

Friends,

Last week the Council unanimously took a major step forward in defining how to fund all the Rio Nuevo infrastructure and projects that we've approved in the past 15 months. We've made close to a half-billion dollar commitment between now and 2014 to our downtown and to our community, something that will benefit us all for generations to come! In addition, it is estimated we'll have more than \$180 million from that point through 2025 for additional infrastructure and new project opportunities that might present themselves.

Allow me to take a quick step back before I go into any of the details because there are some basic terms we've been using that can be incredibly confusing. Just a few definitions/explanations first:

- TIF: Tax Increment Financing - Our downtown revitalization is funded using sales tax dollars generated within the TIF District that would otherwise go back to Phoenix. That money can only be used for specific kinds of projects within the Rio Nuevo District. This is NOT a new or additional tax, only a redirection of existing dollars for our community's specific use.
- TIF Extension: With great assistance from the bipartisan leadership of our Southern Arizona delegation and advocacy on the part of the private sector, in 2006 we secured 12 year extension of the TIF. As a result, instead of an anticipated \$128-million over 10 years, we can anticipate at least \$600-million at our disposal to stimulate downtown revitalization through 2025.
- TIF Uses: The funds are generated within a district that encompasses most of downtown, then runs along the Broadway commercial corridor to Wilmot Road. Among the allowable uses are funding for infrastructure [roads, bridges, public transit, parking garages, utility capacity, etc.], museums, public facilities [convention center, arena, hotels], and other cultural amenities within the downtown portion of the district. These public investments should serve as a stimulus for additional private sector investment in our downtown.

In the past two and a half years, Mayor & Council have established priorities for Rio Nuevo projects and the infrastructure necessary to encourage further private investment in our downtown. This road map, defined by elements such as the Mission Complex, the modern streetcar, several museums, a new arena and convention hotel, and parking facilities, was greatly limited until the TIF extension two years ago allowed us to plan for far more encompassing redevelopment. And

work got underway ... not the kind of "above-the-ground-look-at-this-building" kind of effort our community understandably wants to see ... but the less evident work, such as hotel developer procurement, cleaning up the landfill earlier generations built over Tucson's true foundation at the base of A Mountain, excavating 4,000 years of continuous habitation in that area, redesign and construction of the first half of the new 4th Avenue Underpass, initial design work on museums, bridges, and more. During this period, it's been 'pay-as-you-go', using TIF dollars as they came into City coffers. That's a hard way to fund major projects, and while it worked for these beginning efforts, we can't fully fund major projects that way!

For years we've been trying to figure out how to borrow against our anticipated TIF income, but we couldn't do that until we had an established track record of income ... and until the climate was right in terms of the bond market, our bond ratings, and enough of our projects being ready to go. Our solution finally became feasible in the last month or so, and last week we were presented with an approach that resolves this dilemma. Using conservative figures and following rigorous analyses, experts proffered a fiscally sound way to secure more than \$450-million dollars for approved projects between now and 2014 ... most of that funding in the next three years. Here's how it breaks out:

- This fiscal year: \$73-million - Among other items, this money will allow us to finish the Depot Plaza parking area [which must be completed before construction of the new MLK housing and a new market rate apartment complex built by private sector can begin]; pay for the widened underpass at Clark/Cushing Street and the Cushing Street bridge; additional downtown infrastructure; landfill remediation where the Origins Park historic recreations will be built; the west side parking structure [that will support the UA Science Center-State Museum/Origins/History Museum/Children's Museum and more]; the Heritage Park; and design development for the History and Children's Museums.
- Fiscal 2009: \$112.5-million - Among other projects, this will allow us to substantially complete construction of the Mission Complex; provide half the funding for the UA Science Center-State Museum; Barrio Sin Nombre and Barrio Viejo much-needed infrastructure; and support for design and construction plans for the new Convention Center Hotel and the new Arena.
- Fiscal 2010: \$91-million - Infrastructure work will be supported, along with completion of the Mission Complex; renovation of the Convention Center; start of Arena construction; and more.
- Fiscal 2014: \$177.3-million - We'll complete our funding of the UA Science Center-State Museum, the Arizona History Museum and the Children's

Museum; final funding for the Arena will be covered; and additional parking will be provided.

In addition to these bonded dollars, it's anticipated we will have more than \$180-million dollars in revenue in excess of the dollars we'll need for debt service. This is important on two levels: first, it provides a buffer just in case; second, it represents dollars that can be used for additional projects that will arise in the coming years. And please do remember: debt service for these bonds will be covered by the sales tax dollars that come in through the TIF district. These are dollars that otherwise would be going to Phoenix - NOT a tax increase in any way. These expenditures do *NOT* take away *any* funding from any other projects we have in Tucson. In fact, these dollars can *ONLY* be used for Rio Nuevo.

Mayor and Council voted 7-0 to approve the framework of the financial plan presented to us and directed the City Manager and staff to proceed with the financing proposals and time lines for consideration and approval by the Rio Nuevo District Board as soon as is appropriate.

One specific Rio Nuevo project was approved last week. It holds great promise in terms of additional private sector investment in downtown revitalization.

- Gadsden Development: We finalized our agreement with The Gadsden Company for purchase and development of 14.3 acres bounded on the north by Congress, the east by the Santa Cruz River, on the south by Cushing Street, and the west by Avenida del Convento. It is an exciting mixture of market rate, affordable and workforce housing, businesses, retail, a mercado, and one of the finest hotels in Mexico that has chosen this location in Tucson as its first hotel in the United States. The agreement provides for phased land acquisition, allowing the developer to take ownership of successive parcels *ONLY* when he has met investment standards for the initial parcel[s]. This protects the city's asset - its land - while encouraging the developer to move forward quickly to create the amazing project presented to us. A good balance!

But our community needs to know what we're doing through regular updates. At the suggestion - and motion - of my colleague, Rodney Glassman, staff will be providing us regular updates on all these items ... and holding annual meetings in each of the Ward offices so constituents can see what has happened, ask questions, and provide input throughout the build out of Rio Nuevo. It's a great idea I was delighted to second. It, too, passed unanimously.

There were several other important and interesting items we discussed during our 4+ hour Study Session and 3-hour regular meeting, but I've gone into such detail on these Rio Nuevo items that I'd like to stop here - for now - rather than add other topics. I'll

write again in a few days to catch you up on these other actions.

M&C action to secure funding for Rio Nuevo gives us the opportunity to start to deliver more visible and tangible results that will help our community see that this revitalization is happening and is going to succeed. I ask you to join me in looking to the future ... not forgetting the challenges of the past, but looking at where we are today and the path that is now open to us. I hope we can create this as a starting point for expectations as we move forward - together - NOW.

As always, I value your feedback, comments and ideas. I continue to thank you for the honor of representing you on the Tucson City Council.

Nina

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