

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

Thursday, September 23, 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 Thursday, September 23, 2010 in the Tucson Convention Center, Greenlee Room, 260 South Church Avenue, Tucson, Arizona commencing at 9:15 pm.

1. Roll Call

The meeting was called to order at 9:32 a.m.

	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 (left at 12:00 pm)	
Rick Grinnell, Member	Senate	x	
Mark Irvin, Vice Chair	House	x (left at 2:45 pm)	
David N. Jones, Member	Governor	x	
Alberto Moore, Secretary	Governor	x (left at 1:24 pm)	
Anne-Marie Russell, Member	Tucson	x (left at 11:30 am, returned 1:50 pm)	
Victor Soltero, Member	South Tucson	x	

2. Review and possible action with regard to the Minutes of June 9, 2010, August 25, 2010, and September 2, 2010

A motion was made by Board Member Victor Soltero, seconded by Board Member Carlotta Flores to approve the minutes for August 25, 2010. Motion passed 8-0, with Chair Bain abstaining.

The decision was made to delay the approval of the minutes for June 9, 2010 and September 2, 2010 until the next meeting.

3. Presentations from Financial Servicers: Accounting Firms for Required Annual Financial Audit (with possible discussion, direction and/or action related to obtaining an accounting firm to facilitate the annual financial audit for the District).

Chair Bain indicated that there would be three firms presenting their interest in performing financial services for the District.

- G. Antonio Kenon, CPA, Director from Keegan, Linscott & Kenon, PC
- Jimmy J. Lovelace, CPA, Shareholder from BFC BeachFleischman
- Susan M. Vos, CPA, CFE, Manager from R & A CPAs

4. Report from City Staff

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

Stacie Bird discussed the invoices that are due. Each invoice was addressed by a separate motion.

A motion was made by Board Member David Jones, seconded by Board Member Rick Grinnell to direct City staff to satisfy the remaining and final invoices for Burns Wald Hopkins Architects in the amounts \$14,068.72 and \$8,159.60, to prepare a journal entry to correct the account to make the firm an asset for the District, and to sign a deductive change order that will zero out the purchase order. Motion passed 8-0, with Chair Bain abstaining.

Stacie Bird indicated that she will be paying the second installment of six monthly invoices in the amount of \$1,000.00 for DM Lovitt Insurance previously approved by the Board.

A motion was made by Vice-Chair Mark Irvin, seconded by Board Member David Jones to approve the payment of the invoice in the amount of \$226.80 to Ping Pong Media for the duplication of the Film in Blue Ray to fulfill future public information requests for DVD copies. Motion passed 9-0.

Item 6 was addressed out of order.

6. Update regarding proposed hotel, garage, TCC project matters and negotiation team progress – John Sundt and Steve Moffett

After some discussion regarding term sheets and other issues, Board Member David Jones read the following proposal into the record:

Rio Nuevo Multipurpose Facilities District Board of Directors shall direct its negotiating team to approach the Mayor and City Council of the City of Tucson with the following proposal:

RNB Representatives shall engage in dialogue and progressive actions to identify necessary property required to meet the needs to build a convention center hotel and such other land that the City may deem necessary. The RNB and the City of Tucson may enter

into a long term land lease arrangement subject to mutual acceptance by Rio Nuevo Multipurpose Facilities District Board of Directors and the City of Tucson for the specific purpose of building a convention center hotel and associated projects.

The City of Tucson will assume the lead role in negotiating with the selected development team and arranging suitable financing for the hotel project.

Rio Nuevo Multipurpose Facilities District Board through its appointed negotiating team will engage with representatives of the City of Tucson an amount to be defined as "back stop" for financing of the hotel from a percentage of annual site TIF revenues. This back stop amount shall have a not to exceed cap acceptable to the majority members of the RND and the City of Tucson.

Rio Nuevo Board of Directors shall request a hold harmless statement from the City and the developers with regard to RNB engaging in dialogue with other developers interested in similar hotel development projects within the district to the extent of Arizona laws guidelines and limitation.

Rio Nuevo negotiating team shall enter into dialogue with the City regarding terms to purchase all drawings and specifications required to build the proposed Sheraton Hotel.

Rio Nuevo negotiating team shall engage in good faith the above stated issues but shall not be limited to just the above stated issues thereby maintaining a mission to meet the best interest of Rio Nuevo and the people of the City of Tucson.

5. Discussion and status on Hotel Arizona possible complementary project. Mark Irvin and Jodi Bain

Chair Bain indicated that at the last Board meeting a motion to create an AD HOC committee failed to look at a complimentary program for a project due to RFQ/RFP concerns.. The Board has been told by the consultants that a target number of 1,000 hotel rooms would be a component to bring the Tucson Convention Center up to the next tier of the convention center market. The committee has discussed the possible complementary hotel project and has asked what their concept is. Chair Bain indicated that an email was sent from the Board attorney to the committee of the estimated conversion costs of the current Hotel Arizona as well as what a bonding process would look like. This has not been shared with the City as the Board has not discussed whether is this something they want to pursue or not. The Board wants to be sure there are enough hotel rooms to do what they are planning to do if they are using tax payer money to put a convention center piece together with a much larger hotel.

Board Counsel Keri Silvyn indicated that there are two questions that are presented. First whether the District's actions in creating an AD HOC committee would violate any laws as related to the procurement process and or existing contracts, and second on whether the District's actions could jeopardize any future procurement process. The district is

required to comply with Title 34 as to construction projects, which is the procurement for any construction activities if TIF monies are being used.

Chair Bain explained that if we are looking for a hotel that has the potential to add 250 to 550 hotel rooms within walking distance within the stadium district that exists as a rehabilitation project, there is only one hotel that fits this description, and the question is how does the District prepare an RFQ that is transparent and not giving special preference to what is the unique and only concept that exists for this. Chair Bain indicated that she is not advocating for this project, but believes it needs to be discussed in an open forum.

Board Member David Jones indicated that he does not believe the Board should be discussing this hotel project until such time as the City agrees to assume the responsibility of the TCC Convention Center project. If the City agrees then it gives the Board the opportunity to explore a multitude of options for very viable projects for Rio Nuevo. But until that time, we should not be discussing another hotel project.

Vice-Chair Mark Irvin indicated that the Board has been told that for the downtown to be successful there needs to be at least 1,000 hotel rooms, this proposal from the City if they go forward with the Sheraton deal is a separate, he thinks the Board has a fiduciary duty to always consider to get where we need to be to get to the 1,000 rooms. The Board is not advocating this, it is just something that needs to be explored as part of our overall discussion to give the City of Tucson what they are asking for, which is a convention style hotel that requires 1,000 rooms.

Board General Counsel Keri Silvyn indicated that the direction is that if TIF funds are to be used for construction for a hotel project, than an RFQ/RFP process is required to comply with Title 34. As to the question on how to word the RFQ/RFP, that can be discussed, if the Board is spending time exploring an idea or a proposal even from a financial standpoint that is ultimately going to use TIF funds for construction, there is a potential legal issue. Ms. Silvyn indicated that as individuals there is no issue if they want to explore options, but she cautioned discussion at this time as a formal Board process.

At 11:55 am a motion was made by Vice-Chair Mark Irvin, seconded by Board Member Victor Soltero to recess until 12:30. Motion passed 8-0.

At 12:40 pm the meeting was reconvened.

7. Status report on east entrance based closeout activities – John Sundt and Alberto Moore

John Sundt discussed Payment Application 15 and recommended that Board Member Alberto Moore and Vice-Chair Irvin walk through the punch list for the east entrance and come back to the Board with a determination on whether they believe it is complete or not.

John Sundt indicated that Garfield Traub again confirmed they would hold their bids until the end of the year. They indicated that the number they gave would be the cap subject to adjustments for commodity pricing and minor adjustments.

10. Future Meeting Dates and Agenda Items

To be determined.

8. Report from Legal Counsel – Keri Silvyn, Bob Gugino, John Sundt.

ii. Report/Discussion and possible action on Administrative Rules for the District.

A motion was made by Board Member David Jones, seconded by Board Member Victor Soltero to approve the Draft Administrative Rules. Motion passed 7-0.

i. Report and possible action on Rialto TRE and lease contractual issues.

Board Counsel indicated that the TRE has been fully executed.

iii. Update on status of IGAs.

No update was given.

9. Call to the Audience.

Sheldon Gutman spoke.

At 1:55 pm, a motion to go into Executive Session was made by Board Member Scott Egan, seconded by Vice-Chair Mark Irvin. The motion passed 6-0. Board Member Rick Grinnell was not present for vote, but returned for Executive Session.

vi. Executive Session

- 1. Negotiation with City of Tucson on IGA.**
- 2. Audit**
- 3. GMP Negotiations.**
- 4. Hotel Project COT/District Term Sheet Negotiations**
- 5. The Post**
- 6. Rialto lease contractual issues and TRE.**
- 7. Reliance Commercial Construction, Inc., et al vs. City of Tucson, et al (including Rio Nuevo)**

At 4:10 pm, a motion to come out of Executive Session was made by Board Member Anne-Marie Russell, seconded by Board Member Scott Egan. The motion passed 6-0.

11. Adjournment.

The Rio Nuevo Board formally adjourned the meeting at 4:11 pm.