

**Minutes of Special Meeting
of the Board of Directors of
Rio Nuevo Multipurpose Facilities District**

Thursday, May 13, 2010

**Tucson Convention Center, Maricopa Room
260 South Church Avenue
Tucson, Arizona**

A special meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on Thursday, May 13, 2010 in the Tucson Convention Center, Maricopa Room, 260 South Church Avenue, Tucson, Arizona commencing at 9:45 am.

1. Roll Call

The meeting was called to order at 9:52 am.

Appointee		Present	Absent/ Excused
Jodi A. Bain, Member	Senate	x	
Dan Cavanagh, Member	Governor	x	
Jeff DiGregorio (Acting Chair)	Tucson	x	
Scott Egan, Member	House		x
Carlotta Flores, Member	Governor	x	
Mark Irvin, Member	House	x	
David N. Jones, Member	Governor	x	
Alberto Moore, Member	Governor	x	
Anne-Marie Russell, Member	Tucson		x
Victor Soltero, Member	South Tucson	x	
Alan F. Willenbrock, Member	Governor	x	

2. Review and possible action with regard to the Minutes of the April 28, 2010 meeting.

A motion to approve the minutes of the special meeting on April 28, 2010 as amended was made by Board Member Dan Cavanagh, seconded by Board Member Carlotta Flores, and passed 7-2, with Board Members Alberto Moore and Jodi Bain Abstaining.

A motion to approve the minutes of the special meeting on May 5, 2010 as amended was made by Board Member Victor Soltero, seconded by Board Member Mark Irvin, and passed unanimously, 8-1, with Board Member Jodi Bain Abstaining.

3. Study Session with regard to the proposed Tucson Convention Center Hotel project, including, but not limited to the following topics:

Greg Shelko, Project Consultant, thanked the Board for setting aside a day to discuss this important community development issue. Mr. Shelko indicated that the Board was given copies of all of the presentation materials ahead of time for their review and to be used to facilitate dialogue as speakers refer to them in their presentations.

i. HVS report

Tom Hazinski, Managing Director at HVS. HVS was hired independently through an RFQ process. HVS is an industry leader for producing market reports for credit rating, banking and investment decisions. Mr. Hazinski spoke to the HVS methods and conclusions.

Mr. Hazinski indicated that HVS has no interest or financial interest in the Hotel Project. Their role is to only assist in providing information to assist the RN Board with decision making.

Notes to Minutes: Attachment A - Presentation is attached to these minutes.

After some discussion by the Board went to item 3ii.

ii. Starwood marketing and projections

Mark Purcel, Vice President of Development at Starwood Hotels & Resort Worldwide, a global leader in the Hospitality Industry; Mark Vinciguerra, Starwood Hotels & Resort Worldwide Area Managing Director, experienced in opening and selling the property; and David Richard, Area Director of Sales and Management. Mr. Purcel spoke to how Starwood will sell the brand and Tucson, and to their financial expectations.

David Richards indicated that the Metropolitan Tucson Convention and Visitors Bureau has really stepped up and have positioned themselves very well for what we call the secondary city market. They have been fighting the airlift situation and have gotten their fair share of the market. He thinks they have done a great job positioning themselves. The marketing teams for La Paloma and Four Points have only great things to say about the Bureau. This hotel project will be a new project, and will bring a lot of pent up demand that hasn't been able to come to Tucson before and we need to develop new strategies since the Bureau hasn't had that opportunity to work within these particular markets before because we haven't had the facilities.

Notes to Minutes: Attachment B – Presentation is attached to these minutes.

After some discussion by the Board, a 15 minute break was taken. Chair Jeff DiGregorio indicated that the lunch was catered by Maynards Market and Kitchen for the Board, City Staff, and speakers at a cost of \$12.00 each and paid by each person. No District or City funds were spent.

iii. Economic impact analyses (Presentations by Local Community Leaders)

Rick Vaughn, Senior Vice President for Sales and Marketing with the Metropolitan Tucson Convention and Visitors Bureau. He indicated that he has 23 years experience on the hotel side in the sales and marketing area, and 11 years at the MTCVB. He indicated that this downtown hotel can pioneer Tucson for us. He has been engaged for the last 2 years with Garfield Traub, as well as the Sheraton group, and in looking at this project, sharing ideas and community forums, looking how

they integrated that feedback into the design of the project, looking at what they need to do to make sure it coincides with what the community wants, as well as, what the customer wants. He is excited in the project and the potential that the project has. It will be the first lead certified hotel and convention center in the country, and more importantly, it is a catalyst for our community downtown, and the possibility to spearhead development downtown to help existing small businesses, as well as enticing new business. That is what it is all about and economic engine for our community. It will even help TREO recruit new businesses.

This will give us the best opportunity to compete in a \$100 Billion meetings industry, at a very high level, and with that we have a 20-22 person national customer advisory board made up of the top customers in the country. They have over 400 years of experience.

He distributed a copy to the Board of Attachment C to these minutes. In preparation for this meeting he polled professional meeting planners and customers to provide them the opportunity to give the Board their expert opinions. They unanimously chose the Sheraton and provided comments.

Notes to Minutes: Attachment C – Metropolitan Tucson Convention & Visitors Bureau Question Summary

Lisa Lovallo, Vice President for Cox Communications, addressed the Rio Nuevo Board. Ms. Lovallo thanked the Board for the opportunity to speak. She indicated that she represented the private sector and Cox Communications and some other Boards that she works with. She mentioned that she the Vice Chair of Downtown Tucson Partnership organization and will chair that next year, and is on the Board of TREO. She mentioned that Cox Communications has invested in the future and growth of Downtown. They are banking on the community will to develop Downtown, and they cannot grow if the community is not prosperous. She also mentioned the TREO blueprint is working towards prosperity and urban renewal, allowing our young talent to stay here in Tucson. The hotel will be a statement of Tucson's future and a prosperity sphere for commerce.

Sue Margis, Senior Marketer of Events for Raytheon addressed the Rio Nuevo Board. She indicated that she has 22 years of meetings and events experience, and 3 years working in the hotel industry. She indicated that Raytheon is a supporter of the proposed hotel and the expansion of the convention center. She mentioned that they hold most of their large meetings in Tucson primarily because their employee base is here. Rarely do they take their business outside the city. There is currently no convention center hotel here in Tucson, and it will be another option for them, as it is closer to their facility. They have used the Convention Center, but found that it is lacking technology and infrastructure and break out space. She also mentioned that when they have conventions here, attendees like to explore the area and this will not only help the hotel, but the local businesses. She indicated that she hopes the project will go forward.

iii. Economic impact analyses (CS&L Report)

Bill Krueger, a Director with Conventions, Sports & Leisure (CS&L) International. Mr. Krueger indicated that CS&L used the Gold Standard Model to formulate his report of economic benefits to be derived from the project, with particular emphasis on what is new and what is specific to Tucson. CS&L is known for its conservative objectivity in the industry, and was hired independently through an RFQ process. Mr. Krueger indicated that his report used the HVS study in his analysis, and indicated that HVS is more conservative than most other companies, and the CS&L report gives the city the opportunity to excel those estimates.

Notes to Minutes: Attachment D – Presentation is attached to these minutes.

After some discussion by the Board, a short break was taken, and upon return, went to the next agenda item.

iv. Capital Plan

Jim Sult, Bond Consultant with Piper Jaffray, Inc., a leader in Public Finance and is recognized for expertise in hospitality. Mr. Sult presented the preliminary Capital Plan.

Notes to Minutes: Attachment E - Presentation is attached to these minutes.

Board Member Allan Willenbrock indicated that as a matter of disclosure he is the Director of the Greater Development Authority and Piper Jaffray does work for them on some deals, and has found Piper Jaffray a good partner.

After some discussion by the Board, a short break was taken, and upon return, went to the next agenda item.

v. Critical path items

With respect to upcoming critical action items, Greg Shelko distributed a rough draft schedule that detailed next steps that would follow acceptance of the preliminary capital plan. These activities generally include: negotiation and approval of the hotel agreements; review and approval of the guaranteed maximum price proposal and the developer/design-builder agreement; and preparation and approval of the bond documents. The schedule would be updated upon action by both the Board and the City Council on the preliminary capital plan, which is the trigger for commencing those activities.

Board Counsel, Keri Silvyn indicated that there are three things that must be accomplished before the Notice to Proceed is issued. First, the Capital Plan is approved by the District and the City; the Bond Closing has to occur, and permits issued.

4. Call to the Audience

The following members of the public addressed the Board:

Pete Simon, Worlds Masterminds, indicated that Rio Nuevo should be built as a theme park, and suggested that a Grant writing team be created to apply for funds from the Federal Government to be used for cultural development;

Dick Basye, Vice President of Pima Association of Taxpayers, indicated that the taxpayers voted for a Convento, and Aquarium, and other public amenities, not a Hotel or expansion of the Convention Center. Does not want to have General Fund monies used to fund the project;

Ted Hinderaker, representing Bert Lopez from Hotel Arizona. He believes the Convention Center Hotel is very important, and encourages the Board to go forward with the project.

5. Future Meeting Dates and Agenda Items

- Next scheduled meeting will be May 19, 2010 at 2:00 pm.

6. Adjournment

Meeting was adjourned at 4:17 pm

NOTE: 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 files of the meetings are available for review at City Hall, Finance Department, 255 West Alameda, 5th Floor West.

ATTACHMENTS TO MINUTES

Attachment A

3 i. HVS report

Attachment B

3 ii. Starwood marketing and projections

Attachment C

3 iii Metropolitan Tucson Convention & Visitors Bureau Question Summary

Attachment D

3 iv. Economic impact analyses (CS&L Report)

Attachment E

3 v. Capital Plan