

Arizona Auditor General  
Attn: Lindsey A. Perry, CPA, CFE  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018-7271

Re: Rio Nuevo Response to Auditor General Audit 2025

After the reconstitution of the failed Rio Nuevo Tax District (the “District”) in 2010, the State of Arizona took control of the District and initiated several changes to provide more accountability and transparency in the operation of the State’s only tax incentive district. The board members for the District are now appointed by the Governor (5 members), The Speaker of the House (2 members), and the President of the Senate (2 members). District leaders must present project expenditures annually to the Arizona Legislature’s Joint Committee on Capital Review. The District must submit to the state an annual, independent audit and every three years the Arizona Auditor General is obliged to review and report on the District’s performance as provided by A.R.S. § 48-4231-08.

The current Auditor General audit was released on November 17, 2025, and the District must respond within 45 days.

It is our honor to serve, and we are pleased to provide the following response to the 2025 audit.

Fletcher McCusker  
Chairman

## **OVERALL FINDINGS**

For the first time in the history of Rio Neuvo, the District is in 100% compliance with the statutes and mandates that provide for access to state sales tax dollars to be invested in economic development in downtown Tucson. That is an accomplishment the current board is proud of, especially given the limited resources available to the incentive district. The District receives 50% of the incremental sales tax created above the base established in the year 2000. Through the first thirteen years of prior leadership, there were no new tax dollars created from District projects. Starting in 2013, every year has seen an increase in sales tax, and incremental tax in 2025 was almost \$44,000,000, with the District receiving \$19,200,000 for its share of new tax dollars. The State and the City of Tucson receive a similar share. The Auditor General acknowledged the impressive leverage that the District creates by using state money as seed funds for developers and commercial lenders, resulting in over \$400,000,000 dollars invested in Tucson’s core over the last three years, utilizing just under \$42,000,000 of state money. The District is

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identified as the most successful tax incentive district in the US in terms of attracting nontax dollar private investments.

Given zero noncompliance issues, the auditors chose to make recommendations on how to continue to improve the District's results for the remaining nine years left before the District sunsets. It is important for the reader to appreciate that as this response is being written, the District has just under \$5,000,000 available for 2026 projects and is saddled with nearly \$85,000,000 of debt remaining from the original City of Tucson run version of the District. Many, if not all of the Auditor General's recommendations, will require some sort of additional funding; funding the District lacks.

#### **RECOMMENDATION:**

Attract more city-wide events, increase hotel capacity by at least 900 beds to move Tucson above the 11th place (last place) ranking of eleven comparable markets reviewed by the auditors, and develop a five-year plan.

#### **THE DISTRICT'S RESPONSE:**

Ten years ago, the aging Tucson Convention Center was obsolete. The new District has spent nearly \$100,000,000 to improve and upgrade our primary component. Attendance has gone from 122,000 annual visitors to 616,000 in 2025. We agree available hotel beds are key to attracting major conventions. The hotel market has been slow to come to Tucson, and no downtown hotel has been built without the District's financial support. Hotels enabled by the District include: the AC Marriot, the Doubletree, Home2 Suites, the Hampton Inn, and The Leo Kent. The District has agreed to support three new hotels - a Hyatt, The Moxy, and the Tucson Inn, but it will take \$11,000,000 of subsidies to get those new hotel properties built in downtown Tucson, a market yet to be embraced as a convention center and tourism travel destination. To attract the number of properties to even get to the median of the report's comparable markets, it would take at least \$30,000,000 to incentivize the lenders and developers necessary for seasoned brands to come to Tucson. "But for" the District, these hotels would not have been built and that is especially true going forward. We can develop a five-year plan, but we do not know how to fund it.

#### **RECOMMENDATION:**

Increase staffing.

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**THE DISTRICT'S RESPONSE:**

All of the District's accomplishments have been managed with just two full-time staff and a highly active volunteer board that has preferred to put state dollars into projects as opposed to staff salaries. To hire an executive director and support staff would require approximately \$350,000 annually. The District has retained a search firm to look at workload and staff requirements and will report its findings in December 2025 or January 2026. The current administrative budget is about \$1,000,000 annually. A fully staffed state agency could add 50% to that million-dollar budget, likely to require a new source of revenue or dramatic cuts in current expenditures.

**RECOMMENDATION:**

Develop a five-year budget.

**THE DISTRICT'S RESPONSE:**

Right now, the District budgets annually. It is virtually impossible to budget beyond that because our funds come from a monthly share of state tax dollars. The State budgets annually, and so does the District. We could forecast but in terms of a board approved budget, with revenue and expenses, we don't see that as possible. Our board approved budget sets the expenditure limits for the year, and the expenses are tied to known revenue. If we had a fixed appropriation as most state agencies do, we could develop multiple-year budgets.

**RECOMMENDATION:**

Formalize the capital request process.

**THE DISTRICT'S RESPONSE:**

We have always taken the view that no two projects or financial support requests are alike. We have a large variety of programs to enable economic development, and we try to match our programs to the gaps in the developers' plans and maximize our limited cash. We do agree and can implement a more standardized application and due diligence process. This, however, would take additional staff resources.

**IN SUMMARY**

There is not a more productive, transparent, and/or accountable organization in all of Arizona's government. We have demonstrated the value of public/private partnerships

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when it comes to economic development. We are grateful to the audit team for recognizing our success, and we take its recommendations seriously.

The District is seriously challenged to live up to competitiveness as a convention market envisioned by the Auditor General without some additional resources. We pledge to work with our appointers and stakeholders to continue to exceed the mandate established for the District and downtown Tucson.

(Signed by all board members)

## Kristin Saad

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**From:** Dave Glennon <dglennon@azauditor.gov>  
**Sent:** Wednesday, December 17, 2025 4:38 PM  
**To:** Kristin Saad; John Fleming; Ryan Johnson  
**Cc:** fjmccusker@gmail.com  
**Subject:** RE: Rio Nuevo Response to the AZ Auditor General's 2025 Audit

Thank you, Kristin. I acknowledge receipt of the response.

*David A. Glennon, CPA*

Financial Audit Manager  
(602) 553-9747



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**From:** Kristin Saad <kristin@rionuevo.org>  
**Sent:** Wednesday, December 17, 2025 4:23 PM  
**To:** John Fleming <jfleming@chjc.com>; Ryan Johnson <rjohnson@chjc.com>; Dave Glennon <dglennon@azauditor.gov>  
**Cc:** fjmccusker@gmail.com  
**Subject:** Rio Nuevo Response to the AZ Auditor General's 2025 Audit

You don't often get email from [kristin@rionuevo.org](mailto:kristin@rionuevo.org). [Learn why this is important](#)

Good afternoon,

Please find attached Rio Nuevo District's response to the Arizona Auditor General's 2025 Audit.

Thank you,

**Kristin Saad**

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Tucson, Arizona

