

**RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT BOARD
MEETING MINUTES
WEDNESDAY, JULY 13, 2005 6:00 P.M.
RIO NUEVO COMMUNITY MEETING ROOM
52 WEST CONGRESS, 2ND FLOOR
TUCSON, ARIZONA**

1. Roll Call

The meeting was called to order at 6:04 p.m. After a roll call, a quorum was determined to be present.

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

Board member absent: Olivia Hernandez

Rio Nuevo staff members present:

Greg Shelko, Rio Nuevo Director

Randy Emerson, Rio Nuevo Director of Development

Bill O'Malley, Construction Manager

Karen Leone, Project Manager

Virginia Monyak, Staff Assistant

Attorney for the Board: Bill Hicks, Snell & Wilmer

Treasurer for the Board: Scott Douthitt

Guest Presenters:

Hartman H. Lomawaima, Director of the Arizona State Museum

Dr. Anne I. Woosley, Executive Director of the Arizona Historical Society

Beth Grindell, Associate Director of the Arizona State Museum

David Duffy, Director, University of Arizona Campus & Facilities Planning

2. Call to the Audience

Vernon Walker, Candidate for Tucson City Council announced that he was attending the Board meeting to get caught up on Rio Nuevo project.

3. Approval of May 11, 2005 Meeting Minutes

Ms. Hardy moved to approve the June 8th regular meeting minutes and June 20th special meeting minutes as presented. Ms. Lopez seconded the motion. The motion passed unanimously.

4. Update on the City Manager's July 6, 2005 Rio Nuevo Presentation to the Mayor and Council

It is the intent of these meeting minutes to get the general meaning of the discussion, summarize what happened and record official actions. The minutes are not intended to be a verbatim transcription of all that was said. Audio tapes of the meeting are available for review at the Rio Nuevo Office, located at 52 W. Congress.

Mr. Shelko showed the Board the City Manager's PowerPoint presentation from Tuesday's (July 12, 2005) Mayor & Council meeting.

Board Chair Suarez thanked Mr. Shelko for the information. It's the first time he has seen everything that the Rio Nuevo Multipurpose Facilities District anticipates funding all in one place and it will be very useful in future discussions.

5. Monthly Update on Projects & Financial Reports

This item skipped due to the numerous other updates scheduled on this meeting agenda.

6. Request for Funding from the Arizona Historical Society and Arizona State Museum to Conduct a Feasibility Study

Mr. Lomawaima spoke on behalf of the Arizona Historical Society and Dr. Woosley spoke on behalf of the Arizona Historical Society. Both gave a history of their respective museums and expressed excitement at the prospect of moving to Rio Nuevo. Ms. Grindell spoke about the history of the Tucson area and shared some artifacts that have been found in the area. Mr. David Duffy summarized the scope of the economic feasibility study. His role would be to serve as the contract coordinator.

Ms. Hardy asked why the proposal included the feasibility of the Mission Gardens project, and asked why the Convento, a higher profile project in her opinion, wasn't included. Mr. Emerson responded that there's a lot of work that still needs to be done on the westside with respect to mitigating the landfill sites. Since the idea of sharing resources with the Arizona State Museum, Arizona Historical Society and Mission Gardens was something that has been discussed in the past, it's probably best that it be included.

Ms. Hardy moved to approve the \$176,500 funding request by the Arizona Historical Society and Arizona State Museum to conduct an economic feasibility study, Ms. Lopez seconded the motion. The motion passed unanimously.

7. Update on the Civic & Cultural Plazas & Parking Facility Master Plan

Mr. Emerson and Mr. O'Malley gave the Board an update on the work completed to date on the Civic & Cultural Plazas and parking facility. The Board was presented with a preliminary master plan map.

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The westside includes:

- The Science Center
- The museums
- The cultural plaza
- The mercado
- The festival site
- The river park
- Possible future development
- The Clearwater alignment
- Small surface parking lots
- On-street parking

The eastside includes:

- The Science Center
- Restaurants
- Stores
- The large format theatre
- The potential arena (south of the Federal courthouse)
- The civic plaza,
- A large parking facility (1,500 – 3,000 spaces)
- Other parking opportunities
- Expansion of the Tucson Convention Center
- Possible future development on Church
- Mixed use along the Greenway
- Potential residential
- Expansion of the Radisson
- Reduced scale blocks

The next step is to further refine the spaces. The next public hearing will be held in September where more architectural design will be shown. A parking analysis is also being conducted which will help determine how many parking spaces will actually be needed.

8. Discussion of Development Agreement for Presidio Terrace

Mr. Shelko updated the Board on the project. The parking issue with the Tucson Museum of Art has been resolved. Staff is meeting with the developer and her attorney to work on the development agreement. It will be taken to the Citizen Advisory Committee for their information. The Rio Nuevo Board and Mayor and Council will be asked to approve the development agreement in September.

9. Approval of Development Agreement for the Post at Kolbe Square

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Mr. Shelko advised that he was hoping to have a development agreement ready for the Board today, but he heard from the developer regarding the letter of intent from Bank One and there appear to be some unresolved issues. He hopes to be able to return to the Board next month with a development agreement.

10. Approval of Amended Intergovernmental and Lease Agreement with the Fox Theatre Foundation

Ms. Leone briefed the Board on the proposed amendment. On December 2002, the City, Rio Nuevo and the Fox Theatre Foundation entered into an intergovernmental agreement for the rehabilitation of the Fox Theatre. At that time, it was contemplated, and the IGA permitted, that the Fox would seek to obtain various forms of tax credit investments to further assist in its financing of the rehabilitation efforts. The projected amount of funds that the Fox anticipates netting from this source is approximately \$2 million. In March of this year an amendment to the IGA was approved that provided additional funding for the rehabilitation efforts and added performance criteria for the Fox. Shortly thereafter, the District's attorney was informed by the staff of the tax credit investment fund that additional amendments would be needed to conform to federal tax laws requirements. That amendment was approved in April.

Thereafter, the Fox retained an attorney to assist in applying for the tax credit financing. When the attorney began to work with the investment fund attorneys, it became apparent that additional changes would have to be made to allow the fund to approve the tax credit investment. The District's attorneys have worked with the City Attorney's Office and the investment fund attorneys to draft amendments that will permit both New Market and the Historic Tax Credit funding. The amendments will not add any additional monetary requirements on the City or the District.

The IGA amendments fall into two categories.

Category No. 1

The major legal impediment to allow tax credit funding, was a conflict between Arizona multipurpose facility law and federal tax laws. Under Arizona law, the multipurpose facility district must own the property to which it provides funds. Federal tax law relating to tax credit funding requires that the corporate entity that receives the funding own the building being rehabilitated. In order to bridge this conflict, the IGA needed two changes.

1. Portions of the IGA that govern lease obligations of the Fox needed to be clearly assigned to the corporate entity receiving tax credit funding with the remaining provisions of the IGA remaining the sole obligation of Fox.

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2. The IGA needed to clearly state that it was the intent of the parties that the Fox enjoy the benefits and suffer the burdens related to having ownership of the Fox Theatre even though fee title to the Theatre would remain with the District.

Performance obligations placed on the Fox when the additional funding was provided in March 2005 remain in place with one exception. In order for the agreement to provide the Fox the necessary benefits to assign to the corporate entity that ultimately receives the tax credit funding, the IGA must be changed to require that the Fox assign the Concord and Erickson Leader and Associates construction contracts to the corporate entity. The current requirement is that such contracts be assigned to the District. The District will maintain oversight and review authority over the construction. The District will be a part to the lease/assignment contract and will insist that it maintain control over any funding provided by the District in that contract. The proposed amendment does not change Fox's obligations to repay the funds provided under the financing plan approved in March.

Category 2

Changes that update the IGA to reflect that certain tasks that were contemplated under the original IGA and amendments thereto have been completed or are under way. These changes are not substantive, but merely bring the agreement up to date.

Finally, all amendments have been merged into one document, as opposed to showing only those provisions that are being amended. This IGA now before the District and Mayor and Council contains the changes made in the previous two amendments and the changes required for the Fox to be eligible for the New Market and Historic Tax Credits.

Mr. Hicks followed Ms. Leone, by giving the board his legal interpretation/opinion to the Board.

Ms. Hardy moved to approve the amended and restated intergovernmental and lease agreement between the City of Tucson and Fox Theatre Foundation as presented. Ms. Lopez seconded the motion. The motion passed unanimously.

11. Authorization of Excise Tax Revenue Funds for Fox Theatre Renovation

Mr. Douthitt then presented to the Board an overview of the proposed District loan from the City of Tucson Industrial Development Authority (IDA) to fund a portion of the required Fox Theatre renovations. Essentially, the City of Tucson IDA would issue and sell its bonds in an amount not exceeding \$6,100,000 and loan the proceeds to the District to finance the work. The loan would be evidenced by a loan agreement in which the District would agree to repay the loan at times and in amounts necessary to enable the IDA to pay principal and interest on its bonds. The District's obligations on the loan agreement would be secured by a promissory note pursuant to a master trust indenture

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between the District and a trustee, pursuant to which the District will pledge all of its TIF revenues as security. Thus the IDA bonds would be secured, in essence, by a lien on the District's TIF revenues. This structure will also enable the District to borrow directly or indirectly for future Rio Nuevo projects by issuing promissory notes under and secured by the master indenture. Mr. Douthitt and Mr. Hicks presented and reviewed a proposed form of resolution (a copy of which is attached to these minutes) to approve the proposed financing in an amount not to exceed \$6,100,000.

Ms. Hardy moved to approve the proposed resolution as presented. Ms. Lopez seconded the motion. The motion passed unanimously.

12. Discussion of I-10 Reconstruction Issues

This item was added to the agenda at the request of Ms. Hardy. As a resident of El Presidio Neighborhood, she is working with the Governor's office to get the Arizona Department of Transportation to address the sound levels and relocation of the Clark Street pedestrian bridge in connection with the I-10 widening. Originally, the master plan called for the bridge to be at ground level. They have asked for rubberized asphalt to be applied from Prince Road to the Crossing.

Mr. Shelko said he would ask Jim Glock to attend a future Board meeting to address Ms. Hardy's concerns.

Ms. Hardy made a motion for the Board to send a letter of support regarding the noise mitigation to the Arizona Department of Transportation. Ms. Lopez seconded the motion. The motion passed unanimously.

13. Announcements

None.

14. Discussion of future Agenda Items

None.

15. Adjournment

The meeting was adjourned at 8:00 p.m.

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