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February 21, 2007

TO: Members of the Building Lease Working Group

FROM: Mayor Keno Hawker, City of Mesa

SUBJECT: MEETING NOTIFICATION AND TRANSMITTAL OF TENTATIVE AGENDA FOR THE BUILDING LEASE WORKING GROUP

Monday, February 26, 2007 - 2:00 p.m.
MAG Office, Suite 200 - Cholla Room
302 North 1st Avenue, Phoenix

A meeting of the Building Lease Working Group (BLWG) has been scheduled for the time and place noted above. Members of the Working Group may attend the meeting either in person, by telephone conference, or by video conference.

Please park in the garage under the building. Bring your ticket to the meeting, parking will be validated. For those using transit, the Regional Public Transportation Authority will provide transit tickets for your trip. For those using bicycles, please lock your bicycle in the bike rack in the garage.

Pursuant to Title II of the Americans with Disabilities Act (ADA), MAG does not discriminate on the basis of disability in admissions to or participation in its public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Denise McClafferty at the MAG office. Requests should be made as early as possible to allow time to arrange the accommodation.

If you have any questions regarding the BLWG, please contact Mayor Keno Hawker at (480) 644-2388 or Dennis Smith, MAG Executive Director, at (602) 254-6300.

A Voluntary Association of Local Governments in Maricopa County

City of Apache Junction ▲ City of Avondale ▲ Town of Buckeye ▲ Town of Carefree ▲ Town of Cave Creek ▲ City of Chandler ▲ City of El Mirage ▲ Fort McDowell Yavapai Nation ▲ Town of Fountain Hills ▲ Town of Gila Bend
Gila River Indian Community ▲ Town of Gilbert ▲ City of Glendale ▲ City of Goodyear ▲ Town of Guadalupe ▲ City of Litchfield Park ▲ Maricopa County ▲ City of Mesa ▲ Town of Paradise Valley ▲ City of Peoria ▲ City of Phoenix
Town of Queen Creek ▲ Salt River Pima-Maricopa Indian Community ▲ City of Scottsdale ▲ City of Surprise ▲ City of Tempe ▲ City of Tolleson ▲ Town of Wickenburg ▲ Town of Youngtown ▲ Arizona Department of Transportation

TENTATIVE AGENDA

1. Call to Order

The Building Lease Working Group (BLWG) will be called to order.

2. Update on the Regional Office Center

On January 8, 2007, the Executive Committee and Building Lease Working Group were provided an update on the progress of the Regional Office Center, which included a cost estimate based on the schematic design package. It was suggested that staff move forward to the partnering agencies' boards of directors with the cost estimates. Staff presented background information, as well as the cost estimates, at the agencies' Management Committee meetings. The Management Committees of all four agencies recommended moving forward with a Memorandum of Understanding (MOU). They also requested additional information on the fiscal impact, as well as the impact on funding sources. The project is also moving forward through the agency Board of Directors meetings beginning February 20, 2007. Both a draft MOU and the additional information will be provided at the agencies' March meetings. An update on the project and the discussions at these meetings will be provided, as well as a conceptual outline on the agreement and funding process.

3. Adjournment

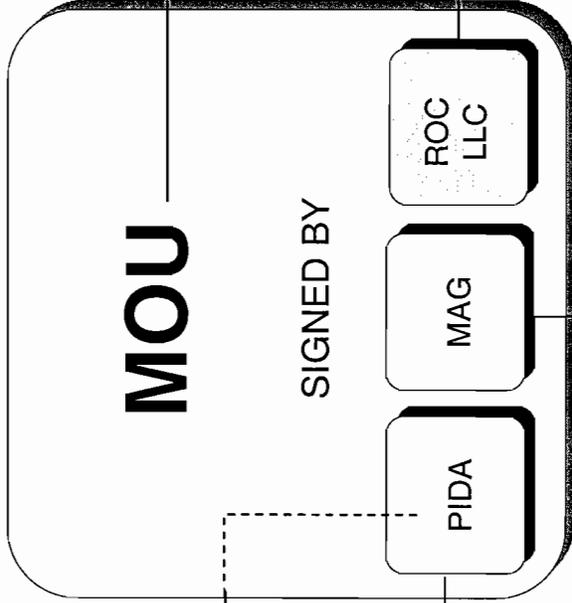
COMMITTEE ACTION REQUESTED

2. Information, discussion and possible action.

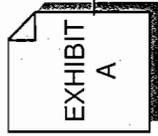
DRAFT

MAG USES **BDFC** - AN EXISTING **501(C)3** TO CREATE A SHELL **LLC (SPE)** AS A VEHICLE TO FACILITATE PROCESS OF SECURING TAX-EXEMPT FINANCING

501 (C)3



INVESTMENT BANKING INSTITUTION'S COMMITMENT TO THE PIDA

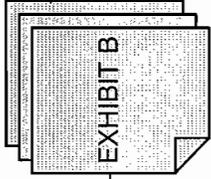


PROVIDES TAX-EXEMPT FINANCING THROUGH INDUSTRIAL REVENUE BONDS

PIDA WILL BE THE ASSURANCE TO THE DEVELOPER THAT THE PARTNER AGENCIES HAVE THE FINANCIAL BACKING

THIS, TOGETHER WITH THE LEASES WILL PROVIDE MAG THE MANAGING AGENT TO SIGN A NEW AGREEMENT WITH KAYE/RYAN TO CONTINUE THE DEVELOPMENT PROCESS INCLUDING ADDITIONAL DESIGN AND PRECONSTRUCTION SERVICES

FORM OF LEASE WITH LEASE TERMS AND CONDITIONS OR 3 SEPARATE LEASES



THE 501 (C) 3 IS THE SOLE MEMBER OF THE LLC

LLC OWNS THE BUILDING AND LEASES IT TO THE PARTNERING AGENCIES

EACH PARTNERING AGENCY WILL PROVIDE FINANCIAL STATEMENTS TO ASSURE INVESTORS OF THEIR ABILITY TO FUND LEASES

MAG HIRES A PROFESSIONAL BUILDING MANAGEMENT COMPANY

LLC CONTRACTS WITH MAG AS MANAGING AGENT TO CONTROL

- o DESIGN
- o DEVELOPMENT
- o MANAGEMENT

(WITH ADVISORY PANEL)

MOU SIGNATURE APRIL 12 2007

LLC SIGNS A PURCHASE AGREEMENT WITH KAYE/RYAN THIS WILL PROVIDE THE DEVELOPER THE ABILITY TO FINANCE CONSTRUCTION

3 WEEKS

5 WEEKS

REGIONAL OFFICE CENTER (ROC) PROPOSED TRANSACTION

OVERVIEW:

The Maricopa Association of Governments (MAG), Regional Public Transportation Authority (RPTA), Valley Metro Rail (VMR) and Arizona Municipal Water Users Association (AMWUA) (each individually a "Party," and collectively the "Parties") intend to provide for the construction of a new facility (the "Regional Office Center" or "Building") to include office space for each of the Parties, as well as meeting and other spaces that will meet the increasing needs of the Parties, their elected and appointed officials, and the public.

The Building and attendant infrastructure improvements (the "Improvements") will be constructed by Ryan Companies on property owned by David Kaye and located at the southwest corner of First Avenue and McKinley Street in Phoenix (the "Property"), pursuant to the terms of a Purchase Agreement, as further defined herein. When the Building and Improvements have been completed to the satisfaction of the Parties, and a certificate of occupancy has been issued by the City of Phoenix, the Building and the Property will be purchased for the benefit of the Parties, as more particularly set out herein.

PURCHASE AND FINANCING:

The Regional Office Center is expected to cost approximately \$86.9 million, and will be financed by the Phoenix Industrial Development Corporation (the "IDA"). In order to take advantage of IDA financing, the Building Development Finance corporation, an existing Arizona non-profit corporation which is an IRC Section 501(c)(3) corporation (the "BDFC"), will, as the sole member, form a single-purpose Arizona limited liability company (the "Buyer LLC"). The Buyer LLC will borrow the funds to purchase the Building (including the Improvements) and the Property from the IDA, and will enter into a Purchase Agreement with Kaye/Ryan. The Purchase Agreement will provide that the Building and Improvements are to be delivered as a Design-Build project and in accordance with plans and specifications incorporated into the Purchase Agreement. The IDA will provide financing for the Purchase through Industrial Revenue Bonds.

The Buyer LLC, as Lessor, will enter into leases with MAG, RPTA, VMR and AMWUA as Lessees, for their respective spaces in the Building. The Buyer LLC will grant a first-lien deed of trust on the Building and the Property to the IDA as security for the loan.

DESIGN AND CONSTRUCTION:

Kaye/Ryan will, pursuant to the Purchase Agreement, develop design and construction documents, secure building permits, demolish existing improvements on the Property, construct the Building and Improvements, and take all additional acts necessary to satisfy the terms of the Purchase Agreement.

THE MOU:

The Building and Improvements, including the offices, conference center, parking structure and other common areas will be designed, constructed and managed under the supervision and control of MAG, pursuant to a Memorandum of Understanding between the IDA, the Buyer LLC, and MAG (the "MOU"). The MOU will also provide for the disposition of revenues from parking and retail and sub-leased space. The investment banking institution's commitment to the Buyer LLC to sell the bonds, and the Leases, will be attached to the MOU as exhibits.

MAG will be advised in matters related to the ROC by an Advisory Panel comprised of representatives of each of the Parties. MAG may choose to retain the services of a professional building management company for building management purposes.

THE LEASES:

As noted above, the Buyer LLC will enter into Leases with each of the Parties. The Lease provisions will include, but not be limited to:

1. Identification of limited, clearly identifiable sources of revenue for each of the Parties:
 - a. MAG – Federal Highway funds, sales taxes (portion assigned to administrative expenses), local unrestricted contributions
 - b. RPTA – Federal Transit funds and sales taxes (portion assigned to administrative expenses),
 - c. VMR – local cost share funds
 - d. AMWUA – local contributions
2. Lease with option to purchase for \$1.00 at end of 30-year lease (bond) term.
3. Rents to cover loan payments and building overhead.
4. Detail responsibilities regarding common spaces, identify shared costs, provide for operation and maintenance of the

Building and the Property, and provide appropriate breach of lease, insurance, and other appropriate terms.

5. Agreement of the Buyer LLC that at end of lease term, if any of the Parties wishes to exercise the option to purchase its leased premises, the Buyer LLC will take all of the acts necessary to create a condominium at the Parties' sole cost, and to create a property owners association.
6. Conference center, lobby, etc. become "common area" managed by MAG pursuant to an agreement with the Buyer LLC.

DELIVERY OF PROJECT TO BUYER LLC:

Upon completion of the construction per previously agreed to plans and specifications, the Buyer LLC closes the loan with the Phoenix IDA and disburses payment to Kaye/Ryan.