

**RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT BOARD
MEETING MINUTES
JUNE 9, 6:00 P.M.
RIO NUEVO COMMUNITY MEETING ROOM, 52 WEST CONGRESS,
TUCSON, ARIZONA.**

1. Roll Call

The meeting was called to order at 6:05 p.m.

Board members present: Chair Ruben Suarez and Members Arlene Lopez and Margaret Hardy.

Board member absent: Olivia Hernandez

City of Tucson staff members present: Assistant City Manager Karen Thoreson, Rio Nuevo Director Greg Shelko, Rio Nuevo Development Director Randy Emerson, Real Estate Administrator John Updike, Historic Preservation Officer Marty McCune, Transportation Superintendent Lucy Amparano, Project Manager Karen Leone and Staff Assistant Virginia Monyak.

Attorney for the Board: Bill Hicks, Snell & Wilmer

TDA representative: Executive Director Don Durband

Guests: University of Arizona Facilities Design & Construction Director Bob Smith and Congress Street Investors partner Doug Biggers.

2. Approval of March 16, 2004 and May 12, 2004 Minutes

Arlene Lopez made a motion to approve the March 16 and May 12th minutes as presented. Margaret Hardy seconded the motion. The motion passed unanimously.

4. University of Arizona Science Center Update

Bob Smith was present to provided the Board with an update on the Science Center. Rafeal Vinoly Architects based in New York was selected to design the center. 32 companies from five different countries responded to the RFP. On March 13th a town hall was held at Pima Community College to solicit community input. 60-70 people attended the town hall. Contract negotiations are currently underway.

5. Rialto Theater Project Application and Development Agreement

Karen Leone presented a summary of the application that was received from the Congress Street Historic Theatre Foundation and Congress Street Investors. It proposes that the District purchase the Rialto Theatre. The development agreement creates a lease for the restoration, operation and management of the threatre by the non-profit foundation. \$1.89 million dollars is being requested (\$1.2 million to buy

the theatre, \$340,000 to acquire concessions, \$100,000 for ADA – life safety improvements and \$250,000 for fundraising match to be conducted the first six months of operation).

The foundation will match District funding two ways. First, they will make structural, mechanical, plumbing and electrical improvements to the Theatre that will total \$3,362,100. Second, they will make lease payments to the District in the amount of \$3,690/month for the operation of concessions (for a total of \$442,800 over 10 years). Together, the two funding matches total \$3,804,900. Congress Street Investors has made a commitment to spend an additional \$3,700,000 on the Rialto Block within the next five years.

A subcommittee of the Rio Nuevo Citizens Advisory Committee reviewed the application and unanimously passed a motion to support the funding for the project contingent upon the real estate appraisal for the theatre coming in at minimum of \$1.2 million and the Rialto Board returning to the Citizen Advisory Committee in October of this year with their Master Plan for renovation, a strategic programming plan and an Advisory Board membership that reflects the diversity of the Tucson community.

The Rio Nuevo Citizens Advisory agreed with their subcommittee's recommendation and voted 9 in favor, one abstention, one opposed and one recursion to forward the application to the Board but in addition to the appraisal coming in at \$1.2 million, it has to be accepted by the City of Tucson Appraisal Review Committee.

Doug Biggers addressed the Board. Highlights of his presentation were as follows:

- He has been working with Rio Nuevo staff on this project for six months.
- Reviewed the funding request.
- Overview of the Rialto Theatre's history
- Proposes cultural and civic events
- The theatre is on the National Historical Registry
- Mission statement of the foundation
- Named partners of the Congress Street Investors
- Commitments and investment exceed \$3.7 million
- Site plan
- Vision for the whole Rialto square
- Summary of improvements
- Compared the Fox and Rialto (will not compete, but will compliment each other)
- Management team and board
- Concessions to be managed by Nimbus Brewing Company
- Improvements to take place over the summer
- Master plan and strategic programming will be returned in the fall
- Grand re-opening scheduled for winter
- Family and corporate events will be scheduled 2005-02006

Karen Thoreson summarized that the project would start immediately, it would add cultural events, and there would be considerable private investment. She also summarized the funding request and CAC recommendations.

Margaret Hardy moved to approve the project application and development agreement as recommended by the Citizens Advisory Committee (CAC) which includes:

- ***\$1.89 million dollars (of which \$1.2 will be used to buy the theatre, \$340,000 will be used to acquire the concessions, \$100,000 will be used for ADA – life safety improvements and \$250,000 will be used for fundraising match to be conducted the first six months of operation).***
- ***The appraisal must come in at a minimum of \$1.2 million and be reviewed and accepted by the City of Tucson Appraisal Review Committee.***
- ***Congress Street Historic Theatres Foundation will return to the Rio Nuevo CAC and Board in October with their master and strategic programming plans, as well as diversified list of board members.***

Arlene Lopez seconded the motion. The motion passed unanimously.

6. 149 N. Stone – Master Lease and Sublease

Karen Leone presented to the project to Board. It follows up on an Executive Session the Board held two months ago. At that time, the board directed staff to proceed with their proposal to investigate using the site for commercial and retail use. Staff proposes that the District enter into a master lease with the City of Tucson and sublease to the Davilla family to relocate their Little Poca Cosa. Café Poca Cosa is being relocated due to Homeland Security reasons. Because they are located next to the Walsh Building that will be occupied by all consolidated federal bankruptcy functions, their building must be demolished to make room for a sufficient buffer around the building. This is mandated in a deed restriction in the conveyance of the property from the GSA to the Rio Nuevo District. It was very difficult to locate a space of about 800 square feet because the Davilla family does not want to expand their business. The master and sub leases will be for 10 years with an option to extend for 5 years. The rental rate is as follows:

Term	Monthly Rent
Occupancy through delivery of operating HVAC	\$0
Delivery of operable HVAC to issuance of 149 N. Stone Certificate of Occupancy	\$300
Year 1. At date of issuance of 149 N. Stone Certificate of Occupancy	\$8.5/RSF
Year 2. 12 months after issuance of 49 N. Stone Certificate of Occupancy	\$10.00/RSF
Years 3-10	\$2.5% increase adjusted annually

Karen Thoreson summarized by saying that the Board was being asked to authorize the District to enter into a master lease with the City and then the district will enter into a sublease with the Davilla's for the Little Poca Cosa.

Margaret Hardy asked why it was being handled this way?

Karen Thoreson responded that the City of Tucson purchased the building at 149 N. Stone with transit funds and the City of Tucson owns the building. The District wants to ensure that there is a retail business at that corner and due to a moral obligation the, the Little Poca Cosa Café business should be relocated due to the homeland security issues that are forcing it to move.

Margaret Hardy moved to authorize the District to enter into a master lease with the City and the District to enter into a sublease with the Davilla's family for the Little Poca Cosa Café.

7. Monthly Rio Nuevo Projects Update

Randy Emerson gave his second monthly project update to the Board. He reminded them that this was not a detailed report. It's an at a glance list of projects. He then proceeded to briefly discuss the projects. Some of his comments follow.

- GSA Thrifty Block – will be discussed in Executive Session
- Pennington Street Parking Garage – construction to begin shortly
- Rialto – was already discussed this evening
- Warehouse Master Plan – Corky-Frost will be completing their master plan next month
- Mercado at Menlo Park – Model homes to be available in 2005. Currently going through the approval process
- Origins – Currently addressing some concerns that came about at the Mayor and Council Downtown and Rio Nuevo Subcommittee meeting relating to sustainability.
- Presidio Terrace – The City received four responses. The technical review will be followed by interviews. The complex will consist of loft style residences and have between 40-60 units with parking. Margaret Hardy inquired whether the interviews would be public. Randy Emerson responded no, they would be private.
- Arena – The City received four responses to their Request for Qualifications.
- Civic Plaza – The Request for Qualifications was published Friday. The design of the civic plaza needs to catch up with the UA Science Center. The architect will need to know what the context in the area will be. Margaret asked how the Master Plan update fits in? Randy responded that the Master plan update should be completed on Friday. It will help design both the Civic Plaza and UA Science Center. Karen Thoreson advised that the Master Plan will return to the CAC and Board at their next meetings.

- UA Science Center – the Board received an update earlier in the meeting
- Housing projects – Franklin Court, Academy Lofts, Ice Lofts Paseo Estrella, La Entrada and Armory Parking are progressing. 50% of Armory Parks houses have been sold.

Karen Thoreson announced that she met earlier in the day with a developer regarding a potential grocery store chain at the corner of 22nd Street and I-10. The principal said there wasn't enough happening to warrant a store downtown, but after hearing everything that is happening, he left with serious interest. Once the housing is in, the development will follow.

Chair Ruben Suarez asked how many houses are being developed? Randy responded that the goal was to have 2,000 houses by 2007 and currently there are close to 1,000 housing units underway.

3. 2005 Rio Nuevo Budget Public Hearing & Adoption

Chair Ruben Suarez opened the public hearing.

Karen Thoreson presented an overview of the budget referring the Board to the 4-page handout that came out of the City's budget book. She reminded the board that to date the District has received \$3.89 million (for 7 months of sales taxes). Based on this return, the City conservatively estimates that it will receive \$124 million over the 10-year life of the project. This is good news. Originally, it was anticipated that the bonding on TIF revenues would have to take place this year; however, it now looks like that won't be necessary until the UA Science Center starts construction in 2006. The proposed FY 05 budget proposes an operating budget of 1.15 million and a capital budget of \$6.61 million. Although projects could change slightly, Rio Nuevo will spend no more than their budgeted amount. She also noted the Debt Service for the Tucson Convention Center (TCC). TCC is owned by the District and the City makes payments to the District. All funding for Rio Nuevo's FY 05 budget will be covered by TIF revenues. It is anticipated that the City of Tucson will not have to contribute any funds this coming year.

Chair Ruben Suarez asked if Rio Nuevo was paying the City interest for the money they have received to date?

Karen Thoreson responded yes. The District pays about \$100,000 per year. The City could ask the District to pay back the money used to date, or it could be used by the City as match. However, a decision does not need to be made until the end of the project.

Chair Ruben Suarez asked if there was anyone in the audience that wished to address the Board on the budget public hearing? The following people spoke.

- Michael Toney spoke about the City's budget deficit. He said he was against the University of Arizona Science Center. The \$56 million that the UA is committing is coming from the State as well as the funds from Rio Nuevo thereby making it a State-funded project. He thinks the city should look into securing an Optics company. He thinks it would generate a lot of money for Tucson.
- Paul Macky said he was surprised that the City wouldn't be funding Rio Nuevo next year. He was also glad to see that sales tax (TIF) money was being used, and felt that the public doesn't understand that.

Chair Ruben Suarez closed the public hearing.

Margaret Hardy made a motion to approve the FY 2005 Rio Nuevo budget as presented. Arlene seconded the motion. The motion passed unanimously.

8. Executive Session – Thrifty Block Redevelopment Project Selection of Preferred Development Team, 26-72 East Congress Street

Bill Hicks Counsel for the Board advised that Arizona State statutes permits the Board to discussion in executive session some matters that cannot be handled in the public sector like litigation and real estate transactions that include prices. He then read the following statement:

“State law requires the public body to instruct persons who are present at the executive session regarding the confidentiality requirements of the open meeting law. Except by agreement of the public body, minutes and discussion made during executive sessions shall be kept confidential except from members of this Board, from officers, appointees or employees who were the subject of discussion or consideration pursuant to A.R.S. 38.431.03 (1) (1), from the county attorney or attorney general pursuant to an investigation authorized by law, and from the auditor general made in connection with an audit authorized as provided by law. Any person who violates or who knowingly aids, agrees to aid, or attempts to aid another person is violating the open meeting law and may be punished by fine of up to \$500.00 per violation and/or by removal from public office.”

A member of the audience, Roy Martin, asked how they could go into executive session without providing the people an opportunity to voice their opinions on the matter?

After some discussion, Chair Ruben Suarez advised that a call to the audience would take place after their executive session and then they would vote on the matter.

Upon returning from executive session, Chair Ruben Suarez asked if there was anyone in the office that wished to speak?

- Roy Martin presented the Board with a petition with 30 signatures that says they want the Talk of the Town preserved. He said that the Historic Commission reversed their decision to support the demolition of the building, and will be reconsidering it at their next meeting. He cited the 1993 Sobin Report that says the building is worth saving. It's a part of history. He said that at this past Monday's Mayor & Council public hearing on the budget he asked the audience to stand up if they were in support of saving the building and 3/4 of the audience stood up.
- Allen Leibensperger said that when the Rio Nuevo proposition was presented to the voters, historic preservation was a big issue and that's why so many people voted for it.
- Ken Scoville said he has been doing business downtown for 20 years. He felt misled when he was given a tour of the building. If the City tears down the building it's going to be a black eye to Rio Nuevo.. He wants a positive solution.
- Erica Kreider seconded what's being said. A vote by the Board would be premature. The historic evaluation was overlooked. There's a lot of information that it is a historic building. They want to work with the Board. They shouldn't be seen as opposition, but rather as preservation.
- Paul Mackey said he serves on a stakeholders advisory committee on impact fees. The central area should be exempt from impact fees. If we start imposing impact fees downtown, it will conflict with the goal of Rio Nuevo. It will be a hurdle and not a help. The Board may want to take a position on the matter of impact fees.
- Don Durband announced that the Tucson Downtown Alliance proposes to establish a Historic Registry of downtown buildings. He's very interested in what is behind the stucco at some of the buildings like Wigorama and the Cressant Smoke Shop. He said he realizes that updating the historic registry is very important. He wants the board to know that he is working on this initiative and provided them with a draft outline.

Margaret Hardy asked if he had a timeline?

- Don Durband responded that he would like the UA College of Architecture to work with them and give them some ideas on what buildings need to be looked at.
- Roy Martin said this is wonderful, but it doesn't negate this historic building. Dillenger tried to buy a radio there. The GSA report needs to be looked at.
- Michael Toney reiterated his concerns about the Flandrau Science Center. He cited that the westside was a Hohokom village. It's over 4,000 years old. But an Optics business with laser circuits can be done fast and cheap. He has give quotes

to the City Manager and dropped off a copy with Rio Nuevo. It would be a billion-dollar industry for Tucson.

Chair Ruben Suarez closed the public hearing.

9. Board Direction Regarding Executive Session – Selection of Preferred Development Team for Redevelopment of 26-72 East Congress Street

Margaret Hardy made a motion to direct staff to proceed with negotiations with the preferred development team as discussed in executive session with a condition to direct the developer to preserve as much as possible of the Talk of the Town.

10. Next Board Meeting, Wednesday, July 14, 2004

The Board decided not to hold a meeting in July. The next meeting will be held in August.

11. Future Agenda Items

No items were discussed

12. Call to the Audience

This item was taken out of order.

13. Adjournment

The meeting was adjourned at 8:05 p.m.