



PLAY
BAR & LOUNGE
GROUND



5TH 5/C CONGRESS



Economic Incentive Application for the Fifth and Congress Project

Tucson Urban Development
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Economic Incentive Application for the Fifth and Congress Project

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Location: Intersection of 5th Avenue and Congress Street. The Rialto Block (Congress Street) - the Hotel (5th Avenue and Toole Avenue behind One North Fifth) - the 200 Block (Congress Street).

Development Type: Mixed Use. 130 Room Hotel, 20,000 sq. ft of Office, 5,000 sq. ft of retail, 19,400 sq. ft of new restaurants and bars and a small residential project.

Size: Approximately 136,727 sq. ft of improved property

Project Description: The 5th and Congress Project consists of the redevelopment of the Historic Rialto Building Block, the continuing redevelopment of the 200 block and construction of a new 130 room Hotel behind the One North Fifth Block. Tucson Urban Development has previously redeveloped the One North Fifth building and the 200 Block with the additions of the Hub Restaurant and the Playground Lounge. The new users include 6 new restaurants, 2 new bars, 1 outdoor mixed use courtyard, a coworking and office suite space, a new hotel and streetscape enhancements and improvements. The project should create over 600 new jobs and anchor the redevelopment activity on the eastern end of Downtown Tucson.

Estimated Project

Cost: \$31,795,689

Jobs 606 (303 FTE)

City Tax Revenue \$10,997,347 (through 2032)

RN Tax Revenue \$18,107,094 (through 2025)

Economic Location: The population tract that these properties lie in is seriously distressed with a median income of around 14% of the MSA's area income. 57.18% of the population of this census tract lives below the poverty line.

Fifth and Congress Redevelopment

Project Overview



Fifth and Congress Redevelopment

Project Overview



This document contains two applications for economic development incentives and community loan fund request—one for the Rialto Block and one for the Depot Plaza Hotel. The applications and development of the project is viewed in the aggregate as one project, a project that is possible because of the previous investments and site control of the Tucson Urban company and its dedication on delivering the larger master plan. The overall 5th and Congress project will create over 500 new jobs, open the first new hotel in Downtown Tucson in over 30 years, establish a coworking office hub for the region and contribute over \$1.6 million dollars a year in sales taxes to public agencies and averaging over \$2 million dollars a year throughout the project.

The 5th and Congress redevelopment project is a mixed use development project that occupies three of the four corners of the intersection, with Hotel Congress being the 4th corner. Tucson Urban, a subsidiary of the Stellar Companies, has previously redeveloped parts of the project in advance of this larger effort. Tucson Urban purchased the old Martin Luther King building, which was scheduled to be razed, and converted it into the market rate One North Fifth building, which is 100% occupied. In addition, Tucson Urban added a new commercial strip to the front of the One North Fifth building to activate that side of the Congress Street and provided the financial support and renovations necessary to launch anchor tenants Sparkroot, Xoom Juice and Yoga Oasis.

Across the street in the 200 Block, Tucson Urban renovated spaces and provided financial support for KRG restaurant group to open the Hub Restaurant and Creamery and The Playground Bar and Lounge. Both projects are successful and were important for other users to see that Downtown Tucson is a great location to operate. Tucson Urban has carefully vetted its new operators to make sure they are of the same quality and commitment that KRG has demonstrated in the project. The proposal is to add 6 new restaurants with 2 additional small stand alone bars, 20,000 sq. ft of coworking office/office suite space, a small residential project, an outdoor mixed use courtyard used by the coworking lounge and a new hotel. Presuming these incentives available to developments of this nature are awarded to the project, we have commitments on all aspects of the development to move forward and develop according to our timeline.

Financing of mixed use real estate in 2012 is difficult. It is for projects such as this, that invest to create and retain jobs in areas of greatest need, that HUD created the Section 108 loan program, and that cities such as Phoenix, have implemented GPLET programs. The 5th and Congress redevelopment - renovating three buildings, building a new hotel, building a new mixed use building to spur the creation of over 303 FTE jobs through the opening of 6 new restaurants, 2 new bars, 3 new retail spaces, a new 130 room hotel, the office space for entrepreneurs, microenterprises and small businesses, while driving revenues to public agencies like the City of Tucson and Rio Nuevo - will be a catalyst for further redevelopment for the City of Tucson and the realization of the success of the investments that the public has already made in the area. Tucson Urban is committed to the vision of a vibrant downtown and believes this project as a vital step in the City's redevelopment efforts.

Fifth and Congress Redevelopment

Incentive Request

In these applications we are requesting the by right incentives based on location, the ability to GPLET the elements of the project that qualify, the rebate or direction of site generated revenue into public streetscape and public infrastructure enhancements and the ability to work with the City and IDA to investigate the possibility of using some of the Community Development Fund/Section 108 funds on the Hotel project and the Rialto Block redevelopment. The project achieves all four of the preferred local criteria of the Community Development Loan Fund as it is pedestrian and transit orientated, is located within the Rio Nuevo Tax Increment District, is within ¼ of a mile of the modern streetcar alignment and is within ¼ Mile of a PAG designated High Capacity Transit Corridor. The project also supports several of the federal livability principles by enhancing economic competitiveness, supporting existing communities, by valuing communities and neighborhoods and by coordinating with local jurisdictions policies and leveraging investment in directed area. In addition to this request, we are also seeking New Market Tax Credits and Historic Tax Credits through outside agencies.

We are asking consideration for:

- GPLET for the 5th and Congress Project.
- Infill Incentive District: \$10,000 per project building fee waiver, 2% construction sales tax credited for qualified public improvements and expedited review
- Central Impact Fee Benefit District: 23% reduction in road impact fee and impact fee deferral to C of O, if applicable.
- Economic Development Tax Incentive Agreement: Waiver of building permit and review fees and dedicating a portion of site generated revenues to qualified public improvements (see below) as permitted by state law .
- Consideration for a Section 108 loan through the Community Development Loan Fund for the Hotel Project and the Rialto Block Redevelopment.

We are asking that a portion of the site generated revenues received by the city are directed to:

- Streetscape, Public Infrastructure Enhancements, TRE, review and development fees
- Reimbursement for qualified work ongoing and completed to date in the public realm

We are asking that a portion of the site generated revenues received by the Rio Nuevo are directed to:

- Physical improvements to the Rialto Theatre
- Operational support to the Rialto Theatre
- To finish the public improvements at Depot Plaza

As stated above, we are also investigating the use of New Markets Tax Credits and Historic Tax Credits as a possible enhancement to the Community Loan Fund request

Fifth and Congress Redevelopment

Tax Calculation—Fifth and Congress Project

2014	Square Feet	Sales Per Foot	Annual Sales	City Sales Tax	RN Sales Tax	Total Cost
Rialto Block						
Bar A	986	\$675	\$665,550	\$13,311	\$37,271	\$297,772
Retail A	597	\$180	\$107,460	\$2,149	\$6,018	\$135,519
Restaurant A	1,592	\$925	\$1,472,600	\$29,452	\$82,466	\$528,544
Retail B	1,002	\$180	\$180,360	\$3,607	\$10,100	\$227,454
Restaurant B	2,840	\$850	\$2,414,000	\$48,280	\$135,184	\$857,680
Restaurant C	2,560	\$900	\$2,304,000	\$46,080	\$129,024	\$952,320
Office A	3,272	\$20	\$65,440	\$1,309	\$3,665	\$905,584
Office B	17,048	\$0	\$0	\$0	\$0	\$4,045,956
Restaurant D	5,630	\$600	\$3,378,000	\$67,560	\$189,168	\$2,009,460
Residential A	3,000	\$0	\$0	\$0	\$0	\$1,266,000
Retail C	3,000	\$0	\$0	\$0	\$0	\$175,000
Rialto Block	41,527	\$616	\$10,587,410	\$211,748	\$592,895	\$11,401,289
Bar B	700	\$525	\$367,500	\$7,350	\$20,580	\$92,400
Restaurant E	2,400	\$765	\$1,836,000	\$36,720	\$102,816	\$672,000
Restaurant F	2,700	\$750	\$2,025,000	\$40,500	\$113,400	\$762,000
Retail D	400	\$180	\$72,000	\$1,440	\$4,032	\$68,000
200 Block	6,200	\$555	\$4,300,500	\$86,010	\$240,828	\$1,594,400
Hotel	89,000		\$3,816,629	\$133,856	\$414,986	\$18,800,000
Total	136,727.		\$18,704,539	\$431,614	\$1,248,708	\$31,795,689

Year	City Sales and Bed Tax	Rio Nuevo Sales and Bed Tax	Construction Sales Tax
2013	\$156,538	\$385,382	\$137,518
2014	\$431,615	\$1,248,708	\$182,000
2015	\$444,563	\$1,286,170	
2016	\$457,900	\$1,324,755	
2017	\$471,637	\$1,364,498	
2018	\$485,786	\$1,405,433	
2019	\$500,360	\$1,447,596	
2020	\$515,370	\$1,491,024	
2021	\$530,832	\$1,535,754	
2022	\$546,757	\$1,581,827	
2023	\$563,159	\$1,629,282	
2024	\$580,054	\$1,678,160	
2025	\$597,456	\$1,728,505	
2026	\$615,379		
2027	\$633,841		
2028	\$652,856		
2029	\$672,442		
2030	\$692,615		
2031	\$713,393		
2032	\$734,795		
Total	\$10,997,347	\$18,107,094	\$319,518

Fifth and Congress Redevelopment

Job Calculation

The public benefit standards at 24 CFR 570.209(b) ask for applicants to provide the "CDBG cost per job" calculation by dividing the amount of CDBG assistance obligated to the activity by the total number of full-time equivalent, permanent jobs to be created or retained by that activity on a prospective basis as determined at the time of obligation of the CDBG funds. To be conservative, we have applied all new and retained jobs within the Rialto Block project as counting as .5 FTE, in recognition that retail jobs are often part time and that some of the coworkers may be choosing to work out of the facility part time. Although this discounts the true number of FTE's the project will retain or create, we believe being conservative in our calculation is to the benefit of the application. The employment hires are provided as an estimate in consultation with the tenants and with metrics measured by Tucson Urban and Stellar Companies based on other retail and office projects we are involved in with retail B, the Mixed Use Courtyard, assuming to have no FTE's.

	Square Feet	Sales Per Foot	Annual Sales	City Sales Tax	RN Sales Tax	Employees	108 Qualification
Rialto Block							
Bar A	986	\$675	\$665,550	\$13,311	\$37,271	16	\$821,667
Retail A	597	\$180	\$107,460	\$2,149	\$6,018	10	\$497,500
Restaurant A	1,592	\$925	\$1,472,600	\$29,452	\$82,466	27	\$1,326,667
Retail B	1,002	\$180	\$180,360	\$3,607	\$10,100	17	\$835,000
Restaurant B	2,840	\$850	\$2,414,000	\$48,280	\$135,184	47	\$2,366,667
Restaurant C	2,560	\$900	\$2,304,000	\$46,080	\$129,024	43	\$2,133,333
Office A	3,272	\$20	\$65,440	\$1,309	\$3,665	55	\$2,726,667
Office B	17,048	\$0	\$0		\$0	125	\$6,250,000
Restaurant D	5,630	\$600	\$3,378,000	\$67,560	\$189,168	94	\$4,691,667
Residential A	3,000	\$0	\$0	\$0	\$0	0	\$0
Retail C	3,000	\$0	\$0	\$0	\$0	0	\$0
Rialto Block							
	41,527	\$616	\$10,587,410	\$211,748	\$592,895	433	\$21,649,167
Bar B	700	\$525	\$367,500	\$7,350	\$20,580	12	\$583,333
Restaurant E	2,400	\$765	\$1,836,000	\$36,720	\$102,816	40	\$2,000,000
Restaurant F	2,700	\$750	\$2,025,000	\$40,500	\$113,400	45	\$2,250,000
Retail D	400	\$180	\$72,000	\$1,440	\$4,032	7	\$333,333
200 Block							
	6,200	\$555	\$4,300,500	\$86,010	\$240,828	103	\$5,166,667
Hotel							
	89,000		\$3,816,629	\$133,856	\$414,986	70	\$3,500,000
Total	136,727.00		\$18,704,539.06	\$431,614.65	\$1,248,708.80	606.32	\$30,315,833
				FTE		303	\$15,157,917

Our Community Loan Fund/Section 108 request of \$4,000,000 (for each project) is comfortably below the metric of \$50,000 per FTE calculation as allowed by HUD in 24 CFR 570.209(b). We believe the actual FTE at stabilization will be higher than the 319 FTE jobs provided in this analysis. We believe the public standard of more than 51% of the jobs would be held by or made available to low to moderate income persons per \$35,000 of loan funds invested (approximately 72 FTE's) would be achieved within the project.

Fifth and Congress Redevelopment

Project Execution

The project team, consisting of Tucson Urban, Northface Investments, FORS Architects and our tenant partners, have developed property in over a dozen cities. We believe our individual track records, as well as the projects we have completed together, show that the Fifth and Congress project will be a catalyst to a larger redevelopment .

This project will not only bring jobs and tax revenue to the public, but will help motivate new populations and visitors to come to the central core and experience what Downtown Tucson has to offer. Redevelopment helps to eliminate blighted areas and reduces sprawl by locating uses in central areas accessible by foot or public transportation.

Our focus on investing in the community includes using local contractors and subcontractors. Our design team is not only from Tucson, but is headquartered in Downtown. We believe keeping as many dollars local and circulating through our economy is important. But just as important is using quality contractors who have a sense of pride in what they are doing for our community. We have found that the contractors and subcontractors in Tucson are as good as any in the West and we hope to assemble a team who is as excited to deliver the finished project as we are.

Timeline:

- Hotel:
 - Opening 3rd Quarter 2014
- Connect
 - Lounge opening 4th Quarter 2013
 - Upstairs leasing 2nd Quarter 2013
- Restaurants:
 - Restaurant A, B, D (Rialto Block) and F (200 Block) opening 1st to 3rd Quarter 2013
 - Restaurant C and Bar A (Rialto Block), Restaurant E and Bar B (200 Block) 3rd to 4th Quarter 2013
- Retail:
 - Retail C (Rialto Block) 3rd Quarter 2013
 - Retail A, B (Rialto Block) and Retail D (200 Block) 4th Quarter 2013
- Residential
 - Residential A C of O 2nd Quarter 2014
- Streetscape
 - First Quarter 2013 through 4th Quarter 2013

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Applicant Name: Tucson Urban
Street Address: 2140 W. Moore Road
City, State, Zip: Tucson, Az, 85755
Telephone: 520-229-3451
Email: stellarca@aol.com

Project Name: 5th and Congress, Rialto Redevelopment
Project Street Address: 300 E. Congress Street
City, State, Zip: Tucson, Az, 85701
City Council Ward: Ward 6
Census Tract: Tract 00001.00 MSA 46060

Briefly Describe the Project: The project consist of approximately 41,500 square feet of improved structures including a new three story building. The project is generally a mixed use development consisting of 4 restaurants, 1 small bars with 1,599 square feet of neighborhood retail, a 3000 square foot outdoor public mixed use courtyard and a 20,000 square foot coworking office space and lounge (which flexes as a student study lounge at night). The population tract that these properties lie in is seriously distressed with a median income of around 14% of the MSA's area income. 57.18% of the population of this census tract lives below the poverty line.

Section 108 Loan Requested: The request is for \$4 million dollars for the construction of the new office building, renovation of the existing Rialto Building and improvements for the mixed use courtyard.

Will the project create or retain jobs for low and moderate income employees: Yes. We believe more than 51% of the jobs will go to people within the MSA who are defined as low and moderate income.

If yes, project how many jobs: Our FTE projection for the total project is well over 300.

Will the project eliminate slum or blight: Yes.

If yes, describe how: The project will help alleviate spot blight, occupy and renovate one VANS building, renovate an empty historic structure, recycle land and invest in an economically depressed area.

Describe Other Public Benefit: The project achieves the 4 major application criteria by being pedestrian and transit orientated, being located within Rio Nuevo Tax Increment District, is within ¼ mile of the modern streetcar alignment and is within ¼ of a PAG designated High Capacity Transit Corridor. We are partnering to target this gap financing federal funding toward existing community in need—through developing transit-oriented, mixed-use development and land recycling and historic building restoration—all in order to increase community revitalization, improve the efficiency of public investments and return on those investments and help a vulnerable population live, work and play in a healthy, safe and better environment with work and business opportunities for them. In addition, the redevelopment projects yields needed revenue for the public.

Proposed Loan Term/Maturity: TBD

Proposed Amortization: TBD

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Proposed Collateral: Deed of Trust, Subordinated Property and Improvement Lien, Project Generated Revenues.

Value of the Proposed Collateral: TBD
Other Credit Enhancement: TBD
Will the Loan be guaranteed: TBD
Who Will be the guarantor: TBD

Total Development Cost: \$ 11,401,289

Sources:

108 Loan \$ 4,000,000
Developer Equity \$ 3,127,859
Developer/Tenant Improvements \$ 4,273,430

Uses:

Addendum: If Section 108 funds are approved for the project they would only go into the Rialto Building improvements, the mixed use courtyard and the construction of the Office Space . The rest of the project has private equity and bank commitments. We are also looking into the feasibility of New Markets Tax Credits instead of section 108 funds or as an enhancement to 108 funds.

Rialto Block Redevelopment

Fifth and Congress



	Square Feet
Rialto Block	
Bar A	986
Retail A	597
Restaurant A	1,592
Retail B	1,002
Restaurant B	2,840
Restaurant C	2,560
Office A	3,272
Office B	17,048
Restaurant D	5,630
Residential A	3,000
Retail C	3,000
Rialto Block	41,527

The Rialto Block is a mixed use development project that surrounds one of the first redevelopment projects that Rio Nuevo took on as part of its larger master plan: The Rialto Theatre. The Theatre has been an incredible success since its redevelopment in 2005. The surrounding block has been sold 4 times since 2004 , mostly due to redevelopment financing challenges. Tucson Urban Development acquired the property in 2007 and has invested over \$1.8 million dollars into the facility to activate the block by bringing in interim users such as the University of Arizona Mission to Mars project, the Bodies Exhibit, the Titanic Exhibit and the replica King Tut Exhibit until a larger redevelopment could take place.

Tucson Urban Development and its investor partners are prepared to redevelop the entire block with 4 new restaurants, a new small bar, retail, a mixed use courtyard, a small residential condo project, a Coworking lounge and a Coworking office suite facility. 3 of the 4 restaurants have signed LOI's and are in preliminary design phase. The 20,000 sq. ft of office space will begin its preleasing in early 2013. The hope of this project to enhance the operations of the Rialto Theatre by providing supporting and complimentary resources and, hopefully, money to pay for improvements through the revenues generated by the project. The Rialto Theatre is a tremendous catalyst for the block by having shows over 100 nights a year. The success of the Theatre is important to the success of the block and the success of downtown. The total project cost for the Rialto Block portion of the redevelopment project is \$11,401,289.

The Rialto Block portion of the 5th and Congress project is requesting GPLET, Infill Incentive District: \$10,000 per project building fee waiver, 2% construction sales tax credited for qualified public improvements and expedited review, Central Impact Fee Benefit District (23% reduction in road impact fee and impact fee deferral to C of O, if applicable). In addition, the project is requesting Economic Development Tax Incentive Agreement for waiver of building permit, review fees and the ability of the city to dedicate a portion of site generated revenues to qualified public improvements as permitted by state law (see below). The project is also applying for a Section 108 loan through the Community Development Loan Fund in the amount of \$4 Million Dollars.

Fifth and Congress Redevelopment

Tax Calculation—Rialto Block

Tax Calculation is only for sales tax generated from the project. The sales projections from the restaurants came from the operators directly, based on their current sales in other cities where they are operating, discounted for the market and time needed for stabilization. All projected sales figures are below what the only restaurant in the project, the Hub Restaurant and Creamery, is currently operating at.

Rio Nuevo revenues are only calculated through 2025 which is when the statue ends Rio Nuevo Collections. Although there are anticipated sales taxes generated in the courtyard portion of the project, we projected it at zero until more definition by the users are established.

	Square Feet
Rialto Block	
Bar A	986
Retail A	597
Restaurant A	1,592
Retail B	1,002
Restaurant B	2,840
Restaurant C	2,560
Office A	3,272
Office B	17,048
Restaurant D	5,630
Residential A	3,000
Retail C	3,000
Rialto Block	41,527

Year	City Sales and Bed Tax	Rio Nuevo Sales and Bed Tax	Construction Sales Tax
2013	\$156,538	\$385,382	\$137,518
2014	\$240,828	\$592,895	
2015	\$248,053	\$610,682	
2016	\$255,494	\$629,002	
2017	\$263,159	\$647,872	
2018	\$271,054	\$667,309	
2019	\$279,186	\$687,328	
2020	\$287,561	\$707,948	
2021	\$296,188	\$729,186	
2022	\$305,074	\$751,062	
2023	\$314,226	\$773,593	
2024	\$323,653	\$796,801	
2025	\$333,362	\$820,705	
2026	\$343,363		
2027	\$353,664		
2028	\$364,274		
2029	\$375,202		
2030	\$386,458		
2031	\$398,052		
2032	\$409,994		
Total	\$6,205,383	\$8,799,765	\$137,518

Connect Coworking Office and Suite

Fifth and Congress



Coworking is a style of work which involves a shared work environment for people who work independently. Typically, it is attractive for the working-from-home professionals, independent contractors, freelancers, teleworkers or people who travel frequently and end up working in relative isolation. Coworking attracts individuals seeking an alternative to working in coffee shops, cafes and their homes. This facility, consequently, offers a solution to the problem of isolation which many freelancers experience while working from home, provides the needed tools and resources to compete in a 21st century economy, as well as responds to the need to reduce start up costs and office management costs whilst simultaneously fostering the circulation of ideas, creativity and innovation. Membership levels will offer members the ability to rent a private office, a private desk, use the public areas, use of the common lounge, conference rooms or just to drop in for the day or a few days a month. Connect will be a hybrid—bridging the gap and providing the best attributes of office suites and open collaboration coworking in the name of providing resources for workers.

The facility is set up to be flexible for the needs of the office workers who use it and for the community at large. For example, the lounge facility will flex at night into a student study lounge, providing students a place to meet, collaborate and study with all the technology available to create, print and edit materials and presentations. The facility will also be available to the public to rent for meetings, seminars and provide skill-sharing workshops, in which the office members or a renting group will offer their expertise to the coworking community and the Tucson community at large.

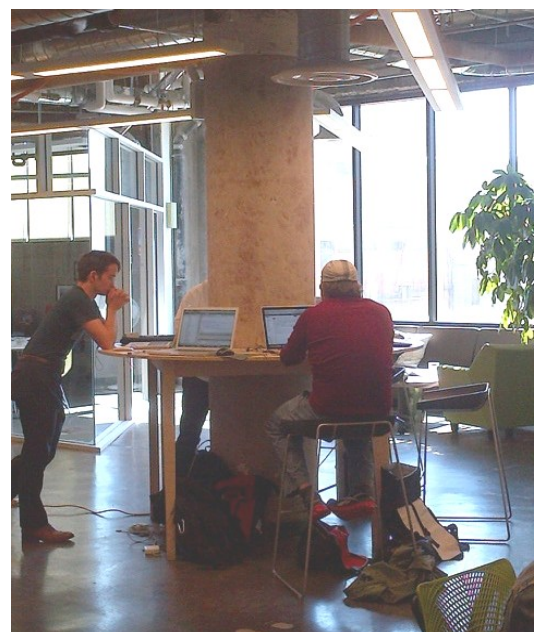
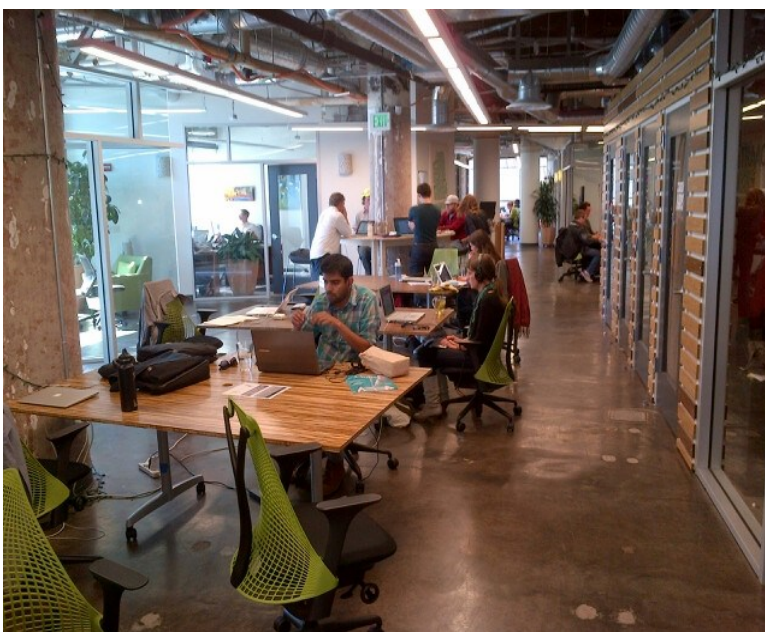
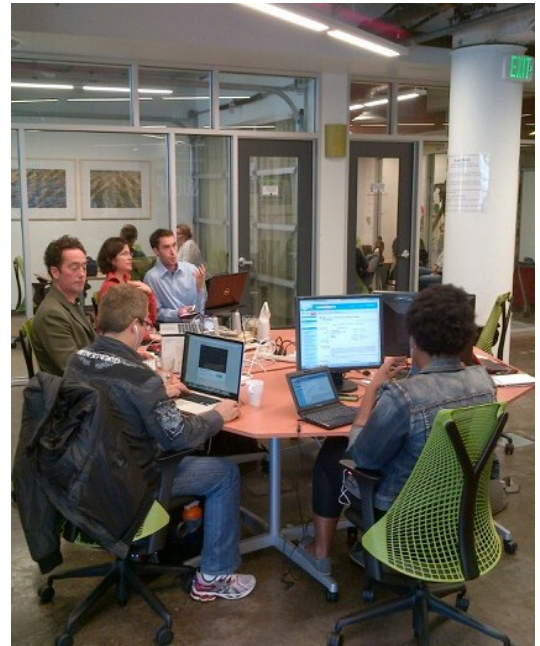
The goal of a space such as this is to provide a collaborative working environment with pooled technologies, such as podcasting rooms, multimedia presentation rooms and video conferencing rooms, that the average small business and freelancer could not afford but are necessary to collaborate and compete in this new economy; an economy in which more teleworkers and freelancers will contract with companies and projects virtually and choose to live in places that may be a great distance from the companies they are working for. For Tucson to retain and attract these “solopreneurs,” coworking facilities, such as Connect, may provide the necessary workspace and tools to allow these workers to collaborate and compete while reducing their cost and barriers to compete. The majority of the Community Loan Fund request is for Connect.



FORS architecture + interiors
forsarchitecture.com

connect - west elevation

2012. 8.16
option 1





A1 LOWER FLOOR **Connect** @ the rialto

FORSarchitecture + interiors
TUCSON URBAN



A2 UPPER FLOOR **Connect** @ the rialto

FORSarchitecture + interiors
TUCSON URBAN

Rialto Theatre

Fifth and Congress



The Rialto Theatre Foundation is an organization dedicated to the stewardship and management of the historic Rialto Theatre. The Foundation is managed by Executive Director/GM/Programming Director Curtis McCrary, with the support of an all-volunteer board of directors.

Current board members include: Michael Crawford (president), Teresa Rosano (secretary), John O'Dowd (treasurer), Anthony Ronstadt, Hubert Parker, Justin Ruggieri, Lisa Bayless, Lisa Wagenheim, Jean Hoffman, and Cindy Elliot.

The Rialto Theatre has been one of the true success story of Rio Nuevo. Like many non-profits, the Foundation is in need of money to make improvements to the publicly owned theatre and provide the best experience to Tucsonans who attend over the 100 shows a year at the venue. Because sales taxes generated by our project can be directed to public assets, we are asking that a portion of what we create go directly to the theatre for physical and operational improvements. The success of the Rialto is important to the entire community and we believe this contribution will help make this iconic venue even better. Examples of some of the projects the Theatre needs money to complete include:

- Tiering of the auditorium floor for patron comfort.
- Stabilization of the building's exterior clay tiles and a general exterior upgrade
- Purchase of removable seating for the main auditorium floor
- Re-upholstery of fixed seating in Theatre balcony
- Lobby improvements
- A new green room for touring artists

We are going to request that a portion of the tax generated for Rio Nuevo go directly to the Theatre for these and other improvements as decided by the Rio Nuevo District Board and the Rialto Theatre foundation Board.

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Telephone: 520-229-3451
Email: stellarca@aol.com

Project Name: 5th and Congress, Hotel Project
Project Street Address: 25 N. 5th Ave
City, State, Zip: Tucson, Az, 85701
City Council Ward: Ward 6
Census Tract: Tract 00001.00 MSA 46060

Briefly Describe the Project: The project is an approximately 89,000 square foot new build 130 room hotel built over the existing Depot Plaza garage. The hotel brand is an upscale boutique, limited service flag from one of the largest hotel companies in the world. The population tract that these properties lie in is seriously distressed with a median income of around 14% of the MSA's area income. 57.18% of the population of this census tract lives below the poverty line. The hotel will provide needed revenue to the MSA, be a catalyst project for redevelopment in the downtown area and provide employment opportunities for individuals living in a severely stressed tract.

Section 108 Loan Requested: The request is for \$4 Million Dollars subordinated to a \$11 million dollar bank loan.

Will the project create or retain jobs for low and moderate income employees: Yes. We believe more than 51% of the jobs will go to people within the MSA who are defined as low and moderate income.

If yes, project how many jobs: Our FTE projection for the 5th and Congress project is well over 300.

Will the project eliminate slum or blight: Yes.

If yes, describe how: The project will help alleviate spot blight, provide jobs to a population in a stressed area, recycle land and invest in an economically depressed area.

Describe Other Public Benefit: The project achieves the 4 major application criteria by being pedestrian and transit orientated, being located within Rio Nuevo Tax Increment District, is within ¼ mile of the modern streetcar alignment and is within ¼ of a PAG designated High Capacity Transit Corridor. We are partnering to target this gap financing federal funding toward existing community in need—through developing transit-oriented, mixed-use development and land recycling and historic building restoration—all in order to increase community revitalization, improve the efficiency of public investments and return on those investments and help a vulnerable population live, work and play in a healthy, safe and better environment with work and business opportunities for them. In addition, the redevelopment projects yields needed revenue for the public.

Proposed Loan Term/Maturity: TBD

Proposed Amortization: TBD

Economic Incentive Application for the Fifth and Congress Project

Tucson Urban Development
2140 West Moore Road
Tucson, Arizona
85754

Phone: 520-229-3451
Fax: 520-498-6458
E-mail: stellarca@aol.com



Applicant Name: Tucson Urban
Street Address: 2140 W. Moore Road
City, State, Zip: Tucson, Az, 85755
Telephone: 520-229-3451
Email: stellarca@aol.com

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Proposed Collateral: Deed of Trust, Subordinated Property and Improvement Lien, Project Generated Revenues.

Value of the Proposed Collateral: TBD
Other Credit Enhancement: TBD
Will the Loan be guaranteed: TBD
Who Will be the guarantor: TBD

Total Development Cost: \$ 18,800,000

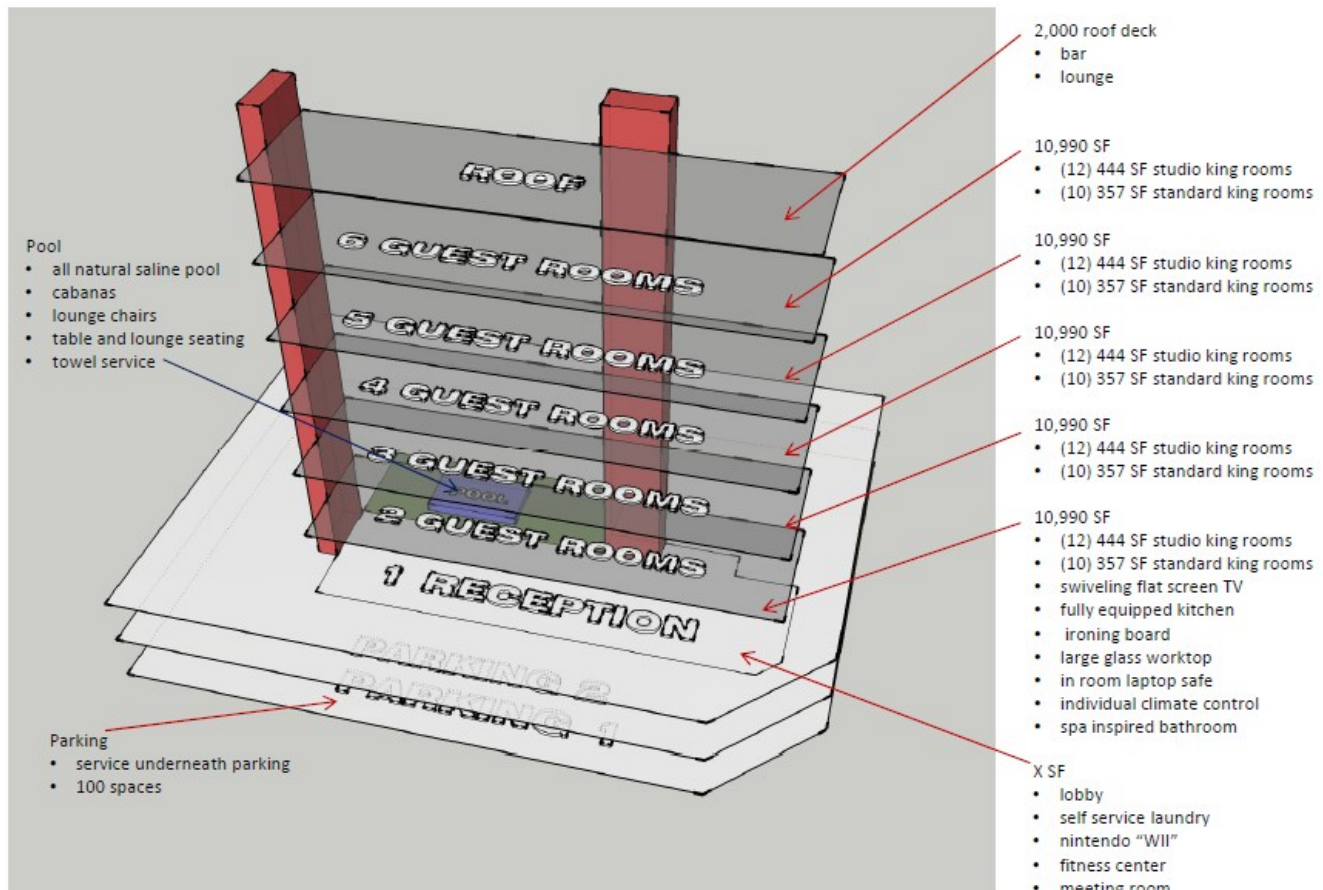
Sources:

Bank Loan \$ 11,000,000
Developer Equity \$ 4,800,000
108 Loan \$ 4,000,000

Uses:

Hotel \$18,800,000

Addendum: If Section 108 funds are approved for the project they would only go into the Hotel. We are also looking into the feasibility of New Markets Tax Credits in lieu of section 108 funds or as an enhancement to 108 funds.



PROJECT DIAGRAM HD2

5th & Toole



Creating an inviting and vibrant city center is an asset for recruiting new residents, businesses, industry, tourists, and the like. It is why the City of Tucson and Rio Nuevo District have made improving Downtown such a priority for the region. One of the most lacking components in the redevelopment project is quality hotel rooms. Developing a Hotel in the downtown area is challenging but we believe this Hotel project will show other investors and operators that this area is a great place for visitors to stay.

This hotel will be the first new hotel in Downtown Tucson in over 30 years. The 130 room hotel will help anchor the entertainment district of Downtown Tucson and add the last component to the 5th and Congress master plan of creating a vibrant 24/7 entertainment destination area. The proposed hotel is an upscale boutique brand that delivers a refreshing and inviting guest experience that is truly reflective of the local community. From the locally-inspired murals to the renewal program where the images, music, scent, and menu items change throughout the year, the Hotel will deliver a vibrant, engaging and genuine boutique experience that gives guests the confidence to step out and explore the local neighborhood. The brand design for the property will be unique to Tucson and designed to reflect our local culture, character and the geography of the surrounding area which visitors and residents enjoy so much about the region while the brand hallmarks ensure consistent and reliable service similar to their other successful locations. Tucson Urban is excited to partner with our international brand partner and Northface Investments, our financial and operational partner on the hotel, to deliver a wonderful visitor experience in downtown Tucson.

The Hotel portion of the 5th and Congress project is requesting GPLET, Infill Incentive District: \$10,000 per project building fee waiver, 2% construction sales tax credited for qualified public improvements and expedited review, Central Impact Fee Benefit District (23% reduction in road impact fee and impact fee deferral to C of O, if applicable). In addition, the project is requesting Economic Development Tax Incentive Agreement for waiver of building permit, review fees and the ability of the city to dedicate a portion of site generated revenues to qualified public improvements as permitted by state law. The project is also applying for a Section 108 loan through the Community Development Loan Fund in the amount of \$4 Million Dollars.

Fifth and Congress Redevelopment

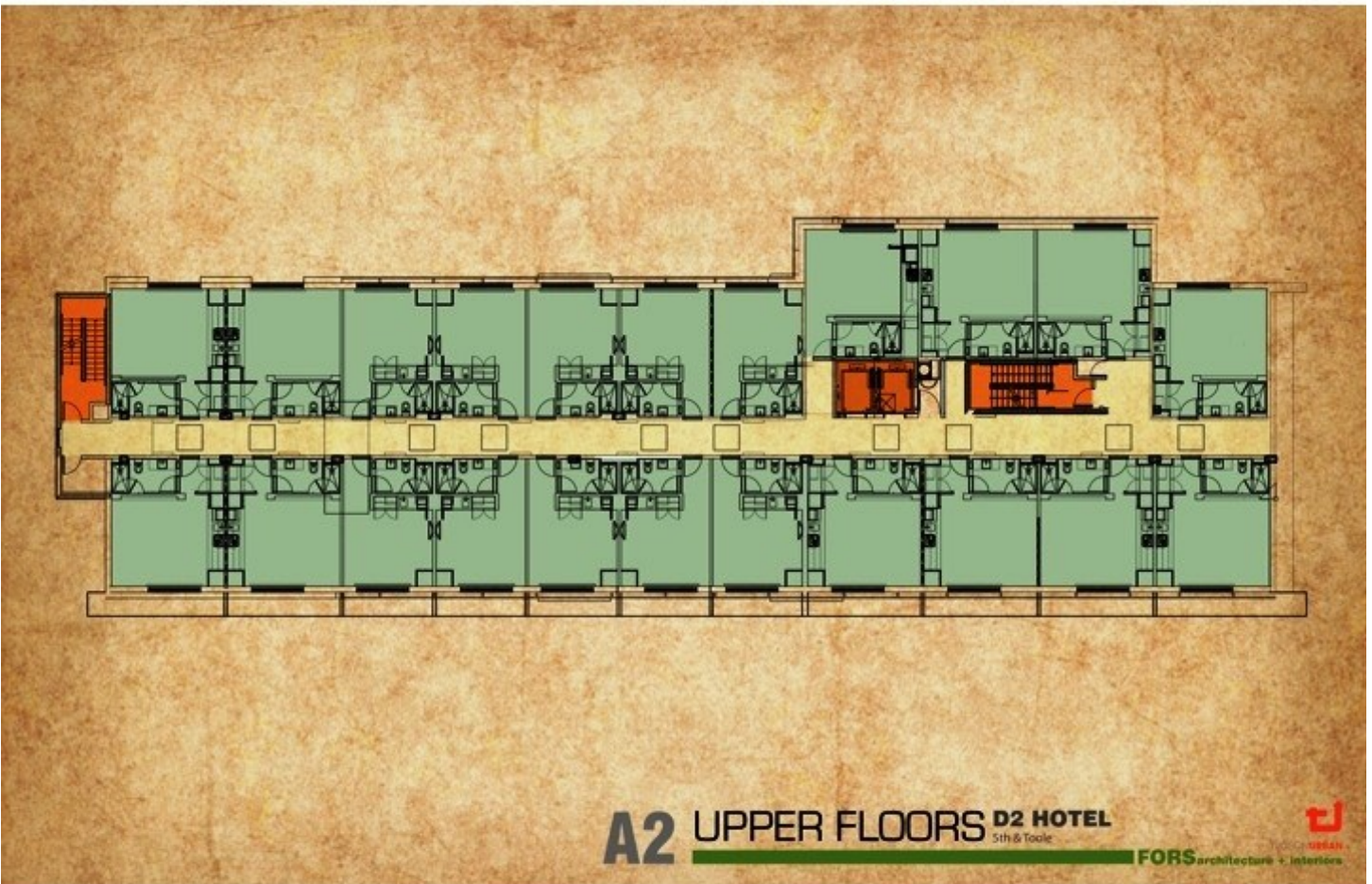
Tax Calculation—Hotel

The Hotel Tax Calculation combines both Sales and Bed tax for both the City and Rio Nuevo. The City tax is 2% plus a \$2 per night bed tax. Rio Nuevo is the normal sales tax plus the state bed tax, or 11.5%. The hotel tax numbers assume a 2014 opening with 4 years until stabilization based on a market study conducted by PKF

Hotel (130 rooms)	144K per key
Occupancy	68.00%
ADR	\$123.00
RevPAR (2014)	\$83.54

Rio Nuevo revenues are only calculated through 2025 which is when the statue ends Rio Nuevo Collections. In total, the public benefit of sales and bed tax from the Hotel is estimated to be around \$11 Million Dollars.

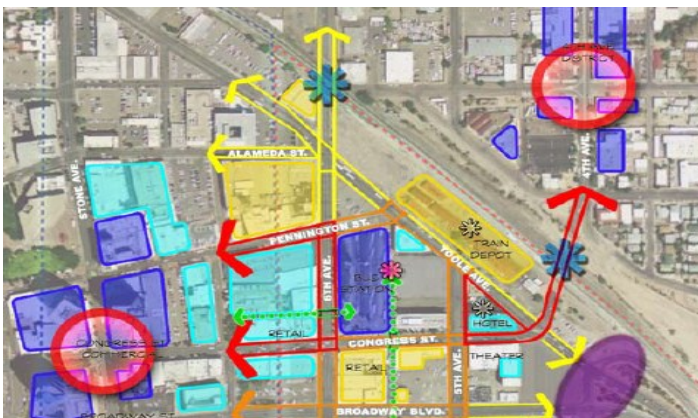
Year	City Sales and Bed Tax	Rio Nuevo Sales and Bed Tax	Construction Sales Tax
2013			
2014	\$133,856	\$414,986	\$182,000
2015	\$143,810	\$455,846	
2016	\$154,293	\$499,755	
2017	\$167,840	\$561,281	
2018	\$170,649	\$577,433	
2019	\$174,666	\$600,531	
2020	\$178,844	\$624,552	
2021	\$183,188	\$649,534	
2022	\$187,707	\$675,515	
2023	\$192,406	\$702,536	
2024	\$197,293	\$730,637	
2025	\$202,376	\$759,863	
2026	\$207,662		
2027	\$213,159		
2028	\$218,877		
2029	\$224,823		
2030	\$231,007		
2031	\$240,247		
2032	\$249,857		
Total	\$3,672,561	\$7,252,469	\$182,000

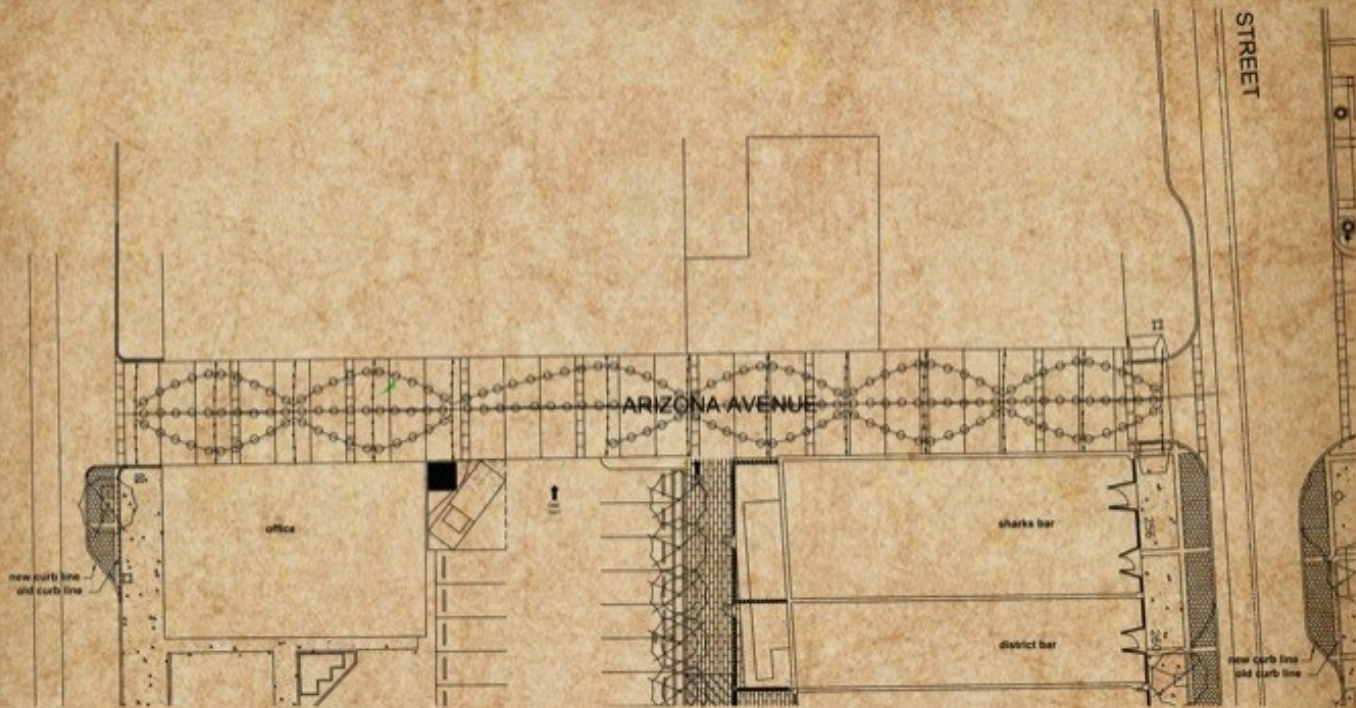






streetscape





B5 ARIZONA AVE 5th & Congress

Streetscape

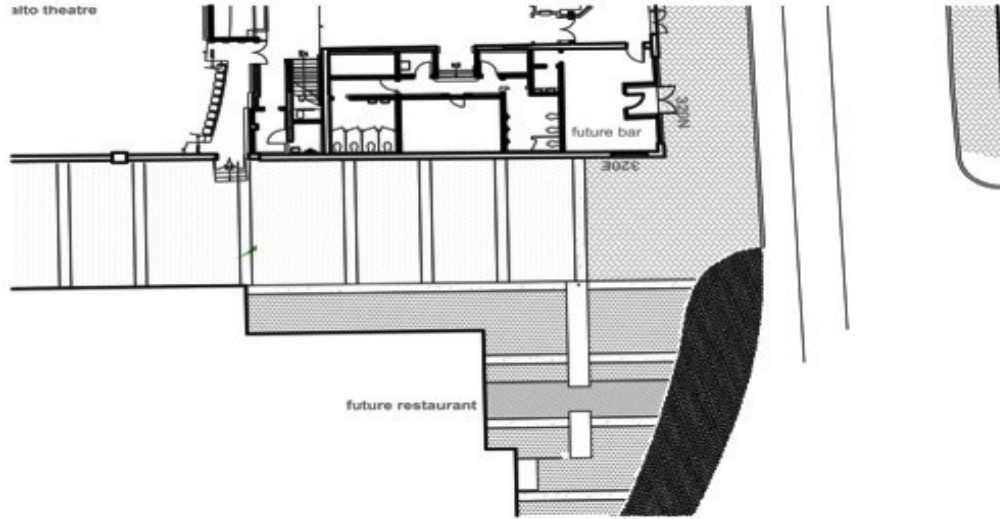
FORS architecture + planning



ARIZONA AVE 5th & Congress
Streetscape 06.13.12



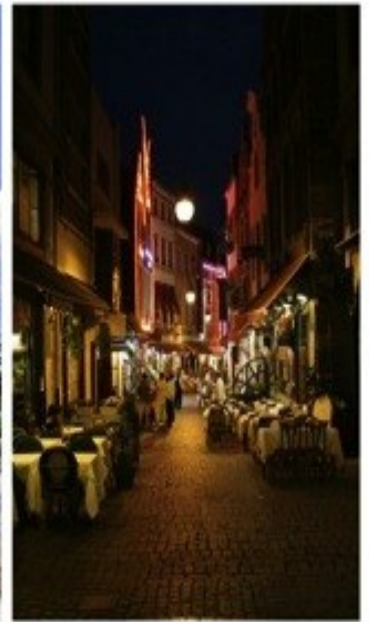
FORS architecture + planning



B6 HERBERT AVE 5th & Congress

Streetscape

FORS architecture + interiors



Rialto Block Redevelopment

Project Principals

The Stellar Companies started in June of 1990 for the purpose of developing urban infill projects throughout the greater San Francisco Bay Area and Silicon Valley. Projects included both attached and detached housing. Developments, such as Compass Place, Sterling Point and Wyndam Place, provided housing for both market and low income buyers.

Being a native of Arizona, Scott Stiteler expanded operations to Tucson in the mid 90's, originally concentrating on high end estate lot subdivisions and single family home developments in the northwest. As Tucson grew, the Stellar Companies expanded their focus to include residential and commercial infill developments, shared student housing, executive suite development and operation, and the first cemetery in the greater Tucson area over the past ten years. In order to address the needs of other real estate developers in Arizona, Stellar Homes Financial Group was established to provide first deeds of trust to these developers as they underwent entitlement processing. In the early 2000's, the Stellar Companies identified the need for private companies to assist in the revitalization of downtown Tucson. Starting with its acquisition of the Corbett Building, the Stellar Companies focused on bringing both housing and commercial business back into the center of town.

Stellar Companies created an entity, Tucson Urban, to begin the process of acquiring and redeveloping property in the Downtown. Converting the original Martin Luther King building into 96 modern apartments and adding 10,000 of new retail services was the first project. Next, purchasing and remodeling the property surrounding the Rialto Theatre to house exhibits such as Titanic, King Tut and Bodies exhibit in Tucson, with an eye on a second level of development after the exhibits were completed. The 200 block of East Congress was purchased and renovated, opening a new bar (The Playground) and restaurant (The Hub), undergoing significant improvement while maintaining its historic exterior. The Stellar Companies through Tucson Urban is committed to contributing to the positive revitalization of downtown.

Scott Stiteler

Principal, Stellar Companies, Tucson Urban L.L.C.

Scott Stiteler is the Founder, President and the majority owner of all Stellar related entities. Mr. Stiteler has been involved in the development of over 2,000 residential units and several commercial real estate ventures during the past twenty years in Arizona and California. Mr. Stiteler holds a Master's degree in Business Administration and a Bachelor of Science degree in Economics, both from Santa Clara University.

Chris Hodgson

Principal, Stellar Companies, Tucson Urban L.L.C.

Chris Hodgson is the CFO and a partner in all Stellar related entities. Ms. Hodgson has in excess of 30 years experience in various aspects of the real estate field, including residential and commercial development, investment analysis, marketing, sales, leasing, and asset management. Prior to joining the Stellar Companies in 1993, Ms. Hodgson was associated with the San Francisco Bay Area firms of Marcus & Millichap; Hare, Brewer & Kelly, Inc., and Wilson Development.

David L. Dold

Principal, Stellar Companies, Tucson Urban L.L.C.

David is a partner and advisor in all Stellar related entities. His primary responsibility has been to raise equity and interim financing for the various California and Arizona real estate development projects, as well as due diligence and fund raising activities for new loans. Mr. Dold has a graduate degree from Stanford University and an undergraduate degree from Sacramento State.

Rialto Block Redevelopment

Project Principals

Don Martin

Rialto Block Partner

Don Martin is the founder and CEO of Competitive Engineering Inc, an international engineering and manufacturing business serving the aerospace, electronics and medical industries based in Tucson. Don moved to Tucson in 1983 to start his business and to set up roots in the community. He has been involved in many charities and is committed to working on improving the community that he and his wife of 30 years are raising their four children in.

Don got involved in downtown revitalization as a result of his leadership of the Economic Development Committee for Southern Arizona Leadership Council almost a decade ago. In 2006 he invested in the Rialto Block because of his passion for downtown and is proud to be part of the 5th and Congress development team.

Paul W. Chellgren

Financial Investor

Mr. Chellgren, Operating Partner of Snow Phipps, currently serves as the Chairman of ArrMaz Custom Chemicals, Inc., and served as Chairman of Excel Mining Systems, LLC and FiberVisions Corporation. Mr. Chellgren worked at Ashland Inc. (NYSE: ASH), a global diversified energy and chemical company, from 1974 until he retired from his position as Chairman and CEO in 2002. During his tenure as Chairman and CEO from 1997 to 2002, Mr. Chellgren presided over the distribution to shareholders of Ashland's stake in Arch Coal, Inc., formation of the Marathon Ashland Petroleum refining venture with USX-Marathon (now Marathon Oil Corp.), divestiture of its exploration and production division and acquisition of several businesses which were combined with Ashland's highway paving and construction and chemical operations. Prior to joining Ashland, Mr. Chellgren was an Associate with McKinsey & Company, Operations Analyst in the Office of Secretary of Defense in Washington, D.C., Executive Assistant and Division General Manager of Boise Cascade, Corp. and General Manager of Universal Capital Corp.

Mr. Chellgren received an M.B.A. from Harvard University, a D.D.E. from Oxford University and a B.S. in Accounting and Economics from the University of Kentucky. In addition to the board memberships with Ashland, Mr. Chellgren is currently a Director of PNC Financial Services Group, Inc. and has previously held Directorships with Arch Coal, Inc., Medtronic, Inc., Ashland Coal, Inc., the American Petroleum Institute and the American Chemistry Council. He has also been a member of the Business Roundtable Policy Committee, National Petroleum Council, National Petroleum Refiners Association and Society of the Chemical Industry. He is currently a Director of numerous public and private organizations including American Friends of University College, Oxford, the Taft Museum of Art, Centre College and the Greater Cincinnati Foundation.

David R. Dabdoub, North Face Investments

Financial Investor, Hotel Operator

North Face Investments L.L.C. (NFI), a family owned company, has been raising development standards in the Southwest US and Mexico since the 1960s. The firm's solid track record is built on its dedication to going above and beyond the status quo to deliver service, products, and developments that solidify its tradition of class, quality, and value. The primary business of the Dabdoub family was established in Nogales, Sonora, Mexico in 1968 developing industrial parks. They have developed close to three million square feet of industrial warehousing space spread over five different industrial parks. In more recent years the family has diversified, developing commercial shopping plazas, residential communities, office projects and hotels in Sonora, Mexico and Southern Arizona. Since 2001, Hotel development has become a main focus for the Dabdoub family, which has successfully opened six hotels, including a Holiday Inn, two Holiday Inn Express', two Candlewood Suites, a Fiesta Inn and are currently developing the Aloft in Chandler, Az. David R. Dabdoub is the managing member of NFI, he along with his partners/siblings, continues to pursue hotel and other real estate ventures throughout the Southwest and Mexico.

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5TH  CONGRESS

