

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

Draft

May 15, 2009

**Tucson Convention Center
Tucson, Arizona**

A Special Meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on May 15, 2009 in the Crystal Meeting Room of the Tucson Convention Center, 260 South Church Avenue, Tucson, Arizona commencing at 1:37 p.m.

1. Roll Call

Chair Russell called the meeting to order at 1:37 p.m.

Present: Anne-Marie Russell, Chair
Jeff DiGregorio, Board Member
Dan Eckstrom, Board Member
Victor Soltero, Board Member
Bill Hicks, Ballard Spahr Andrews & Ingersoll,
LLP, District Counsel

2. Call to the Audience

Chair Russell made a call to the audience. There was no response.

Chair Russell welcomed new Board Member Victor Soltero. Board Member Soltero responded that he looks forward not only to productive, but also meaningful, meetings and accomplishments.

3. Consent Agenda:

A. Approval of Minutes of May 4, 2009

It was moved by Board Member DiGregorio to approve the minutes of May 4, 2009 as presented. Board Member Eckstrom seconded the motion. The motion passed unanimously (12-0).

4. Consideration (and Possible Approval) of Master Development Agreement with Garfield Traub Development Arizona LLC.

Greg Shelko, Downtown Development Director for the City of Tucson reviewed the background and history of the project and the role of the development agreement, including the members of the development team, the nature and scope of the project, the threshold feasibility analysis, related third-party agreements, construction and operating budgets, development and construction scheduling, fees and costs, and penalties for late delivery or default.

Board Discussion

Board Member Soltero asked how will the District and the TIF funding work if the Legislature changes the whole situation?

Legislation

Mr. Shelko responded that the development agreement satisfies the State Legislature's desire to see demonstrable progress on the hotel and convention center project, as the single most important thing that the Rio Nuevo District can and should do.

TIF

Mr. Shelko explained that in terms of funding, \$8 million will come from unobligated 2008 bond proceeds to fund pre-construction costs. Six months into the project, the City proposes to undertake a Certificates Of Participation (COP) financing to cover the balance of the pre-construction costs and the estimated costs of expanding the convention center. In terms of the overall financing, TIF money will go into pre-construction costs, the hotel will be financed with bonds secured by and payable from hotel revenues (net operating income from the hotel) and the convention center expansion (an asset owned by the District) will be financed with COPs. There are still options to fund the parking garage – either revenue bonds or COPs issued by the District or the City. The hotel financing assumes that the bond market is going to improve and that we can get the interest rates that were used in the preliminary feasibility analysis, which were the interest rates on the District's first revenue bond issuance last December. The COPS issue is feasible at current market rates and will become even more attractive if the markets continue to improve.

Board Member Soltero said he asked the question because he had read in the newspaper that some people were unhappy with the District and he is wondering if their questions or doubts have been resolved and things are moving along smoothly so that they would be unlikely to pass some type of legislation that would "throw a monkey wrench" into the plans.

Mr. Shelko responded that the “unhappiness” started in February after the Senate Finance Committee presentation concerning the District. Members of the Committee expressed doubts about the project. The District asked key members of the development team to meet with Senator Paton and Representative Antenori to show them the level of work and effort that was being devoted to the project, resulting in more confidence in the Legislature.

Board Member Soltero asked if Senate Finance Committee Chairman Waring was satisfied with the progress? Mr. Shelko responded that he did not know the answer.

Board Member DiGregorio said the hotel is the model for the TIF District. The proforma operating information shows 130,000 room nights each year and the sales tax alone (not to mention food and beverage sales, events, people spilling out into downtown restaurants and engaging in other activities) from those room nights will allow the TIF to grow and undertake future projects. This is why the TIF mechanism was created and is exactly what the Legislature intended when this concept was first conceived.

Board Member Eckstrom said he was glad Senator Soltero brought those things up and that it was good to be able to rely on the Senator’s 18 years’ service in the Arizona Legislature to understand how things like this operate

Board Member Eckstrom noted that at the prior board meeting a gentleman who spoke during the call to the audience suggested that Mr. Eckstrom had a conflict of interest so he had recused himself from discussing or voting on several issues. He has since consulted with counsel and has determined that no conflict of interest exists, so that he now intends to vote on this issue.

Thereupon, it was moved by Board Member Eckstrom to approve the master development agreement with Garfield Traub Development Arizona LLC, seconded by Board Member Soltero and unanimously approved (12-0).

5. Possible Executive Session to Receive Legal Advice Concerning Existing District Contracts and Agreements

It was moved by Board Member Eckstrom to go into executive session at 2:00 p.m.. Member Soltero seconded the motion. Motion passed unanimously 12-0.

Everyone except the Board Members and Legal Counsel left the room.

At 2:32 p.m., the meeting was reconvened on motion of Board Member Eckstrom, seconded by Board Member Soltero and unanimously passed (12-0).

6. Future Agenda Items

Chair Russell suggested adding a discussion to determine a regular meeting schedule for the future. The last Wednesday of each month at 1:30 p.m. was discussed as one possibility.

Board Member Eckstrom asked that a discussion regarding west side projects be scheduled to give people an opportunity to voice their opinion and let them know that they are being listened to.

Board Member DiGregorio extended an invitation to everyone to attend the completion ceremony/celebration of the Scott Avenue infrastructure and streetscape project on Wednesday, May 20th at 6:30 p.m. It is another successful Rio Nuevo project.

7. Adjournment

Board Member Eckstrom made a motion to adjourn the meeting, Board Member Soltero seconded the motion and the meeting was adjourned at 2:40 p.m.