

Approved by the Board of Directors of the
Rio Nuevo Multipurpose Facilities District
On _____, 2012

**Minutes for the Meeting
Of the Board of Directors of the
Rio Nuevo Multipurpose Facilities District
2:00pm Wednesday, July 18, 2012 At
400 W. Congress Street, Room #158, Tucson, Arizona, 85701**

A meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on Wednesday, July 18, 2012, at 400 W. Congress Street, Room #158, Tucson, Arizona, commencing at 2:02pm.

1. Roll Call.

The meeting was called to order at 2:02 p.m.

| | Appointee | Present | Absent/Excused |
|--------------------------|------------------|----------------|-----------------------|
| Fletcher McCusker, Chair | Senate | X | |
| Jannie Cox | Governor | X Phone | |
| Chris Sheafe | Senate | X | |
| Jeff Hill, Treasurer | Governor | | X Excused |
| Mark Irvin | House | | X Excused |
| Alberto Moore, Secretary | Governor | X | |
| Cody Ritchie | House | | X Excused |

Counsel:

Special Counsel Mark Collins

Others Present:

Michele Bettini, Operations Administrator

- 1. Discussion by Chair** taken out of order, Chairman McCusker stated there will be one item on the agenda, the Manning House, no action will be taken today, and that he wants to discuss the Manning House in an open meeting. Chairman McCusker was reminded that we forgot the Pledge of Allegiance. The Pledge was recited.

Chairman McCusker gave a brief history of the Manning House. The Manning house was built in 1907 and is in the TIF district. Chairman McCusker stated that the District is not interested in buying or acquiring any property today, or diverting "the District" from our previously stated mission, which is to resolve our issues with the City of Tucson, complete the forensic audits and move forward on a project or two as instructed by legislature leadership. The District is not certain that we can legally approach this project. 2009 legislation brought about the selection of new board members and a clear mandate of what our direction is with the hotel and convention center project and the "Notice to Proceed". The District has asked legislative leadership for a legal opinion of what the board can and cannot engage in. Chairman McCusker discussed the opportunity to negotiate a 60-day option (see the "Manning House attachment"). Barriers that the District may have are whether we can legally be involved in this project and the position of the City of Tucson. COT must concur with any project going forward, and also match the funds that Rio

Nuevo puts into a project. Relationships are improving with the City but we are still far from moving forward with the City. Chairman McCusker restated there is no need to go into executive session...that the District would like to discuss the Manning House in the public. He desires to come to a conclusion today as to whether the District can go forward. Mr. Moore has put in a lot of work to try and preserve the Manning House property. Mr. Moore would like legal council to give parameters about what our options are and our pit falls. Council Collins mentioned that what the District posted on the District's website is a good description/indication of the parameters being discussed. Final terms or agreement have not been reached. The District is discussing an option. Council Collins discussed the legal side of the board moving forward in regards to the motion to proceed. The District has a limitation in how it can spend TIF money. Council Collins said that in his judgment the District can only spend TIF money on the Hotel and Convention center. The District is waiting to receive legal opinion from the State. Mr. Moore said that the Manning House has been in trouble for a while, and it is too beautiful of a property to overlook. Mr. Moore wants to determine if Rio Nuevo can do anything to assist. Mr. Moore sees the Manning House as a product/property ready to present to a variety of prospects, and ready for a business, maybe a hotel start-up. The District would not operate the property, but acquire an option to purchase in order to prevent the imminent foreclosure. He said the owner is planning a sale this Saturday of many of the furnishings and equipment, so we need to act quickly. Chairman McCusker has heard that there are hotels interested in saving the Manning House, using tax credit incentives. Mr. Sheafe, questioned the District's legal authority going forward and, secondly, is concerned that a "fire sale" on the property will cut off options. He stated that specific tax credits can be brought to a property like this, and this process will draw attention to the Manning House. Mrs. Cox had nothing further to add, except that this is a historic building, and that preserving the building as a living part of downtown would be a great thing to do, assuming that we have the legal authority. However, the District does not want to operate the property.

2. Call to the Audience.

Keith Van -Would like Rio Nuevo to work only on the TCC and Hotel. Beautify downtown does not make sense. Thinks that downtown is only for government workers and a place people go for traffic tickets. No one else benefits from downtown.

Judy Dare- Hopes that the Rio Nuevo board could be the one to save the Manning House. The Manning House is not in foreclosure as the paper states.

Beth Walkup-Thank the board for bringing the Manning House to the forefront so that we can together come up with a way to save the Manning House. She has been working toward the same end for a few years.

Benny White- Is in favor of the District moving forward with the option, this makes legal sense. Mr. White spoke of the history of Rio Nuevo run by the City, and that there has been nothing done to generate TIF revenue.

Josefina Cardenas-Would like the board and community to come together. She would like a tour of the area of where Prop 400 came into place.

Ralph Kayser- Loves the Manning House, would like to see more outreach to the public and more public input into District decisions. Process of the CFO

3. Chairman McCusker stated that ads have been placed for the CFO position and we should have the position filled soon. He would also like the public to change the vocabulary from spend to invest. Rio Nuevo has had the history of spending money. Chairman McCusker believes our obligation, as stated by the legislature, is to invest in projects that create returns and ultimately bring additional tax revenue. Mr. Sheafe would like to respond to the comment that no one comes downtown. There was a day that was true. Mr. Sheafe would like to invite the public to come down especially to downtown's east end. All the new development is outstanding. Chairman McCusker and Mr. Sheafe are aware of restaurant owners interested in 15 different downtown locations. Restaurants that have been locating downtown have been generating higher gross revenue than anywhere else. Downtown is a good place to create a successful business. Chairman McCusker asked Mr. Sheafe why, if there is so much interest energy downtown, doesn't one of them buy the Manning House? Mr. Sheafe responded that he believes most of the energy thus far is on the east side of downtown. Mr. Sheafe states that the City had some problems with how they managed Rio Nuevo, and we do not know all of what they are. However, if Rio Nuevo can get everything to come together, downtown will take off. We want to make sure that everyone feels included and that we get information out in a timely way. Mr. Moore would like the District to consider the option for \$20,000, gather all the information, seek potential partners, prevent the Manning House from selling property assets, and report to the board on the next board meeting July 26. Mr. Moore made a motion that the executive committee be authorized to move forward on the option on the Manning House. There was no second. Chairman McCusker believes we do not have legal authority to move forward. The statute states the board is not permitted to spend public money on anything but the TCC or hotel, according to the notice to proceed. The District cannot negotiate with the seller that this is our intent, when we do not have the authority. Chairman McCusker does not want to violate the statute. Council Collins says every expenditure and investment the District makes is problematic and risky because of the 2009 amendment. Council suggested that the Executive Committee continue negotiation, while determining if something could be done to minimize the risk to the District. Council said the statute is tough. However, the Executive community could work toward an agreement that would not be binding until the full board votes on same. Mr. Moore questions why in the mediation process that Rio Nuevo came up with \$1,000,000 to refurbish the restrooms at the TCC. Why did no one asked for permission to do that? Chairman McCusker responded with the mandate for the primary component. Mr. Moore states that according to the TCC lease repairs should be paid for by the City. Mr. Moore would like to know if Rio Nuevo would have been in violation if we proceeded. Council Collins again referred to the mandate. Mr. Sheafe states that Mr. White mentioned that the original proposition says the convention center and other related structures. Council Collins agrees that Mr. White is correct, Proposition 400 in 1999 led to the work on the Fox, the Rialto and other structures. Council said the statute changed in 2009 when the State took over Rio Nuevo from the City. Mr. Sheafe asked whether Rio Nuevo is authorized as a District even though the City did not move forward on their part. Council Collins, yes, this District issued a notice to proceed and an amended notice in October. It has been the position of this board that this satisfies the requirements of the statute. The City has taken a contrary position. Mrs. Cox said we need to determine if this is legal or not, and that she understands that the people who can determine that are doing so. Mrs. Cox feels like it is one of Rio Nuevo's responsibilities to preserve the history of our TIF district. Mrs. Cox seconded Mr. Moore's motion, that the Executive community has the board's authority to negotiate the option, contingent on it being legal. Chairman McCusker states there are a couple of ways to proceed. The motion can be contingent on confirmation of our legal authority, or we can wait until we have legal confirmation. Chairman McCusker asks council if we can do something with escrow, in good faith. Council Collins said that would make it less problematic, less risky for the District. Chairman McCusker said, and Mrs. Cox concurred, that her second of Mr. Moore's motion implies that she agrees subject to legal acclamation. Mr. Moore needs to amend his motion. Mr. Moore wants to know how Rio Nuevo can confirm that we are serious about the property. Chairman McCusker thinks we cannot come to that agreement today...that we have legal limitations that we are trying to resolve quickly. Chairman McCusker does not want to risk the

future of the TIF in the first action that we take as a new board. Mr. Moore amended his motion. Council Collins is trying to understand Mr. Moore's motion. Chairman McCusker said the motion is that the Executive Committee may pursue the option agreement with the \$20,000 payment, subject to us having the legal authority to do so. Mr. Moore agreed and Mrs. Cox said that is that consistent with her second. Chairman McCusker repeated that the District will have to determine our legal authority before anything is binding. Motion passed 4-0.

4. **Adjournment** Motion to adjourn made by Chairman McCusker/Alberto Moore/Jannie Cox; seconded by Chris Sheafe. Motion passed unanimously. Meeting adjourned at 3:37 pm.