

Approved by the Board of Directors of the
Rio Nuevo Multipurpose Facilities District
on October 27, 2010

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

Thursday, October 7, 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, October 7, 2010 in the Tucson Convention Center, Greenlee Room, 260 South Church Avenue, Tucson, Arizona commencing at 3:17 pm.

1. Roll Call

The meeting was called to order at 3:17 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 (via Phone)	
Rick Grinnell, Member	Senate	x	
Mark Irvin, Vice Chair	House	x	
David N. Jones, Member	Governor	x (via Phone)	
Alberto Moore, Secretary	Governor	x (via Phone)	
Anne-Marie Russell, Member	Tucson	x	
Victor Soltero, Member	South Tucson	x	

The Rio Nuevo Board received a letter from Ward 6 City Council Member Steve Kozachik.

Item 2. iv. was taken out of order.

2. Report from Legal Counsel.

At 3:10 pm, a motion to go into Executive Session was made by Board Member Anne-Marie Russell, seconded by Board Member Alberto Moore. The motion passed 10-0. Board Member David Jones joined meeting via phone during the Executive Session.

iv. Executive Session

- 1. Hotel Project COT/District Term Sheet Negotiations**
- 2. Rialto lease contractual issues and TRE.**
- 3. Audit**
- 4. GMP**
- 5. Depot Garage**
- 6. Negotiation with City of Tucson on IGAs**

At 6:20 pm, a motion to come out of Executive Session was made by Board Member Victor Soltero, seconded by Board Member Anne-Marie Russell. The motion passed 11-0.

Chair Jodi Bain indicated that in the Executive Session the Board discussed an appropriate response to the City's request for the Board's input on the proposed hotel, TCC expansion, and the garage, and how to deal with some of the questions the City has asked the Board to look at; both the possible joint City ownership structure, some type of participation from the District, as well as some points that Council Member Steve Kozachik had asked regarding the review of the GMP and the subcontractor component, and the financial plan. She reminded the audience that the inception of the District getting involved with this May 2009 contract that was inherited by this Board was to have a joint negotiation team with the City on how to move forward; an attorney from the City as well as from the District that would work together to figure this out.

Chair Jodi Bain indicated that the Board takes the perspective that the City had given the District two options; joint ownership or a City ownership. The Board had to respond to a dozen issues, and find a way to move this forward. After discussion by the Board members, a motion was made by Board Member Dan Cavanagh, seconded by Jeff DiGregorio. The following motion was read into the record by Board Counsel Keri Silvyn:

The Rio Nuevo Multipurpose Facilities District hereby issues a notice to proceed to the City of Tucson that will be good for 90 days pursuant to ARS 48-4204B on a proposed hotel, convention center and garage project with the following parameters:

- District participation is 100% of the hotel site generated specific TIF funds for the first 10 years. It will be reduced by 5% annually from there with a floor of a 50% allocation.
- The ground lease for the hotel site will be at no charge for the first 5 years, thereafter it will be at market rate; assuming this is the 35 year bond it means the market rate is for 30 years.
- The bond issuer is the City of Tucson
- The hotel flag is the Sheraton of Starwood Hotels
- The designs that the District has paid approximately \$21 million for, the District will be negotiating with the City of Tucson half of the \$21 million for the cost of the design.

- Distribution of income from the hotel site will be 50% for the City and 50% to the District.
- The District will have representation at the table on all of the contracts.
- The owner will be the bond required entity with negotiated ownership and oversight on behalf of the District.
- The City is directed to review sufficiency of meeting rooms and consider adding rooms to the convention center to meet market demand.
- The City will be required to pledge on site bed and sales tax.
- Direction to attorneys to negotiating on the GMP and proceed as we have been to bring the price down, with the monies saved as part of those negotiations to be put back into the convention center for appropriate facelift to the existing convention center .
- The open book construction project.
- 100% debt backed as required by the City Charter, as acceptable under the City Charter.

This motion has 13 conditions, some of which are hard conditions, some of which are direction. Motion passed 8-2, with Board Members Scott Egan, Rick Grinnell voting no, and Board Member Alberto Moore abstaining.

**Let the minutes show that Board Member Anne-Marie Russell left meeting at 7:30 pm.
Let the minutes show that Board Members Alberto Moore, David Jones, and Carlotta Flores ended their presence via phone at 7:30 pm.**

2. Report from Legal Counsel

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

Board Counsel Bob Gugino indicated that there will be issues that come up from time-to-time regarding applications for approval of monies being spent for restorations pursuant to Section 18A of the IGA and suggested that the Board establish a procedure for the approval of those expense requests.

A motion was made by Board Member Jeff DiGregorio, seconded by Board Member Dan Cavanagh to appoint a Board Member to review the Rialto 3% restoration obligation, and that this body grant this Board Member the authority to approve up to \$15,000 of restoration credit and then to report back to the Board.

For clarification Board Counsel Bob Gugino indicated that this is an obligation that the Rialto Foundation has to use 3% of its annual gross revenues for restoration at the theatre. Under procedure, they need to apply to the Board to make sure that what they are planning to do for restoration is approved by the Board as an appropriate restoration expense. It is not anything that costs the District anything it is just approving what they are spending to qualify can count toward the 3% annual obligations.

Motion passed 7-0. By direction Vice-Chair Mark Irvin was appointed as the designee.

ii. Update on status of IGAs.

Not discussed.

iii. Report and possible action on Rialto lease.

No discussed.

5. Call to the Audience.

No response.

6. Future Meeting Dates and Agenda Items

Not discussed.

7. Adjournment.

The Rio Nuevo Board formally adjourned the meeting at 7:34 pm.