

**RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
BOARD MEETING MINUTES
WEDNESDAY, NOVEMBER 9, 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 6:02 p.m. A quorum was 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

Virginia Monyak, Staff Assistant

Andrew Gasparro, Intern

District Counsel: Bill Hicks, Snell & Wilmer

2. Call to the Audience

Michael Toney expressed his continuing concerns regarding the proposed University of Arizona Science Center.

3. Approval of the October 12, 2005 Meeting Minutes

Ms. Hardy moved to approve the October 12, 2005 meeting minutes as presented. Ms. Lopez seconded the motion. The motion passed unanimously (7-0).

4. Monthly Update on Projects and Financial Reports

Monthly Project Report

Mr. Shelko highlighted the projects that may have changed from the last meeting.

- 4th Avenue Underpass – Only one bid was received. The project bid came in over budget. It will be re-bid, with the hope that things have changed in the market place and the bids will come in more in line with the budget.
- Depot Plaza – City staff is negotiating a development agreement with the private-sector partners. The agreement could be ready for the November 22nd Mayor & Council meeting, or the meeting that follows.

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- Fox Theatre – Get your tickets now for the New Year’s Eve celebration!
- Rialto Block – Construction is scheduled to start in early 2006.
- Rialto Theatre – Is contributing a lot to the downtown vitality. It has several events scheduled each week.
- Mercado District of Menlo Park – Earthwork continues – utilities, infrastructure, roadwork and excavation on the first mixed-use building is underway.

Ms. Hardy asked if Mr. Shelko could go back to the Depot Plaza and Rialto Block projects. Is Rio Nuevo going to be asked to fund any portion of these projects? Mr. Shelko responded that Rio Nuevo already approved \$950,000 for the construction of a plaza at Depot Plaza and that he doesn’t expect Rio Nuevo to fund any portion of the renovation of the Rialto Block.

- Arizona Historical Society and Arizona State Museum – They are hoping to have their feasibility study complete by the end of the year.
- Tucson Origins Heritage Park – Staff has started internal discussions about not only the construction of Mission Gardens, but planning for the Convento site.
- Presidio Terrace – Mayor & Council approved the development agreement in mid-October. There’s a lot of neighborhood work that needs to take place. The developer wants to seek a height increase and she continues to meet with the neighborhood. Mr. Suarez asked what the Board approved last month? Mr. Shelko responded that the Board was asked to approve the development agreement due to the public element of the project (the parking garage component).
- University of Arizona Science Center – There is still a lot of work being done on the project by the University, especially with regard to cost issues.
- Nimbus Brewery – On October 18, 2005 Mayor & Council directed staff not to market the real estate in question for a period of 90 days; work with Nimbus to investigate all commercially available financing options; identify all legally permissible incentives, and provide technical guidance on regulatory matters. The 90 days are up in January. At that time, Nimbus will be expected to show overall feasibility of the project. Nothing has been submitted to date.
- Paseo Estrella – The houses were sold on a lottery basis because they had such a high demand. Interest has heightened on downtown housing projects.

Monthly Financial Update

Mr. Shelko reviewed the quarterly statement that Scott Douthitt’s staff prepares. For the quarter that ended September 30, 2005, the expenditures are in line with what was expected. The report reflects that only 10% of the budget has been spent. This is because some of the significant larger projects we intended to fund this year will not be, thereby delaying the need for funds. The expenditures do include the \$75,000 payment to Chicanos por la Causa for the New Market Tax Credit application approved by the Board

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and \$20,451 for the Walker Parking Study for parking analysis for the Civic Plaza and Parking Facility.

At the next meeting, a revised FY 06 budget will be presented to the Board.

Mr. Shelko said he had a conversation before the meeting with Mr. Suarez about the perception that Rio Nuevo is not doing what the voters approved. Mr. Shelko said he actually pulled out the original ballot and found that with the exception of the Sonoran Sea Aquarium, Rio Nuevo contemplates doing all that was approved by the voters. The issue is that there are so many other things going on and people don't see Origins going up yet. The reality is that we are doing what the voters approved and so much more.

Staff is putting something together soon, especially with the two new Council Members coming on board, to show what the voters approved and where we are now with implementing what they approved. Ms. Hardy suggested giving the two new Council Members a tour. Mr. Shelko agreed. He said it really makes an impression when people actually see what is going on downtown. It also puts everything into a different perspective. When people see all the issues that need to be addressed in an urban environment, such as infrastructure, public safety issues and rezoning, they appreciate what's going on.

Mr. Emerson noted that both of the new Council Members will be sitting on the Mayor & Council Downtown & Rio Nuevo Subcommittee.

Mr. Suarez commented that staff should clarify that the housing projects that are going on are not being funded with Rio Nuevo funds. Mr. Shelko agreed and reiterated that Rio Nuevo funds can only be used for public sector uses and the money is supposed to leverage private sector investments like these.

Mr. Hicks reported that the second piece of the Fox Theatre funding package, which was to secure \$5.8 million in Industrial Development Authority bonds, took place last week. The first piece was to close on funding from the National Trust for Historic Preservation, which combined Historic Tax Credits and New Market Tax Credits and took place on August 24, 2005. The two components of that project are complete. Mr. Hicks advised that this is the first time anyone in the country has been able to put together bond financing with tax credit financing and it's quite a tribute to Tucson!

5. Discussion of Downtown Development Incentives

Mr. Shelko directed the Board to a memorandum from Karen Thoreson to the Mayor and Council Downtown and Rio Nuevo Subcommittee for their meeting originally scheduled for tomorrow, but now canceled. Nonetheless, three years ago the Mayor and Council adopted a package of development incentives as a way to induce private sector

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investment downtown. The two principal ones were a \$10,000 permit fee waiver and 2% construction sales tax credit for improvements in the right of way. City staff has recommended continuing the incentives.

The last page of the memorandum has several new incentives for the Mayor and Council's consideration. They include:

- A drafted ordinance from the TEAM Commission to establish an "in lieu fee" as an alternative to providing on-site parking for new development. This concept, which was endorsed in the Rio Nuevo and Downtown Zone in 2005, will be brought before the Mayor and Council next year in a comprehensive overview of TEAM/ParkWise policies and initiatives. It's a way to make a development more feasible and provides ParkWise with some income to build more parking structures.
- Staff developed an inventory of City-owned land in the downtown area and is formulating a policy to facilitate more rapid disposition and development that is consistent with the City's master plan for Rio Nuevo.
- Reduced or deferred fees for zoning and/or permitting.
- Waiver of fees to occupy right of-way during construction.
- Waiver of Temporary Right of Entry (TRE) and air rights fees for appropriate uses.
- The ability to count on-street parking within a reasonable distance toward code requirements.
- A facade renovation program for exiting buildings.
- Zone expansion so that the incentives and downtown ones are one and the same.

Right now only about ½ of the district (the eastern half) is covered by the incentives.

The new City Council Members will be sworn in on December 5th. District staff hopes to schedule this item at the next available meeting. At minimum they will be asking to extend the current incentives which expire this month (November 2005) and to make the extension retroactive to cover the one to two week gap.

6. Amendment to the Business Development Finance Corporation (BDFC) Contract for Real Estate Development Services

Several years ago, the Board and Mayor & Council approved a contract with BDFC for an open purchase order to provide mixed-use real estate development services. BDFC has considerable expertise in real estate and finance and development. They may be able to provide third-party guidance in evaluating projects and financial statements. They also may be able to help our private developers with regulatory processes. The proposed scope revision will allow BDFC to do research and intergovernmental relations in dealing with State, County or any kind of officials about bonding, tax increment, or different kinds of

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financing that would aid the District and the City in advancing its redevelopment objectives.

Ms. Hardy moved to amend the scope of the contract with BDFC as proposed by staff. Ms. Lopez seconded the motion. The motion passed unanimously (7-0).

7. Report and Recommendation Regarding Internship Approved by the Board December 8, 2005

Mr. Shelko advised that the Board approved an internship for Andrew Gasparro paying him a stipend of \$500/month. He has proven to be a great asset to the office. He was instrumental on the new Rio Nuevo website, profiling of downtown neighborhoods and revamping the first floor lobby. Staff recommends extending his internship for another year and increasing his stipend to \$1000/month.

Ms. Hardy moved to approve extending Mr. Gasparro's internship for one year and increasing his stipend to \$1000 per month. Ms. Lopez seconded the motion. The motion passed unanimously (7-0).

8. Discussion of Future Agenda Items

- The Post Development Agreement
- Acceleration of Mission Gardens
- Revised FY 06 Budget
- Ballot Comparison
- Congress Street Master Plan

8. Adjournment

Before adjourning Mr. Shelko introduced Bill Hughey, who was appointed to the Rio Nuevo Citizens Advisory Committee by Council Member Shirley Scott. The Board members welcomed him.

Ms. Hardy made a motion to adjourn the meeting at 6:47 p.m. Ms. Lopez seconded the motion. The motion passed unanimously (7-0).

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