alleyway back there. And we plan to open Bonanza
10 Coffee Company back there, which is a Hi-Fi inspired
11 coffee shop that will serve not only our hotel guests but
12 the general public at large.
13 A big inspiration for Bonanza was when I moved
14 down here was doing work. I didn't have a whole lot of
15 places I could go work late at night. I tend to be a
16 night owl and I know that a lot of college kids in the
17 area as well and we found that there's really no one
18 serving that market, particularly downtown, so we're
19 excited to have not just a traditional morning and lunch
20 coffee shop but something that's open late as well.
21 Much like Lucky Penny, Bonanza requires a
22 considerable amount of uplift just not at the same expense
23 because we're not demolishing and relocating a lot of the
24 infrastructure. So it requires still some work, HVAC to
25 name one of the larger aspects of it, flooring and then

1 general framing, construction, and then adding some
 2 windows into the wall where the alleyway is to bring in
 3 some more light, because it is currently a little bit dark
 4 inside the building.

5 And then the last part of this project, at
 6 least in the immediate short term, is hopefully getting
 7 some support in activating the alleyway. So for those of
 8 you that are familiar or unfamiliar, rather, the alleyway
 9 between us and Elliott's and Empire Pizza and all those
 10 buildings or businesses that are on Congress there, this
 11 is somewhat of a troublesome eyesore of a project in its
 12 current state, but we're looking forward to partnering
 13 with hopefully Rio Nuevo and some other stakeholders in
 14 really bringing the alleyway to life as more of a
 15 pedestrian thoroughfare that obviously we'll benefit from,
 16 but we believe the downtown core at large will really
 17 benefit from.

18 So it involves relocating dumpsters,
 19 resurfacing the alleyway, putting in some lighting
 20 infrastructure, cleaning it up, and I believe there's some
 21 talk about some murals potentially going on some of those
 22 walls.

23 So part of our ask, which I'll get down to
 24 again here in a moment, is we partnered with Crystal Moore
 25 from the Downtown Tucson Partnership and she had really

1 tasked the planning center with kind of leading the charge
 2 for the first phase of this in a planning proposal.

3 So the planning center would essentially do a
 4 site survey and go over the overall scope of this project
 5 and really help us understand what it would take to get
 6 the uplift to make the alleyway a reality not just for us
 7 but, again, for all stakeholders involved, and so have --
 8 we have an ask for that aspect of this project as well.

9 So getting down to again kind of the --
 10 Oh, I guess I shouldn't forget about the hotel.

11 So when we started this, Lucky Penny was in our
 12 vision like a 2 to 2,500 square foot restaurant project,
 13 and we eventually found our way to this buildings and it's
 14 really transitioned into something pretty special, we
 15 think. So not only are we talking over the old Miss
 16 Saigon location and Bonanza Coffee Company as well, but
 17 we've also worked with Marcel, our landlord, to eventually
 18 take over management of the hotel.

19 And I'm not sure if Marcel's on this call, if
 20 he's going to speak to it at all, but that's really kind
 21 of what makes this project unique in that, you know, it's
 22 only 15 rooms, but it allows us to create what we envision
 23 as sort of a hospitality ecosystem and really create an
 24 opportunity to turn that building into its former glory
 25 and create like a more cohesive environment for

1 hospitality to thrive. So we took forward to taking over
 2 management of the hotel, and then, you know, future plans
 3 include activation of additional spaces as well.

4 In terms of this project --
 5 **MS. VILICANA:** Brock?
 6 **MR. LYNCH:** Yeah.
 7 **MS. VILICANA:** Thank you.
 8 **MR. LYNCH:** Yeah.
 9 **MS. VILICANA:** Would you be so kind to send me
 10 the call in number with the code?
 11 (Discussion off the record). .
 12 **CHAIRMAN McCUSKER:** Okay. Go just to the
 13 economics.
 14 **MR. LYNCH:** Okay.
 15 **CHAIRMAN McCUSKER:** All right. Walk us back
 16 through this. You know, we saw it last time. The budget
 17 looks like it's the same. You're looking for 50 percent.
 18 We're struggling to get you there. You've had some
 19 conversations with Marcel and others and you kind of
 20 walked through kind of what you're asking of us today.
 21 **MR. LYNCH:** Yeah. Yeah. So, you know, the
 22 total meat of the ask hasn't really changed, because the
 23 construction costs, of course, haven't changed, but how we
 24 get there, we've gotten a little bit more creative and we
 25 hope that this makes it a little more palatable for the

1 board.

2 So total hard construction expenses are
 3 estimated at \$925,000 and we're asking for -- to split --
 4 that cost down to 462,500. And last presentation we had
 5 just come to you with that number as our ask. And
 6 obviously being mindful of your guys' budgets constraints
 7 and trying to get creative on how we make this work for
 8 everybody, we are reducing the up-front contribution down
 9 to half of that 50 percent TI request, so 231,250. And
 10 then Marcel along with ourselves would advance the
 11 remaining 50 percent of that ask in the amount of \$115,625
 12 equally. And then what we are --
 13 **CHAIRMAN McCUSKER:** So what you guys do between
 14 Marcel and yourselves is your business, but there's an
 15 additional component of the ask to us to rebate or
 16 monthly -- I don't see that on this presentation.
 17 **MR. LYNCH:** Oh. I maybe should have made it a
 18 little bit larger. So right down here, I don't know if
 19 you can see my icon for my mouse, but we're asking
 20 essentially that those amounts that Marcel as well as our
 21 operating group are advancing to be reimbursed over 24
 22 equal monthly payments after our business opens up.
 23 And then I should add that during that time,
 24 the landlord advance will accrue interest, which will be
 25 paid by our operating group, and it will be capped at -- I

1 don't know if you guys need to know, but it will be capped
 2 at a certain amount with the understanding that gross
 3 sales do not exceed that cap, and then the interest will
 4 really fluctuate, I guess, in relation to our lease
 5 amount.
 6 **MR. SHEAFE:** I'm not sure what you just said.
 7 Could you --
 8 **CHAIRMAN McCUSKER:** All right. So let me do
 9 the math for you, Chris. So they're looking for the
 10 231,250 up front in cash and they're looking to us for
 11 what I would call a rebate-like amount. When you combine
 12 those, it's \$9,635 a month for --
 13 **MR. SHEAFE:** How do you get to that? Because
 14 if you take 24 and divide --
 15 **CHAIRMAN McCUSKER:** It's the combination of
 16 the -- it's the 115 twice.
 17 **MR. SHEAFE:** Yeah. But if you divide that by
 18 24, that comes out to 48 plus whatever interest would be
 19 in there. It shouldn't be more than double.
 20 **CHAIRMAN McCUSKER:** 231,250 divided by 24, it's
 21 \$9,600.
 22 **MR. SHEAFE:** Well, 115,625 is what you're --
 23 **CHAIRMAN McCUSKER:** No, twice that number.
 24 Double that number.
 25 **MR. SHEAFE:** Oh, so they're asking for rebate

1 on both sides?
 2 **CHAIRMAN McCUSKER:** They're asking for 9,600 --
 3 **MR. SHEAFE:** So they're asking for 231,250 up
 4 front and then 231,250 to be rebated on a 24-month cycle?
 5 **CHAIRMAN McCUSKER:** You got it.
 6 **MR. SHEAFE:** All right.
 7 **CHAIRMAN McCUSKER:** And that number is --
 8 **MR. SHEAFE:** That wasn't clear in what we had
 9 seen earlier. I see now --
 10 **CHAIRMAN McCUSKER:** It's \$9,635 a month.
 11 **MR. MARQUEZ:** The 9,635, Brock, you had just
 12 said you don't need those payments until you are open; is
 13 that correct.
 14 **MR. LYNCH:** That's correct, yeah. We wouldn't
 15 ask for you guys to start assuming those until we're open.
 16 **MR. MARQUEZ:** When do you think that will be?
 17 **MR. LYNCH:** We're -- well, we're aiming for
 18 September, but realistically we think it's going to be
 19 sometime in the latter half of October.
 20 **MR. SHEAFE:** Well, you have projections in
 21 there on sales tax rebates. Couldn't we just take that
 22 whole thing and put it into you get the rebates when you
 23 earn the money and you create the revenue stream, and then
 24 you're not dipping into our funds. We can just hand that
 25 back to you up to the total of the 231,250.

1 **MR. MARQUEZ:** That's easier for us.
 2 **CHAIRMAN McCUSKER:** Go to your revenue, Brock.
 3 Let's see your revenue.
 4 **MR. MARQUEZ:** The GPLET, Tim.
 5 **CHAIRMAN McCUSKER:** There's the GPLET.
 6 **MR. LYNCH:** So this is our -- our sales tax --
 7 excuse me, revenue projections for Lucky Penny. I've got
 8 them broken down into different components here. So I've
 9 got Lucky Penny in a five-year spread here, and then --
 10 **MR. SHEAFE:** Well, that's a million 315.
 11 **CHAIRMAN McCUSKER:** it's 3 million -- go back
 12 a page. Call it three, four average.
 13 Go ahead.
 14 **MR. SHEAFE:** He totals it for the year, so the
 15 total is --
 16 **CHAIRMAN McCUSKER:** Well, that's just one part
 17 of the restaurant, so here's the coffee shop.
 18 **THE WITNESS:** The coffee shop.
 19 **MR. SHEAFE:** So add another --
 20 **CHAIRMAN McCUSKER:** Another 6, so you're
 21 looking at 4 million of annual revenue; right?
 22 **MR. LYNCH:** Yes.
 23 **CHAIRMAN McCUSKER:** Anything else --
 24 **MR. SHEAFE:** And you're talking about their
 25 gross. I'm just going by their sales tax.

1 **MR. MARQUEZ:** Brock, it's a much easier ask if
 2 we can through the 231,250 up front and then you go to
 3 rebate.
 4 **MR. LYNCH:** I definitely understand. You know,
 5 so part of the -- part of the issue that we have is, you
 6 know, the capital obviously is not passive, right, so, you
 7 know, we're carrying interest on the landlord advance and
 8 then, you know, securing a loan that includes interest and
 9 diluted equity to fund our portion, of course, you know.
 10 And in addition to that, we're going to have -- when we
 11 open, we're going to be -- we're going to have to seek
 12 additional debt service to cover some of our FF & E and
 13 operating capital to get us open.
 14 We, of course, can appreciate the position that
 15 Rio Nuevo is in and, you know, we're hoping -- I guess
 16 it's our hope that, you know, what we're impressing upon
 17 you guys is that our structure reflects discipline and
 18 commitment, you know, because we believe in the long-term
 19 commitment and impact that we could have here. That being
 20 said, you know, we're also trying to no different than you
 21 guys minimize our -- our liabilities and, you know, do
 22 something that's financially and behaviorally, you know,
 23 responsible for the business, which is why we had hoped
 24 that, you know, reducing this ask and finding a more
 25 creative means to an end was hopefully something that

1 would be of interest to you guys.
 2 **MR. SHEAFE:** Let me just help here a little
 3 bit. You're going to generate as much sales tax rebates
 4 in the period that you've addressed just using those
 5 numbers.
 6 **CHAIRMAN McCUSKER:** 10,400 a month.
 7 **MR. SHEAFE:** That's guaranteed, so if --
 8 **CHAIRMAN McCUSKER:** Yeah, so.
 9 **MR. SHEAFE:** -- we were to relieve ourselves of
 10 that responsibility and just give you the 231, we've moved
 11 you way down the process, and then the success of your
 12 business is going to pay you back. And --
 13 **CHAIRMAN McCUSKER:** What's missing --
 14 **MR. SHEAFE:** -- (inaudible) like structure, or
 15 in this case we can GPLET it, then you're home free.
 16 **CHAIRMAN McCUSKER:** What's missing is some of
 17 the up front.
 18 How long will it take you to get to that
 19 3 million of revenue, Brock, a year?
 20 **MR. LYNCH:** It's going to take a full year,
 21 yeah.
 22 **MR. SHEAFE:** Well, yeah, but you listed it
 23 there. I mean, we see what you're putting down. You
 24 know, you've got your gross sales listed in the first
 25 year. At some point, you've reached 925. Now that --

1 **MR. MARQUEZ:** Brock, if I could ask a real
 2 simple question. As you take on additional leverage for
 3 FF & E, do you have money left over for operations?
 4 That's a lot of leverage. You're leveraging in every
 5 category here.
 6 **MR. LYNCH:** Yes. So what I was alluding to --
 7 and part of that FF & E that we're going to have to
 8 leverage includes some small uplift for operating to go
 9 forward as well if that answers your question.
 10 **MR. MARQUEZ:** Your borrowing some of your
 11 operating dollars as well.
 12 **MR. LYNCH:** Potentially, yeah.
 13 **MR. MARQUEZ:** Man. All right.
 14 **MR. LYNCH:** You know, the other thing that I
 15 guess, you know, I would throw out there is -- and I don't
 16 know if helps you guys out at all, but, you know,
 17 splitting that 115 doing -- \$115,000 in fixed payments and
 18 the other \$115,000 in rebates. I don't know if that makes
 19 it more palatable for you guys at all, but that's
 20 probably, you know, something that we would at least
 21 entertain as well.
 22 **MR. SHEAFE:** Everything that you can do to help
 23 us on the cash side, because what we're fighting with is
 24 you're wiping out all of our capacity and we have to turn
 25 everybody else down, so we're trying to build a little bit

1 of room in this thing and still make it work. We made a
 2 commitment that we would help backfill this space when
 3 your landlord was very gracious to us in the way he
 4 changed out Ms. Saigon. And that's not being forgotten.
 5 **CHAIRMAN McCUSKER:** What Brock has described
 6 would be 231,250 in cash, \$4,700 a month in subsidy I
 7 would guess until the rebate hits that amount, and then
 8 you get rebated until you get to 231,250.
 9 **MR. MARQUEZ:** Can I just say something to Brock
 10 here?
 11 Beware of us, because what happens in the Rio
 12 Nuevo world sometimes, people take on much more of a
 13 larger project than they should because they're thinking,
 14 what the heck, I'm going to get 50 percent of it and you
 15 over leverage yourself. So you're trying to get as much
 16 money out of Rio Nuevo, but you squeeze yourself when it
 17 actually comes to operation and needing cash flow. So
 18 just be careful. You may not want to do this project at
 19 this size since you're literally borrowing for the TI, the
 20 FF & E and operations. Like you are absolutely leveraged.
 21 You can't have a bad summer in Tucson if you open this.
 22 **MR. LYNCH:** You know, I would be remiss to not
 23 acknowledge, you know, we do have some cash that we're
 24 obviously putting into this ourselves, so when we -- when
 25 we go to leverage some of this, you know, some of it I

1 alluded to earlier is diluted equity, right, so it's not
 2 all monthly interest and principal accrual, some of it is
 3 our equity, which we think speaks loudly to our commitment
 4 to the project.
 5 I should also acknowledge that, you know, we've
 6 been operating collectively between myself and my two
 7 other partners for 75 years in one of the most challenging
 8 markets in the United States, which is Seattle. That's
 9 not to suggest that operating a restaurant anywhere else
 10 in the country is easy, of course. It's one of the
 11 hardest ventures any business operator could make I would
 12 argue.
 13 But that being said, we feel very confident in
 14 our project and in our capabilities to execute it and meet
 15 our projections successfully. We've modeled a lot of
 16 these projections very responsibly to not push ourselves
 17 beyond our own capabilities.
 18 So with that, you know, obviously I hear what
 19 you're saying and I appreciate the concern, you know, but
 20 we -- obviously we wouldn't be here today if we didn't
 21 feel like we could meet the demands of the scope of the
 22 project, of course.
 23 **CHAIRMAN McCUSKER:** So if I can paraphrase what
 24 Brock has offered, \$231,250 in cash up front, a rebate
 25 that's capped at \$231,250. The minimum rebate is \$4,700 a

1 month at C of O. And then once the sales tax exceeds
2 that, you would rebate all of that until he hits the cap.

3 **MR. SHEAFE:** Well, I think what I'd like to do,
4 Mr. Chairman, if there isn't any other discussion is make
5 a proposed motion.

6 **MR. MARQUEZ:** What's a proposed --

7 **CHAIRMAN McCUSKER:** Did I paraphrase your
8 offer?

9 **MR. MARQUEZ:** Yeah, you did.

10 **MR. LYNCH:** You did. Thanks, Fletcher.

11 **CHAIRMAN McCUSKER:** Go ahead, Mr. Sheafe.

12 **MR. SHEAFE:** Okay. I'm going to propose that
13 we support this project with the immediate cash subject to
14 all of our auditing and review processes at the 231,250,
15 which means that our dollars are last in as progress is
16 made and that there be no more than 231,250 if there's any
17 kind of a cost overrun, and if there's savings, we would
18 participate, because we would be no more than 50 percent,
19 and that we additionally, once they are open for 24
20 months, give a stipend of 2,500 per month for the 24
21 months as long as they remain open as the total commitment
22 from Rio Nuevo.

23 **MS. VILLICANA:** Second, Taunya.

24 **MR. MARQUEZ:** He said he proposed that. Is
25 that a motion?

1 hard commitment. I mean, I'm not trying to sell it. I'm
2 just saying that's a reasonable position given our
3 circumstance as to what we can do.

4 **MR. MARQUEZ:** Brock, keeping in mind, you know,
5 you may get painted into your own corner here. We could
6 always table this, go back to discussion and crunch some
7 numbers and then make a wise decision two weeks from now.

8 **MR. LYNCH:** Yeah. I mean, I don't -- I don't
9 want to -- I don't want to paint the picture that we're
10 obviously not appreciative of any help. You, know, we're
11 coming to Rio Nuevo with our hand out asking for help,
12 right, and can obviously appreciate the position that the
13 board is in.

14 What I guess I would say is that, you know,
15 this -- I think we're presenting a unique opportunity for
16 the board and a project to invest in that's going to
17 generate future sales tax revenue for the city and for the
18 board and we see this as being a big picture project.

19 And to my point earlier, you know, going with
20 an offer that Chris has just suggested puts us into a
21 position where we are -- we're not -- we're not in a state
22 of financial means where it makes sense to go that offer
23 route. In other words --

24 **MR. SHEAFE:** Do you want to defer for two weeks
25 and have a chance to regroup and see if you can

1 **CHAIRMAN McCUSKER:** That was a motion and a
2 second, so stand by.

3 **MS. VILLICANA:** My plane's about to take off,
4 guys.

5 **MR. SHEAFE:** Fly safe, Taunya.

6 **CHAIRMAN McCUSKER:** That's \$60,000 in monthly
7 income.

8 **MR. SHEAFE:** Yeah.

9 **CHAIRMAN McCUSKER:** Brock, what happens if
10 we're that far off your ask?

11 **MR. LYNCH:** Can you re-summarize that one more
12 time again for me?

13 **CHAIRMAN McCUSKER:** His motion is the cash is
14 not a problem, \$231,250, and he's offered you a rebate or
15 a stipend of \$2,500 a month times 24 months. That's
16 \$60,000. That's \$150,000 less than your ask.

17 **MR. LYNCH:** That puts us in a situation that
18 Edmund said to be cautious of.

19 **MR. SHEAFE:** Well, you may not want to do the
20 coffee shop right off the bat.

21 **CHAIRMAN McCUSKER:** But if they do all that,
22 their sales tax is going to be 110 grand a year, so
23 they're not getting the benefit of their own sales tax
24 under --

25 **MR. SHEAFE:** Well, that's why we're making a

1 restructure in a way that what we can give you might work
2 for you?

3 **MR. MARQUEZ:** So let me throw something out in
4 discussion. We did mention the 231,250 up front and then
5 the 231,250 in a rebate. And you may be able to discuss
6 with Marcel maybe more abated rent, et cetera, and you can
7 work around this.

8 **CHAIRMAN McCUSKER:** So I've got a Roberts Rules
9 of Order issue here. You have a motion and a second, and
10 I think it's safe to say that Brock isn't going to accept
11 that offer, so you can vote on the motion, we can withdraw
12 the motion, we can withdraw the motion and table or we can
13 keep trying to do this in public, but you're -- right now
14 you're \$130,000 apart.

15 **MR. MARQUEZ:** Well, let me ask if Chris Sheafe
16 would amend his motion for 231,250 in cash and 231,250 in
17 a rebate.

18 **MR. SHEAFE:** That's where we started. I would
19 do that in a instant. That's --

20 **MS. VILLICANA:** And I would second that motion,
21 so if you want to restate it.

22 **MR. MARQUEZ:** Got to accept it first.

23 **CHAIRMAN McCUSKER:** So there's no -- all right.
24 I think we have a new motion, a new second, 231,250 in
25 cash, 231,250 in the form of a rebate.

1 What that does, Brock, is return your sales tax
 2 as you pay it to you until you hit that cap. It doesn't
 3 give you any guaranteed income that's below the amount of
 4 tax that you generate.
 5 **MR. SHEAFE:** It's very close to the amount of
 6 tax using their numbers.
 7 **CHAIRMAN McCUSKER:** Except for the first six
 8 months. It makes -- it puts the pinch on the first six
 9 months.
 10 And, Brock, don't corner yourself. If you want
 11 to table this, we can table it.
 12 **MR. LYNCH:** Yeah. You know, I obviously
 13 appreciate this offer, but I would prefer to table this to
 14 be honest.
 15 **MR. SHEAFE:** Look, let's emphasize how
 16 appreciative we are of you. And I have connections in
 17 Seattle and you're well thought of and you're successful
 18 and you operate -- or offer us a great opportunity, so if
 19 we had a little more money, we would not be slow at all.
 20 We're trying to find a way to make this work for both of
 21 us. So if we need to table it and work on it, fine, but
 22 you just hopefully can understand that we -- when you run
 23 out of money, you run out of money.
 24 **MR. MARQUEZ:** I would suggest you meet with
 25 exec and bring Marcel and let's see if we can figure

1 out --
 2 **MR. LYNCH:** Absolutely.
 3 **CHAIRMAN McCUSKER:** So are you going to
 4 withdraw your motion, Mr. Sheafe?
 5 **MR. SHEAFE:** Well, you know, I'll withdraw it.
 6 Is that what you'd like, Brock?
 7 **CHAIRMAN McCUSKER:** Well, I don't think he's
 8 going to accept it, so you don't want to corner our
 9 partner.
 10 **MR. SHEAFE:** Well, then I withdraw.
 11 **CHAIRMAN McCUSKER:** The suggestion was we table
 12 this.
 13 **MR. SHEAFE:** I withdraw and suggest we table
 14 the action.
 15 **CHAIRMAN McCUSKER:** All right. Taunya, you
 16 were the second. You've got to follow his motion.
 17 **MS. VILLICANA:** Second.
 18 **CHAIRMAN McCUSKER:** All right. So the motion
 19 now is to table this. We'll get back with you and Marcel
 20 between now and the next meeting. The last offer
 21 presented was 231,250 in cash, 231,250 in a rebate. And
 22 that's basically your tax return to you as you pay it
 23 until you hit that cap.
 24 Brock, we're going to make this work, so let us
 25 do this off line.

1 All in favor of tabling this say aye.
 2 (Motion made, seconded and passed unanimously).
 3 **CHAIRMAN McCUSKER:** Okay. Brock, hang on.
 4 We'll get back to you.
 5 **MR. LYNCH:** Thank you.
 6 **CHAIRMAN McCUSKER:** Okay. Desert Drifter.
 7 Eddy, your turn.
 8 **MR. YUNKHERR:** Awesome. Yeah. No, thank you
 9 so much for your time, guys.
 10 **CHAIRMAN McCUSKER:** Reintroduce yourself. And
 11 do you have any slides? I think you have some updated
 12 slides.
 13 **MR. YUNKHERR:** Yeah. My name's Eddy Yunkherr,
 14 founder of Desert Drifter Coffee based out of here in
 15 Tucson. I've got a short slide deck for you. I'll try to
 16 be as quick as I can. I appreciate -- Edmund and Taunya
 17 and Fletcher, I appreciate all your guys' time and we can
 18 kind of jump right into it.
 19 Did this pop up okay for everybody?
 20 **CHAIRMAN McCUSKER:** Yeah.
 21 **MR. YUNKHERR:** Cool. So the first thing I
 22 wanted to do was show kind of what locations and our
 23 commitment to Tucson. Let me click there.
 24 We currently have one location open down here
 25 in the bottom right, our Speedway location as we went over

1 the last time. Since our last meeting, we've made a lot
 2 of progress on our Grant and Swan location, looking like a
 3 Desert Drifter now as opposed to a smoothie shop, our Oro
 4 Valley location as well. That will be the next one to
 5 open. We're shooting for March 6th. We don't know if
 6 we're going to be able to hit that, but we will hopefully
 7 be close. And the most important one, I guess, of the
 8 meeting is our Broadway-Alvernon location located in the
 9 Rio Nuevo District that we're currently experiencing a bit
 10 of a hard time with.
 11 One thing we wanted to show to the group was
 12 our commitment to Tucson. Our commitment to Tucson is
 13 outlined in this slide. We could go through it line item
 14 by line item, but essentially for our Speedway and Main
 15 location we're at about half a million dollars. Our Grant
 16 and Swan location again is about 1.8 million. That one
 17 kind of sticks out like a sore thumb as we purchased the
 18 property on the Grant and Swan location similar to the
 19 Broadway-Alvernon again for a different concept. It was
 20 originally meant for the corporate coffee concept we were
 21 a part of. That's kind of morphed and changed over time,
 22 and last, but not least, is our Oro Valley location, so
 23 it's all showing our commitment to Tucson, but more
 24 importantly our commitment inside the Rio Nuevo District I
 25 think is the most important to go over.

1 So the first 20,000, again, went to Joe Pagac
 2 and our media company obviously based out of Tucson, our
 3 entire engineering group again based out of Tucson,
 4 signage based out of Tucson. All in we're at about 165 in
 5 equipment. This isn't a local purchase. But the big
 6 thing we're asking for help here is we had drastically
 7 underbudgeted the right-of-way and infrastructure
 8 improvements of this project from day one to essentially
 9 now we're happy to have purchased the property and we're
 10 happy to improve it, but, again, our big -- our -- our big
 11 miss here from our group here was underbudgeting the
 12 right-of-way work, the concrete work, and then we got kind
 13 of a very unique situation with TEP involving a single and
 14 three-phase transformer that we just got exceptionally
 15 unlucky with.

16 So our total invested in Rio Nuevo, again, we
 17 are about 180,000 short on this project. However, once
 18 this is all said and done and completely funded, we'll be
 19 at about 1.7 million inside Rio Nuevo, so hopefully this
 20 shows that our total investment in Tucson is the 4.9
 21 number.

22 Our ask is really twofold. We're just asking
 23 for a little bit of help to kind of finish off this
 24 project. We're asking for a 75,000-dollar -- I don't know
 25 if grant was the appropriate word, but I guess a

1 and our Speedway location and our other locations is our
 2 mortgage payment. We don't actually have a rent payment.
 3 We own the property, so currently our Oro Valley and our
 4 Speedway location are at \$10,000 a month in rent. This
 5 one, our effective rent will be 5,700 a month, and that's
 6 the mortgage we took out on this.

7 Due to a DSCR issue, our mortgage on the whole
 8 property is about 1.1 million, so it required additional
 9 capital up front to be able to get the full boat mortgage
 10 paid so to say. So, again, we feel comfortable being able
 11 to repay that based off of our Speedway numbers, just
 12 based off of the coffee metrics that we care about.

13 Yeah, I think that's my presentation. We've
 14 also provided this slide for you as well to show kind of
 15 all of our budgets, our financials of all stores just to
 16 see where every dollar's been spent. But, again, we're
 17 just looking for help to get that right-of-way work
 18 finished that's a lot more expensive than we anticipated
 19 it to be.

20 **CHAIRMAN McCUSKER:** Go back to your budget
 21 slide.

22 You've missed the repayment period. It's
 23 actually much faster than that. If you do 30 grand a year
 24 of tax, you'll pay that off in ten months.

25 **MR. YUNKHERR:** At 320 a quarter?

1 contribution against our sales tax to fund the shortfall
 2 of our work in the right-of-way and the additional 105,000
 3 to loan us that we would pay over a 14-month period.
 4 Idealistically that 14 months gives us two months of
 5 operating income to pay our suppliers, get everything
 6 going. We see a huge surge in loyalty. Our cost of goods
 7 runs about 50 percent as opposed to 35 percent that first
 8 two months, again, we are big into the loyalty of our
 9 customers, so essentially the first two months in IO
 10 payment followed by 12 monthly equal installments.

11 Moving forward, we believe that the
 12 75,000-dollar grant would be paid off in about 2,000
 13 years -- 2,000 years. Well, probably not going to do it
 14 at that rate, but two and a half years. We're projecting
 15 Broadway. We think it is a better location just
 16 geographically from the coffee space than our Speedway
 17 location. However, for these assumptions, we feel that's
 18 a safe bar to measure against, about 320000 a quarter.
 19 Getting down to brass tacks, that's about 8,000 a month at
 20 two and a half percent of that, so we anticipate two and
 21 half years, not 2,000 years, to repay that grant. For the
 22 loan, as I already mentioned, we're looking at the -- the
 23 rough repayment on this would be 9,000 a month at
 24 five percent.

25 A big difference between our Broadway location

1 **CHAIRMAN McCUSKER:** 8,000 a quarter, yes, so
 2 that's 32,000 a year.

3 **MR. YUNKHERR:** Oh, yeah. I have it at 32,000 a
 4 year, so a little bit over two years would be the
 5 repayment, not 7,500.

6 **CHAIRMAN McCUSKER:** So for our board, this is
 7 10 percent of the total cost of this project.

8 **MR. YUNKHERR:** And I'm happy to answer any
 9 questions anybody has about this project, get more into
 10 detail about the TEP kerfuffle, any budget line items on
 11 the construction project of where we started to where
 12 we're going to end, happy to chat about anything.

13 **CHAIRMAN McCUSKER:** I guess I would ask you the
 14 same we asked Brock. What happens if we can't help you?
 15 Do you sit on this until you build up some cash?

16 **MR. YUNKHERR:** Yeah, that's essentially where
 17 we would be at, is we would sit on this until we can have
 18 the profits of the other stores cover the shortfall.

19 **MR. OSERAN:** I have a question.
 20 How much was the additional concrete work that
 21 you did not anticipate?

22 **MR. YUNKHERR:** Yeah. So I believe it was
 23 roughly -- I can pull it up in my budget here.

24 Roughly about 60,000 is what my gut wants to
 25 say, but it also goes into moving a light pole that we

1 were unanticipated and then moving essentially our entire
2 electrical infrastructure from the northeast corner down
3 to the southeast corner.

4 **MR. OSERAN:** So what was the total?

5 **MR. YUNKHERR:** On our concrete line item?

6 **MR. OSERAN:** For the unexpected expenses you
7 incurred.

8 **MR. YUNKHERR:** Let me pull that up right now.
9 So concrete we originally had budgeted at

10 90,000 and it has gone up to 138,000. Now it's sitting
11 at, I believe, 151,000, so 70 -- roughly about \$60,000 in
12 additional concrete work.

13 **MR. OSERAN:** You said there were some other
14 costs associated that were unexpected.

15 **MR. YUNKHERR:** Yeah. So we have -- in
16 electrical we have about 16,000 in unexpected cost, and
17 that's just due from moving the transformer. The
18 electrical plan was initially we had a power post located
19 in the northeast corner. That initial when we -- before
20 we purchased the property was that TEP could use that
21 power pole and pull from the transformer there.

22 Unfortunately the transformer that that power
23 pole is connected to is like one of very few in Tucson
24 that both has single phase and three-phase power
25 available. So when we asked if power was available in

1 there, it was for single phase; however, it wasn't
2 available for three-phase power, so we kind of had to do
3 some quick back of the envelope math and say, hey, do we
4 redesign our electrical infrastructure, our equipment
5 plans or do we go to the southeast corner, trench along
6 Longfellow to kind of where the dentist office is there,
7 and that is where three-phase power is available.

8 And so we made the decision. We thought it
9 would be more -- it's a little bit more, I guess, permit
10 intensive, however, it is more cost effective, we believe,
11 net, net than transitioning every outlet that's already
12 been put in, transitioning all the equipment plans, trying
13 to find, you know, equipment that will work on single
14 phase opposed to three phase. We made the decision to
15 still go with three-phase power for the building, and that
16 required trenching along Longfellow, redoing some brick
17 and all that stuff and, again, additional right-of-way
18 work as well.

19 **MR. OSERAN:** What was the unexpected cost of
20 that?

21 **MR. YUNKHERR:** 16,000. We have it laid out in
22 the budget as well, kind of everything that has gone into
23 the additional cost of work than our anticipation. Just
24 kind of going over it quickly, we have 12,000 in
25 excavation, which obviously goes hand in hand with

1 concrete work. We have a bunch of small line items just
2 because this project is taking a bit longer than we
3 anticipated in mobilization, so the total difference in
4 mobilization being roughly about \$10,000 as well. And
5 then utilities is the big one. You know, we have 22,000
6 to just get the new electrical service across the street,
7 there's a high pressure gas line in Longfellow that we
8 have to be cognizant of and then additional asphalt work
9 as well kind of is what makes up the bulk of the 180.

10 There's also additional line items that are
11 outside of the -- outside of the scope for a total of --
12 obviously our sales tax increased for a total of 13,000.
13 The steel increase is obviously on us operationally.
14 There's nothing in the right-of-way that, you know,
15 precludes us to do for steel work.

16 We have to move the light pole, which is a
17 total of \$9,000. HVAC, the change on that was 7,000.
18 That was just due to an equipment change, but we do have
19 that laid for you guys in the previous presentation of,
20 hey, here's all the budget line items that we are over our
21 initial cost estimates to get this project done.

22 **MR. OSERAN:** Thank you.

23 **MR. YUNKHERR:** Absolutely.

24 **MR. MARQUEZ:** So every year we make about
25 \$32,000 in sales tax, your loan takes a year to repay

1 basically; correct?

2 **CHAIRMAN McCUSKER:** That's exactly right. It's
3 still 180 grand. We get 105 of it back in 12 months. You
4 get the other 75 back in about two and a half years. And
5 it's 10 percent of the total cost.

6 **MR. MARQUEZ:** And how soon to your open if and
7 when this happens, if you receive these dollars from us?

8 **MR. YUNKHERR:** Yeah. So I think initially that
9 is one thing I did want to address on this meeting. I
10 think I represented to some of you in private that we were
11 gunning for April 6th. We do have a slight easement issue
12 with TEP. We're still confident that we can finish this
13 project by April 6th.

14 I guess the asterisk that I would add to that
15 is TEP, but we called them -- we started working on that
16 aggressively at the end of last week and we're looking
17 between six and eight weeks before essentially we could
18 get power, so optimistically we could still hit the 6th,
19 the 13th. Pessimistically we'd be looking at the end of
20 April.

21 **MR. MARQUEZ:** All right. I'll go ahead and
22 make the motion.

23 I move we grant \$75,000 towards this project
24 and loan \$105,000 at five percent interest to be paid back
25 at \$9,000 per month and we authorize executive and our

1 attorneys to complete the deal within the normal structure
2 of our last in structure.
3 **MR. OSERAN:** Seconded.
4 **CHAIRMAN McCUSKER:** We have a motion and a
5 second to move the ask, \$75,000 up front, 105,000-dollar
6 loan with our typical stipulations.
7 Kristin, you can call the roll unless there's a
8 question or comment.
9 (No oral response)
10 **CHAIRMAN McCUSKER:** All right. Let's call the
11 roll.
12 **MS. SAAD:** Chris Sheafe.
13 **MR. SHEAFE:** Yes.
14 **MS. SAAD:** Edmund Marquez.
15 **MR. MARQUEZ:** Aye.
16 **MS. SAAD:** Jannie Cox.
17 **MS. COX:** Aye.
18 **MS. SAAD:** Corky Poster.
19 **MR. POSTER:** Aye.
20 **MS. SAAD:** Richard Oseran.
21 **MR. OSERAN:** Aye.
22 **MS. SAAD:** And Fletcher McCusker.
23 **CHAIRMAN McCUSKER:** I vote aye.
24 (Motion made, seconded and passed unanimously).
25 **CHAIRMAN McCUSKER:** Eddy, thanks for hanging in

1 there with us. This is a lot better than seeing an empty
2 store on that corner, so our attorneys will reach out to
3 you.
4 **MR. YUNKHERR:** Again, thank you guys all for
5 the support. We'll do you proud. We'll make some good
6 coffee, some good smoothies. And thank you, everybody,
7 for hearing us out. We really appreciate it. We're proud
8 to be part of Tucson.
9 **CHAIRMAN McCUSKER:** Thank you. Thanks for all
10 your work. You can drop your screen.
11 **MR. YUNKHERR:** Awesome. Thank you so much.
12 **CHAIRMAN McCUSKER:** Go find some power.
13 **MR. YUNKHERR:** Thank you, guys. I appreciate
14 it.
15 **CHAIRMAN McCUSKER:** Okay. Andy, Jeff, you guys
16 should be a little easier.
17 This is Fairway Cigars. We've discussed it.
18 Andy, I think you have an update for us, too. Thank you,
19 Andy.
20 **MR. BROWN:** All right. Thanks for having us.
21 We'll be quick.
22 Fairway Cigars, cigars, simulators and a full
23 bar about open in two and a half weeks.
24 Some renderings there. The paint's going in,
25 the floor's going in, so we are on track.

1 So we've discussed amongst ourselves and we are
2 completely fine with rebates. We understand the
3 difficulty that you're having with your numbers and we
4 have no problem. As you see, we haven't updated anything
5 except that we asked for rebates. And with our
6 projections, it looks like probably year four -- just
7 after year four we'll even hit the 72,000 with our
8 conservative projections.
9 **MR. MARQUEZ:** Thank you. I move we --
10 **CHAIRMAN McCUSKER:** The way that works for us,
11 guys, is we offer you a rebate. It's capped at \$72,617,
12 so you get it back as quick as you pay.
13 **MR. MARQUEZ:** Tim's going to say there's no
14 GPLET and it has to be like a rebate, equal to a rebate.
15 I should be an attorney. You owe me like 600
16 bucks for that.
17 I move we reimburse equal to rebate up to
18 \$72,617.50 for this project authorizing executive and
19 attorneys to complete the deal with the normal
20 stipulations.
21 **MS. COX:** Second.
22 **CHAIRMAN McCUSKER:** Okay. We have a motion and
23 a second to move the ask. Thank you for working with us.
24 It's a straight up rebate now capped at 72,617.50. I
25 guess it's a rebate -- phantom rebate as opposed to a

1 rebate, but you'll get that money back as you pay it.
2 Go ahead, Kristin, call the roll.
3 **MS. SAAD:** Chris Sheafe.
4 **MR. SHEAFE:** Aye.
5 **MS. SAAD:** Edmund Marquez.
6 **MR. MARQUEZ:** Aye.
7 **MS. SAAD:** Jannie Cox.
8 **MS. COX:** Aye.
9 **MS. SAAD:** Corky Poster.
10 **MR. POSTER:** Aye.
11 **MS. SAAD:** Richard Oseran.
12 **MR. OSERAN:** Aye.
13 **MS. SAAD:** And Fletcher McCusker.
14 **CHAIRMAN McCUSKER:** Did we catch Taunya?
15 **MR. MARQUEZ:** No.
16 **CHAIRMAN McCUSKER:** Okay. I vote aye.
17 (Motion made, seconded and passed unanimously).
18 **CHAIRMAN McCUSKER:** That's unanimous. We'll be
19 in touch with you guys. Tim will send over what we call
20 an economic agreement that will spell all this out. We
21 move very quickly once the board makes a decision, so you
22 can consider that approved. And anything we can do to
23 help you with the city or development services, let us
24 know.
25 **MR. BROWN:** Thank you. Appreciate it. Thank

1 you very much.

2 **CHAIRMAN McCUSKER:** Okay. Item next, Tim, can

3 you pull up the parcel map? That's probably the best

4 thing to talk about.

5 **MR. MEDCOFF:** Yeah, one second.

6 **CHAIRMAN McCUSKER:** But if you've heard us talk

7 about it for the last couple of years, we've been

8 negotiating with the city to acquire some surplus parcels

9 along Broadway between Euclid and Country Club. We think

10 we can reactivate those. The city has sent us an

11 agreement that would deed these properties. We're just

12 going to identify them for the board and the public.

13 The deal basically is they would give us these

14 parcels for \$10. If and when we sell them, we would pay

15 the city back their value, which is identified on a per

16 parcel basis. It's a pretty simple deal. It allows us

17 the chance to activate these spaces.

18 So in the order they were presented to us --

19 this deal's already happened. We're just agreeing to the

20 amount. This is Zemam's. That's Zemam's on the far

21 right. That's the coffee shop and sports bar and our new

22 parking lot. We never had an amount attached to that.

23 Go to the next slide.

24 If you want to dwell on the amounts, everybody

25 can see them. So this is what the developer would pay if

1 and when they exercised the option.

2 Go ahead.

3 **MR. MEDCOFF:** That's it.

4 **CHAIRMAN McCUSKER:** There's --

5 **MR. SHEAFE:** You've got the parcels --

6 **CHAIRMAN McCUSKER:** Yeah, there's three other

7 parcels to the west.

8 **MR. MEDCOFF:** This is the only one that came

9 with the slide that was sent to me today.

10 **MR. SHEAFE:** Oh, well, the other -- there are

11 three --

12 **CHAIRMAN McCUSKER:** Let me see.

13 **MR. SHEAFE:** -- over next to --

14 **CHAIRMAN McCUSKER:** Mr. Collins, do you have

15 the whole thing? I probably do.

16 **MS. SAAD:** If not, I do, I believe.

17 **CHAIRMAN McCUSKER:** Kristin, will you pull up

18 the other two slides?

19 **MS. SAAD:** Yeah. Give me a second here.

20 **MR. MEDCOFF:** Let me figure out how to stop

21 sharing.

22 **MR. SHEAFE:** You know, Fletcher, did we also

23 pick up the two properties just north of Zemam's off

24 Treat?

25 **CHAIRMAN McCUSKER:** No.

1 **MR. MEDCOFF:** Not to my knowledge. They just

2 showed up on the screen, because, again, the city listed

3 C1, C2 and C3, which were the three parcels that Mr.

4 Chairman just --

5 **MR. SHEAFE:** Yeah. Okay. So it's just those

6 three. I didn't think we had the other two.

7 **MR. MEDCOFF:** No, it just showed up on the plat

8 map when it was printed.

9 **MS. SAAD:** All right. Do you want to see my

10 screen?

11 **CHAIRMAN McCUSKER:** This is the Madaras lot,

12 right?

13 **MR. SHEAFE:** No.

14 No, this is -- this is 1010. Okay. So the

15 property north of this is the former Tucson Unified School

16 District headquarters, so-called 1010 East 10th. This is

17 the alley and the frontage properties, one, two, three,

18 four, five, six properties plus the alley. They would be

19 deeded to Rio Nuevo.

20 You can scroll down and see the amounts. It's

21 combined. This is a very valuable piece of frontage. We

22 would have the opportunity to activate this as retail food

23 and beverage. So this is a very valuable piece of

24 property.

25 Next slide, Kristin.

1 All right. This is the Madaras lot, yes?

2 **MR. POSTER:** It's west of there.

3 **MR. SHEAFE:** Yeah.

4 **CHAIRMAN McCUSKER:** Yeah, that's west of the

5 bungalows, correct, or is this the south?

6 **MR. SHEAFE:** This is west of Vine.

7 **CHAIRMAN McCUSKER:** Yeah, this is west of the

8 bungalows. Scroll down a tad.

9 **MR. SHEAFE:** So the bungalows would be east of

10 this by one whole jump.

11 **MR. POSTER:** The bungalows are between Cherry

12 and Warren. This is between Vine and Highland.

13 **MR. SHEAFE:** Yeah.

14 **CHAIRMAN McCUSKER:** Yeah, so there's three

15 parcels.

16 This is immediately west of the bungalows;

17 correct?

18 **MR. SHEAFE:** No.

19 **MS. COX:** No.

20 **MR. SHEAFE:** West of the bungalow would be

21 Cherry. This is one street over.

22 **CHAIRMAN McCUSKER:** Okay.

23 **MR. SHEAFE:** The property you're thinking of is

24 on the other side.

25 **CHAIRMAN McCUSKER:** Okay. So it's a block over

1 from the bungalows.
 2 There should be one slide --
 3 Go, Kristin, to the next one.
 4 That's the corner lot on that same block;
 5 right?
 6 **MR. SHEAFE:** No, it's across the street.
 7 **CHAIRMAN McCUSKER:** That's the west side. Go
 8 one more.
 9 Sorry. This is the way it came to us.
 10 Okay.
 11 **MR. SHEAFE:** Now you're back on --
 12 **MS. SAAD:** We've got one more. We've got one
 13 more slide.
 14 Maybe not.
 15 **MR. SHEAFE:** Keep going.
 16 **MS. SAAD:** Do you want me to go back up?
 17 **CHAIRMAN McCUSKER:** Keep going. That's the
 18 same one.
 19 **MR. POSTER:** Go the other way.
 20 **CHAIRMAN McCUSKER:** You're going -- keep
 21 scrolling down.
 22 **MS. SAAD:** There's nothing --
 23 **CHAIRMAN McCUSKER:** There should be one more.
 24 **MS. SAAD:** There is, but there's nothing on it.
 25 It's blank.

1 **CHAIRMAN McCUSKER:** Okay. We're missing a
 2 slide.
 3 **MR. MEDCOFF:** I think I found it.
 4 **MR. SHEAFE:** You think you got it, Tim?
 5 **MR. MEDCOFF:** Yeah.
 6 **CHAIRMAN McCUSKER:** Drop yours, Kristin.
 7 **MR. SHEAFE:** (inaudible) and then two parcels
 8 on the west with that engineering building in the middle.
 9 **MR. MEDCOFF:** So let me start at the top.
 10 So this one you covered already; right?
 11 **MR. SHEAFE:** Yeah.
 12 **CHAIRMAN McCUSKER:** That's 1010.
 13 **MR. MEDCOFF:** Yeah. Then we've got this one,
 14 which you just covered.
 15 **CHAIRMAN McCUSKER:** Right.
 16 **MR. MEDCOFF:** Then have you also this one.
 17 **CHAIRMAN McCUSKER:** That's the end of the block
 18 west of the bungalows. There should be one more slide.
 19 It picks up the Madaras lot.
 20 **MR. MEDCOFF:** That's it. That's the last one.
 21 **CHAIRMAN McCUSKER:** We're missing a slide.
 22 **MR. SHEAFE:** Well, just west of the bungalows
 23 in that lot between Cherry and Vine there are three
 24 parcels from the city and in the middle is an engineering
 25 building that separates the parcels. So there are a total

1 of four parcels, three of which we would receive. We do
 2 not receive the deed to the engineering building. That's
 3 owned privately. And Peter has that building in escrow at
 4 this time.
 5 **CHAIRMAN McCUSKER:** Okay. So we are missing
 6 one property, point being -- and we'll circulate the
 7 slides to the board -- the city has offered us all of
 8 these parcels the north side of Broadway. They're
 9 surplus. They would otherwise be auctioned. We agreed we
 10 get the deeds to all of these for \$10. If and when we
 11 sell them, the city gets reimbursed.
 12 So you're missing --
 13 Go ahead, Corky.
 14 **MR. POSTER:** Yeah. There's one other parcel
 15 that's not been in the conversation and I'm curious about
 16 it. It's the parking lot immediately south of Sunshine
 17 Wine. It goes over that entire block. It's a big vacant
 18 parking lot owned, I believe, by the city of Tucson. Is
 19 there a reason why that's not in this conversation?
 20 **CHAIRMAN McCUSKER:** Is that owned by the city
 21 of Tucson.
 22 **MR. POSTER:** Yes.
 23 **CHAIRMAN McCUSKER:** I can find out.
 24 **MR. POSTER:** I know that because Sunshine Wine
 25 approached them about using their parking and they were

1 told no. And at some point, they were using it for a
 2 construction yard, but they haven't in the last eight
 3 months.
 4 **CHAIRMAN McCUSKER:** All right. So let's table
 5 this. Let's get as many parcels as we can and a good map
 6 and we'll bring it back up in two weeks. There's no
 7 urgency to any of this.
 8 Okay. And last, but not least, Amy, the
 9 Presidio expansion.
 10 Are you still around?
 11 **MS. HARTMAN:** I'm still here.
 12 **CHAIRMAN McCUSKER:** Introduce yourself.
 13 **MS. HARTMAN:** Hello. My name is Amy Hartman
 14 Gordon. I'm the director of the Presidio Museum, which is
 15 located in the historic Presidio District just north of
 16 the Pima County Courthouse visitor center. And our
 17 request today, I think it's relatively simple.
 18 A little background information. I think -- so
 19 most of you know that we -- the museum maybe we'll call it
 20 inherited a building that was property of Rio Nuevo, which
 21 we refer to as the duplex. Rio Nuevo was a wonderful
 22 partner in providing the resources to renovate that
 23 building, which was over 100 years old and completely
 24 uninhabitable.
 25 That renovation allowed us to create a

Page 85

1 concessionaire space, which was a cafe for the last few
 2 years. The cafe tenants, which happens to be across the
 3 street, JoJo's Restaurant, they wanted to consolidate back
 4 into their property, and so we were able to make
 5 connections with thanks from some people here to the
 6 owners of Juniper Bar, which is on Congress, and they gave
 7 us a proposal for a new tea house and bar, which will now
 8 be the tenant here in the same building, in the duplex
 9 building.
 10 So I will share with you a few pictures.
 11 **MR. MARQUEZ:** Okay. So who is the new tenant?
 12 **MS. HARTMAN:** They're the owners of Juniper Bar
 13 and their business name is called Zocalo Hospitality.
 14 **CHAIRMAN McCUSKER:** So to be clear, they're not
 15 the owners. They're employees who had struck out on their
 16 own. We have nothing to do with this.
 17 **MS. HARTMAN:** Sorry. Yeah. Thank you for
 18 clarifying that. They're the manager maybe. Is that the
 19 better phrase?
 20 **CHAIRMAN McCUSKER:** Yeah, they're employees and
 21 they've created their own LLC making a deal with Amy.
 22 **MS. HARTMAN:** Yeah. So there's three
 23 gentlemen. Two of them are the main partners in Zocalo
 24 Hospitality. They're incredibly creative and talented.
 25 **CHAIRMAN McCUSKER:** Amy, we have a black

Page 86

1 screen.
 2 **MS. HARTMAN:** You're not seeing this?
 3 **MS. COX:** No.
 4 **CHAIRMAN McCUSKER:** We just have a black
 5 screen.
 6 **MS. HARTMAN:** Oh, no. Well, I'm trying to show
 7 you pictures.
 8 Any better?
 9 **MR. MARQUEZ:** No.
 10 **CHAIRMAN McCUSKER:** No, there's nothing there.
 11 You've probably got to drop it and pull it up and then
 12 share.
 13 There you go.
 14 **MS. HARTMAN:** It only showed up when I hit stop
 15 share then.
 16 Okay. Let's see here.
 17 **CHAIRMAN McCUSKER:** Now bring it up on your
 18 computer, then hit share.
 19 **MS. HARTMAN:** Okay. Let me see if I open it up
 20 all the way maybe.
 21 **MR. MEDCOFF:** Amy, if you can send it to either
 22 Kristin or myself, then we can share it.
 23 **MS. HARTMAN:** Sure. These are just very
 24 simple. There's just some JPEG photos, but I can probably
 25 send them quickly here.

Page 87

1 **MR. MEDCOFF:** Are they basically showing the
 2 current condition with some shelving and --
 3 **MS. HARTMAN:** Yes.
 4 **MR. MEDCOFF:** I have those already. Let me
 5 just pull them up.
 6 **MS. HARTMAN:** Oh, yeah. Okay. Great. Yeah.
 7 So I just wanted to give you guys a little bit of a sense
 8 of the work that they've been doing.
 9 Thank you. Perfect.
 10 They did these build to older shelving, so this
 11 is basically giving us a whole lot more storage than the
 12 building had before. The picture on the left is above the
 13 head additional shelving. And then the middle picture
 14 just gives you a little bit of a sense of the seating, and
 15 they added some incredible decor, kind of a southwest art
 16 deco-type decor that's going throughout the building.
 17 So the point being that between the basic
 18 repainting and redoing the floor and then all of this
 19 work, we have a request to you for a total of \$21,000.
 20 This is coming out to allow us to give you back your
 21 investment through taxes in around five years. And there
 22 are some revenue projections. Let's see if I can share
 23 this. Awesome, you're already there.
 24 **MR. SHEAFE:** Have they completed all of the
 25 work?

Page 88

1 **MS. HARTMAN:** I'm sorry?
 2 **MR. SHEAFE:** Have they completed all of the
 3 work?
 4 **MS. HARTMAN:** The work has been done, yes. We
 5 are actually -- they worked very fast. They were very
 6 motivated to get it open and be open for the high season
 7 of, you know, February and March and April, so this is a
 8 reimbursement request.
 9 **MR. SHEAFE:** So wouldn't it make sense then to
 10 give them a rebate where we aren't coming out of pocket
 11 within cash and we just let them enjoy the fruits of their
 12 labor according to the success that they create?
 13 **CHAIRMAN McCUSKER:** I don't know that anybody's
 14 paid for this.
 15 Amy, has anybody paid for these renovations?
 16 **MS. HARTMAN:** Yes, they have been paid for, so
 17 I think Chris's suggestion is workable I mean, if we were
 18 able to --
 19 **CHAIRMAN McCUSKER:** Did you pay for them?
 20 **MS. HARTMAN:** So I -- the Presidio paid for the
 21 top bid and the -- which was this painting and floor, and
 22 then the (inaudible), which is the company, the people
 23 that did the work, that was paid for by the tenant, so
 24 Zocalo Hospitality.
 25 **MR. SHEAFE:** Well, that could be easy. We just

1 put a cap on it and get that money back to you guys and
2 you can work it out with them as to how they pay you back.

3 **MS. HARTMAN:** That would be great.

4 **MS. COX:** So, Amy, is the total 21,000 or is
5 the grand total 29,000?

6 **MS. HARTMAN:** Sorry. The grand total is
7 29,000.

8 **MR. SHEAFE:** That's assuming that, Jannie.

9 **MR. MARQUEZ:** There's no action today; right?

10 **CHAIRMAN McCUSKER:** This is discussion only.
11 She seems amenable to a total rebate of \$29,600.

12 **MS. HARTMAN:** So that would just mean that when
13 we do our taxes, that basically gets rebated to us each
14 time.

15 **MR. SHEAFE:** Yeah. And figure that, you know,
16 you're paying at the rate of 8.2 percent, but the district
17 only participates in roughly two and a half percent, so
18 you can say if you send a dollar to the state, 25 cents of
19 it will come back to us and we give it back to you until
20 we reach the 29,000.

21 **MS. HARTMAN:** Right. Great.

22 **CHAIRMAN McCUSKER:** And hang on the revenue
23 there for a minute, Amy. This is the projection of the
24 new tenants; right?

25 **MS. HARTMAN:** Correct. And I can explain a

1 little bit of that if you all --

2 **CHAIRMAN McCUSKER:** Yeah, do that. And I think
3 their hours -- they're going to extend evening hours,
4 which is different from --

5 **MS. HARTMAN:** Correct. So the benefit or the
6 bonus that we're excited about is that these tenants are
7 doing what -- our original vision when we -- when we
8 presented to you all a few years ago, which was to really
9 activate the museum space, the beautiful courtyard space,
10 when we're not being a museum. So, you know, great, we're
11 a museum from 10:00 to 4:00, but the rest of the time, we
12 have this beautiful space that's kind of sitting there
13 empty.

14 And so now we have a concessionaire that can
15 basically do events in there, do themed events, do some
16 like health events and also do cocktail nights. So
17 they're planning to do pretty large quarterly events as
18 well as, you know, nighttime bar service every night.

19 So we feel pretty good about the revenue that
20 will be generated from this. And I can tell you, and I'm
21 basically just repeating what the Zocalo folks shared with
22 me, but these numbers are kind of based on their current
23 realistic Juniper numbers, so that year one base revenue
24 of 464 is 30 percent less than they're currently doing at
25 Juniper.

1 **CHAIRMAN McCUSKER:** And to be clear, Amy,
2 Zocalo Hospitality is a new LLC. And who are its members?

3 **MS. HARTMAN:** Elliot Morse and Kellner Brown.

4 **CHAIRMAN McCUSKER:** Okay. They are employees
5 of Juniper, but there's no ownership connection between
6 Juniper and Zocalo Hospitality.

7 **MS. COX:** And, Amy, one thing that you did not
8 stress that I think is important is this, the former
9 duplex, which is now called -- will be called Brandy Lion,
10 they will operate it as a tea house in the day --

11 **MS. HARTMAN:** Yes.

12 **MS. COX:** -- all day and at night, which we --
13 until now, it closed at 2:00 or 3:00 in the afternoon, so
14 it was dark at night. And now at 5 o'clock, it becomes
15 Brandy Lion, and so that gives -- really extends the
16 opportunity to have traffic in there and to generate sales
17 tax.

18 **MS. HARTMAN:** And I'll add to that that we have
19 a really good relationship with the neighbors across the
20 street, JoJo's, who had been our tenant, but, you know,
21 all of this process we've worked with them. And part of
22 what we're excited about is this kind of critical energy
23 of JoJo's and that courtyard and that music scene
24 happening while now across the street we'll basically have
25 another venue. So it will be a little bit more of a

1 destination to come to and you could -- you know, you
2 could start out at one place and have a cocktail and then
3 go across the street and have dinner and maybe then you
4 come back and, you know, go hang out in the museum
5 courtyard, so we're excited about that.

6 The other thing is that -- is the shop that was
7 our tenant, the JoJo's shop, which was called Dandelion,
8 is still there, it's just across the street. So
9 essentially we're adding daytime business and nighttime
10 business.

11 **CHAIRMAN McCUSKER:** So, Tim, help me follow
12 this legally. This is a Rio Nuevo owned property. You
13 lease it to the Presidio. They have had a sublease to
14 Dandelion, which is terminated. They would enter into a
15 new sublease with Zocalo Hospitality.

16 **MR. MEDCOFF:** Yes.

17 **CHAIRMAN McCUSKER:** Rio Nuevo would have to
18 agree to that sublease.

19 **MR. MEDCOFF:** Correct.

20 **CHAIRMAN McCUSKER:** And to the extent they've
21 done TI and we want to reimburse them, that would go to
22 the Presidio or to the tenants?

23 **MR. MEDCOFF:** It would go to Presidio unless
24 the sublease says otherwise.

25 **CHAIRMAN McCUSKER:** You're following that, Amy?

1 So --

2 **MS. HARTMAN:** Yeah, I get that. And then we
3 would just turn around and reimburse --

4 **CHAIRMAN McCUSKER:** Get our permission for the
5 sublease, submit your TI budget to us so in the next
6 meeting, if the board is so inclined, they can approve
7 reimbursing you for your tenant improvements.

8 **MS. HARTMAN:** So is there anything else you
9 need from me at the next meeting?

10 **MR. SHEAFE:** No, but thank you for doing this
11 the way you did. I think you guys stepped up. We've put
12 an awful lot of money into that building. I'm one that
13 was somewhat critical of that because you could have torn
14 the thing down and done it for half the price, but that's
15 all water under the bridge. But it's really nice that
16 you've come in with a complete program and have it all set
17 up and ready to go. I think you're going to enjoy quite a
18 bit of success from a lot of hard effort and I compliment
19 you getting this far.

20 **MS. HARTMAN:** I appreciate it. Thank you.

21 **CHAIRMAN McCUSKER:** Okay. We'll see you in two
22 weeks.

23 **MS. HARTMAN:** All right. Very good. Thank you
24 so much. Have a good afternoon, guys.

25 **CHAIRMAN McCUSKER:** Future agenda items.

1 Mr. Marquez, you had your hand up?

2 **MR. MARQUEZ:** No, I was just weighing bye-bye
3 to her. We've been here so long, I'm delirious waving at
4 people.

5 **CHAIRMAN McCUSKER:** Okay. I need a motion to
6 adjourn.

7 **MR. SHEAFE:** So moved.

8 **CHAIRMAN McCUSKER:** Second, please.

9 **MR. MARQUEZ:** Second.

10 **CHAIRMAN McCUSKER:** All in favor say aye.
11 (Motion made, seconded and passed unanimously)

12 (4:25 p.m.)

13

14

15

16

17

18

19

20

21

22

23

24

25