MAYOR & COUNCIL COMMUNICATION

December 16, 2008

Subject: Predevelopment Agreement with the Downtown Tucson Development Company LLC (DTDC) regarding redevelopment in the East Congress Street area (Wards 6 & 1)

Issue: Mayor & Council are being asked today to consider the subject Agreement that will lead to major redevelopment in the East Congress Street and Warehouse Arts areas of downtown. The Agreement is the result of very significant private sector effort in bringing together diverse interests in order to achieve maximum benefits.

Recommendation: The City Manager recommends approval of the attached Predevelopment Agreement with Downtown Tucson Development Company LLC (DTDC).

Background: Over the years many have spoken about the need to preserve the Historic Warehouse Arts District, including both built and cultural assets. Master plans have envisioned this destination district as one of the catalysts for downtown revitalization. Until now however, no sustainable plan for leveraging the competitive advantage of this area has surfaced.

This Agreement generally provides that certain planning and predevelopment services and other financial investments would be made by DTDC in exchange for contingent rights to acquisition and redevelopment of City-owned or controlled real estate. The following near-term investments contemplated by DTDC, estimated to be $6.2 million, have clear and direct public benefit:

- $ 250,000	rent subsidy and/or tenant improvements for Skrappy's youth facility
- $ 1,800,000	area-wide land use and master plan to remove barriers to reinvestment
- $ 650,000	area-wide infrastructure plan to facilitate future development
- $ 500,000	warehouse building rehabilitation analyses
- $ 2,000,000	capitalization of revolving loan fund for warehouse renovations
- $ 1,000,000	improvements to Rio Nuevo-owned Rialto Theatre and accessory uses

The Predevelopment Agreement specifies that DTDC:
- make a significant commitment to affordable housing
- dedicate 15% of land it owns to the City for open space and other purposes
- work with the City on alternative funding mechanisms for public investments
- set goals for the inclusion of public art throughout the project
- collaborate with the Warehouse Arts Management Organization (WAMO) to:
  - establish an overall vision for the District
  - create and maintain a positive investment climate in the District
  - develop a business plan that ensures the long term viability of the District.

The City for its part is being asked to provide, among other items detailed in the Predevelopment Agreement, the following in accordance with mutually agreeable schedules and to the extent funds are available:

- fee waivers and development incentives as may typically be provided downtown
- expedited plan review at actual cost of service
- options on real estate with values that are commensurate with DTDC public investments
- delivery of infrastructure investments (streetcar, utilities, open space, streetscape, etc.)
- fee for parking garage development and operation on land controlled by DTDC

- subsidies for affordable and workforce housing production
- construction of the approved Barraza alignment
- relocation of Arroyo Chico culvert to facilitate redevelopment of the Corbett Block
- flood mitigation in Arroyo Chico basin to remove affected lands from map designation

Additionally, DTDC asks for restructured agreements for the Depot Plaza and the Rialto Theater & Block projects. These would reflect updated redevelopment schedules and financial considerations, and more specifically rent relief for the Rialto Foundation and discounted land for new / next building phase at Depot Plaza.

DTDC today is completing the $9 million renovation of One North Fifth; advancing plans for the construction of a $20 million+ building as part of the Depot Plaza project; and solidifying agreements for $4 million or more in improvements to the Rialto Block. DTDC controls other real estate in the area for redevelopment, most notably the 200 block of Broadway and the former Greyhound parcel(s) at 4th and Toole. It also has sizeable real estate interests in the Warehouse District, some of which it will convey to the City for public uses. All real estate holdings are part of long range redevelopment plans. In sum, DTDC has the real estate holdings, the planning expertise and the financial means to create the critical mass from which a downtown neighborhood can grow over time. This mirrors proven models for urban redevelopment, and in addition DTDC has demonstrated experience in that regard.

Financial Considerations: It is anticipated that the City's investments will be accomplished via sources outside of General Fund contributions. These may include, by way of example but not limitation: New Market Tax Credit allocations, creation of a Community Facilities District, voluntary contributions through DTDC-created associations within the project area, Rio Nuevo tax increment funds, developer equity contributions, RTA and other governmental appropriations.

Legal Considerations: The City Attorney has reviewed and approved the attached Predevelopment Agreement and has prepared the attached resolution for the Mayor & Council's consideration and adoption.

Respectfully submitted,

Mike Hein
City Manager

MH:GShelko:vm
Downtown Development
Attachment: Resolution

DEC16-08-694

CONGRESS STREET AND WAREHOUSE ARTS DISTRICT DEVELOPMENT AGREEMENT

EFFECTIVE DATE: _____, 2009

AMONG:	CITY OF TUCSON, a municipal corporation	(the "**City**")
:	DOWNTOWN TUCSON DEVELOPMENT COMPANY LLC, an Arizona limited liability company	("**Investor**")
AND :	RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT, a political subdivision of the State of Arizona	("**Rio Nuevo**")

RECITALS

A. The City, Investor and other third parties own land in and around the Project Area that form the core of an innovative and important downtown redevelopment project. The Project Area is commonly referred to by the Parties as the "Congress Street and Warehouse Arts Project Area". A map depicting the Project Area is attached as Exhibit "A".

B. On December 16, 2008, by Resolution No. 21182, the Mayor and Council of the City of Tucson ("**Mayor and Council**") adopted and approved that certain Predevelopment Agreement between the City and Investor. The Predevelopment Agreement specifically contemplated that the City and Investor would enter into this Agreement, and this Agreement supersedes and replaces the Predevelopment Agreement in its entirety.

C. Investor and its principals have already spent significant time and money on work related to the redevelopment of the Project Area with a willingness to forego typical returns associated with this type of development to ensure substantial benefit to the City. In addition to Investor and its principals already having made these efforts and commitments, based on Investor's significant ownership interest within and in-depth understanding of the Project Area, combined with the extensive land planning and design experience of Investor and its Affiliates and consultants, the City has determined that Investor is uniquely qualified with respect to the improvement and redevelopment of the Project Area.

D. Members or Affiliates of Investor own certain real property at the northwest, southwest and southeast corners of 5th Avenue and Congress, which property is legally defined on the attached Exhibit "C-1", and which may further include additional real property designated from time to time by Investor, within the Project Area including the area located generally between the Rialto Theatre and the Fox Theatre, and owned or to be acquired by Investor or its Affiliates ("**Entertainment District**"), which Investor has held and intends to continue to hold

as a long-term investment. The Parties have determined that the renovation and improvement of the Entertainment District will serve to assist in the revitalization of the Project Area and will emerge as a lively gathering place for locals and visitors.

E. The Parties desire to enhance a sustainable arts community in the Project Area and believe that enhancing and promoting such a community is a critical component to creating a vibrant Project Area and will benefit the greater Tucson community. Investor and the City also agree that enhancing a sustainable arts community involves establishing affordable spaces for artists to live, work, teach and display their art as well as provide venues for performances. The Arizona Department of Transportation ("**ADOT**") and the City own several warehouses along Toole Avenue and in other parts of the Project Area (collectively, the **"Warehouses"**). Included within the Warehouses are those three parcels of real property legally described on the attached Exhibit "C-2" (**"Toole Property"**). The City and Rio Nuevo acknowledge that they do not have the funds or the resources to improve the Toole Property as contemplated by this Agreement, and acknowledge that Investor intends to cause to be improved the Toole Property, without the returns typically associated with such expenditures, in consideration for (i) reimbursement of its expenditures associated therewith, to the extent specifically provided in this Agreement; and (ii) the right to acquire certain City-owned lands, as provided in this Agreement.

F. The City and Investor acknowledge the importance of establishing affordable housing in the Project Area, and the Parties desire to (i) develop affordable housing communities within the Project Area and (ii) benefit the City's Affordable Housing Trust Fund through the creation of a point-of-sale contribution that will apply to all properties acquired by Investor in the Project Area pursuant to this Agreement and sold to one or more third parties.

G. The City recognizes that completion of each phase of the Project will augment the redevelopment of the Project Area, increasing the number of jobs within the Project Area, and the tax base and tax revenue for the City and Rio Nuevo, all of which will enhance the City's and Rio Nuevo's goals and its vision for the Project Area. Consequently, the City and Rio Nuevo would like Investor to perform the work needed to implement the Projects.

H. The City would like Investor to commence work within the Entertainment District and the Toole Property (**"Investor Services"**) immediately but does not have the funds available to perform such work. Investor is willing to commence and perform the work for the Investor Services, and to pay, or obtain the funding, for the costs thereof, including the fees and costs of all consultants engaged by Investor, in exchange for the City's agreements herein, including to provide Investor with options on specified City Lands as described in Section 6 below.

I. This Agreement is intended to be each and all of the following: (i) an intergovernmental agreement pursuant to A.R.S. §11-952 for purposes of the joint exercise of governmental powers by the City and Rio Nuevo; (ii) a development agreement among the City, Rio Nuevo and Investor pursuant to A.R.S. §9-500.05 for purposes of determining the Parties' respective development rights and obligations; and (iii) a real estate sales agreement to the extent necessary to effectuate the options granted by the City to Investor as described more fully in Section 6 below.

J. Rio Nuevo has the authority to enter into intergovernmental agreements, including this Agreement, pursuant to A.R.S. §48-4203.

K. The Parties hereby expressly find and determine that the terms and provisions of this Agreement are justified based on the consideration provided under this Agreement, including without limitation the rights and liabilities conferred and imposed on the Parties and the economic development benefits to the citizens of the City resulting from this Agreement.

AGREEMENT

NOW, THEREFORE, based on the foregoing Recitals, which are incorporated into this Agreement as if fully set forth herein, and in consideration of the agreements contained herein and for other good and valuable consideration, the Parties, intending to be legally bound, hereby agree as specified:

1. DESCRIPTION OF PHASES AND PROJECTS. The Project is a phased development program to transform the Project Area into a vibrant, sustainable, mixed-use neighborhood that will include one or more of commercial, retail, or residential uses, as well as open space, arts spaces and parking. The City and Rio Nuevo have entered into this Agreement with the expectation of a development program that will act as a catalyst for development in the downtown Tucson area and will achieve certain public goals desired for the Project Area. The Project is expected to be developed in and consist of various Phases, each of which is described below. The "Investor Services" to be performed by Investor are described in Section 2; the requirements of the City and Rio Nuevo in support, in consideration, or as a result of such services are described in Section 3; and ancillary services or performances of each party in connection therewith are described in Section 4 (collectively, the "**Project**"). In connection with the parties' performance under this Agreement, Investor has timely delivered to the City Investor's concept plan document for the Project Area, as required by the Predevelopment Agreement ("**Concept Plan**"), which includes plans, sketches, photographs and text that describe an overall vision for the Project Area, including initial recommendations on street locations, pedestrian connections, open space improvements, general building heights, density, uses, design quality objectives, and other critical elements.

2. INVESTOR'S SERVICES.

2.1 Entertainment District.

(a) Investor will immediately commence expenditures, and construction of improvements, having a value of approximately $5,000,000, within the Entertainment District, subject to the terms and preconditions set forth in this Agreement. The improvements will be designed, constructed and performed by Investor, and the related expenditures (which may include economic inducements, as provided in Section 2.1(a)(2)) will be expended for the purpose of enhancing the Project Area, attracting business therein, and increasing opportunities to bring additional business and patrons to the Project Area. Such expenditures and improvements shall be subject to the standards (including with respect to the Concept Plan) set forth in this Agreement.

.1 The expenditures proposed for the Entertainment District include the rehabilitation and renovation of the Rialto Block, including exterior improvements, creation of interior leasable premises, and improvements to premises utilized by the Rialto Theatre; improvements required to create and fixturize commercial/retail premises within the Depot Plaza project,; except to the extent that such improvements already are required to be made pursuant to separate, prior contract or other written agreement; and interior and exterior improvements within the 200 block of East Congress. To effect the parties' goal of attracting business to the Project Area, Investor may provide tenant improvements to potential lessees of premises within the Entertainment District, including build-out of commercial and retail premises in addition to grey shell/ vanilla shell improvements. Such improvements will be made to existing buildings and to common areas such as parking areas and landscaping. The parties acknowledge that Investor's improvements include construction costs and expenses for retention of architects, engineers, consultants and other third-party advisors as necessary. Investor will provide to the City, from time to time, confirmation regarding the types and amounts of improvements expenditures until completion of such obligations.

.2 Investor's commitment to invest in improvements with a value of $5 million within the Entertainment District may also include economic inducements, including tenant improvements, for users of premises within the Entertainment District as well as (upon the written consent of Investor and the City) real property located in the vicinity of the Entertainment District and owned by the City. To the extent that economic inducements other than tenant improvements or tenant improvement allowances (which inducements may include rental abatements) exceed in the aggregate the sum of $500,000, the City's consent shall be required to include such excess within the sum described above, which consent shall not be unreasonably withheld.

2.2 Toole Property. Pursuant to Section 3.1, below, City shall acquire the Toole Property from ADOT, and shall convey the Toole Property to the Non-Profit or similar entity, as defined in Section 3.1 below. Investor will spend, or will cause to be spent through funding procured by Investor from third-party sources, an amount resulting in value of approximately $4,500,000 in connection with Investor's performance under this Section 2.2.

(a) Business Plan. Investor, the City and the Non-Profit will work together cooperatively to develop a viable financing strategy for the rehabilitation of the Warehouses within the Toole Property; the construction of a mixed-use project within Parcel 3 to Exhibit "B-2", which is currently improved with a parking lot; and the creation of an integrated park and open space area within the Toole Property ("**Business Plan**"). Such business plan will include provisions relating to the improvements within the Toole Property, which shall include sources of funding, roles and responsibilities of the Parties related to management of improvements, the return to Investor of its expenditures in connection therewith, and similar matters as agreed upon by Investor, the City and the Non-Profit.

(b) Warehouse Arts District Improvements. Investor shall, following approval by the parties of the Business Plan (and satisfaction of the other pre-conditions set forth herein), commence development of the "**Arts District Improvements**," which shall include improvements to the extent agreed upon in the Business Plan, as follows (subject to the terms hereof), in addition to any other related projects:

(i) Renovation of the warehouse known as 197 Toole, and located on Parcel 1 to Exhibit "C-2" ("**197 Toole**"), which shall be commenced within 90 days after Investor's receipt of required permits and financing. Renovation of 197 Toole shall be the responsibility of Investor.

(ii) Development and construction of a mixed-use facility ("**Art Building**"), which will include (a) ground floor commercial space for local artists' studios, exhibition facilities and galleries (a portion of which shall be leased to WAMO on an affordable-rental basis, on terms agreed upon by WAMO and the Non-Profit), and (b) approximately 40 affordable-living residential condominiums (or such number of units as specified in the Business Plan adopted by the City and Investor) on additional floors ("**Units**"), including "work-live" units (collectively, the "**Residential Structure**"), which shall be commenced within 90 days after Investor's receipt of required permits and financing. Investor must complete and submit applications for such permits and funding by the deadline specified in the Business Plan. Development of the Art Building shall be the responsibility of Investor, funding for which shall be in accordance with this Section 2.2.

(iii) Coordination with the City for the development by the City of the following (the "**AD Public Improvements**") (a) streetscape along Toole, including its intersection with 6th Avenue, and including that portion of Toole between the Warehouse Arts District and the City property known as the "Train Depot", (b) a public park within portions of the Warehouse Arts District along Toole, commencing at its intersection with 6th Avenue, and (c) a surface parking lot to be located to the west of the Art Building.

The parties acknowledge that Investor intends to procure third-party financing for the Arts District Improvements, and the parties shall cause the Non-Profit to permit third-party lenders to secure such financing through deeds of trust or other liens on the real property comprising the Warehouse Arts District. Prior to commencement of the Arts District Improvements, Investor and the City shall approve a construction budget therefor ("**AD Budget**"), consistent with the Business Plan, and as may be amended with the consent of the City and Investor during construction thereof.

.1 During construction and following completion of the Residential Structure, Investor shall market and sell the Units to third-party purchasers in accordance with the Business Plan, subject to the affordable housing standards set forth herein (including with respect to any tax credits allocable thereto). The Parties acknowledge that private developers of similar projects require a rate of return of up to twenty percent of the costs of such development. Investor is willing to forego such rate of return in consideration of the City's agreements herein, but shall be reimbursed all costs and expenses incurred in connection therewith as provided in this Section, including planning costs, architectural fees, construction costs, construction management fees (which may be paid to an Affiliate for bona-fide services rendered), costs of financing, including interest, and similar costs and expenses which would be incurred for similar projects. All such proceeds, including from the sales of Units, shall be paid to Investor to reimburse Investor for such costs and expenses incurred in connection with the Arts District Improvements (following repayment of any third-party lenders), the unreimbursed amount of which shall be increased by the annual increase in the consumers price index until such expenses are reimbursed or paid in full. Any amounts incurred by or payable to Investor

and related to Investor's services described in Section 2.2(b) which are not reimbursed to Investor shall be at the risk of, and constitute a loss to, Investor; provided that Investor may be reimbursed its costs and expenses from a combination of (i) sales of Units, (ii) proceeds from leases of commercial premises and unsold Units within the Warehouse Arts District or (iii) proceeds from a loan obtained by the Non-Profit and secured by the Warehouse Arts District (including a collateral assignment of such leases), as Investor may reasonably determine. All net proceeds (i.e., gross proceeds from the sale of the Units or lease of portions of the Art Building, in excess of the amounts required to be remitted to Investor under this Section 2.2(b)) shall be the property of, and remitted to, the Non-Profit.

.2 The City is responsible for ensuring that the Toole Property is developable for its intended purposes, and is currently evaluating the environmental and archeological condition of the real property on which the Art Building shall be constructed. The City shall complete such evaluation and deliver it to Investor by December 31, 2009. If the City and Investor concur that such real property is not developable in the manner contemplated hereby due to environmental, archeological or other adverse matters, including not being able to acquire the property through trade with ADOT, the City shall provide a substituted site for the Art Building and related improvements in a location, and with such size, configuration and utility, as mutually approved by City and Investor. If the City and Investor do not agree upon such substituted site, then Investor shall be entitled to purchase property and improvements within the area known as the "warehouse arts management area" in satisfaction of its obligations under this Section 2.2, and lease such property to artists and third-party users in accordance with a revised Business Plan. The satisfaction of the conditions set forth in this paragraph is a pre-condition to Investor's obligations under this Section 2.2.

(c) Skrappy's and 197 Toole. Investor will work with the City and any other applicable stakeholders, including Skrappy's, with respect to the warehouse known as 191 Toole and located on Parcel 2 to Exhibit "C-2" ("**Scrappy's Building**"), to integrate the Skrappy's Building and 197 Toole in the master plan for the Warehouse Arts District.

2.3 Additional Investor Contributions. In addition to Investor's $9,500,000 investment in value to the Entertainment District and the Toole Property pursuant to Sections 2.1 and 2.2 above, Investor will contribute to, for or for the benefit of the City the following:

(a) Concept Plan. In compliance with the Predevelopment Agreement, Investor has paid for and delivered a complete Concept Plan to the City, at no cost or expense to the City, that covers the District's functional elements, place-making principals and design directives, sub-district urban design frameworks, and intended uses.

(b) Cash Donations. Investor will donate:

(i) $50,000 in the aggregate in 2010 to one or more non-profit entities whose charitable purpose is the promotion of art and artists, and which provide services within the Project Area, as selected by Investor ("Arts Organizations");
(ii) $50,000 to the City's Façade Improvement Program in 2010;

(iii) $50,000 in the aggregate to one or more Arts Organizations in 2011;
(iv) $50,000 to the City's Façade Improvement Program in 2011;
(v) $50,000 to Skrappy's in 2012;
(vi) $50,000 to the City's Façade Improvement Program in 2012;
(vii) $50,000 to Skrappy's in 2013;
(viii) $50,000 to the City Façade Improvement Program in 2013;
(ix) $50,000 to Skrappy's in 2014; and
(x) $50,000 to the City's Façade Improvement Program in 2014.

(c) Entertainment District Leases. As a component of the Investor Services, Investor will enter into new leases or lease renewals for at least 20,000 square feet of retail, commercial or residential premises within the Entertainment District for commercial, retail, office, hospitality, lodging and ancillary uses, which may include space in the historic Rialto Block on the ground and upper floors.

3. CITY AND RIO NUEVO RESPONSIBILITIES. In consideration for Investor's performance of the services described in Section 2, City and Rio Nuevo shall perform, or shall provide to Investor, the following.

3.1 Arts District Property. Within thirty (30) days of acquiring fee title to the Toole Property from ADOT, the City shall convey fee simple title to the Toole Property, in accordance with Section 2.2(b)(2), and free of all liens, claims, encumbrances, easements, covenants, and related matters of record, except as reasonably approved by Investor, to an Arizona non-profit corporation, or similar entity acceptable to the City and Investor, to hold title to the Toole Property and to operate the facilities and activities thereon ("**Non-Profit**"). The Non-Profit shall not have members, but a representative of each of the City and Investor, shall each serve as a director (or similar capacity) of the Non-Profit, along with representatives of such other charitable and non-profit organizations as Investor and the City shall approve (provided that representatives of Investor and the City shall constitute the majority of the members of the board of directors or related governing body). Investor and City further agree to request that the Warehouse Arts Management Organization ("**WAMO**") select a representative to serve as a director (or similar capacity) of the Non-Profit.

3.2 Street, Utility and Streetscape Improvements. Rio Nuevo, at its cost and expense, will improve street and utilities in the Project Area adjacent to or in the vicinity of the Entertainment District and the Toole Property in a manner consistent with the Infrastructure Plan, as defined below, and the recommendations made by ComArts. Streetscape improvements in the Project Area will be consistent with the overall streetscape standards for the Project Area as mutually agreed between City, Rio Nuevo and Investor, and is expected to include as components thereof trees and landscaping (including irrigation systems), sidewalk furniture, street lighting, and low voltage decorative lighting; in addition, the streetscape improvements adjacent to any Streetcar stop shall include user-friendly improvements such as shaded seating areas. For street, utility and streetscape projects adjacent to or connecting to properties in the Project Area owned by Investor or subject to the Projects (including off-site improvements necessary to bring utility service to such properties), Investor will assist Rio Nuevo in the design and construction of such improvements. Rio Nuevo shall commence

construction of the streetscape improvements within or adjacent to the Entertainment District within 90 days of Investor's execution of new leases or lease renewals for not less than ~~8~~4,000 square feet within the Entertainment District since date of Predevelopment Agreement, and shall complete construction in accordance with the Concept Plan and the Streetscape Plans attached as or identified in Exhibit "F" by no later than six (6) months after commencement. Rio Nuevo shall commence construction of the streetscape adjacent to, and in the vicinity of, the Toole Property, and along rights-of-way connecting the Toole Property with the Entertainment District, by no later than 30 days after the beginning of construction of the Arts Building, and shall complete construction in accordance with the Concept Plan and the Streetscape Plans. The City shall commence the remaining AD Public Improvements upon the earlier of (i) thirty days following request by Investor (but not prior to January 1, 2010), or (ii) upon Investor's commencement of construction of the Art Building (defined as material grading activities), and shall complete all AD Public Improvements prior to the date Investor has substantially completed the Art Building, or 12 months following commencement, whichever is earlier.

3.3 Parking Garage and Underpass. The City is currently constructing a below-grade multi-level parking structure within that property generally located at the corner of 5th Avenue and Toole, and to which the City has committed to deliver the development and related rights to the air space above such parking garage to DPI as described in Section 3.8. In addition, the City has commenced construction of an underpass located at the intersection of 4th Avenue and the railroad tracks. The City represents that it has adequate funding and resources to complete such projects in a timely manner, and agrees that it shall complete such projects in accordance with the existing plans therefor, such that the parking structure and underpass construction are completed by not later than December 31, 2010.

3.4 Option to Acquire City Lands. In consideration of Investor's execution of this Agreement and performance of its obligations under this Agreement, the City hereby grants to Investor the option to purchase certain City Lands in accordance with this Section 3.4 and Section 6, below. The City Lands to which Investor shall initially be entitled are legally described on the attached Exhibit "D-1" ("**Initial Properties**"). The parties acknowledge that Investor shall be entitled to a credit ("**Land Credit**") equal to $4,000,000. Following execution of this Agreement, the City shall appraise or cause the appraisal of the Initial Properties (and the Additional Properties, as defined below), and shall deliver such appraisals to Investor immediately upon receipt, but not later than October 1, 2009. If Investor disapproves such appraisals, the provisions of Section 6.5 shall apply. Once approved by the parties, the appraised values of the City Lands established pursuant to this Section shall be utilized for the purposes of Investor's option under Section 6 and against which the Land Credit shall be applied. If the appraised value of the Initial Properties is less than the Land Credit (as may be supplemented and modified), or if Investor is unable to acquire or the City (through no fault or negligence thereof) is unable to convey any of such properties (including pursuant to Section 6.3), then Investor may exercise an option to acquire any one or more of additional real properties identified by the City within 90 days following the Effective Date and acceptable to Investor ("**Additional Properties**"), up to the value of the Land Credit, and to the extent such Additional Properties are commercially available based upon matters of records and City obligations as of the Effective Date. In no event shall Investor be entitled to less than the Initial Properties and/or Additional Properties, up to the amount of the Land Credit. To the extent that any Initial Properties or Additional Properties are subject to encumbrances, liens, options, rights of rights of first refusal

or other similar adverse matters, the City agrees that it shall remove such matters within thirty days after Investor's exercise of its option with respect thereto.

3.5 New Market Tax Credits. Prior to the Effective Date, the City (together with Investor and other third-parties) has applied for New Market Tax Credits ("**NMTCs**") as one source of funding for improvements to be made in the Project Area. In connection with the application submitted by the City, Investor, and others, Investor has paid to the City the sum of $25,000, as part of the fee required in connection therewith. Investor will cooperate with the City and use reasonable efforts to assist the City in obtaining NMTCs for the Project Area (provided that the City will be ultimately responsible therefor, including compliance with the terms thereof and be responsible for any recapture events applicable thereto). Proceeds received by Investor from NMTCs shall not offset, or be applicable against, amounts owed or payable to Investor pursuant to Section 2.2(b) and 3.4. City shall act as agent for Investor in marketing and selling such NMTCs.

3.6 Streetcar. The City is in the process of constructing facilities for the location and operation of street car and related rail lines, passenger stations, and similar facilities running, without limitation, between the west side of the City through the Project Area to the University of Arizona Medical Center (collectively, "Streetcar"), and acknowledges that the planning and preliminary design of the Streetcar and related facilities is complete. The City shall award the bid for the Streetcar within 90 days of receiving federal funds appropriated for the project and shall complete the Streetcar and cause it to fully function and regularly operate within 36 months of commencement, but in no event later than January 1, 2015.

3.7 Development Services. The City will establish an expedited permitting process for all Projects. This process will include prioritized review and the establishment of a "Special Project Group" within the City's Development Services Department that is tasked with reviewing and coordinating Projects. Investor shall be eligible to receive credits and waivers of utility, permit and other fees in a manner and in those amounts as generally provided under the City's codes, rules and regulations for projects within the downtown Tucson area. No moratorium, as that term is defined in A.R.S. § 9-463.06, shall be imposed on the Project unless it is imposed pursuant to an ordinance that complies with A.R.S. § 9-463.06, as it may be amended.

3.8 Intentionally Deleted.

3.9 Aviation Barraza Improvements;Tucson/Arroyo Chico Wash Basin Relocation; Easements. The City agrees:

(a) By not later than May 10, 2021, the City will construct the Aviation Barraza improvements in accordance with the City-approved alignment and schedule. Such improvements will include: (i) a public park of plaza deck at the Ninth Avenue connection; (ii) a public park or plaza at the Seventh Avenue connection at Toole; and (iii) an at-grade pedestrian connection from the north side of the Train Depot to the intersection at Fifth Avenue and Aviation Barraza.

(b) By not later than completion of the Street Car, the City will relocate the Tucson/Arroyo Chico Wash Basin that currently runs through or beneath the Corbett Block in accordance with the current Barraza-Aviation Extension plans approved by the Mayor and Council. As part of the relocation, the City will construct all facilities necessary to have the 100-year flood designation removed from the Project Area, including drainage basins and retention and detention facilities. The removal of the 100-year flood designation is subject to FEMA regulation and approval; and shall be evidenced by Investor's receipt of updated flood maps from the Federal Emergency Management Agency that do not designate the Project Area as within a 100-year flood zone.

(b) By not later than completion of the Street Car, the City will also terminate or abandon any and all easements in favor of the City that encumber the Corbett Block.

3.10 Old Greyhound Site Parking. The City agrees that the property located at 2 S. Fourth Avenue and commonly referred to by the Parties as the "old Greyhound property" shall, subject to any existing development agreements applicable thereto, and promptly following the Effective Date, be improved by the City for use as a surface parking lot for a period equal to the greater of (i) five years from the date the surface parking lot is completed, or (ii) until an additional public parking garage is constructed within the Project Area (other than as described in Section 3.3). The City shall commence construction of such surface parking lot by not later than January 10, 2010, and shall complete such parking lot such that it has not less than 100 surface parking spaces and is open for public use, by not later than July 1, 2010. During the period the old Greyhound property is utilized as a parking lot, Investor shall have the option to acquire from time to time the exclusive right to use twenty spaces within such parking lot, for itself or its permittees, at a rate as reasonably determined by the City and Investor.

3.11 Public Parking Garage. To the extent permitted by law, the Parties shall negotiate in good faith and with diligence the terms under which Investor will have the right to act as developer of at least one public parking garage in the Project Area for a development fee of three percent (3.0%). In addition, Investor will have the right to operate the finished parking garage and will receive three percent (3.0%) of gross revenues generated from the parking garage as a fee for managing the parking garage. Notwithstanding the foregoing, the City will own the parking garage and all contracts for construction of the garage will be bid and awarded in accordance with the City's procurement processes.

4. ANCILLARY SERVICES. This Section 4 describes services incidental and ancillary to the parties' responsibilities under Sections 2 and 3, and includes, among other things, development of zoning and design criteria recommendations, including strategies for affordable housing in the Project Area, development of design review guidelines, and preparation of an infrastructure plans; such services will be commenced and performed in the reasonable good faith of the parties, in accordance with the recommendations of the Arts/Entertainment Oversight Committee (as defined in Section 13, below), but failure to perform under this Section 4 shall not constitute a default by any party to this Agreement.

4.1 Zoning Recommendations. Investor will recommend zoning changes to effectuate the vision illustrated in the Concept Plan, which the Parties anticipate will be implemented through the City's rezoning or Planned Area Development procedures. The Parties

will work together in good faith and will present the recommended zoning changes to the Mayor and Council for consideration and approval. The City's rejection of or failure to implement Investor's zoning recommendations shall have no impact on Investor's ability to exercise the options associated with this Agreement.

4.2 Development Criteria. Investor is committed to presenting structures built or renovated with quality design and materials, with particular focus on ground floor and pedestrian areas. Investor will recommend development criteria that will implement the Concept Plan and which may offer a replicable model that can be applied to other areas of downtown Tucson. The development criteria will include, without limitation, parking requirements, setback requirements, off-street loading/trash collection, building heights, floor area ratios, and open space requirements. The Parties will work together in good faith with the goal of implementing the recommended development criteria within the Project Area. Investor will assist the City in identifying strategies, goals and locations for affordable housing production in the Project Area.

4.3 Design Guidelines. In order to implement the Concept Plan and ensure high quality design and development throughout the Project Area, Investor will develop design guidelines for use by the City's Design Review Board ("**DRB**"). Investor will work with the Department of Planning, the DRB and/or City staff to define a clear role for the DRB in applying design guidelines and ensuring high quality design and development within the Project Area. The Parties will work together in good faith with the goal of implementing the recommended design guidelines within the Project Area. The City's rejection of or failure to implement Investor's design guidelines shall have no impact on Investor's ability to exercise the options associated with this Agreement.

4.4 Infrastructure Plan. Investor and the City will work together in good faith to identify the infrastructure improvements that will be necessary to support development within the Project Area, including any modifications that may be required to currently-planned infrastructure activities (the "**Infrastructure Plan**"). The Infrastructure Plan may include cost estimates and phasing and financing strategies for implementation of improvements. This Section 4.4 does not affect the City's responsibility with respect to streetscape improvements in accordance with the Streetscape Plans. The City's rejection of or failure to implement the Infrastructure Plan shall have no impact on Investor's ability to exercise the options associated with this Agreement.

4.5 Master Homeowners' or Property Owners' Association. Investor and the City will work in good faith to establish an association of property owners to levy modest dues on property owners within all or a portion of the Project Area, including enacting any assessment and enforcement measures that may be deemed required in connection therewith. The dues will be used to operate and maintain parks and other public areas in the Project Area and to pay other costs deemed beneficial to the Project Area (e.g., hanging flower baskets, holiday lighting, and neighborhood signage). The Parties will also work in good faith and cooperate with the Fourth Avenue Merchants Association to develop a strategy to maintain the walkways and elevator at the Fourth Street underpass.

4.6 Dedication of Lands; Management of Development. Investor will dedicate to the City portions of lands owned by Investor in the Project Area that Investor desires

to dedicate to public use for rights-of-way and pocket parks, and the City will accept such dedications at its discretion. A portion of such dedicated land will be used for parks, open space and/or paseos as delineated in the Concept Plan. To the extent permissible by law, Investor will manage the development of infrastructure and parks within the Project Area.

4.7 Affordable Housing. Investor and the City will work together in good faith to establish workforce and/or affordable housing goals for the Project Area that are mutually acceptable to Investor and the City. For all workforce and affordable housing to be developed within the Project Area, the City will ensure that all such housing is developed at a quality that is equal to or better than market rate housing in the Project Area.

4.8 Open Space; Parks. In accordance with the Concept Plan, Planned Area Development (if used to implement Investor's zoning recommendations), and Investor's recommended development criteria, the City, at its cost and expense, will develop and operate parks and other open space with the Project Area. If not set forth in the Concept Plan, the City and Investor will work together to establish standards for open space and park maintenance within the Project Area.

4.9 Public Art. Investor will work cooperatively with the City, WAMO, Rio Nuevo and other stakeholders to develop a public art plan for the Project Area.

4.10 Community Facilities District. As part of the Funding and Finance Plan, as defined below, the City Manager will recommend to Mayor and Council the establishment of a Community Facilities District ("CFD") or similar mechanism such as an improvement district(s) to provide funding for infrastructure and other improvements within the Project Area, if such recommendation would be consistent with the City's approved policies for establishing a CFD. Any application to establish a CFD shall be in accordance with the City's policies.

4.11 Funding and Finance Plan. The Parties will work together in good faith to establish a "Funding and Financing Plan" for certain public and private elements within the Project Area, including the Project. The Funding and Finance Plan will set forth the sources and uses of the public and private funds to be invested and the allocation of financial responsibilities among the Parties for infrastructure and other improvements. The Funding and Finance Plan may include requirements for funding from sources not wholly within the control of the Parties, including formation of the Community Facilities Districts referred to in Section 4.10. Investor and the City, individually or collectively, may agree to diligently pursue reasonable funding from non-local public sources, including federal and state allocations, grant programs and other appropriate funds or programs (collectively, "**External Funds**"). The City and Investor will jointly develop priorities for pursuing these External Funds.

4.12 Special Contracting Requirements. The Parties recognize the importance of providing: (i) contracting opportunities for minority and women owned businesses and emerging small businesses; (ii) job training opportunities in the construction trades for women and minorities; and (iii) a living wage to construction workers involved in the redevelopment of downtown Tucson (collectively, **"Special Contracting Requirements").** All of these elements are part of, and consistent with, the City's policies for expanding employment opportunities for

disadvantaged companies and workers, and the City desires Investor to comply with the City's Special Contracting Requirements on most Projects.

5. PROJECT SCHEDULE.

5.1 Description of Project Schedule.

(a) The Parties have agreed to a schedule for the Project which is attached as Exhibit "G". The Project Schedule includes dates for the Investor's and the City's satisfaction of the Investor Services and the City and Rio Nuevo Responsibilities, respectively, and a range of dates for undertaking and completing each Project. Failure to complete a phase of the Project by the Completion Date, as defined in the Project Schedule, except as excused by an Unavoidable Delay, will constitute a breach of this Agreement giving rise to the remedies for such a breach described in Section 10.3 below. Subject to the conditions and provisions set forth in this Agreement and the performance of each party hereunder, and except as excused by Unavoidable Delay, the parties anticipate that the Project will be completed by the fifth anniversary of the Effective Date.

(b) The City shall be responsible for keeping the official Project Schedule and updating the Project Schedule to reflect changes to the Project Schedule agreed upon by the Parties or changes to the Project Schedule that result from Unavoidable Delay. Whenever the Project Schedule is amended pursuant to Section 5.2 or due to Unavoidable Delay, the City shall give the other Parties notice of the proposed change with an explanation of the basis for the proposed change and the other Parties shall have ten (10) Business Days to confirm or disaffirm the accuracy of the change. If a Party fails to respond to the change, such inaction shall be deemed acceptance of the change. Any disagreement over a proposed Project Schedule change shall be resolved by Dispute Resolution.

5.2 Amendment of Project Schedule. The Project Schedule may be amended only with the written approval of those Parties affected by the amendment, which approval shall not be unreasonably withheld or delayed. Amendments to the Project Schedule shall not require the approval of the Mayor and Council and may be approved by the City Manager and the executive officers of the Parties, except as set forth in this Section 5.2. Amendments to the Project Schedule that extend one or more aspects of the Project Schedule by more than 180 days, except extensions due to Unavoidable Delay, shall require the approval of the Mayor and Council. An Unavoidable Delay shall automatically extend the Project Schedule pursuant to Section 11.1 for the affected Projects and any Project that is contingent on commencement or completion of a delayed Project. The extension of the Project Schedule shall be for the period of the Unavoidable Delay, subject to Section 11.

5.3 Delay Alert. If a Party determines that another Party has failed to take the steps necessary to commence construction of a Project by that Project's Start Date (as defined in the Project Schedule), then the Party may give written notice of that fact to the apparently delayed Party, and all other Parties. In the event such a notice is given, all Parties shall meet within ten (10) Business Days of the effective date of the notice, and at that meeting, the apparently delayed Party shall fully disclose the status of the work on that Project and explain whether or not that Party can or cannot commence performance of that Project by the Start Date.

6. GRANT OF OPTIONS ON CITY LANDS. The work to be completed by or through, and the contributions from, Investor pursuant to Section 2 will be valued at not less than $10,000,000. Investor will retain all staff and consultants and will cause to be paid all costs and fees associated with performance of such work. The City will compensate Investor for such performance as provided in this Section 6.

6.1 General. The City acknowledges and recognizes the time, expense and risk that Investor will incur to perform the Investor Services at Investor's cost, including lost opportunities to pursue redevelopment in other locations. Furthermore, the City will benefit as a whole from the Investor Services, and the readying of the Project Area for redevelopment will enhance the tax base and tax revenues of the City and Rio Nuevo.

6.2 Grant of Options on City Lands. The City hereby grants to Investor options against the Initial Properties and, if applicable, the Additional Properties (collectively, the "**City Lands**"). Within ten (10) business days of approval of the Development Agreement by all parties, the City will record options to purchase against the City Lands in substantially the form attached hereto as Exhibit "H" (the **"Option Agreement"**). Upon delivery by Investor to the City of the notices required in the Option Agreement, Investor will have the right to exercise one or more options to purchase as specified in Schedule B attached to the Option Agreement. Except as specifically set forth in this Agreement or the Option Agreement, the options to purchase will be exercisable for $1 each. The options described herein (i) may be exercised at the times and pursuant to the schedule specified on the attached Exhibit "E", and (ii) shall terminate on that date which is seven (7) years after the Effective Date, unless prior thereto Investor shall have exercised such options in accordance with this Agreement and the Option Agreement. In accordance with Exhibit E, Investor may exercise incrementally any vested percentage of the Land Credit to acquire individual parcels of corresponding dollar value, as and when the vested percentages are earned.

6.3 Due Diligence; Closing of Options.

(a) General. Closing of each option to purchase will occur in escrow with a title company selected by Investor. Subject to delays caused by needed environmental or archaeological investigation and remediation, the closing of any option to purchase will occur within sixty (60) days after the date of Investor's exercise notice. Each transfer shall be on an "as-is" basis without representation or warranty from the City, except (i) as provided in the deed; (ii) for any encumbrances or exceptions to title insurance coverage that substantively impact the developability of such property; and (iii) that the City shall be responsible for any and all environmental remediation and archaeological assessments and mitigation associated with any site as set forth in this Section 6.3. Furthermore, closing may be delayed or deferred until Investor is able to complete all due diligence inspections it may desire to conduct with respect to the subject property(ies), including without limitation environmental and archeological tests and inspections. The City will execute a right of entry agreement in its standard form as approved by Investor, promptly following the Effective Date, to permit Investor and its consultants and advisers to enter upon and inspect the lands for purposes of assessments, testing and inspections and will provide to Investor copies of all existing reports and studies in the City's possession or control within ten (10) days of Investors written request therefor.

(b) Environmental Assessments and Remediation. The City, at its cost and expense, will have an environmental consultant reasonably acceptable to Investor conduct Phase 1 environmental assessments of each parcel of the City Lands. If a Phase 1 environmental assessment indicates that the subject site may be contaminated, then the City, at its cost and expense, will have the environmental consultant conduct a Phase 2 environmental assessment on such site. The City shall then remediate all environmental issues on the applicable parcel of City Lands unless the City makes a reasonable determination that such remediation is not economically feasible. Upon a determination by the City that remediation of a site is infeasible, the City will provide Investor with a replacement site (whether within or outside of the Project Area) acceptable to Investor or with a cash reimbursement, either of which will be in an amount at least equal to the fair market value of the site being replaced. Fair market value will be determined in accordance with an Appraisal. Notwithstanding the foregoing, the City will have no responsibility to remediate the diesel plume that exists below much of the City of Tucson.

(c) Archaeological Studies and Mitigation. The City, at its cost and expense, will have an archaeological consultant reasonably acceptable to Investor conduct archeological assessments of each parcel of City Lands. The City shall then monitor, relocate and/or mitigate any and all archaeological artifacts located on such parcel unless the City makes a reasonable determination that such mitigation is not economically feasible. Upon a determination by the City that mitigation is infeasible, the City will provide Investor with a replacement site (whether within or outside of the Project Area) acceptable to Investor or with a cash reimbursement, either of which will be in an amount at least equal to the fair market value of the site being replaced. Fair market value will be determined in accordance with an Appraisal. The obligations of the City under Sections 6.3 (b) and (c) shall be completed within six months from the Effective Date, whether such obligations consist of (i) delivering to Investor written confirmation of the lack of environmental or archaeological issues, to Investor's reasonable satisfaction, (ii) remediation of such issues as described herein, to Investor's reasonable satisfaction, or (iii) identification of alternative sites within the Project Area as described herein.

(d) Prorations; Encumbrances. Income, expenses, and closing costs will be prorated in the customary manner as of the closing date. The City shall execute and deliver a special warranty deed (or equivalent), subject only to those non-monetary exceptions to title insurance coverage (other than non-delinquent taxes and assessments) that exist as of the Effective Date (in the case of City Lands owned by the City on the Effective Date) or as of the date of the City's acquisition, exclusive of the matters described in Section 3.4, that shall be approved by Investor in its reasonable discretion (the **"Permitted Exceptions"**). The Parties shall execute such other documents and instruments as may be necessary or appropriate to consummate the transfer of the City Lands pursuant to the terms of the applicable Option Agreement and this Section 6.3, including assignment of leases, bills of sale, other instruments of transfer (in customary form or form similar to those documents and instruments pursuant to the City acquired title to the City Lands).

(e) Affordable Housing Contribution. To benefit the City's Affordable Housing Trust Fund, Investor agrees to make a point-of-sale contribution in the amount of one percent (1%) of the sales price of any and all property owned by Investor and acquired pursuant to Section 3.4 and this Section 6 if and when any such property improved for residential purposes and is sold to a non-Affiliate third party for residential use. The foregoing contribution

will be implemented by the Parties by recording a covenant against the property upon its acquisition by Investor under the terms of this Section 6, which covenant will run with the land. The covenant shall be in a form approved by the City and Investor.

(f) Insufficient Land Credit. If, following the exercise by Investor of its options hereunder, the appraised value of the City Lands subject to such exercise exceeds the Land Credit (or so much of which is remaining, taking into account prior option exercises), Investor shall be entitled to acquire such City Lands for the sum of (i) the remaining Land Credit, plus (ii) the difference in such consideration as the parties may agree.

6.4 Intentionally Left Blank.

6.5 Appraisal. For the purposes of this Agreement, the term "Appraisal" means an appraisal conducted at the time of the intended acquisition by an MAI appraiser. The City will appoint an MAI appraiser, Investor will appoint an MAI appraiser, and the two appointed appraisers will select an independent third MAI appraiser. The two appointed appraisers will establish the market value of the parcel by agreement within sixty (60) days of their appointment. If the appraisers appointed by the City and Investor cannot agree on fair market value, the independent third appraiser shall determine the market value based upon the analyses performed by the appraisers for the City and Investor within thirty (30) days of the failure by the appointed appraisers to reach agreement.

7. ASSIGNMENT OF RIGHTS AND OBLIGATIONS.

7.1 Assignment by City or Rio Nuevo. The City and Rio Nuevo may assign specific rights and delegate specific obligations set forth in this Agreement to any City Department or Division having authority to perform the matter assigned. Such assignment will be made through the execution of an intergovernmental agreement ("**IGA**") between the City or Rio Nuevo, as applicable, and one or more Departments or Divisions on such terms and conditions as are acceptable to the assignee and the City or Rio Nuevo. Any such assignment shall not be effective unless the assignee assumes in full the City's or Rio Nuevo's obligations, as applicable, pertaining to the assigned matters or Investor is otherwise made an express third-party beneficiary of the IGA, and no assignment shall relieve the assignor of its responsibility hereunder.

7.2 Assignment by Investor. In addition to transfers allowed under Section 8, Investor may assign its rights and obligations to an Affiliate, provided that the obligations of this Agreement shall be assumed by any such Affiliate assignee. Except as provided in this Section 7.2, Investor may not assign its rights or obligations under this Agreement without the prior written consent of the City, which consent shall not be unreasonably withheld. For the purposes of this Agreement, the term "Affiliate" means with respect to any person or entity (i) any other person or entity, that directly or indirectly, controls, is controlled by, or is under common control with, such specified person or entity, or (ii) any person or entity that is an officer, director, general partner, or member of, or that serves in a similar capacity with respect to, such specified person or entity; without limiting the foregoing, an Affiliate shall include an entity of which a member of Investor is a member, manager, partner or shareholder.. Without limitation, a person or entity shall be deemed to be controlled by any other person or entity if such other person or

entity possesses, directly or indirectly, the power to direct the management of the specified person or entity by a contract or otherwise.

8. TRANSFERS.

8.1 General Statement. Investor recognizes, in view of the importance of the covenants of this Agreement to the general welfare of the community, that its qualifications and identity as the developer of the Project are of particular concern to the City and community. Investor further recognizes that it is because of such qualifications and identity that the City and Rio Nuevo are entering into this Agreement and in so doing is further accepting and relying on Investor to perform its obligations under or to cause those obligations to be performed under this Agreement.

8.2 Transfers of Land.

(a) Throughout the term of this Agreement, Investor shall notify the City of a proposed transfer of any fee interest in the Entertainment District that requires the City's consent no less than thirty days before the closing of the transfer, except that no such notice to the City shall be required for a transfer of land by Investor to an Affiliate. This notice shall include the name, address, telephone and facsimile numbers of any proposed transferee, as well as the key officers and local representatives of the transferee, if any, and a summary of the nature and scope of the transferee's business, its reputation and experience in development and sufficient financial information relating to the transferee for the City to make the determination required in Section 8.2(c). The City may request additional information relating to the proposed transferee, and Investor shall provide the requested information in a timely manner so as to allow the City's expeditious review and approval. Approval by the City shall be given or not given by the City Manager. The City shall give Investor notice of its approval or disapproval within fifteen (15) days of the submission of the information that the City has informed Investor is sufficient for its decision making. If the City makes no response within the time allowed, then such inaction will be deemed approval. All information submitted pursuant to this Section 8.2(a) is subject to confidentiality pursuant to Section 14.3(b), to the extent permissible under Arizona law.

(b) If Investor or its Affiliate proposes to transfer a portion of the Entertainment District to another person or entity prior to completion of the responsibilities set forth in Section 2.1, any proposed transferee, by instrument in writing, for itself and its successors and assigns, and expressly for the benefit of the City, shall upon closing of such transfer, expressly assume all of the obligations of Investor under this Agreement which pertain to the portion of the Entertainment District which the transferee proposes to acquire and shall be subject to all the conditions and restrictions to which Investor is subject with respect to the portion of the Entertainment District conveyed.

(c) Except as provided below, any transfer of a portion of Entertainment District shall comply with the terms of Sections 8.2(a) and 8.2(b) and shall be subject to the City's reasonable determination that the proposed transferee has the professional, financial and managerial capability to perform those obligations in this Agreement which will be assumed in connection with such transfer. This Section 8.2(c) does not apply to transfers by Investor to its Affiliates. This Section 8.2(c) does not apply to transfers of the Entertainment District where the

transferor is not released from its obligations under this Agreement with respect to the land being transferred and upon such a transfer Investor shall remain fully responsible for its obligations under this Agreement. Upon completion of the Investor obligations under Section 2.1, this Section 8.2 shall not apply and Investor shall be free to transfer any portion of Entertainment District.

8.3 Investor shall be relieved of liability under this Agreement with respect to that portion of the Entertainment District conveyed in accordance with Section 8.2 and the Project related to the land conveyed, upon the closing of such transfer, provided that the documents establishing the assumption referred to in Section 8.2(c) have been approved by the City prior to transfer.

9. TERM.

9.1 Effective Date. This Agreement is effective when all Parties have executed this Agreement and it has been approved by Rio Nuevo's Board and by Mayor and Council. The City agrees that the City shall be responsible for presenting this Agreement to Rio Nuevo, and for requesting Rio Nuevo's approval and execution of this Agreement by June 16, 2009. The effective date will be set forth above and will be deemed the "Effective Date".

9.2 Termination. This Agreement shall terminate upon the earlier of:

(a) In the event an uncured event of default exists pursuant to Section 10, and the written election of all non-defaulting Parties to terminate this Agreement.

(b) Upon the mutual agreement of the Parties in writing.

(c) Upon the completion of the Projects, written confirmation of which shall be provided by either party to the other upon request.

10. DEFAULT; REMEDIES.

10.1 Default by City, Rio Nuevo or Investor. Any breach of any provision of this Agreement whether by action or inaction, which continues and is not remedied within sixty (60) days after a non-breaching Party has given notice to the breaching Party specifying the breach shall constitute a default hereunder; provided that if such breach cannot with due diligence be cured within a period of sixty (60) days, the breaching Party shall have a reasonable period of time to cure such breach, and in any such event such breach shall not constitute a default hereunder so long as the breaching Party diligently proceeds to effect such cure and such cure is accomplished within twelve (12) months. In the event of a cure period of greater than six (6) months, the Party effecting the cure shall provide the other Parties with a written assessment of the cure every month describing: the curative actions taken since the last written report; the estimated date by which the cure will be completed; the remaining impediments to completing the cure; and the planned curative acts for the next month. With respect to any alleged breach under Section 6, the City shall be afforded a cure period of thirty days, notwithstanding the foregoing.

10.2 Remedy for Failure to Start Project by Start Date or to Complete Project by Completion Date. In the event a Party is in breach of this Agreement for failure to start a Project by the applicable Start Date, or to complete a Project by the applicable Completion Date, and such Party has failed to cure that breach in accordance with this Agreement, then any non-defaulting Party shall be entitled to delay the start or completion of any Project which it is obligated to begin or complete after the date of the breach and to suspend for the period of cure of the breach the performance of any Project it has commenced; provided that, if the non-defaulting Party does not elect to suspend its performance, the Parties shall remain obligated to perform pursuant to this Agreement as it relates to the Project being performed. In the event a non-defaulting Party takes no action in response to a breach by another Party, then such inaction shall be deemed the decision by the non-defaulting Party to not suspend performance.

10.3 Remedy for any Failure of Performance. If a Party shall default under the terms of this Agreement for any failure of performance other than failure to start or complete a Project by the applicable Start Date or Completion Date, a non-defaulting Party may terminate this Agreement, or the non-defaulting Party shall be relieved from any of such Party's obligation under this Agreement which was contingent upon the failed performance. In addition:

(i) If Investor defaults under the terms of this Agreement for any failure of performance other than failure to start or complete a Project by the applicable Start Date or Completion Date, the City may elect as its sole and exclusive remedy to either (x) terminate this Agreement, or (y) be relieved from any obligation under this Agreement which was contingent upon the failed performance.

(ii) If the City defaults under the terms of this Agreement, Investor will be under no obligation to perform its duties under this Agreement unless and until the City cures its default, and Investor will be entitled to all remedies at law or in equity, including without limitation, specific performance, damages and injunctive relief, plus court costs and attorney's fees.

11. UNAVOIDABLE DELAY.

11.1 Definition. From the Effective Date, neither the City nor Investor, as the case may be, nor any assignee or successor-in-interest, shall be considered in breach of or in default of its obligations under this Agreement due to causes beyond its control (which, other than with respect to adverse market conditions, were not known by the Party asserting the Unavoidable Delay as of the Effective Date) and without its fault or negligence, including but not limited to: acts of God, the public enemy, or of the other Party; litigation or appeals filed by third Parties which prevent or delay a Party's performance; fires, floods, epidemics, quarantine restrictions, strikes, bid protests, freight embargoes, earthquake, explosion, mob violence, or riot; the inability to procure or the rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market; malicious mischief; condemnation; and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar events and/or occurrences beyond the control of the Parties; adverse market conditions; and environmental and archaeological remediation (each an **"Unavoidable Delay"**).

11.2 Adverse Market Conditions. The term "adverse market conditions", which is included as an Unavoidable Delay, exists when Investor gives written notice to the City that Investor is unable to secure financing for any portion of the Project on commercially reasonable terms. Such inability to secure financing will be deemed outside of the control of Investor and the City will extend associated time periods for performance for the length of the delay, for a period of not more than two years.

11.3 Effect of Unavoidable Delay. If a Party determines that an Unavoidable Delay event exists, then that Party shall give notice of that event and its cause(s) to the other Parties. In the event of the occurrence of any Unavoidable Delay, the time or times for performance of the obligations of the Parties, as the case may be, shall be extended for the period of the Unavoidable Delay; provided, that the Party seeking the benefit of the provisions of this section shall, within thirty (30) days after the Party becomes aware of an Unavoidable Delay, have first notified the other Party in writing of its cause or causes and the estimated time of correction. Any action or failure to act by a Party pursuant to this Agreement which is not due to an Unavoidable Delay shall not excuse the performance by that Party. Any Party may suspend its performance under this Agreement that is conditioned on the performance that another Party has been excused from by reason of an Unavoidable Delay. A Party which intends to suspend its performance based on another's Unavoidable Delay, shall notify the other Parties in writing of the specific date of suspension of performance and the specific performance it will not undertake or continue. Upon resumption of performance by the Party initially excused due to Unavoidable Delay, all Parties shall immediately resume performance.

12. DISPUTE RESOLUTION. Any controversy or claim arising out of or concerning this Agreement shall first be submitted to designated representatives of the Parties for resolution. The representatives will meet or confer for a period of twenty (20) days to determine whether and how the dispute or controversy may be resolved. If the representatives are unable to resolve the matter, the dispute or controversy shall be submitted to professional mediation. The mediator will be selected within ten (10) days by mutual agreement of the Parties' designated representatives. If the matter cannot be resolved by mediation within thirty (30) days after appointment of the mediator or within thirty (30) days after a Party shall have delivered written notice to the other Parties which notice shall request the initiation of the process to appoint an arbitrator, the matter will be determined by binding arbitration by one arbitrator selected by the Parties. The arbitrator will use the commercial arbitration rules of the American Arbitration Association ("**AAA**"), but the arbitration will not be submitted to the AAA or other arbitration service. The arbitrator will be selected within ten (10) days after delivery of a request to initiate arbitration by mutual agreement of the Parties. If the Parties cannot agree on an arbitrator, the arbitrator will be appointed by the Presiding Judge of the Pima County Superior Court. Judgment on the award may be entered in any court having jurisdiction. A Party substantially prevailing in the arbitration shall also be entitled to recover such amount for its costs and attorney fees incurred in connection with the arbitration as shall be determined by the arbitrator. Nothing herein, however, shall prevent a Party from resorting to a court of competent jurisdiction in those instances where injunctive or other equitable relief may be appropriate or from exercising other rights under this Agreement.

13. City Liaison; Oversight Committee. The City Manager shall assign a staff member whose primary responsibility will be to act as Investor's day-to-day City contact for

purposes of this Agreement. In addition, and within 90 days following the Effective Date, the City Manager shall work with Investor to assemble and create a citizen's oversight committee for the projects described in this Agreement ("Arts/Entertainment Oversight Committee").

14. MISCELLANEOUS TERMS.

14.1 Good Faith and Fair Dealing. The Parties shall have imputed to all of their duties, obligations, and acts performed or to be performed under this Agreement, a standard of conduct of good faith and fair dealing.

14.2 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered (including by means of professional messenger service or overnight courier service) or sent by registered or certified mail, postage pre-paid, return receipt requested, or by facsimile or email transmission followed by delivery of a "hard copy" by one of the other means allowed hereunder, and shall be deemed received upon the date of delivery thereof (or when delivery thereof is refused by the addressee) as follows:

If to the City:
City Manager
City of Tucson
P.O. Box 27210
Tucson, AZ 85726-7210
Business: (520) 791-4204
Fax: (520)

With a copy to:
Mike Rankin, City Attorney
City of Tucson
P.O. Box 27210
Tucson, AZ 85726-7210
Business: (520) 791-4221
Fax: (520)623-9803
mike.rankin@tucsonaz.gov

If to Rio Nuevo:
_____
_____
_____
_____

With a copy to:
_____
_____
_____
_____

If to Investor :
Downtown Tucson Development Company, LLC
33 West Congress, Suite 225
Tucson, Arizona 85701

Telephone:
Fax:
donmartin@ceiglobal.com & exeter44@aol.com

And to: T. Patrick Griffin, Esq.
One South Church Avenue, Suie 900
Tucson, Arizona 85701
Telephone: 520-792-3836
Fax: 520-624-5080
patgriffin@hmpmlaw.com

The addresses to which notices are to be delivered may be changed by giving notice of such change in address in accordance with this notice provision.

14.3 Inspect of Records; Confidentiality.

14.3(a) Inspection of Records. Each Party agrees that, upon the reasonable prior notice from another requesting Party, it will make available to the requesting Party its records, reports and information pertaining to the Project for review (but not copying, unless agreed upon by the non-requesting Party), so as to inform the requesting Party and to enable the requesting Party to determine the other Party's compliance with the terms of this Agreement.

14.3(b) Confidentiality. Each Party agrees to keep as confidential any document or information identified by the originating Party as being confidential, by means of marking the document or information as being confidential. A Party agrees to only communicate confidential information to its legal counsel or as required by court order. In the event that the City or Rio Nuevo is served with a request for the production of confidential information provided to the City or Rio Nuevo by another Party, or by the City or Rio Nuevo to Investor, pursuant to A.R.S. § 39-121 *et seq.*, then the Party receiving the public records production request shall, at least five (5) days before the Party receiving the request would, if the request were granted, make the confidential information available to the requesting party, provide the originating Party with a copy of the request, so that the originating Party may take steps to prevent the disclosure of the confidential information. However, the Parties acknowledge that, as public entities, the City and Rio Nuevo must comply with and will comply with A.R.S. § 39-121 *et seq.*

14.4 Conflicts of Interest. No member, official, or employee of the City or Rio Nuevo shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to this Agreement which affects his personal interests or the interest of any corporation, partnership, or association in which he is, directly or indirectly, interested. This Agreement is subject to the provisions of A.R.S. § 38-511.

14.5 Discrimination. Investor agrees that in performing its obligations under this Agreement, it will not discriminate against any employee or applicant for employment because of race, color, religion, age, gender, sexual orientation or national origin.

14.6 Binding Effect. This Agreement shall be binding upon the Parties, their legal representatives, successors, and assigns. Specifically, regardless of whether this Agreement is terminated or lapses, the provisions of Sections 3.2, 3.3, 3.5, 3.7, 3.10, 3.11, 6, 10.3(b), 12, and 14.3(b) will be binding on the Parties and will survive any such termination or lapse. Any covenant or condition set forth in this Agreement, the full performance of which is not specifically required prior to the expiration or earlier termination but which by its terms is to survive the termination of this Agreement, shall survive the expiration or earlier termination of this Agreement and shall remain fully enforceable thereafter.

14.7 Additional Documents. Each Party shall execute such additional documents and take such actions as are reasonably necessary or convenient to complete or confirm the transactions contemplated by this Agreement.

14.8 Counterparts. This Agreement may be executed in two or more counterparts, including facsimile or email counterparts, which together shall constitute one agreement.

14.9 Governing Law; Venue; Jurisdiction. This Agreement shall be governed, construed, and enforced in all respects by, and construed in accordance with, the internal laws of the State of Arizona, without regard to principles of conflict of laws. Subject to Section 12, any action or suit to enforce or construe any provision of this Agreement by any Party shall be brought in the Superior Court of the State of Arizona for Pima County or the Federal District Court located in Pima County, Arizona. The Superior Court of the State of Arizona for Pima County or the Federal District Court located in Pima County shall have exclusive jurisdiction over all lawsuits brought by any Party against any other Party with respect to the subject matter of this Agreement, and each Party hereby irrevocably consents to such exclusive jurisdiction and waives any and all objections it might otherwise have with respect thereto.

14.10 No Third Party Beneficiaries. Investor, the City and Rio Nuevo are the only parties to this Agreement and are the only parties entitled to enforce its terms, except as otherwise specifically provided in this Agreement. There are no third-party beneficiaries of this Agreement.

14.11 Entire Agreement. Except for other agreements specified in this Agreement on any particular subject matter, this Agreement constitutes the entire agreement between the Parties as to the subject matter covered by this Agreement.

14.12 Headings. Headings in this Agreement are for convenience only and shall not affect its meaning.

14.13 Specific Performance; Remedies. The Parties acknowledge and agree that real property is unique and that monetary damages may not be an adequate remedy for a breach of this Agreement. Accordingly, a court or arbitrator may impose the remedy of specific performance, in addition to all other legal or equitable remedies to which the City, Rio Nuevo or Investor may be entitled in the event of a breach.

14.14 Non-Waiver. Waiver by any Party of strict performance of any provision of this Agreement shall not be deemed a waiver of or prejudice a Party's right to require strict

performance of the same or any other provision in the future. A claimed waiver must be in writing and signed by the Party granting a waiver. A waiver of one provision of this Agreement shall be a waiver of only that provision. A waiver of a provision in one instance shall be a waiver only for that instance, unless the waiver explicitly waives that provision for all instances.

14.15 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement, and the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If a material provision of this Agreement is held invalid or unenforceable such that a Party does not receive the benefit of its bargain, then the other Parties shall renegotiate in good faith terms and provisions that will effectuate the spirit and intent of the Parties' agreement herein.

14.16 Calculation of Time. Unless referred to as Business Days, all periods of time shall include Saturdays, Sundays, and Legal Holidays. However, if the last day of any period falls on a Saturday, Sunday, or Legal Holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday, or Legal Holiday. "Business Days" shall mean Monday through Friday, and "Legal Holiday" shall mean any holiday observed by the State of Arizona.

14.17 Headings; Table of Contents. The section headings are for convenience in reference and are not intended to define or limit the scope of any provision of this Agreement.

14.18 Successors and Assigns. Subject to Sections 7 and 8, the rights, obligations, liabilities, and remedies provided in this Agreement shall extend to the successors-in-interest of the Parties and to the transferees and assignees of the Parties; however, a grantee, vendee, transferee, or assignee of a specific property or portion of the Project Area shall only be responsible for obligations which encumber that property or which are assumed in writing.

14.19 Interpretation of Agreement; Status of Parties. This Agreement is the result of arms-length negotiations between the Parties and shall not be construed against any Party by reason of its preparation of this Agreement. Nothing contained in this Agreement shall be construed as creating the relationship of principal and agent, partners, joint venturers, or any other similar relationship between the Parties.

14.20 Future Assurances. Each of the Parties shall promptly execute and deliver such additional documents and shall do such acts that are reasonably necessary, in connection with the performance of their respective obligations under this Agreement according to the Project Schedule so as to carry out the intent of this Agreement.

14.21 Capacity to Execute; Mutual Representation. The Parties each warrant and represent to the others that this Agreement constitutes a legal, valid, and binding obligation of that Party. Without limiting the generality of the foregoing, each Party represents that its governing authority and, in the case of the Rio Nuevo, its Board, and, in the case of the City, Mayor and Council, has authorized the execution, delivery, and performance of this Agreement. The individuals executing this Agreement warrant that they have full authority to execute this

Agreement on behalf of the entity for whom they purport to be acting. Each Party represents to the others that neither the execution and delivery of the Agreement, nor the consummation of the transactions contemplated hereby will: violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, government agency, or court to which it is subject or any provision of its charter or bylaws; or conflict with, result in a breach of, or constitute a default under any other agreement to which it is a party or by which it is bound. No Party needs to give any notice to, make any filing with, or obtain the consent of any other entity or person to consummate the transaction contemplated by this Agreement.

14.22 Approvals. Where this Agreement requires the approval(s) of a Party, such Party will approve or disapprove within ten (10) Business Days after receipt of the material to be approved, except where a longer or shorter time period is specifically provided in this Agreement, and except where the approval requires action by the Rio Nuevo Board, Mayor and Council or both, and in that case, the approval period shall be forty-five (45) days. Any disapproval shall state in writing the reasons for such disapproval. Approvals will not be unreasonably withheld or conditioned, except where rights of approval are expressly reserved to a Party in its sole discretion in this Agreement.

14.23 Exhibits. The Exhibits attached to this Agreement are an integral part of this Agreement and are fully incorporated into this Agreement where they are referenced in the text of this Agreement.

14.24 Relationship of City to City Departments and Divisions. Where this Agreement refers to an obligation of, or a benefit to, a City Department or Division and not the City itself, then the City agrees to enter into an IGA with that City Department or Division requiring that Department or Division to perform the obligation and allowing that Department or Division the benefit.

14.25 Attorney Fees. If an arbitration proceeding, suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U. S. Bankruptcy Code) is instituted in connection with any controversy arising out of this Agreement or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover its attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary, as determined by arbitrator or by the court at trial or on any appeal or review, in addition to all other amounts provided by law.

14.26 Mortgagee Protection. The City and Rio Nuevo agree to give any mortgagee, beneficiary under a trust deed or other lender providing Construction Financing (each, a **"Lender"** and collectively, **"Lenders")** a copy of any notice of default served upon Investor, provided that prior to such notice the City and Rio Nuevo have been notified in writing by Investor of the addresses of such Lenders. The City and Rio Nuevo further agree that if Investor shall have failed to cure a default hereunder within the time provided for in this Agreement, then the applicable Lender shall have an additional sixty (60) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary if within such sixty (60) days such Lender has commenced and is diligently pursuing the cure of such default (including but not limited to commencement of foreclosure

proceedings if necessary to effect such cure), in which event such parties shall forbear from exercising its remedies under this Agreement while such cure is being diligently pursued by a Lender.

14.27 Memorandum of Agreement. Within ten (10) days of the Effective Date, the Parties will execute, deliver and record against those properties in the Project Area owned by Investor and/or subject to Option Agreements, short form memorandum of this Agreement in the form attached hereto as Exhibit "I".

14.28 Amendment. The Parties may amend or repeal the provisions of this Agreement by unanimous written agreement of the Parties. No amendment shall be effective unless set forth in writing. Subject to Sections 8.3 and 9.2, amendments to this Agreement can be approved by the City Manager and the other Parties.

[Remainder of Page Intentionally Left Blank;
Signatures on Following Page.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

"CITY"	"RIO NUEVO"
CITY OF TUCSON By:_____ Bob Walkup, Mayor ATTEST: _____ City Clerk Date This Agreement has been submitted to the undersigned attorney for the City, who has determined that his Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the City. _____ Mike Rankin, City Attorney Date	**RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT,** a political subdivision of the State of Arizona _____ Chairman ATTEST: _____ Clerk Date This Agreement has been submitted to the undersigned attorney for Rio Nuevo, who has determined that his Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the Board. _____ Attorney to Rio Nuevo Date
"INVESTOR"	
DOWNTOWN TUCSON DEVELOPMENT COMPANY LLC, an Arizona limited liability company By: Rialto Block Project, LLC, an Arizona limited liability company Its: Manager By:_____ Don Martin, its Member By: _____ Scott Stiteler, Member	

List of Exhibits

Exhibit A:	Map of Project Area
Exhibit B:	[Reserved]
Exhibit C-1:	Entertainment District
Exhibit C-2:	Warehouse Arts District
Exhibit D-1:	City Land—Initial Properties
Exhibit D-2:	City Land—Additional Properties
Exhibit E:	Timing of Vesting of Investor Options
Exhibit F:	Streetscape Plans
Exhibit G:	Project Schedule
Exhibit H:	Form of Option Agreement
Exhibit I:	Form of Memorandum of Agreement

EXHIBIT D-1
TO
CONGRESS STREET AND WAREHOUSE ARTS DISTRICT DEVELOPMENT AGREEMENT

City Lands-Initial Properties

Volvo
Front of Rondstadt Transit Center
(legally describe)
[Additional property to be identified by COT]

EXHIBIT D-2
TO
CONGRESS STREET AND WAREHOUSE ARTS DISTRICT DEVELOPMENT AGREEMENT

City Lands-Additional Properties

EXHIBIT E
TO
CONGRESS STREET AND WAREHOUSE ARTS DISTRICT DEVELOPMENT AGREEMENT

Timing of Vesting of Investor Options

The Land Credit shall vest in favor of Investor upon performance of the following events, and at the percentages set forth below. Investor is entitled to exercise its option to acquire City Lands incrementally, at any time and from time to time following performance of the event(s) described below, to the extent of the Land Credit multiplied by the percentage vested, on a cumulative basis. Investor may exercise incrementally any vested percentage of the Land Credit to acquire individual parcels of corresponding dollar value, as and when the vested percentages are earned.

Event:	Percentage of Land Credit Vested:
Submission of Concept Plan	20%
Execution of new leases or lease renewals for not less than 8,000 square feet within the Entertainment District since date of Predevelopment Agreement	16%
Annual Payment under Section 2.3	3% per year (15% in the aggregate)
Arts District project pursuant to Section 2.2	
--1st $1 million of Investor expenditures	6.25%
--2nd $1 million of Investor expenditures	6.25%
--3rd $1million of Investor expenditures	6.25%
--remaining $1.5 million of Investor expenditures	6.25%
Execution of new leases or lease renewals for not less than 12,000 additional square feet within the Entertainment District	24%

EXHIBIT G
TO
CONGRESS STREET AND WAREHOUSE ARTS DISTRICT DEVELOPMENT AGREEMENT

Project Schedule

Responsibility:	Start Date:	Completion Date:
A. Investor Responsibilities:		
1. Concept Plan (§ 1)	Completed as of Effective Date	
2. Entertainment District Expenditures	See § 2.1(a)	Five years from Effective Date
3. 8,000 s.f. of leases/lease renewals within Entertainment District		Two years from Effective Date
4. 12,000 s.f. of leases/lease renewals within Entertainment District		Three years from Effective Date
5. Payments to Skrappy's/Arts Organizations Façade Improvement Program	See § 2.3	See § 2.3
6. Renovation of 197 Toole		See § 2.2(b)(i)
7. Renovation of Skrappy's Building	Completed as of Effective Date	
8. Art Building	See §2.2(b)(iii)	Five years from Effective Date
B. City Responsibilities:		
1. Transfer of Toole Property To Non-Profit		Within 30 days of acqusition
2. Evaluation of Toole Property (§ 2.2(b)(2))		___ days from the Effective Date
3. AD Public Improvements (§2.2(b)(iv) & § 3.2)	See § 3.2	
4. Streetscape, Utility & Street Improvements	See § 3.2	

5. Parking Garage & Underpass	See § 3.3	
6. Appraisal of Initial Properties and Additional Properties		_____, 2009
7. Streetcar	See § 3.6	
8. Aviation Barraza Improvements	See § 3.9	
9. Tucson/Arroyo Chico Wash Basin relocation	See § 3.9	
10. Corbett Block easement release	See § 3.9	
11. Plaza Centro Parking (§ 3.10)	_____, 2009	_____, 2009
12. Citizen's Oversight Committee (§ 4.13)		30 days from Effective Date
13. Recordation of Options on City Lands		10 business days from Effective Date

C. Joint Responsibilities:

1. Art District Business Plan	_____, 2009	_____, 2009
2. Formation of Non-Profit		Within 30 days from Effective Date
3. Approval of AD Budget	See § 2.2(b)	