

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

Wednesday, September 15, 2010

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

A meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on Wednesday, September 15, 2010 in the Tucson Convention Center, Greenlee Room, 260 South Church Avenue, Tucson, Arizona commencing at 2:00 pm.

1. Roll Call

The meeting was called to order at 2:20 pm.

	Appointee	Present	Absent/ Excused
Jodi A. Bain, Chair	Senate	x	
Dan Cavanagh, Member	Governor	x	
Jeff DiGregorio, Member	Tucson		x
Scott Egan, Member	House	x	
Carlotta Flores, Member	Governor	x	
Rick Grinnell, Member	Senate		x
Mark Irvin, Vice Chair	House	x	
David N. Jones, Member	Governor	x	
Alberto Moore, Secretary	Governor	x	
Anne-Marie Russell, Member	Tucson	x (left at 5:15 pm)	
Victor Soltero, Member	South Tucson	x (left at 5:30 pm)	

2. Review and possible action with regard to the Minutes of June 9, 2010 and September 2, 2010

Approval of the minutes was delayed until the next scheduled meeting.

3. The Post: Background Information and Presentation – Bob Gugino and Don Bourn

Board Counsel Bob Gugino indicated that The Post property is located on Congress Street between Stone and Scott. The property was acquired by the District in 2006 from the Federal Government. The Development Agreement is with Bourn Companies, LLC.

Don Bourn, Executive Director of Bourn Companies, LLC presented the current plans for the property. The goal for the project is for a 123 room 5 story Hotel with ground floor retail and meeting space. A market study has been performed for opening in 2012 with occupancy rates at \$115.00 per room/night. There will be no underground parking, as existing parking in the area can be utilized, along with possible valet parking and also

counting of the Streetcar connecting it to the University of Arizona. Mr. Bourn indicated that a Hotel is a better use of the property than residential because of the revenue generated.

Mr. Bourn indicated that \$4.5 million has been invested in the project. The project budget is \$15 million. The next step is securing financing which has been very difficult. He indicated that he is pursuing Mezzanine Financing and Section 108 financing, which is available through the Federal Government. The Mayor and Council had discussions related to the Section 108 financing, but there has been no commitment. Board Counsel Bob Gugino suggests that an update be given to the Board by December 31, 2010 on any conversations with the City of Tucson.

Item 5 was moved out of order

5. Presentations from Financial Services (with possible discussion, direction and/or action related to a Financial Services provider) – Jodi Bain

Chair Jodi Bain indicated that there is statutory language regarding Treasurer and/or contracting for financial services provider whether it is accounting and advising capacity or both together. The Board requested that Richard Bratt and Jimmy Lovelace from Beach Fleischman address the Board regarding accounting and financial services and what some of the needs might be. Mr. Bratt indicated that he contacted Kelly Gottschalk, Finance Director and she provided a list of what is currently being done for the Rio Nuevo District, and discussed various options if the functions that the City currently provides were to be moved to the Rio Nuevo District through the updated IGA.

Jodi Bain then asked Laura Eberly with Bank of America Merrill Lynch to speak to the Board. Ms. Eberly indicated that after reviewing the information that was provided by the Board, given where the District is now, the number of professional providers already working with the District, and the longevity of the District, they believe instead of needing a financial services firm to tell the Board how to invest the funds, since the Board already has Well Fargo as Trustee investing the money pursuant to the Treasury regulations of the State, they think the Board needs an independent municipal advisor. The recommendation was for someone not related to any Brokerage firm; someone not related to any bank or trust company, that can help advise where the District is currently and where the District wants to be going forward.

Chair Jodi Bain indicated that Ms. Eberly was going to provide a list of people who perform these duties within the next 48 hours. Chair Bain indicated that she will contact them and explore what the costs are, what the concept is, and come back to the Board.

4. Discussion and possible action on the Executive Director Job Description - Alberto Moore

Board Member Alberto Moore indicated that he believes it is time to start looking for an Executive Director, as there are many day-to-day things that the Board needs assistance to have done. He realizes there are no funds to hire one currently, but would like to send

out the job profile to see who may be qualified and interested in the position. Some discussion on the type of executive director, salary level; contracted position vs. an employee; length of time for advertising; where to advertise, ie, Pima County, State-wide, or nationally; and other issues were addressed.

A motion was made by Board Member David Jones, seconded by Board Member Anne-Marie Russell to approve the job description pursuant to changes discussed and direct staff to create an advertisement to be distributed within Pima County. Motion passed on a roll call vote 8-1, with Board Member Dan Cavanagh voting no.

6. Executive Session:

1. Financial Services Provider: Legal direction and discussion on negation of fee structure based upon financial provider platform usage as Provider proprietary element with Arizona State Treasurer parameters.

No Executive Session on this issue was held.

7. Report from City Staff

Kelly Gottschalk, Finance Director reported that at each Mayor and Council meeting there is an item for an update on the Rio Nuevo Multipurpose Facilities District. Those topics vary and are usually determined by a Mayor and Council member or their staff. The Mayor and Council has asked that the City staff track the time that is spent directly on Rio Nuevo related activities on a monthly basis. City staff time has been tracked started in April 2010 through the end of August, and almost \$150,000 in staff time has been tracked. This information will be provided to the District on a monthly basis as well.

Ms. Gottschalk indicated that the amount of TIF collected is \$9.3 million, which is more than was anticipated. Since November 2009, just over \$3.0 million of that revenue is directly attributable to the efforts of the City Audit staff working directly with businesses in the District, either through audits, making sure that the reporting is correct, or working with the State to make sure we get our revenue. The City staff also educates current and new business with the process of filing their State Business Tax form correctly. There are over 1,000 businesses that are checked monthly to be sure they are filing correctly.

Ms. Gottschalk indicated that the Mayor and Council requested that a member of the District Board attend the meeting being held on September 21, to answer some questions on the Hotel. Chair Jodi Bain indicated that the best ones to address the Mayor and Council would be either Mel Cohen or John Sundt. Ms. Bain indicated that a joint meeting between some District Board members and City staff will be held tomorrow and this will be discussed.

Board Member David Jones recommended that one of the District Board's Officers attend to have this dialog with the Mayor and Council.

i. Report and potential action/direction related to invoices/projects

After some discussion on the current invoices, a two-part motion was made by Board Member David Jones, seconded by Victor Soltero:

Part 1 - Approve release of funds for payment of Pay Application #10 for Garfield Traub Development Arizona, LLC for East Entrance in the amount of \$253,232.52 from COPS fund 156.

Part 2 - Approve disbursement of funds from Wells Fargo Trustee from COPS series 2009 for Pay Application #10 for Garfield Traub Development Arizona, LLC for the East Entrance in the total amount of \$303,239.11, which includes both the release of funds per motion Part 1 above in the amount of \$253,232.52 and \$48,556.59 (which is comprised of previously approved payments for Tucson District Energy for the Central Chiller Plant, Newberry Advisory, and HVS Convention Sports & Entertainment plus \$1,450.00 for recent Newberry Advisory approved by Chair and Vice-Chair this evening). Motion passed on a roll call vote 7-1, with Board Member Alberto Moore voting no, and Board Member Dan Cavanagh abstaining.

A motion was made by Board Member David Jones, seconded by Board Member Victor Soltero to approve the release of funds for payment of the Tucson District Energy for the Central Chiller Plant invoice dated 9-8-10 for \$12,471.18 *and* the authorization of disbursement from Wells Fargo Trustee from COPS series 2009 for same. Motion passed on a roll call vote 8-0, with Board Member Dan Cavanagh abstaining.

A motion was made by Board Member David Jones, seconded by Board Member Victor Soltero to make Alberto Moore District representative for punch list items on the East Entrance as he consults with Construction Counsel and reports to the Board findings for final direction. Motion passed on a roll call vote 8-0, with Board Member Alberto Moore abstaining.

A motion was made by Board Member David Jones, seconded by Vice-Chair Mark Irvin to amend the authorized district representative on file with Wells Fargo Trustee on all accounts removing Richard Miranda and adding that approval from two of the three executive board officers of Chair, Vice-Chair and/or Secretary to be required for disbursement or otherwise. Motion passed 9-0.

ii. Possible update from Jessie Sanders on status of projects and properties (not the proposed hotel project) within the District.

Chair Jodi Bain requested that Jessie Sanders forward a copy of the Powerpoint presentation that was presented at a previous meeting to her.

8. Discussion and potential action related to properties and projects (not the proposed hotel project) within the District.

A motion was made by Board Member Alberto Moore, seconded by Board Member Carlotta Flores for the Board to direct an ad hoc committee, consisting of three or more members appointed by the Chairperson, to meet with HSL Properties and other members

of the Pueblo Center Partners LLC to discuss the proposal made by Mr. Lopez to the Board at the September 2, 2010 meeting and make a recommendation to the Board. Motion Failed 4-4, with Board Members Dan Cavanagh, Scott Egan, David Jones, and Chair Jodi Bain voting no.

A motion was made by Board Member Dan Cavanagh, seconded by Board Member Alberto Moore to direct General Counsel to research whether there are procurement/RFQ or other legal issues related to the previous motion that should be considered by the Board. Motion passed 7-0.

- 14. Future Meeting Dates and Agenda Items**
September 23, 2010 – 11:00 am to 1:00 pm
- 9. Update regarding proposed hotel, garage, TCC project matters and negotiation team progress – John Sundt and Steve Moffett**
Not discussed.
- 10. Status report on east entrance based closeout activities – John Sundt and Steve Moffett**
Not discussed.
- 11. Update and discussion regarding insurance broker services and general liability policy- Mark Irvin**
Vice-Chair Mark Irvin indicated there was no update and there is no need to explore at this time.
- 13. Call to the Audience.**
No Response.
- 12. Report from Legal Counsel – Keri Silvyn, Bob Gugino, John Sundt.**
 - i. Report and possible action on Rialto TRE and lease contractual issues.**
Chair Jodi Bain indicated that this item would be discussed further in Executive Session.
 - ii. Report on GMP Negotiations.**
John Sundt indicated that the contractors will hold their bids until the end of December. Chair Jodi Bain indicated that the subcontractors are willing to hold their bids due to the amount of interest in the project. Ms. Bain reiterated that the District is not asking the subcontractors to re-exercise their bids, just to hold them, but realized that adjustments may be made for market conditions. More information will be discussed in Executive Session.
 - iii. Report and Discussion on Administrative Rules for the District.**
Item was not discussed; vote will be taken at the next meeting.

iv. Report on status of public records requests for the Film.

Item was not discussed.

v. Report and discussion on Reliance Commercial Construction Inc., et al vs. City of Tucson et al (including Rio Nuevo)

At 5:50 pm, a motion to go into Executive Session was made by Board Member David Jones, seconded by Board Member Carlotta Flores. The motion passed 7-0.

vi. Executive Session

- 1. Rialto lease contractual issues and TRE.**
- 2. Report on GMP Negotiations.**
- 3. Reliance Commercial Construction Inc., et al vs. City of Tucson et al (including Rio Nuevo)**
- 4. Negotiation with City of Tucson on IGA.**
- 5. Audit**

At 6:44 pm, a motion to come out of Executive Session was made by Board Member Alberto Moore, seconded by Vice Chair Mark Irvin. The motion passed 6-0.

15. Adjournment.

The Rio Nuevo Board formally adjourned the meeting at 6:45 pm.