

**RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
BOARD MEETING MINUTES
THURSDAY, APRIL 20, 2006 6:00 P.M.
WARD 6 COUNCIL OFFICE, 3202 E. 1ST STREET
TUCSON, ARIZONA**

1. Roll Call

The meeting was called to order at 6:15 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

Bill O'Malley, Rio Nuevo Construction Manager

Virginia Monyak, Rio Nuevo Staff Assistant

District Counsel: Absent

Guest presenters: Doug Biggers, Congress Street Historic Theatres Foundation

2. Call to the Audience

There was no in the audience that wished to speak to the Board.

3. Approval of the March 15, 2006 Meeting Minutes

Ms. Hardy moved to approve the March 15, 2006 meeting minutes as presented. Ms. Lopez seconded the motion. The motion passed unanimously (7-0).

4. Approval of Change Order to Contract No. 052119 with Means Design & Building Corp. for the El Presidio de Tucson Reconstruction Project (Resolution No. 2006-03)

Mr. O'Malley advised that additional interpretive elements that were not included in the original project scope for the contract with Means Design and Building Corp. have been identified. The Presidio Reconstruction Executive Committee wishes to add these elements to the project to achieve the highest level of visitor experience. In addition, potential savings to the project without reducing the project scope or quality have been identified. The Board is being asked to approve Change Order #1 in the amount of \$77,518.00 to incorporate the following additional interpretive elements and potential cost savings.

Description of Work to be Done	<u>Amount</u>
<u>Additions:</u>	
# 1 - Main Entry West Screen Wall	\$ 3,764.00
# 2 - Street Scene	\$29,269.00
# 3 - Mural Wall - Adobe Façade at West End	\$13,957.00
#26 - Mural Wall (South Side)	\$ 6,798.00
#16 – Zaguan	\$56,731.00
# 4 - Mural Wall - East Façade	\$ 3,000.00
# 5 - Evaporative Cooling - near Toreeon & Barracks	\$11,215.00
<u>Deletions:</u>	
# 7 - Telephone Instruments	-\$ 1,560.00
#14 - Pit Houses 2 & 3	-\$ 1,560.00
# 8 - Exterior Lighting	-\$ 2,990.00
# 9 - Landscape/Planning	-\$ 5,980.00
#10 – Hardscape	-\$11,050.00
#11 – Irrigation	-\$ 2,990.00
#12 - Mural Wall	-\$19,006.00
# 6 - Boulders at Eroded Riverbank	-\$ 2,080.00
Total	\$77,518.00

The project budget is \$2.8 million (\$2.2 for the the original contract with Means Designs, \$400,000 for archaeology and \$200,000 for contingency.) The cost for these changes will come out of the project contingency budget.

Ms. Hardy asked if there was any resolution on the ADA issues of this project with regards to the Toreeon? Mr. O’Malley responded that there were some issues relating to access to the platform and that is not included in the project anymore.

Ms. Hardy asked if the change order had gone through the Rio Nuevo Citizens Advisory Committee and whether Mayor & Council needs to approve it? Mr. Shelko responded, no, because the change order falls within the original scope of the contract, additional funding is not being requested, and it’s coming out of the contingency budget.

Ms. Hardy also wanted it reflected in the record that she didn’t think the contingency money should be used at this time because the changes are enhancements and not needed. If there’s a true contingency that exceeds the \$163,000 the project will go over budget. The Board has a fiduciary responsibility and in the future she would like things to go to the CAC to get public input.

Mr. Shelko agreed; however, the very nature of the project is going to cause changes like this at the beginning because the contract was set-up as a design-build construction manager at risk so the budget was based on the best information available at the time. Mr. O’Malley added that the contingency is being monitored.

It's important that the contingency not be used faster than the project's progress and the project is about one third of the way through the construction process and this is about 1/3 of the contingency budget.

Chair Suarez moved to approve the Resolution No. 2006-03 authorizing the change order to the contract with Means Design Building Corporation for additional interpretive elements at the Tucson Presidio Reconstruction project. Ms. Lopez seconded the motion. Ms. Hardy abstained from the vote. The motion was approved 6-0.

5. Rialto Theatre Programming Update and Approval of Capital Investment in HVAC System (Resolution No. 2006-04)

Mr. Shelko asked the Board to approve district funding in the amount of \$385,250 for installation of a HVAC air-conditioning system (\$300,000 is for labor and materials, \$35,000 is to evaluate, design and engineer a system, and 15% (\$50,000) is for contingency for unknown conditions). It's an investment in the district's own real estate and it would go a long way to advancing downtown revitalization goals by putting thousands of people on downtown streets during the summer months. The Rio Nuevo Citizens Advisory Committee approved the investment by a vote of 10-2.

Mr. Biggers started his update by reviewing the theatre's milestones. In September 2004 Mayor & Council approved the theatre purchase and development agreement between the City, the District and Congress Street Historic Theatres Foundation. From October to January a building assessment report was conducted and they planned their rehab and fundraising plans. From February to April they did a whirlwind rehab. It re-opened on April 16th. Over 100 diverse performances have occurred over the last year. Operations are self-supporting and the community response has been excellent.

As for funding, Rio Nuevo contributed \$1.54 million for the acquisition of the building and concessions and contributed \$350,000 for rehabilitation. Total spent on rehab has been about \$550,000. Another \$100,000 was spent on the marquee (1/2 Mayor's Back to Basics and 1/2 Congress Street Investors). Total funds raised by the foundation is \$360,00 and committed Rialto Board members have loaned the Theatre \$155,000 in non-interest bearing/non-recourse loans.

Attendance has been about 61,000. There's a staff of 4-1/2 employees. Rehab has included major life and safety improvements in the form of new exit doors, panic handles, and new balcony exit stairs for a fire escape. Major acoustic enhancements were made, the auditorium ceiling was stabilized, the plaster was repaired, and the facility was completely repainted including a new mural in the lobby. New fire sprinklers, new lighting and improved restrooms were also installed. Before and after pictures were shown. On June 24th the new marquee lighting took place. A complimentary letter from a Tucson Downtown Alliance Board member was read.

Their web site is up and running.

Phase II of the project includes an HVAC system, replacing the balcony seats, expanding the box office and concessions area, expanding the theatre office administration space and finishing the auditorium floor and under-stage restrooms. Phase III includes more improvements to the restrooms and restoring the exterior of the stage outside. Financial assistance from the Arizona Heritage fund will be sought and that grant cycle may not be awarded until 2007.

Ms. Hardy said she knows it's a good idea to install the air conditioner and she understands the time constraints. However, some Rio Nuevo Citizens Advisory Committee members contacted her regarding their concern that the HVAC system is seen as a grant because the Rialto is not required to pay it back and she agrees with them. She understands that the district owns the building, but the district also owns the Fox. Even though the Fox involved a lot more money than this, capital improvements were made and they have to pay back the funding they received. She also doesn't think that the private investment in the block should count toward match. Only the capital improvements that go toward the Theatre should.

Greg responded that the qualitative difference is that we are making an investment in our own property. At the end of 10 years they can buy the theatre and this investment will be fully appreciated. In terms of the Fox, \$3.5 million was granted to them, they were given a \$5.6 million low-interest construction loan, and we carried some of the costs to do the financing. A lot of soft costs that went in to that deal in closing the tax credits and closing the bond deal. Greg said that the agreement with the Rialto is tied into the block, because it says that within five years the rest of the block would be developed. They are one year in to the program, they finished Phase one and Phase II included improving the rest of the block and they are advancing plans for the redevelopment of the block at a rapid pace. A non-profit is running the theatre, but there are also some partners working as private-sector developers.

Mr. Biggers added that he and his partner, Tom Powers, bought out the partnership that controlled the block and the block to the west. They are committed and moving at a rapid pace. The month of July has the most scheduled performances. Last year a performer had heatstroke, so it's also a public safety issue.

Mr. Shelko asked what would be an appropriate amendment to the resolution before you in terms of a match, so before it goes to Mayor Council it can be added as a technical amendment? Mr. Hardy requested the original agreement to be amended to state that the District will grant the money for the HVAC system and it will be matched in the Rialto Theatre and not in the surrounding property. Mr. Biggers said he was comfortable with that if it included private sector, foundation money, etc. Mr. Shelko said it should be matched in a manner that is consistent with the original IGA.

Ms. Hardy moved to approve the money for the air conditioning unit with the

understanding that the Congress Street Investors would match the money as stated by Mr. Shelko. Ms. Lopez seconded the motion. The motion passed unanimously 11-0.

6. Approval of a Development Agreement Between the City of Tucson, the Rio Nuevo Multipurpose Facilities District and BP Post Investors, LLC (Resolution No. 2006-05)

The Board was given a draft Mayor and Council communication that recommends approval of a development agreement with BP Post Investors, LLC to redevelop the Thrifty Block. It contemplates a mixed-use building containing approximately 40, but no less than 27 residential condominiums; 10,000 square feet of ground floor commercial space and associated parking. It includes renovation and re-use of the Bank one Annex and restoration of the Trading Post. Should Bourn be able to put the Chase property under contract in future, the City and District commits to entering into good faith negotiations with Bourne for a second phase. However, the project is not contingent upon that acquisition.

For the City and District's benefit, the Development Agreement is structured as a performance-based option to purchase. The base term is 6 months, with up to three (3) automatic 3-month extensions provided Bourn makes demonstrable progress. It is consistent with the expectations set forth in earlier Mayor & Council communications regarding the project. The Downtown/Rio Nuevo, Arts, Culture and History Subcommittee approved it on April 6, 2006 and the full Mayor and Council will consider it on April 25, 2006.

The District will sell the vacant land and improvements (Indian Village Trading Post) for \$100.00. This is commensurate with what was paid to the GSA for same. The developer intends to enter into a memorandum of understanding with the Community Services Department (CSD), providing for the reservation of 4 units (10% of the project) for affordable housing purposes. These units would be marketed and sold to households making less than 80% of area median income. CSD will coordinate marketing activity with the developer, and, will provide down-payment assistance to buyers in order to close the gap between housing production cost and the discounted sale price necessary to reach the target market.

This Development Agreement was drafted by the City Attorney and by Lewis and Roca LLP as legal counsel for the developer. It subject to the District's counsels review and approval.

Ms. Hardy asked if Bourn was getting federal money for the affordable housing units? Mr. Shelko responded that he would sell the units at his cost and Community Services would make up the difference. No direct subsidy goes to the developer. It goes to the low/moderate homebuyer. Emily Nottingham, the Community Services Director was responsible for coming up with the idea and she was commended. It was

noted that every project would be different.

Ms. Hardy asked about the Annex building? Greg responded that the Annex will not be demolished. It will be reused in the project. Within the first 30 days, he will show how that building fits into the project. The designs will be brought back to the Board.

Ms. Hardy moved to approve Resolution 2006-05 approving a development agreement between the City of Tucson, the Rio Nuevo Multipurpose Facilities District and BP Post Investors, LLC and to allow staff to negotiate the legal language. Ms. Lopez seconded the motion. The motion passed 11-0.

7. Financial Participation Agreement Between Rio Nuevo and the City of Tucson for the Improvements to Avenida del Convento and Clearwater Street (Resolution No. 2006-06) and Assignment of CM@ Risk Contract for the Avenida del Convento/Clearwater Project to Rio Development

A portion of the \$7 million that was approved for the Tucson Origins Heritage Park was for construction of the streets on the west side of Rio Nuevo. \$2.2 million was allocated for the roadway itself and there are some funds for utility relocation and site remediation along Clearwater. The current engineer's estimate is \$3.5 million, considerably more than the budgeted amount which established a couple of years ago. Staff is working with the contractor to establish a guaranteed maximum price (GMP) for the project. Staff will return with that amount next month.

The roadway project includes the intersection of Clearwater and Grande. Originally it was designed as a "T" Intersection. But the neighborhood is very interested in a round-about at that intersection to calm traffic. TDOT and the developer feel that a round-about would be appropriate. The contractor has been asked to provide an estimate for this portion of the project separately.

As outlined in the original development agreement between the City of Tucson, Rio Nuevo and Rio Development these following items are consistent with what was approved:

1) Financial Participation Agreement

The agreement between Rio Nuevo and the City of Tucson allows Rio Nuevo to transfer up to \$4 million in Rio Nuevo funds to Rio Development for the construction of Avenida del Convento and Clearwater Street.

2) Assignment of CM@ Risk Contract

Rio Development will manage the contractor and Rio Nuevo will monitor the project and review the pay requests/costs. Construction costs are preliminary

estimates at this point. They will be finalized and presented to the Board at the next meeting.

Of the \$7 million dollars approved for Origins, Mr. Hardy would like a summary of expenses to date at the next meeting.

Ms. Hardy moved to approve Resolution 2006-06 approving the financial participation agreement between the Rio Nuevo Multipurpose Facilities District and the City of Tucson for the improvements to Avenida del Convento and Clearwater Street. Ms. Lopez seconded the motion. The motion passed 11-0.

8. Monthly Update on Projects and Financial Reports

The Board members didn't have any questions on the monthly project or financial reports.

9. Discussion of Future Agenda Items

Ms. Hardy requested a presentation from Jim Campbell and Jim Glock on Plaza Centro and the 4th Avenue Underpass.

Mr. Shelko announced that the Board would have to hold a public hearing on the Budget in May (this item has since been moved to June).

Mr. Suarez announced that he wasn't available for the next regularly scheduled board meeting (May 10th). The meeting will be rescheduled to May 17th.

10. Adjournment

The meeting was adjourned at 7:06 p.m.