



STATE OF ARIZONA

# Joint Committee on Capital Review

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DATE: April 17, 2019  
TO: Members of the Joint Committee on Capital Review  
FROM: Josh Hope, Fiscal Analyst *JH*  
SUBJECT: Rio Nuevo District - Presentation of Projects

## Request

A.R.S. § 48-4203E requires the Rio Nuevo Multipurpose Facilities District (District) to present to the Committee any construction project (or other improvement to real property) with a cost of more than \$500,000. The effective date of this new requirement was August 3, 2018. Since the effective date, the District's Board of Directors (Board) has approved and executed development agreements for 3 projects exceeding \$500,000. The District's Board has agreed to spend up to a total of \$12,400,000 on these projects.

### Key Points

- 1) Since August 3, 2018, the District's Board has agreed to spend up to \$12.4 million on 3 projects.
- 2) These 3 projects include a mixed-use retail and residential development, a new hotel, and Tucson Convention Center Ice Improvements.
- 3) Including private sector contributions, these 3 projects have a combined total cost of \$81.5 million.

## Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the presentation.
2. An unfavorable review of the presentation.
3. Take no action since there is no statutory review requirement.

(Continued)

Under any option, the Committee may also consider the following provision:

- A. The statutory provision requiring the District to present to the Committee has only been met for projects with executed development agreements currently in place.

### **Analysis**

Since August 3, the District's Board has approved and executed development agreements for 3 projects exceeding \$500,000.

1. The Monier

The Monier is a private, mixed-use development, which will include 13,000 square feet of new retail, 122 apartments, and 148 parking spaces in an underground garage. The District's Board partnered with private developers and is providing a \$2.4 million loan to a project budgeted at \$34.0 million.

2. New Hotel

Hilton plans a dual brand Hampton Inn/Home2Suites hotel 1 block from the Tucson Convention Center. The District's Board has agreed to rebate the District's portion of the new Transaction Privilege Tax (TPT) generated by the hotel back to the developer, capped at \$7.5 million. The construction budget for the hotel is \$45.0 million.

3. Tucson Convention Center Arena Ice Improvements

The District's Board renovated the Tucson Convention Center Arena in 2013 with new seats, restrooms, lighting, video, concessions, and sound system. In 2016, the Arizona Coyotes then moved their newly-acquired minor-league team from Springfield, Massachusetts to Tucson and renamed it the Arizona Roadrunners. However, the 2013 renovation did not include improvements to the ice. The District's Board has approved a direct investment of up to \$2.5 million to repair and upgrade the arena's refrigeration plant and the ice rink.

### Background

Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. The District receives a diversion of state TPT revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Corridor.

The District's authorization has been extended multiple times. Most recently, Laws 2018, Chapter 138 extended the District to July 1, 2035, or upon the completion of authorized debt service payments, whichever occurs later. Chapter 138 requires that any construction project (or other improvement to real property) with a cost of more than \$500,000 be presented to the Committee.

### Other Planned Projects

The following are planned projects that have not yet received Board approval or do not yet have an executed development agreement in place.

1. 75 E. Broadway

The Pima County owned parking lot located at 75 E. Broadway would be home to a proposed mixed-use development. The development would be a 150,000 square foot, 12-story project with 2 stories of retail, 5 parking levels with approximately 350 parking spaces, and 5 floors of office space. The Board is working with the developer finalize an agreement. Rio Nuevo expects to provide \$3.0 million in tax rebates for the project with an estimated total budget of \$75.0 million.

2. Congress Block Street

The Board approved a project that would add 3 floors to the former Wig-O-Rama building located at 98 E. Congress Street. The project would include 10,000 square feet of ground floor retail with 30 upper-level units that could be used as extended-stay or short-term rentals. The Board plans to provide a not yet specified amount of tax rebates for the project. The total project cost has not yet been determined.

3. Moxy and Element Hotels

The Board approved a 16-story hotel on the same property as the Rialto Theatre, to be shared by Element Hotel and Moxy Hotel. There would be 109 rooms in the Moxy and 140 rooms in the Element Hotel. The District would provide a 25-year Government Property Lease Excise Tax (GPLET) and a tax rebate with a cap not to exceed 12% of the total project cost. Rio Nuevo's cost and the total project cost have not yet been determined.

4. Tucson Convention Center (TCC) Hotel – Caliber

Caliber Hospitality is developing a 170-room hotel in the east parking lot of the TCC. Caliber's development also includes a new parking garage to serve the hotel, downtown, and TCC events. There is currently a proposal for a 4-floor parking structure at the southeast corner of the TCC but discussions are ongoing. Rio Nuevo expects to provide \$4.6 million in tax rebates for the project with an estimated total budget of \$38.0 million.

5. Sunshine Mile

The Board is reviewing plans to acquire properties along Broadway that are affected by the street widening and redevelop them into retail and restaurant concepts. The project cost has not yet been determined.

The District's Board plans to present all additional projects with a final executed development agreement to the Committee next year in an annual update.

JH:kp



April 2, 2019

The Honorable David M. Gowan  
Joint Committee on Capital Review  
Arizona State Senate  
1700 West Washington Street  
Phoenix, Arizona 85007



RE: Rio Nuevo Multipurpose Facilities District (“District”) Presentation

Dear Senator Gowan:

Effective August 3, 2018, A.R.S. §48-4203(E) requires the Board of Directors (“Board”) of the District to present to the Joint Committee on Capital Review (“JCCR”) projects over \$500,000 that have been approved by the Board. Since August 3<sup>rd</sup> of last year, the Board has approved three projects above the threshold for presentation to the JCCR. They are described below.

**Project #1: The Monier**

The Monier is a private, mixed use development on the Westside of Interstate 10, within the District boundary and adjacent to the new Caterpillar Headquarters building; built by the District. As with every transaction since 2013 the District has opted to partner with private developers in order to leverage state tax dollars and assure better sustainability long term. Our partnership also helps developers attract commercial financing. The Monier is such a project. The District Board committed \$2,400,000 to a total project budgeted at \$34,000,000. The project will include 13,000 square feet of new retail, 122 market rate apartments and 148 much needed parking spaces in an underground garage. While retail has driven a 66% increase in District area TPT tax, the demand for parking and residential has increased dramatically as well.

**Project #2: Hilton at Cathedral Square**

With the success of the AC Marriott Hotel launched downtown last year (with the District’s assistance), the Board has worked to recruit as many as 4 additional hotels. The Hilton plans a Hampton Inn/Home2Suites dual brand hotel one block from the District’s primary component, the Tucson Convention Center (“TCC”). The construction budget for this new dual brand hotel is \$45,000,000. The District has not offered any cash to enable this development but

instead has agreed to rebate the District's portion of the new TPT tax back to the developer, capped at \$7,500,000.

### **Project #3: Tucson Convention Center Ice Improvements**

The District Board renovated the nearly obsolete Tucson Arena in 2013 with new seats, restrooms, lighting, video, concessions and sound. As a result the Arizona Coyotes moved their farm team to Tucson, attracting over 150,000 fans annually. At the time of the 2013 renovation no improvements were made to the ice, which had been installed primarily for ice shows and University of Arizona club hockey. Given the success and long term commitment made by the Coyotes, the Board has approved spending up to \$2,500,000 to repair and upgrade the Arena refrigeration plant and the ice.

Finally, to assist the JCCR in putting these projects into context, with this report we have provided a complete history of District's projects since inception broken down by era; the City of Tucson years 1999 – 2010, the Debt Payoff years 2010-2012 and the Development Years 2012-2019. Each of the above described projects appears in the Development Years submittal.

Sincerely,



Fletcher J. McCusker  
Chairman

Attachments