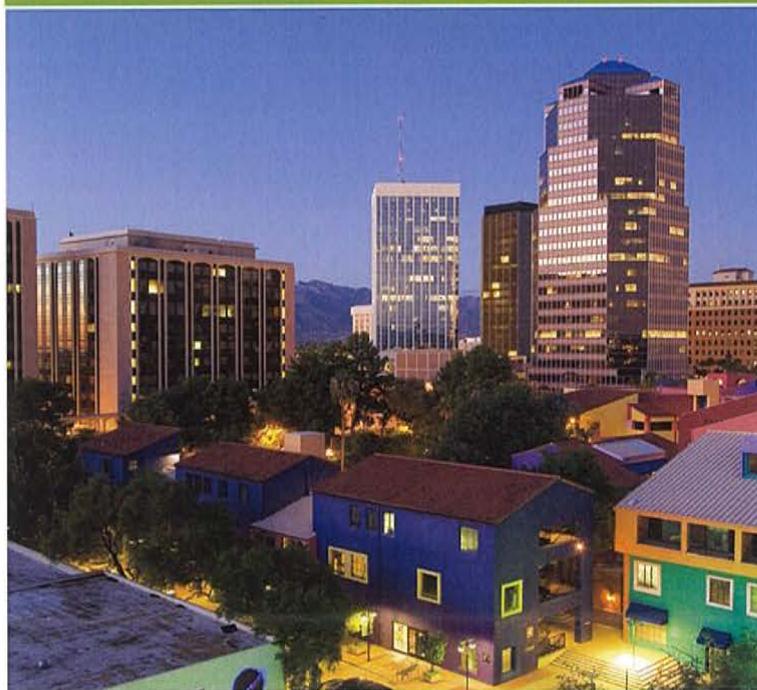


Key Opportunities Sites

Key Opportunities Sites



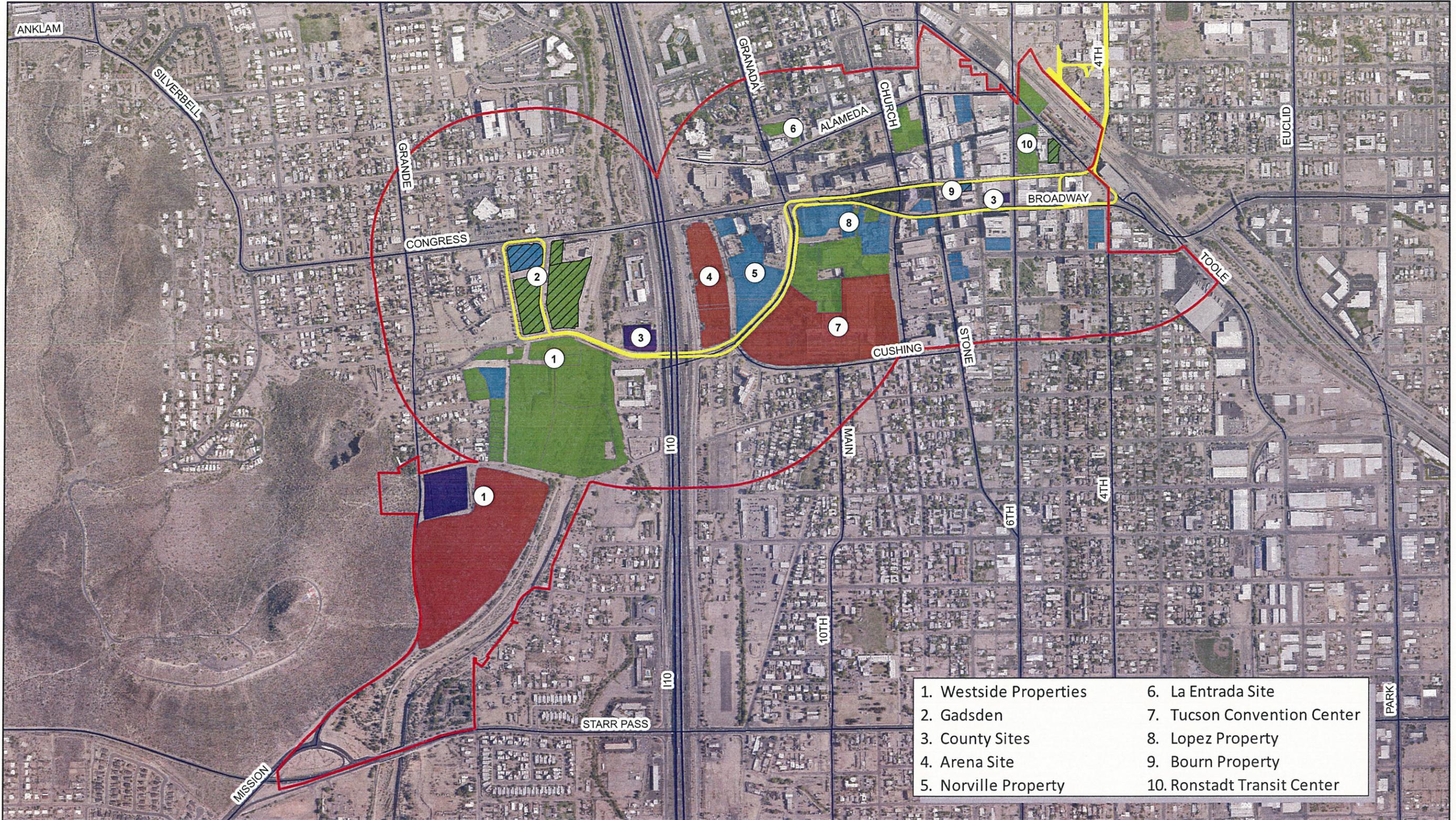
Key Opportunity Sites

The focus for this ULI Panel is to make recommendations on the uses of, approaches to developing, and prioritization and coordination of public and private investment on the key opportunity sites within the study area. The goal is to determine what type of development is most beneficial on which sites in order to leverage publicly-owned land and public resources/incentives to maximize private investment and to compliment the modern streetcar. Guidance on the prioritization of projects that should receive funding and incentives from the public entities in the area (City, County, and Rio Nuevo) is sought.

This section includes a map of key opportunity sites within the study area. Ten of those properties considered key development sites are coded by number, with background information following the map.

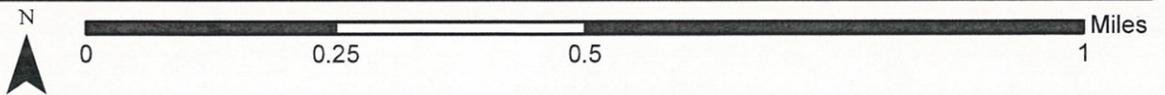
1. Westside Properties (previously planned Tucson Origins Heritage Park, cultural plaza, parking structure, and museum sites)
2. Gadsden Property (private developer under development agreement with City of Tucson)
3. County Sites –Teresa Lee Clinic at I-10 and the streetcar route, and a surface parking lot on Broadway and Scott
4. Arena Site – currently vacant owned by Rio Nuevo
5. Norville Properties- currently vacant with temporary exhibition space erected for Gem Show
6. La Entrada Site – surface parking lot near Tucson Museum of Art owned by the City, planned for mid-rise residential
7. Tucson Convention Center – owned by City and Rio Nuevo – large surface parking lots are development opportunities, in addition to investment in the facility
8. Lopez Properties – La Placita office/retail village and closed Hotel Arizona with parking garage
9. Bourn Property – known as the “Thrifty block”, private development planned
10. Ronstadt Transit Center – owned by City; City in process of pursuing solicitation for joint transit/mixed-use development of the site under FTA Joint Development Guidelines

Key Opportunity Sites in ULI Area



- | | |
|------------------------|-----------------------------|
| 1. Westside Properties | 6. La Entrada Site |
| 2. Gadsden | 7. Tucson Convention Center |
| 3. County Sites | 8. Lopez Property |
| 4. Arena Site | 9. Bourn Property |
| 5. Norville Property | 10. Ronstadt Transit Center |

ULI Study Area	PIMA COUNTY
Modern Streetcar	RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
CITY OF TUCSON	PRIVATE
City Development Agreement	



Created: 10/29/13

Overview of Westside Properties
from Rio Nuevo Board Chair Fletcher McCusker

At the base of A Mountain, or Chukson, sit dozens of acres of former landfill, rich with history, now vacant land, that was designed as the home to the benchmark projects of the 1999 Rio Nuevo master plan. Projects envisioned there included the Mission Gardens, a historical convento and pioneer home, a native American village, a science center and museum along with other ill-fated ideas like an aquarium, Rainbow Bridge, parking and plazas. Every project was eventually abandoned and the entire western boundary of the TIF is now vacant, and adjacent to the modern streetcar line. The Mission Garden, a recreation of Father Kino's orchard, has survived thanks to a dedicated not for profit organization that took ownership of the project after the failure of Rio Nuevo. Its 4 acre walled garden is surrounded by dozens of vacant acres.

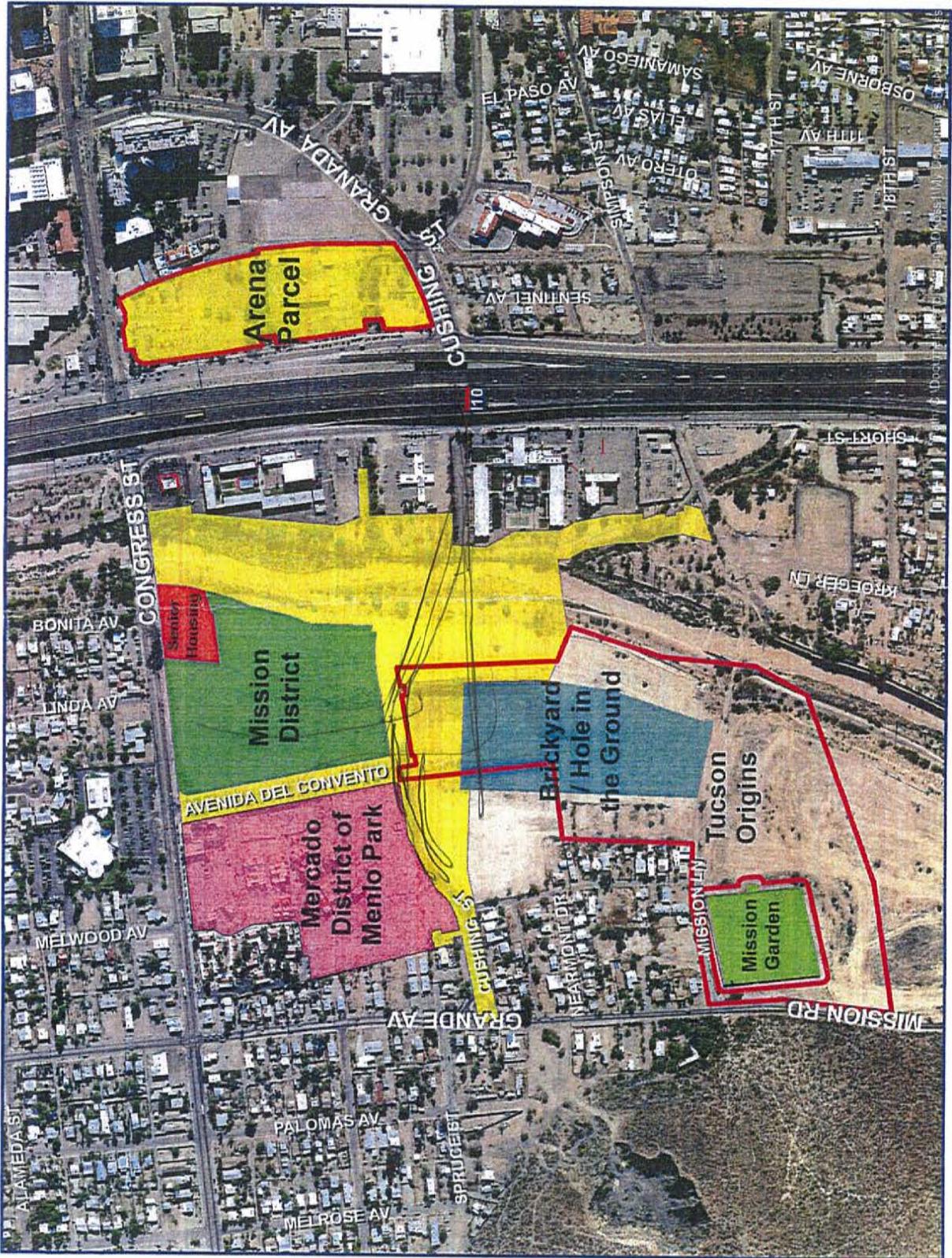
Regarding the Rio Nuevo-owned property on the westside, questions for the ULI panel include, can some of the original historical projects be resurrected? If, how would they be funded and sustained? How does the compacted landfill effect development? Can commercial projects be designed that are compatible with the history and archeology of Tucson's birthplace? Are there compatible parks, equestrian facilities, trail systems that enhance the opportunity?

- It is our sense that the Convento/Chapel/Mission Gardens/Mission Lane/Carrillo complex can be the heart of a unique "Experience" that includes historical and cultural explorations, dining and shopping opportunities as well as possible accommodations for overnight stays.
- To enhance this "Experience," we believe that the Chapel/Convento site, as the birthplace of Tucson, could be the inspiration for architectural details, building heights and massing. Sufficient space could be planned around the complex for interpretative events and spaces, exhibits and supportive facilities.
- Barrio Sin Nombre, depending upon the residents' wishes, might be considered for a future Old Town environment with homeowners gradually converting homes, through flexible land use controls, to shops, restaurants, boutique hotels and offices depending on their wishes and timing. Old Town Albuquerque began

in a similar way. Regardless, it should be integrated into the overall planning effort.

- The north end of the Rio Nuevo District property, just south of Mission Lane, could be considered as an important site for taller, more massive structures, back dropping the Convento and Chapel. We do not believe that this area should be regarded as only suitable for parking and other support uses.

1





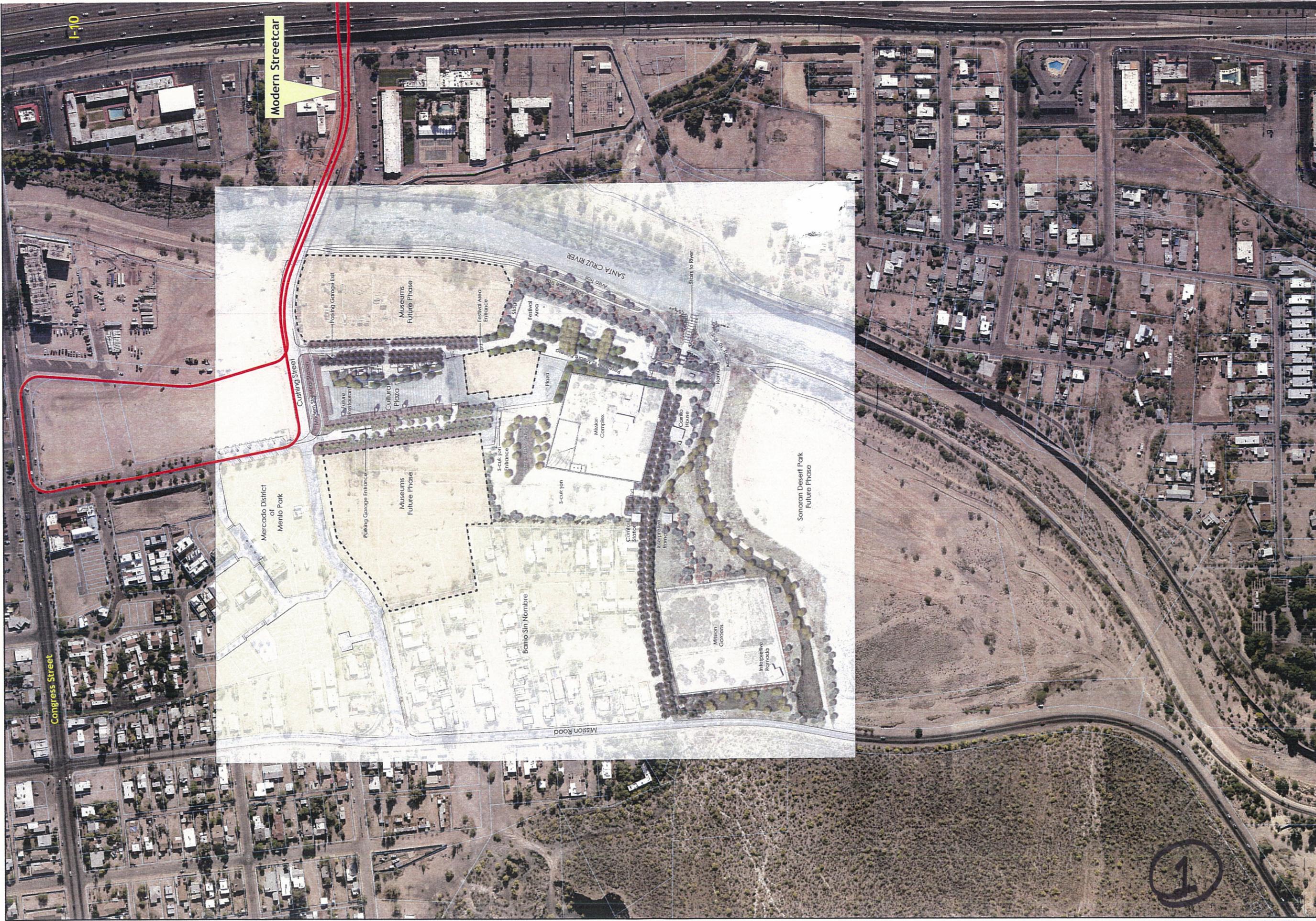
①

40



①

11 10



Modern Streetcar

I-10

Congress Street

Mercado District of Menlo Park

Cushing Street

Hopkins Garage Exit

Museums Future Phase

Festival Area

Cultural Plaza

Mission Complex

Santa Cruz River

Sonoran Desert Park Future Phase

Museums Future Phase

Parking Garage Entrance

Scout Post Entrance

Scout Post

Mission Complex

Camelot Station

Sanctuary

Banho Sin Nombre

Scout Post

Mission Complex

Mission Gardens

Interpretive Kiosk

Mission Road

1

Tucson Origins Heritage Park Site Plan & Environs

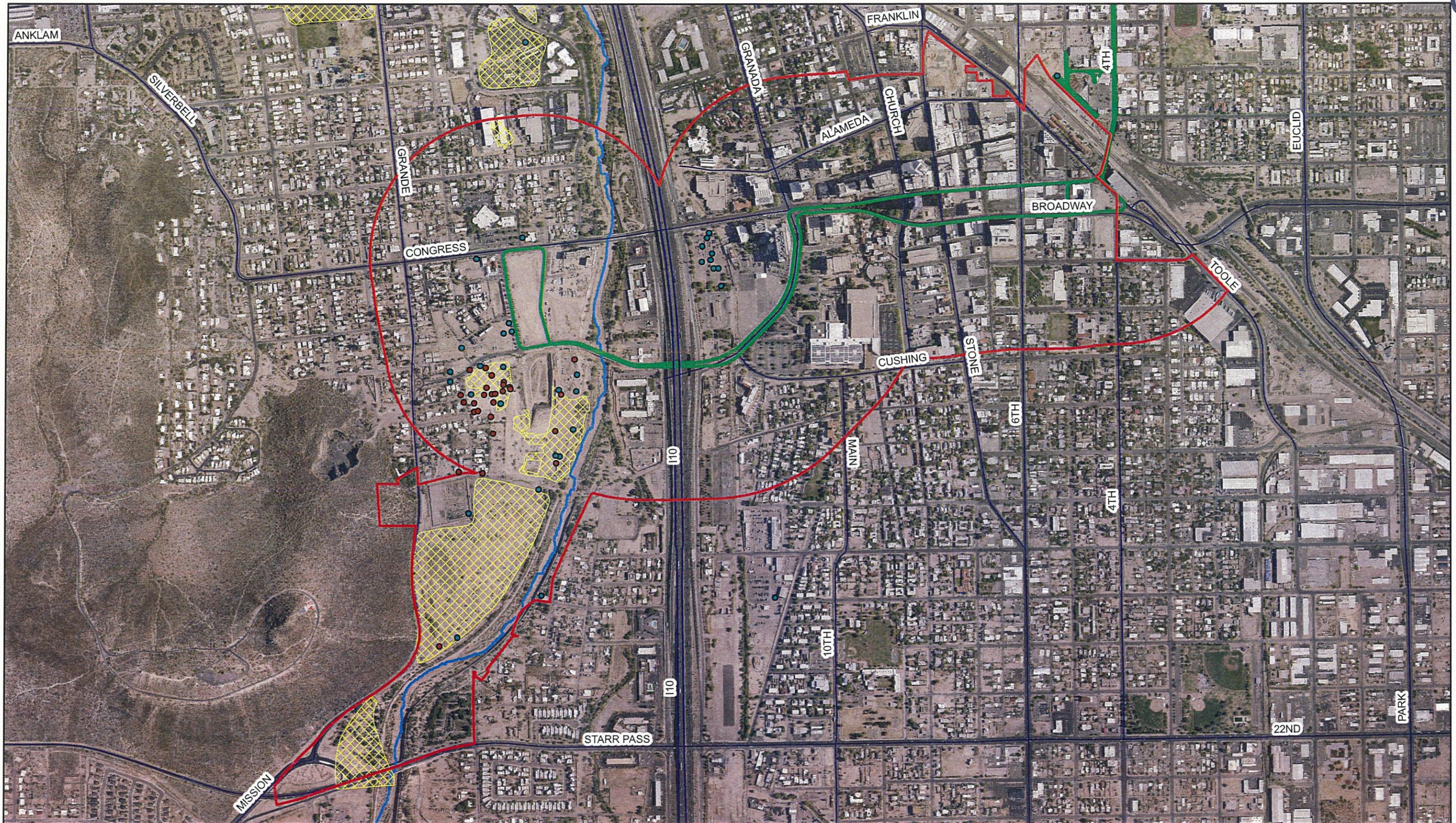
**Estimated Waste Removal Costs
Nearmont, Congress and A-Mountain Landfills**

Landfill Name	Area (ft ²)	Acres	Average Thickness (ft)	Cubic Foot	Cubic Yards	Waste Removal (\$3/yd ³)	Waste Haul (\$9/yd ³)	Tipping Fee	Backfill and Compact (\$9/yd ³)	Total
Congress	340,814	7.8	20	6,816,280	252,455	\$ 757,364	\$ 2,272,093	\$ -	\$ 2,272,093	\$ 5,301,551
Nearmont	133,554	3.1	20	2,671,080	98,929	\$ 296,787	\$ 890,360	\$ -	\$ 890,360	\$ 2,077,507
A-Mountain	1,370,030	31	23	31,510,690	1,167,063	\$ 3,501,188	\$ 10,503,563	\$ -	\$ 10,503,563	\$ 24,508,314

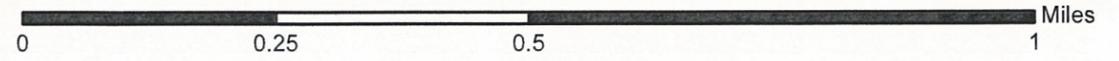
Congress and Nearmont area and average waste depth from surveyed coordinates and boring log data
A-Mountain Landfill area taken from 2001 Zonge geophysical survey and depth from a 2007 geotechnical report by Kleinfelder
Backfill and compaction cost does not account for reuse of approximately 5' of clean fill cover currently at all three landfills
All costs taken from 10/29/12 estimate for Nearmont waste removal generated by Jeff Drumm, COT-ES. Costs should be verified before construction

Landfills in ULI Area

1

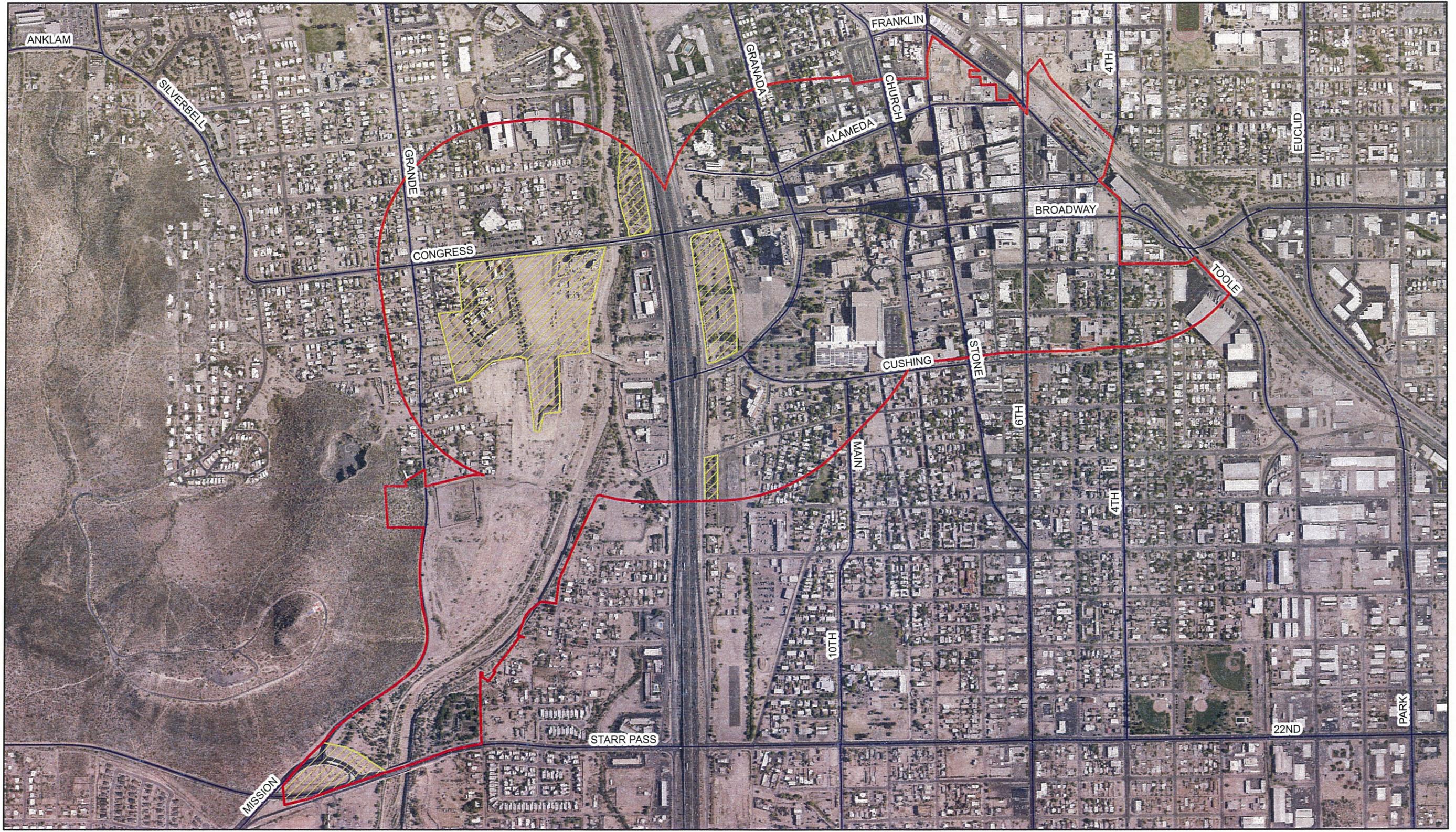


- ULI Study Area
- SantaCruzRiver
- Modern_Streetcar
- Landfills
- Regional Monitoring Well
- Landfill Gas Probe

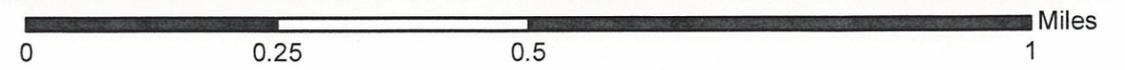


Created: 10/29/13

Archaeologically Cleared Sites in ULI Area



-  ULI Study Area
-  Archaeologically Cleared For Development



Created: 10/29/13

Funerals can celebrate life. **BRING** Funeral Homes

LEARN MORE

Arizona Daily Star
 SN www.azstarnet.com



Apps Android iPad Kindle Fire E-edition/iPad Scan In Dine Out/iPhone Scan In Dine Out/Andr

Home News / Local news / Government and politics

Tucson to consider more changes to Gadsden project

Respond: Write a letter to the editor | Write a guest opinion

April 08, 2013 12:00 am • Becky Pallack Arizona Daily Star

The company most actively involved in the redevelopment of downtown's west side is asking to change the terms of its agreement with the city for a third time.

Gadsden Co., which has an exclusive right to buy and develop land now owned by the city just west of the Santa Cruz River, wants to buy only a portion of the land for a planned Phase 2 of its project, and pay a price that will only partially cover its share of the cost of a streetcar line that will serve the area.

City Councilwoman Regina Romero said she's happy the project will move forward, create jobs and result in new affordable housing.

But Councilman Steve Kozachik is skeptical, saying the new plan is a tough sell.



The City Council will begin talks on the issue at its Tuesday meeting, with a decision not expected until early next month.

Gadsden partner Adam Weinstein said "we're working our tails off" to meet obligations under the agreement with the city.

four phases

Gadsden and the city signed an agreement five years ago for the company to buy and develop, in four phases, about 14 acres of city property west of downtown along the Santa Cruz River.

The agreement allows the land to be sold for about \$3.3 million total, after about \$2.6 million in discounts and credits. But if the developer reimburses the city for the construction of the streetcar tracks that loop through the property, the company could use those dollars as another discount against the purchase price.

Gadsden planned to develop apartments, a hotel and commercial buildings, but then the housing market collapsed.

When the developer missed deadlines for improving the property, the city granted an extension, and then allowed the developer to make changes to Phase 1 of the plan two years ago.

Gadsden bought a block of the land for \$250,000 and developed Sentinel Plaza, a low-income apartment complex for seniors, meeting the Phase 1 performance benchmarks, Weinstein said. That earns the company the right to proceed to Phase 2, he said.

possible changes

Gadsden must begin Phase 2 of the project in mid-May under the agreement, but it wants to change that agreement again.

Gadsden wants to pay about \$795,000 for only a portion of the original Phase 2 land to build an affordable-housing project, according to a memo to the council from City Manager Richard Miranda.

That price would cover only part of the streetcar reimbursements.

The apartment projects, called West End Station, could be financed by HUD at \$34 million under a pilot project for transit-oriented development, Weinstein said.

The project would have 236 apartments, ground-level retail shops and underground parking, he said.

The developer also wants to waive a requirement that the city spend more than \$500,000 to bring an excavated part of the property to grade, Miranda wrote.

If both sides agree with the changes, the developer will have paid about \$1 million to develop two projects and the city will have a \$1 million security bond for Gadsden's future performance, he said in the memo.

The city also wants Gadsden to agree to combine Phase 3 and Phase 4 and begin them next year to get the overall project completed more quickly.

WHAT'S NEXT

The issue will come to the City Council at a study session Tuesday.

Both Kozachik and Romero said the city should stick to the original agreement - at least for now.

Kozachik wants Gadsden to be ready to meet the May deadline. If the company isn't ready to meet the agreement, other private developers should have a chance to make proposals for the property's development, he said.

If the city changes the agreement again, Kozachik said city taxpayers will end up paying for the streetcar tracks Gadsden agreed to pay for.

Romero said the city is obligated to keep going with the development agreement and work with Gadsden, saying it would be ridiculous to rebid the project.

She said Gadsden is performing as well as expected given the difficult economy, even though the original dream hasn't been realized, and the partners have shown they care about the west side by "investing blood, sweat and tears" in the project.

Weinstein said a 2014 closing for the remainder of the land is doable, with Gadsden now in final negotiations with a boutique hotel partner and plans for a small grocery store, a theater and retail shops.

"Now that things are starting to recover we're starting to see quite a bit of momentum," he said.

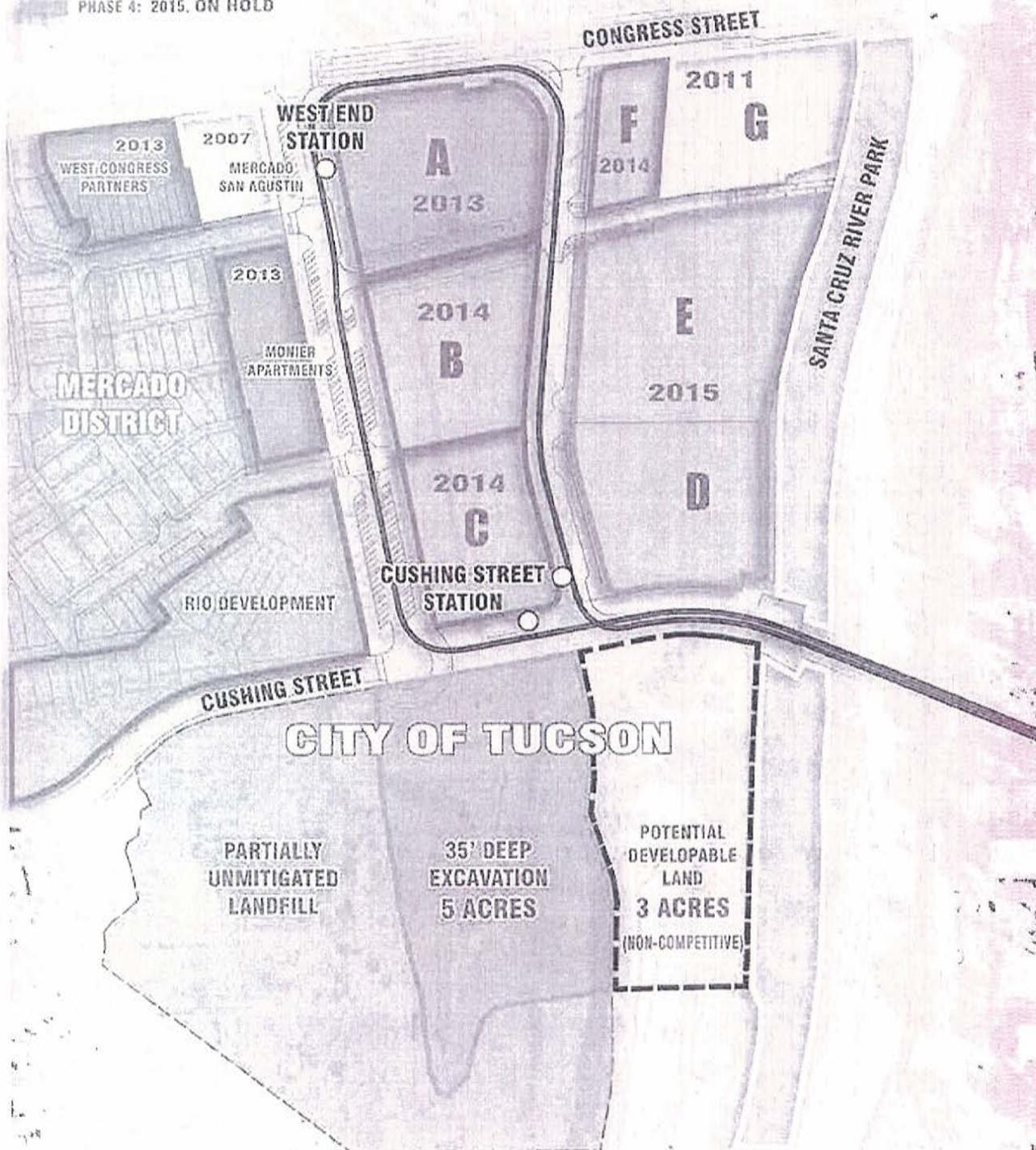
OVERALL PHASING PLAN

MISSION DISTRICT

GADSDEN

Monday, March Eighteenth, Two Thousand and Thirteen

- PHASE 1: 2011, COMPLETE
- PHASE 2: 2013, READY TO GO
- PHASE 3: 2014, IN PLANNING
- PHASE 4: 2015, ON HOLD





MAYOR & COUNCIL MEMORANDUM

April 9, 2013

Subject: Westside Economic Development Activities; Update on Development and Real Estate Purchase Agreement with the Gadsden Company (Ward 1)

Page 1 of 5

Issue – This item has been scheduled at the request of Vice Mayor Romero to discuss economic development activities on the City’s westside, and to discuss the current status of the Development and Real Estate Purchase Agreement with Gadsden Company, which is scheduled to proceed into its Phase 2. Vice Mayor’s Romero’s memoranda dated May 16, 2012 (relating to Westside development and planning) and March 13, 2013 (requesting today’s item) are attached for your reference.

City Manager's Office Recommendation – It is recommended that the Mayor and Council authorize the City staff, in coordination with the City Attorney, to finalize such amendments to the 2008 Development and Real Estate Purchase Agreement as may be appropriate to move forward with Phase 2 development of the subject property while securing Gadsden Company’s performance of its obligations under the Agreement; and to bring the amended Agreement back to Mayor and Council for consideration and approval.

Background – On August 6, 2008 Mayor and Council adopted Resolution No. 21049, approving a Development and Real Estate Purchase Agreement (Agreement) with the Gadsden Company for 14.3 acres of long-vacant property on the west side of downtown, south of Congress and west of the Santa Cruz River. Resolution No. 21049 and the Agreement are available for review here:

<http://cms3.tucsonaz.gov/files/agdocs/20080806/aug6-08-432a.pdf>

The Gadsden Company was selected as the preferred developer for the property following a nationally-advertised Request for Qualifications. The subject property was acquired by the City between 1980 and 1982 as part of a larger acquisition (approximately 68 acres) using a combination of Community Development Block Grant (CDBG) and general funds.

The Agreement prescribed four acquisition and development Phases for the various blocks of the Proposed Master Plan. Under the Agreement, each acquisition Phase would be a separate real estate transaction under which the City would transfer ownership to the Gadsden Company subject to satisfaction of closing conditions.

The negotiated purchase price for the 14.3 acres under the Agreement was \$5,929,853, less a series of performance credits (detailed below) which, when fulfilled, yield a final purchase price of \$3,296,033.

Credits Table	
Amount	Description
\$5,929,853	Negotiated value of 14.3 acres at \$9.50 per square foot
(\$779,589)	Credit in consideration of affordable housing development (70 units).
(\$464,436)	Credit in consideration of a Public Market/Mercado
(\$389,795)	Credit in consideration of construction and dedication of unrestricted public parking places.
(\$500,000)	Credit in consideration for workforce housing development (70 units)
(\$500,000)	Credit in consideration for public improvements along Santa Cruz River. ††
\$3,296,033	Development Agreement Purchase Price

Pursuant to the 2008 Agreement, Gadsden was required to pay \$250,000 of the purchase price described above (\$3,296,033) as a condition of closing on Phase I. This payment was in fact made in connection with the Phase I closing in May, 2011, leaving the balance of the Net Purchase Price at \$3,046,033. The Agreement also contemplated that upon the closing of Phase II, Gadsden would assume the responsibility to construct, at Gadsden's cost, the Modern Streetcar track improvements (street car tracks and concrete guideways) for the portion of the Streetcar route west of the Luis G. Gutierrez Bridge. These costs would operate as an offset against the Net Purchase Price (the \$3,046,033), and would include the reimbursement to the City of any costs incurred by the City prior to the closing on Phase II for its construction of these Streetcar track improvements. In other words, Gadsden was not required to both pay the \$3,046,033 Net Purchase Price and reimburse the City for its Streetcar track costs; instead, Gadsden's reimbursement to the City for Streetcar track improvements would reduce the balance of the Net Purchase Price dollar for dollar.

At the February 17, 2010 Study Session, the Mayor and Council were presented with a Senior Housing project that enabled the City and the Developers to capitalize on the potential for the construction of a beneficial project and immediate funding opportunities, namely more than \$28,000,000 in Federal Tax Credits. The housing project required that Phase I be moved from the previously-anticipated Block A to an expanded Block G. This item resulted in staff direction to facilitate necessary actions to support the Senior Housing project which included execution of an original Joinder to the Real Estate Purchase Agreement between Gadsden and Urban Senior Acquisition Corporation. In connection to this action, the City approved an extension of the Phase I closing date, moved Block G and a Portion of Block F to Phase I, and moved Block A to Phase II.

On March 22, 2011, the Mayor and Council again reviewed the progress of the Phase I development under the Agreement. At that time, the Mayor and Council authorized the execution of a revised Joinder Agreement, which allowed for the closing of Phase I to occur on May 13, 2011. At that time, the Mayor and Council further directed staff to negotiate amendments to the 2008 Agreement to accomplish the following:

- 1) Adjust the Phase II through Phase IV obligations, as necessary, resulting from the movement of Block G to Phase I and Block A to Phase II;
- 2) Establish the mechanism to determine when and how performance credits are earned and applied;
- 3) Establish the model and criteria for setting the sales prices for each of the remaining Phases (II through IV); and
- 4) Clarify ambiguities in the Agreement without altering the original intent of the Agreement.

Staff was directed to bring such amendments back to the Mayor and Council prior to the transfer of any additional portions of the property to Gadsden.

Following these actions, Phase I was successfully developed with the construction and opening of the senior housing project known as Sentinel Plaza, a six-story development that includes 143 units of affordable senior rental housing with a construction cost exceeding \$25,000,000. This construction cost exceeded the minimum requirement established in the Agreement, which required Phase I development with a construction cost of at least \$10 million.

Present Considerations – Staff from the City Attorney’s Office and the representatives of the Gadsden Company have been attempting to negotiate amendments to the Agreement that comport with the direction provided by the Mayor and Council as described above. Pursuant to the terms of the Agreement as approved in 2008, the sale of Phase II is supposed to occur 2 years following the closing on the Phase I transaction, which would be on or about May 13, 2013. As part of these negotiations, Gadsden has proposed that the Phase II transaction include the purchase of Block A, which is located west of Linda Avenue on the north end of the overall project area. A map of the different blocks of the project area is attached for your reference. Based upon a per square foot price at the appraised amount (\$9.50/sq.’), an appropriate purchase price for Block A, without applying any credits, would be \$795,216. Assuming approval of a sale of Block A to Gadsden as the Phase II transaction, the balance on the Net Purchase Price would then be \$2,250,817 (\$3,046,033 million less the \$795,216 from the Phase II sale).

In order to address the need to secure its future performance of remaining obligations (to include the balance of the purchase price and the completion of the items upon which the credits against the price were calculated), Gadsden is proposing to post a \$500,000 payment bond (to partially secure the balance of the purchase price), which when combined with the already-required performance bond (which doubles to \$500,000 from the \$250,000 already posted under Phase I) will result in the City holding \$1 million in security for Gadsden’s future performance. Accordingly, if a sale of Block A as Phase II is completed as described, the City will have received sales proceeds of \$1,045,216 from the sales of Blocks G and A in Phases I and II; and will hold \$1 million in security for Gadsden’s future performance.

In addition, under the proposal that is currently being negotiated, Gadsden would agree to waive a requirement imposed on the City through the Agreement as a condition to the closing of Phase II. Specifically, Gadsden would waive the requirement of Section 3.3.1(E) of the Agreement, which would otherwise require that the City pre-develop and bring to construction grade the property south of the project area (namely, the currently excavated and unfilled site sometimes referred to as the Brickyard property). Satisfaction of this condition would require the expenditure by the City of an amount which could exceed \$500,000.

Finally, as part of the most recent negotiations, the City staff have proposed and Gadsden is prepared to agree to accelerate the completion of the remaining Phases of the project by combining Phases III and IV into a single Phase III, under which Gadsden would close on the purchase of all of the remaining blocks of the project area (Blocks B through F) and pay the full balance of the Net Purchase Price not later than 1 year following the completed closing of Phase II. This amendment of the phasing would result in completion of the property transfers in a time period that is 1 year shorter than what is currently provided under the 2008 Agreement.

The parties are continuing negotiations in order to come to agreement on proposed amendments in a form that staff can recommend to the Mayor and Council for approval. Among the issues remaining to be addressed are:

- 1) Specifying that Gadsden shall complete Linda Avenue in accordance with City standards and approved plans, which are improvements estimated to cost \$485,000 or more;
- 2) Finalizing a table depicting the amount of credits already earned through the development of Phase I, and identifying and assigning the balance of credits yet to be earned in Phases II through IV. By way of example, City staff believes that \$320,000 of the \$500,000 of credits associated with the Santa Cruz River Park improvements were earned with Phase I, together with \$191,000 of the approximately \$780,000 in affordable housing credits.
- 3) Waiver of the City's obligation to bring identified adjacent property (the Brickyard property) to grade as a condition for proceeding to close on Phase II; and
- 4) Finalizing the schedule for the sale price of each of the remaining phases (to include Phase II), and coming to agreement upon the adequacy of the security posted by Gadsden to secure future performance.

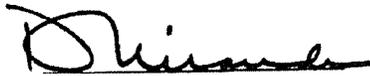
Financial Considerations – As noted above, the property was purchased largely with CDBG funds as part of a 68-acre acquisition in 1982. The Affordable Housing and Workforce Housing components of the Development Agreement are supported uses under CDBG funding guidelines. As described above, Gadsden's payments to the City should be applied to reimburse the City for its costs in constructing the Streetcar track improvements west of the Bridge.

MAYOR AND COUNCIL MEMORANDUM
Westside Economic Development Activities; Update on Development
and Real Estate Purchase Agreement with the Gadsden Company
(Ward 1)

Page: 5 of 5

Legal Considerations – The City Attorney is continuing discussions with Gadsden Company’s representatives in order to attempt to draft amendments to the Agreement that are consistent with the Mayor and Council’s prior direction and that carry out the intended purposes of the Agreement, which include reimbursement to the City for its Streetcar track costs, completion of the infrastructure as required under the Agreement, and satisfaction of the development requirements (affordable and workforce housing) that were the basis for the credits calculated into the final purchase price. The City Attorney desires to bring the amendments to the Mayor and Council on May 7, 2013, to allow closing on Phase II to proceed in May as previously anticipated.

Respectfully submitted,



Richard Miranda
City Manager

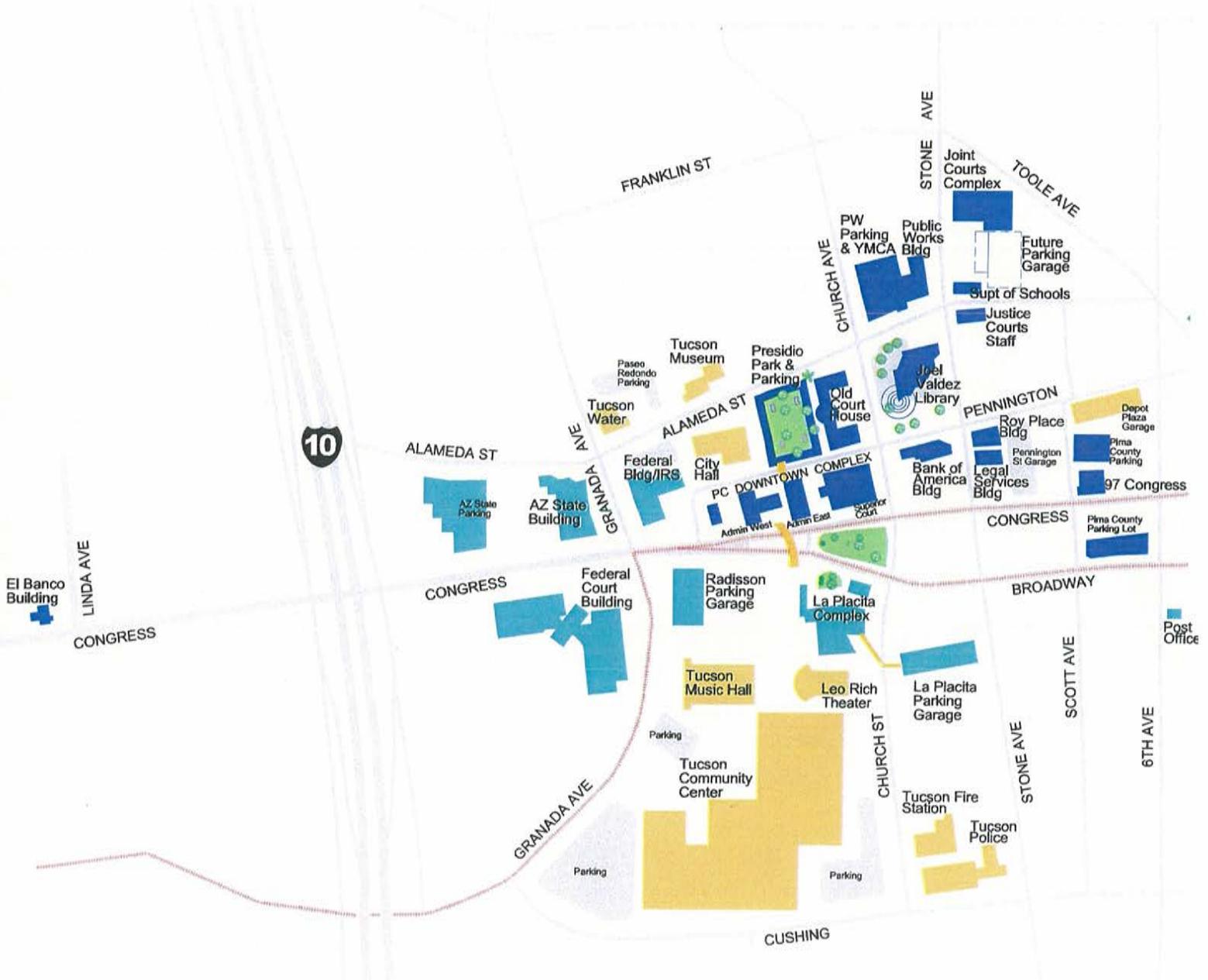
RM/MR/dg
City Attorney’s Office

Attachments: Memorandum from Vice Mayor Romero dated May 16, 2012
Memorandum from Vice Mayor Romero dated March 13, 2013
Blocks Map



PIMA COUNTY BUILDINGS AND DOWNTOWN TUCSON

3



- PIMA COUNTY FACILITIES
- CITY OF TUCSON FACILITIES
- PARKING
- TUCSON MODERN STREETCAR

ULI

October 24, 2013

a. County's Downtown Real Estate Holdings

Existing:	2.4MSF
Future:	<u>400KSF pending (New Courthouse/Scott & Broadway lot)</u>
Total:	2.8MSF

b. County Downtown Workforce

+2,500 employees

c. County Parking Operations

(5) current structured parking garages totaling 2,300 stalls
(1) 700 car under construction (Jan. 2015)

d. County Wastewater Infrastructure

Growth capacity of Santa Cruz interceptor
Tucson Water.....SW Gas.....TEP.....

e. County Development Opportunities

97 East Congress (streetcar adjacency)
Scott and Broadway lot (streetcar adjacency)
Theresa Lee Clinic (streetcar adjacency)

Stravenue – Cultural “mass”

Fountain procession
TMA – Old Courthouse/Jan. 8th memorial
Existing amenities (Leo Rich/Music Hall/TCC)
University of Arizona – American West Museum and Creative Photography Collection
Academic Center
Streetcar infill
Visitor's Center/Visit Tucson (streetcar adjacency)
Interstate 11 Intermountain West Corridor options

4

Overview of “Arena” Property
from Rio Nuevo Board Chair Fletcher McCusker

On the eastside of the freeway, Rio Nuevo owns the “arena site”. This 8.5 acre lot, adjacent to the freeway and fronting Congress, was planned to house a new arena under the former Rio Nuevo TIF revitalization plan. However the project was abandoned when the bids came back at over twice the budget. The land has sat vacant for several years, except to serve as a temporary Greyhound bus station. The parcel was awarded to Rio Nuevo as part of the Global Settlement with the city and could be the cornerstone of the west entrance to downtown. It has modern streetcar access and is adjacent to vacant land owned by private developers that could double the usable space if planned jointly.

City likely to scrap tortoise arena plan

Scaled-back, less expensive venue in new locale on tap



MAY 03, 2008 12:00 AM • BY ROB O'DELL ARIZONA DAILY STAR

The desert tortoise could be extinct by next week. Not the real ones, but Tucson's proposed \$200 million, 12,300 seat Downtown arena that was to be shaped like one.

Faced with spiraling costs, the City Council is set to abandon the arena's tortoise design and its location along the Interstate 10 frontage road.

In its place, City Manager Mike Hein is expected to pitch a scaled-back arena — possibly as small

at 9,500 seats, although a larger building is still possible if the UA or a major sports franchise would join in — with a less expensive design and in a new location closer to the Tucson Convention Center.

The manager isn't prepared to talk about how much cheaper, but in recent weeks he has been talking about two new 10,000-11,000 seat arenas built for under \$100 million in Missouri— one at St. Louis University and another at Missouri State University in Springfield.

City officials contend just changing locations and scrapping the tortoise design will save up to \$20 million.

Hein said he will ask the council on Tuesday to endorse moving the new arena to seven acres of prime real estate owned by Allan Norville.

A \$17 million agreement to buy the land — which the city has been after for decades — will also be discussed.

Hein said he will also ask the council to approve a competitive process to get the arena designed and built quickly.

He acknowledged it's unlikely the University of Arizona or another major tenant will step forward to justify a larger building, but he's keeping the door open.

Even if the new facility isn't any larger than the existing TCC arena, a modern structure would be more appealing to traveling performers, provide more amenities for customers and free up the TCC to be renovated into a full-time convention facility.

The higher ceiling would offer better acoustics for musical acts, and luxury boxes and premium seats could bring in more revenue, Hein said.

The move to kill the 12,300-seat arena comes after an updated financial analysis showed the cost had grown from the \$130 million originally approved by the City Council to \$196 million.

"Looking at a cost like that, it didn't seem in the ballpark" of what the community could accept and pay for, Hein said.

A cost comparison of several new arenas built around the country showed Tucson's tortoise shell design would be among the most expensive on a cost-per-square-foot basis, he said.

Council members interviewed by the Star said they are amenable to scrapping the tortoise design and moving the arena to Norville's land.

Some said they still want the arena's cost to be below the \$130 million they previously authorized, and others said they want it constructed as soon as possible.

An agreement to locate the arena on Norville's land would clear the way for the city to finalize negotiations for a new convention center hotel, said Jaret Barr, the hotel project manager.

Currently, the city is negotiating with two hotel developers who want to build a new \$250 million convention center hotel complex near the TCC and the new arena.

Construction of the hotel would be financed using the city's access to low-interest, tax-exempt financing.

In November, a city committee recommended building a 707-room Sheraton Hotel and buying the existing Hotel Arizona.

But that plan hinged on acquiring the Norville property.

Councilwoman Nina Trasoff said buying Norville's land and agreeing to put the arena there will "absolutely" open things up to finalize the convention hotel.

Trasoff said she supports action that will get the arena and hotel under construction as soon as possible.

So does Councilman Rodney Glassman, who said the city needs to move ahead with actually designing and building an arena, not just looking at another concept plan.

"The community is tired of concepts, reports and consultants," Glassman said.

Given the price inflation of the tortoise shell plan, Trasoff said the council needed to take a second look at the project.

She said the tortoise shell design "was driven by the location ... next to a neighborhood. It was incumbent on us to re-evaluate the design and location to make sure we're getting the best."

Two council members said they support an arena, but only one where the cost is no more than the \$130 million approved.

"It's way too much," Councilwoman Shirley Scott said, referring to the \$196 million tortoise shell design.

"We should not be overburdening taxpayers with an overpriced project," Scott said.

She said she hoped private developers could be brought into share the cost.

Meanwhile, Councilwoman Karin Uhlich said she would support an arena that didn't exceed \$130 million.

"I'm remaining committed to the whole project," as long as it comes in under \$130 million, Uhlich said.

"That was the resources I was comfortable investing. For me, I think it's important to stick to that commitment."

Council members said they would be open to the size of the arena being revisited, as long as the number of seats could be justified.

Mayor Bob Walkup said the turtle design was nice but it might not have been the best value for the cost.

"It might have gotten in the way of a more practical design," Walkup said. "I agree that Mike is on the right track."

2007

4

Arizona Daily Star

Council gives speedy OK to \$130M arena

TCC expansion approved, also with little input



04/05/07

ARIZONA DAILY STAR

APRIL 05, 2007 12:00 AM • BY ROB O'DELL ARIZONA DAILY STAR

Seemingly out of nowhere, a Downtown arena became Rio Nuevo's top project Wednesday, as the City Council voted unanimously to approve the \$130 million project.

In addition, the council voted to back a \$60 million expansion of the Tucson Convention Center and to put out a request for proposals in 30 days for companies to bid on the opportunity to build a new Downtown hotel.

Only five days after a feasibility study detailing the design and cost of the arena was released on Friday, the project took a giant step toward becoming a reality with a minimum of public input.

In fact, the arena and the TCC plan themselves were not listed on the agenda. The vote happened only after a discussion about a competing hotel and arena plan submitted by Downtown landowner Allan Norville.

While the public had a say on the selection of the consultants to study the cost and viability of an arena and create a proposal to build it in 2004, since those costs and other figures came out last week, no public comment has been taken.

Mayor Bob Walkup called it a "fairly historic vote." The packed council chamber broke out in applause after the vote was taken.

Most of the council members had glowing words for the arena proposal, calling it a new beginning for the much-criticized Rio Nuevo Downtown Redevelopment District.

Councilwoman Shirley Scott said the arena would "make Downtown dazzling, exciting and new. It's a new energy and a new place," she said.

Other council members who opposed the arena in the past — Steve Leal and Jose Ibarra —

both voted for the arena.

Leal said the way City Manager Mike Hein proposed staging the deal — using the cash from a new or renovated Downtown hotel to write down the debt from the arena and the TCC — creates more tax increment financing (TIF) years down the line that could be used for future projects.

"That's why the hotel stuff is so critical; it carries the arena," Leal said. "It's important the arena doesn't crowd out other projects like the science center and museums."

Ibarra said after the meeting that the arena's \$130 million price tag was less than he expected and leaves money for projects on Rio Nuevo's West Side, such as a new science center by the University of Arizona.

After the meeting, Hein said using Rio Nuevo redevelopment money, the hotel cash flow and bonding would allow the city to build the hotel, the arena and the TCC for \$102 million in TIF money.

Hein said the council's approval of the arena allows the city staff to focus on the hotel component of the hotel-arena-convention center proposal.

He said the reason for its approval Wednesday, even though the arena was not on the council agenda, was an "evolution in the discussions" after Norville's arena plan was put on the agenda by Ibarra.

After sitting on the arena studies and repeatedly pushing back their release for months, the city released the studies en masse on Friday in an attempt to combat Norville's proposal for an arena. They were the first studies released on the arena in more than a year.

The studies called for a \$194 million Downtown arena and a revamped TCC — with \$130 million to an arena oriented north-south along the Interstate 10 frontage road just south of West Congress Street and the remaining \$64 million going toward expanding the TCC and converting the existing arena to convention space.

The council voted, however, to cap the TCC funding at \$60 million instead of \$64 million. Councilwoman Karin Uhlich noted there is also \$30 million in state funds that could be put toward revamping the TCC that was allocated in a 2003 bill giving money to Phoenix for its Civic Plaza. The legislation, however, called for a public vote before the money is released, and Tucson voters have repeatedly said no to funding the TCC.

The arena's design was inspired by a desert tortoise shell, with a roof that rises from only 24 feet high on its east and west sides to 91 feet at its apex. The lower bowl of seating would be 29 feet below ground, reducing the overall building height. The arena would have a capacity of more than 12,300.

Once the arena is up and running, the TCC would be turned into a full-fledged convention center, rather than a multipurpose facility, by adding new meeting rooms to the east and south of the current TCC arena, which would be transformed into an exhibit hall for \$18.7 million.

The next step for the council is the request for proposals for the Downtown hotel, Hein said. All

the proposals would be able to use the city's ability to arrange ultra-low, tax-exempt financing, and would include having one of the four top hotel chains in the country manage the property.

The hotel is key to the project because after it is completed at a cost of more than \$100 million, the project would create a stream of funds that would go toward writing down the debt on the arena and the TCC.

Hein said this is the model that has been used to expand convention hotels across the country — and is the same mechanism being used by Phoenix for its convention hotel. But there's a difference, Hein said. No other city has used TIF money to add to the deal, he said.

After the hotel component is decided, the next arena component to come before the council would be the design-build contract for the arena, which would be built by a collection of firms the city chose in 2004. The financing of the project also needs to come back before the council, Hein said.

Although the arena vote was taken without much fanfare and little public notice, the chances of seeing a Downtown arena soon aren't likely.

First, the city needs to build the hotel and have its cash flow dedicated to the arena's debt. Second, the site of the arena is the current Greyhound bus station, which won't be moving until 2009, Hein said.

Join Star columnist Ernesto Portillo Jr. at noon Friday for a live chat about the quick approval given to the \$130 million arena plan. azstarnet.com/special/portillochat

Fast Facts

- **What:** A new 12,300 seat arena for concerts, sporting events and trade shows.
- **Cost:** Up to \$130 million.
- **Where:** Just east of the Interstate 10 frontage road between West Congress and Cushing Street.
- **When:** No target date or timeline has been set. Groundbreaking is likely two years or more away.
- **Where will the money come from:** Mostly from Rio Nuevo funds. City officials also believe a convention hotel they hope to develop will bring in enough money to pay for itself and a share of the arena, too.
- **What else is included:** A \$60 million makeover for the Tucson Convention Center.
- **What's next:** In 30 days, the city staff has been told to prepare specifications for a request for proposals soliciting bids to develop a convention hotel in the TCC/arena area. City officials will also be negotiating a "design-build" contract with a developer for the arena.

Norville, Rio Nuevo open talks on building downtown hotel

5

Property owner also plans exhibition space near TCC

JUNE 26, 2013 12:00 AM • [BECKY PALLACK AND DARREN DAÑONCO ARIZONA DAILY STAR](#)

Downtown property owner Allan Norville is taking another swing at building a new downtown hotel and exhibition center.

The Rio Nuevo board voted unanimously Monday night to open negotiations with Norville for the joint development of an up-to-250-room hotel and an exhibition hall across from the Tucson Convention Center, on the west side of Granada Avenue.

The talks mark the latest attempt by Norville to build a hotel on his property near the Tucson Convention Center.

Norville, who owns nearly all the private property between the TCC and Interstate 10, has been offering hotel and exhibition hall proposals since 1995. But none has progressed beyond the planning stage.

Still, Rio Nuevo Chairman Fletcher McCusker believes this latest attempt deserves a chance.

"This could be a significant opportunity for the community and Rio Nuevo," McCusker said at Monday's board meeting.

The plan is to jointly develop Rio Nuevo's 8.5-acre property where the current Greyhound Depot sits and the adjacent land owned by Norville's company Nor-Generations LLC, much of which is now used for parking or temporary exhibit halls for the Tucson Gem & Mineral Shows.

Together the two parcels could be the site for:

- a 140-250 room hotel;
- an exhibition hall;
- a parking garage for 1,200 vehicles;
- a mixed-use area with homes, shops, restaurants and access to the new streetcar line.

Details vague

Although McCusker and board members Alberto Moore and Chris Sheafe have been involved in "extensive conversations" with Norville about the hotel idea, few specifics exist on costs or if any national hotel chains are interested.

"Right now, it's all conceptual," McCusker said. "It's really early. We just want to have the

discussions to see what's (doable)."

Norville was out of town and could not be reached for comment.

McCusker said he hopes to have more details on the project by the board's July meeting.

Norville's past proposals:

- In 1995 Norville had plans for a hotel and 60,000-square-foot exhibit hall, but was thwarted when the federal government condemned a third of the site for a new courthouse.
- In 2005 similar plans were rejected by the city because they conflicted with a now-defunct city plan for a public plaza that would have taken another piece of his property.
- In 2007, he responded to a Rio Nuevo solicitation for hotel proposals with plans for a 450-room hotel for \$101 million with a future add-on of 300 rooms for \$111 million, but lost out to another bidder, whose contract was subsequently cancelled by Rio Nuevo.
- Early last year Norville was privately invited to make another hotel pitch to city and Rio Nuevo officials behind closed doors, but that plan got bogged down in controversy over the secret session and the fight between the city and Rio Nuevo over financial issues.

Under the draft terms adopted Monday, Norville would be responsible for developing a hotel and exhibit hall. Rio Nuevo would fix a drainage issue that the TCC property creates, build a new intersection at South Granada Avenue and Cushing Street, construct, or find someone to construct, a 1,200-space parking lot, and develop a space for retail, dining, residential and pedestrian uses all within easy access to the streetcar line.

But everything's still in the nascent stages. All the board has done is authorized talks. Any agreement must return to the board for approval. Even then it wouldn't be final since the City Council must sign off on any deal.

A new hotel could induce the Gem Show to keep its annual event in Tucson.

Many have fretted the lack of a downtown hotel could cause the annual gathering of gem shows to leave the area someday.

But a new hotel and hall could decrease the likelihood Tucson's most profitable event bolts for another location, Moore said during Monday's meeting.

Norville's property is currently used for the shows as a site for large tents that serve as temporary exhibition space.

With Norville's track record though, some are taking a wait-and-see approach before prepping for any ribbon-cutting ceremony.

"Mr. Norville's plan could be something very beneficial to the area," said Councilman Paul Cunningham. "But he's been talking about this for a long time, so we'll wait and see if it comes to fruition."

If Rio Nuevo does eventually approve a deal, the district must give Greyhound one year's

notice, and the city will be on the hook for relocation costs.

On StarNet: See artist's renderings of a proposed \$7.8 million renovation of the Tucson Convention Center at azstarnet.com/gallery

"Mr. Norville's plan could be something very beneficial to the area. But he's been talking about this for a long time, so we'll wait and see if it comes to fruition."

Paul Cunningham, Tucson city councilman

Contact reporter Becky Pallack at 573-4251 and bpallack@azstarnet.com. Contact reporter Darren DaRonco at 573-4243 and ddaronco@azstarnet.com



City-owned
 La
 Entrada
 site next
 to Tucson
 Museum
 of art

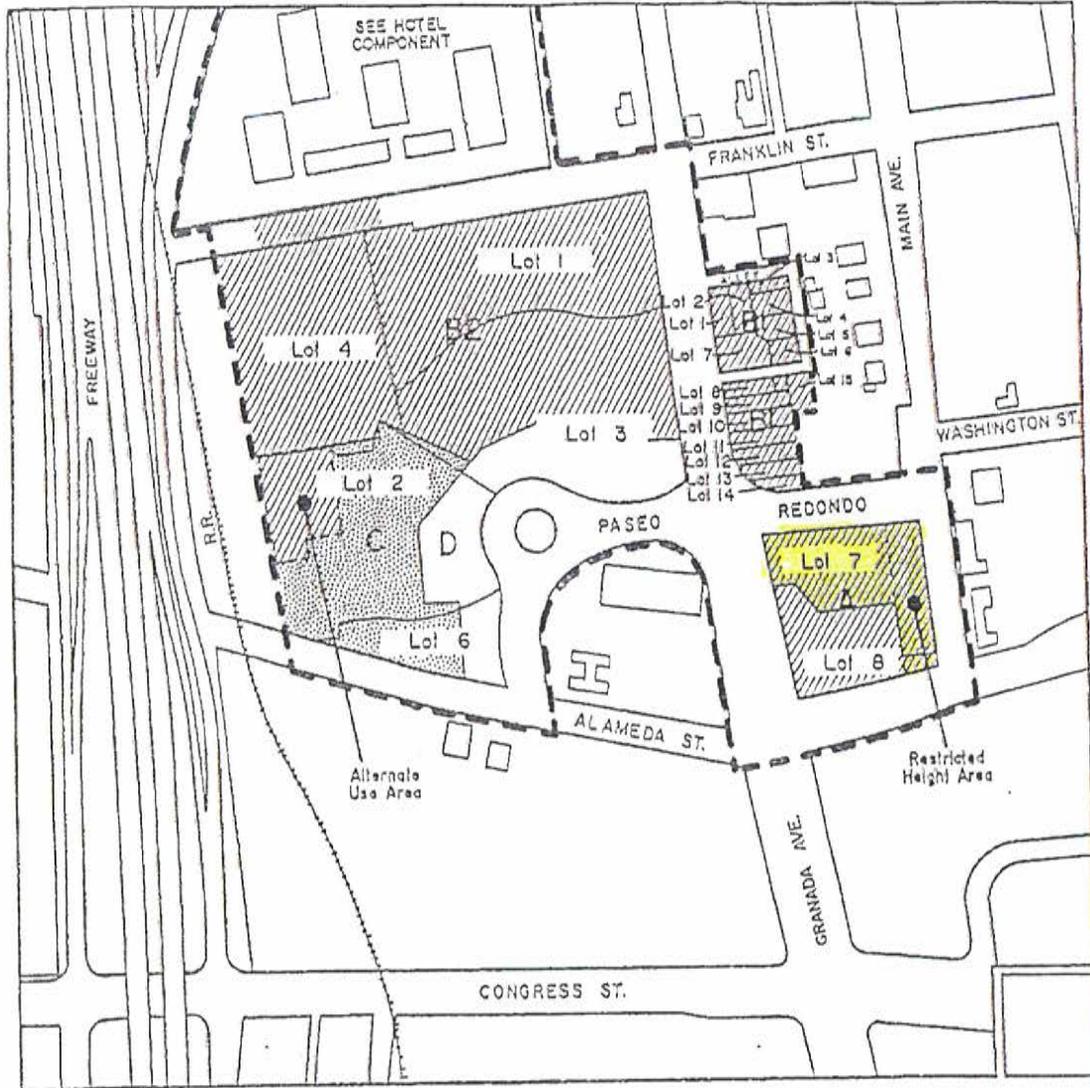
Parcel 7

6



6

La Entrada Redevelopment Plan/Planned Area Development



This lot and/or block information is only periodically updated and is provided for subdivision reference only.

Key:

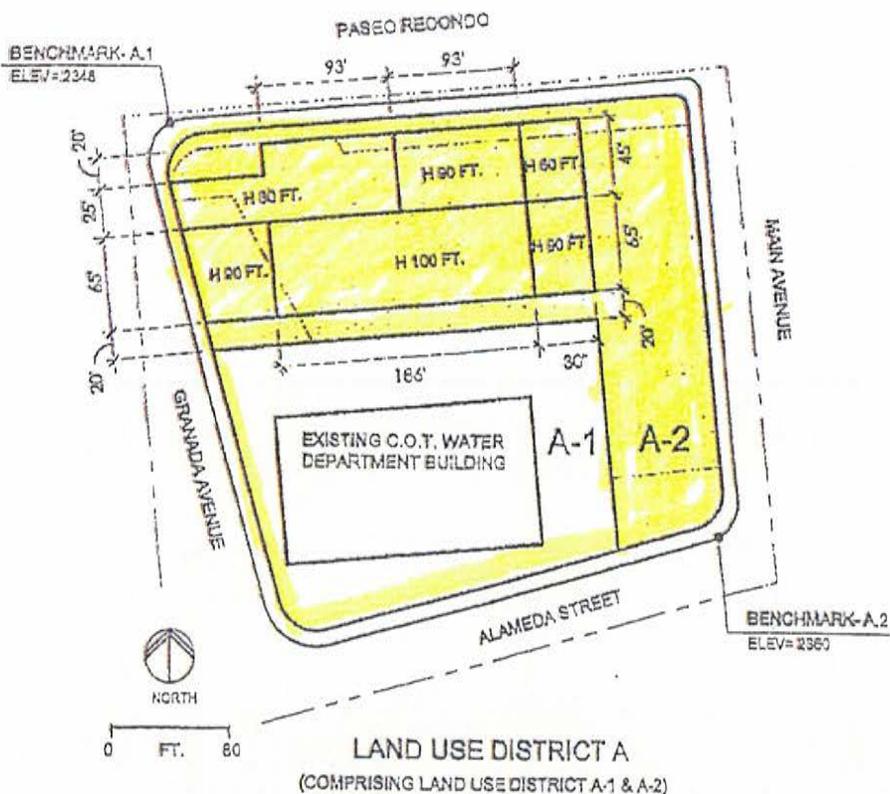
----- Project Area Boundary

Districts A, B1, B2, C, D

La Entrada Redevelopment Plan

Subdivision Lot Numbers

And Location Map



LAND USE DISTRICT A
(COMPRISING LAND USE DISTRICT A-1 & A-2)

-  LAND USE DISTRICT A-1
EXISTING DEVELOPMENT
-  LAND USE DISTRICT A-2
HEIGHT (H) AS NOTED, AS MEASURED ABOVE
BENCHMARK LEVEL A.1 AT PASEO REDONDO AND
GRANADA AVE.
-  LAND USE DISTRICT A-2
25 FEET AS MEASURED ABOVE BENCHMARK LEVEL A.2
AT MAIN AVE. AND ALAMEDA ST.
-  STREET

EXHIBIT "F"

July 28, 2006 - Ordinance 10301 (Change of Conditions)

Standards for Development

La Entrada Redevelopment Plan/Planned Area Development

resources shall be taken, in accordance with State Historic Preservation Office guidelines.

A-2 on exhibit "F"

1.2 Land Use District A.2 (approximately one and one-tenth acres):

- C, 1, 2
- a. Uses Permitted: Residential, commercial, office, retail, recreation, and parking.
 - b. Maximum Development: Mix of residential and non-residential uses to include office, retail and / or commercial uses, as appropriate and in compliance with the following:
 - 1) The location of residential uses is not restricted.
 - 2) Non-residential uses are allowed on Alameda St. and Granada Ave. and on not more than 50 percent of the frontage on Paseo Redondo and Main St.
 - 3) The floor area of the development is not restricted, other than as provided for in the International Building Code, latest edition as adopted by the City of Tucson.
 - c. Maximum Height: As shown at "Exhibit F" (Land Use District A), heights are defined as measured above Benchmark A.1 (Elevation 2348 at Paseo Redondo and Granada Ave.) and above Benchmark A.2 (Elevation 2360 at Main Ave. and Alameda St.).
 - d. Parking: Residential parking required is one (1) space per dwelling unit. Commercial parking required is zero (0). Parking for any other permitted use is zero (0).
 - e. Building Setback Distance Requirements: The minimum setback distance required from all rights-of-way and property lines is zero (0).
 - f. Vehicular Access: Not permitted from Main Ave. or Alameda St. Vehicular access from Granada Ave. and Paseo Redondo is subject to review and approval by the COT DOT, pursuant to a Traffic Impact Study to be submitted with the project's Development Plan.
 - g. Archaeological Resources: Shall be identified through either pre-construction testing or monitoring during construction. Appropriate measures to mitigate construction impacts on identified archaeological resources shall be taken, in accordance with State Historic Preservation Office guidelines.
 - h. Landscaping and Screening: Landscaping and screening shall comply with Section VII.E parts 1, 2, and 4 herein. Landscaping in the Right-of-Way is subject to review and approval by the COT DOT in accordance with Rio Nuevo Development Standards 9-05. Street and interior landscape borders

and screening are not required. Where possible a six ft. high masonry screen wall will be provided for refuse storage areas; where not possible the design will minimize impact of the refuse area on adjacent street. Additional landscaping measures may be required, subject to review and approval of final Development Plan by COT DSC.

- i. Loading Zones: A minimum of one (1) loading zone shall be provided, either on or off site, as follows: An off-street Loading Zone measuring 10 ft. wide by 24 ft. long and may be shared within Land Use District A and accessed from Granada Ave. subject to approval of Traffic Study by COT DOT. The ROW may be used for maneuvering. Alternatively an on-street Loading Zone may be provided on Main Ave. near the corner at Alameda St. measuring 7 ft. wide by 24 ft. long, and signed "Loading Zone - No Parking 8:00 a.m. to 5:00 p.m."

- j. Refuse Collection: Refuse shall be collected within Land Use District A.1 and/or A.2 from a minimum of two (2) dumpsters, one each for garbage and recycling. Dumpsters shall be serviced six times a week at one location accessed from Granada Avenue to be shared by Lots 7 and 8 within Land Use District A (comprising A.1 and A.2). The ROW of may be used for maneuvering. One additional on-street refuse collection point may be provided on Alameda Street at the corner of Main Avenue.

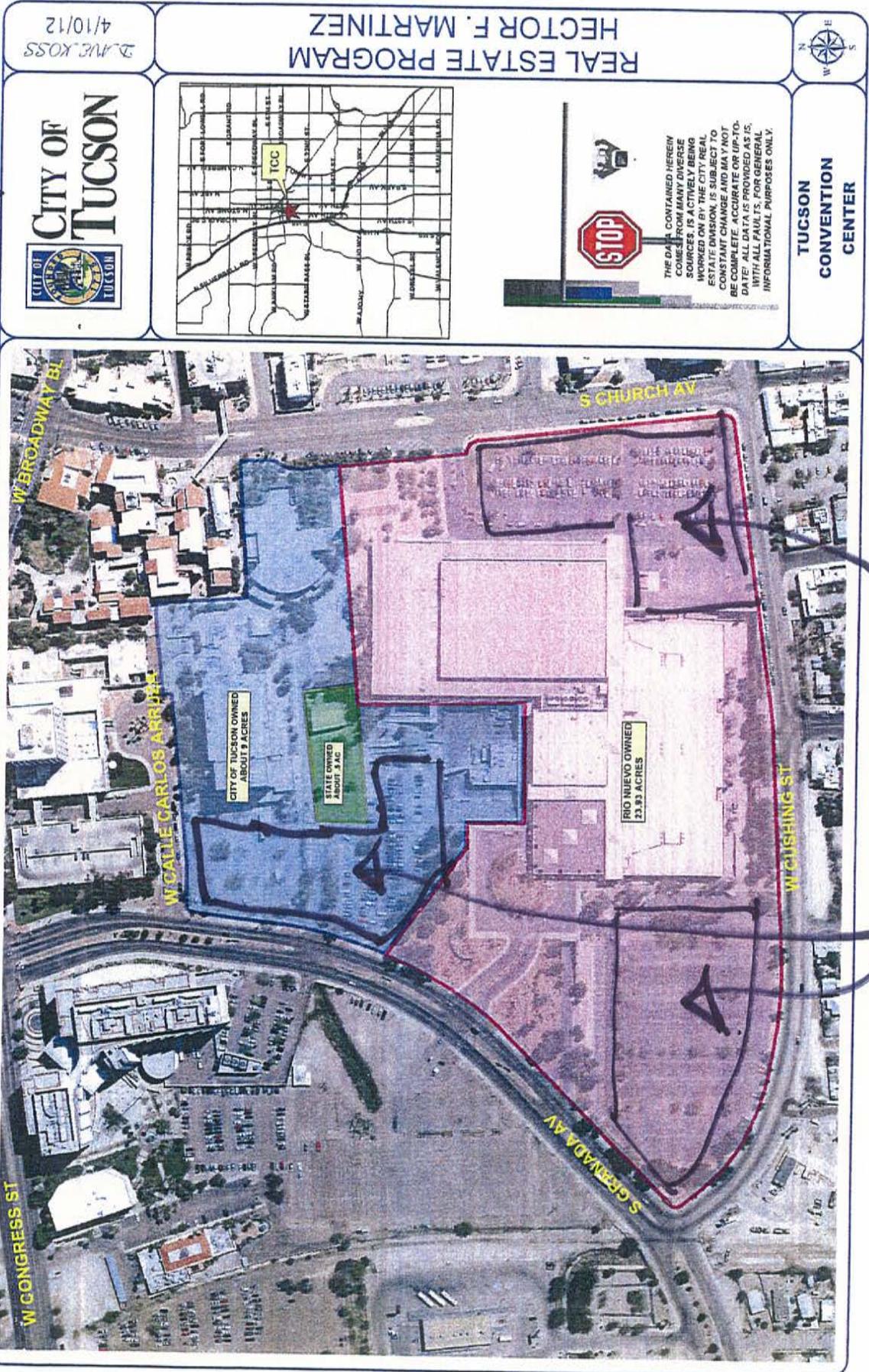
(July 28, 2006 - Ordinance 10301 (Change of Conditions))

- 2. Land Use District B-1 (approximately 1.4 acres)
 - a. Uses Permitted: Residential dwelling units.
 - b. Maximum Number of Units: 65.
 - c. Maximum Height: 30 feet.
 - d. Required Parking: Shall be in accordance with the Required Parking schedule as described in Section VII-D of this *Plan*.
 - e. Minimum Usable Open Space Per Residential Dwelling Unit: 300 square feet.
 - f. Building Setback Requirements from Public Streets: The minimum setback required from Granada Avenue shall be an average of 10 feet from property line. The minimum setback required from the east property line shall be a distance equal to 60 percent of the building height, but not less than 12 feet. The minimum setback required from Paseo Redondo shall be 20 feet from the property line.

1

1

TCC ownership



surface parking



REAL ESTATE PROGRAM HECTOR F. MARTINEZ

2/Mr. KOSS
4/10/12



TUCSON
CONVENTION
CENTER

Council OKs Tucson Convention Center improvements, plan for private management

9 HOURS AGO • DARREN DARONCO ARIZONA DAILY STAR

Things may be looking up for the moribund Tucson Convention Center after the City Council unanimously approved measures Tuesday to update the facility and bring in an outside management company to curb costs.

First up was a measure giving the green light for Rio Nuevo to spend \$7.8 million on TCC improvements.

As part of the city and Rio Nuevo's agreement to end years of bickering, the downtown improvement district board agreed to put at least \$6 million into repairing the TCC, with the provision any plans must be approved by the council.

Most of the renovations focus on "aesthetic and cosmetic" touch-ups to make visits to the TCC a little more pleasant for patrons, said Elaine Weaver, TCC project manager.

Some of the key improvements include replacing seats, improving lighting, adding a video scoreboard and renovating the breezeway, bathrooms and concession stands.

While it's a good these initial improvements are about to get underway, Councilman Paul Cunningham said, there's still a lot more to be done if the TCC wants to become competitive again.

"This is only the beginning of correcting the mistakes of the past to develop a convention center we can be proud of," Cunningham said. "There is still a considerable amount of work to be done," such as widening the concourse and luxury seating.

Councilman Steve Kozachik said the limited budget means focusing on relatively inexpensive "fan amenities" to get people back to the TCC. More ambitious projects can be considered later, he said.

The improvements are tentatively scheduled to be completed in spring 2014.

The second measure authorized seeking a private company to manage the TCC.

City Manager Richard Miranda said the complex and intricate nature of running a convention center in the current market will require a professional management company if the city wants to reduce its expenses and improve the TCC's image.

This year, the city paid \$3.4 million in losses and lease costs. Even though the city traditionally puts money into the Convention Center every year, city officials believe declining events and revenues don't justify the expenses.

While the TCC has lost many conventions and events, there's still hope things can be turned around if the right pieces are put in place, said city economic development specialist Andrew Squire.

"There is business out there we are losing out on because we are not ready to go," Squire said.

Squire said a private management group would provide the city an opportunity to right the ship, and possibly regain some of the shows lost over the years and attract new ones.

Councilwoman Regina Romero said she's all for a private company to revitalize the TCC, since it's integral to the revitalization of the west side of downtown.

"Right now, downtown ends at the Fox Theatre," Romero said. The west side is a "black hole" that needs to be "activated," if the streetcar and downtown are to realize their full potential, Romero said.

Despite her optimism, Romero cautioned she doesn't want to see any broken promises to labor groups or events with existing contracts at the TCC.

City Attorney Mike Rankin said any future proposal will account for those present agreements.

It's expected to take a year before any offers are brought to the council.

"This is only the beginning of correcting the mistakes of the past."

Councilman Paul Cunningham

Contact reporter Darren DaRonco at 573-4243 and ddaronco@azstarnet.com.

Aging Tucson Convention Center may get private manager

Council looks to stem red ink, further erosion of business

JULY 09, 2013 12:00 AM • DARREN DARONCO ARIZONA DAILY STAR

After years of covering losses at the Tucson Convention Center, the city is considering turning over management of the beleaguered arena to a private company.

The city expects to pony up \$3.4 million to cover TCC losses and lease costs for the last fiscal year alone. The city has always put money into the Convention Center, justifying the covering of any deficits by pointing to the increase in tax revenue and business generated by the events.

But the TCC's public image has taken a lot of bruises over the years as promoters, vendors and attendees all have complained about shoddy facilities, lackluster customer service and more.

As a result, the city has watched coveted shows and conventions flee to other cities or to local suburban resorts and casinos, where the city gets no benefit, making it more difficult to defend the annual subsidies.

But with Rio Nuevo poised to make about \$8 million in improvements to the dilapidated arena, City Manager Richard Miranda said now's a good time to find someone who could manage the TCC more efficiently, and possibly repair its tattered reputation.

Miranda will present his recommendation on bidding out the TCC at today's City Council meeting.

Many were optimistic about the change.

Rio Nuevo chair Fletcher McCusker said it should be self-evident by now that a private company is preferable to a government bureaucracy when you want to decrease costs and improve performance.

"It should surprise no one the private sector can manage it better than a government can," McCusker said. "I'm a big proponent of privatization. I think the private sector is much more efficient, more specialized and much more capable."

With many capable private management companies out there, Brent DeRaad, CEO of Visit Tucson, said there is definitely an upside to outsourcing, especially if the goal is to attract national acts.

But, DeRaad said, the current TCC model offers a lot of flexibility so many local groups can utilize it. He said what ultimately works best will depend on what vision the city decides on.

Since the city is already attempting the privatization route with another troubled program, said Councilman Steve Kozachik, it has nothing to lose by testing the market with the TCC.

"Same as with golf," Kozachik said. "Let's see if we can turn these lemons into lemonade."

Contact reporter Darren DaRonco at 573-4243 or ddaronco@azstarnet.com.



MAYOR & COUNCIL MEMORANDUM

①

July 9, 2013

Subject: Tucson Convention Center Management Options (City Wide) Page: 1 of 2

Issue – The Tucson Convention Center (TCC) is a multipurpose event facility comprised of 3 exhibition halls, a 21,000 square foot grand ballroom, a 9,000 seat arena, a 2,200 seat music hall, a 500 seat theatre and numerous courtyards and fountains. Recent facility improvements and administrative enhancements have demonstrated that a long-range management plan is necessary to build on the successes that have been achieved at the Tucson Convention Center over the last year. To facilitate the development of alternatives for this management plan, the City Manager formed the TCC Management Options Team. This team was tasked with developing options that would contribute to the long-term sustainability of a facility that is a community asset and has the potential to be the integral economic driver for Tucson.

City Manager's Office Recommendation – Stakeholder input was compiled and convention and events industry research was conducted by the team. In conjunction with this work, the team did a review of the theater and performing arts industry as these events are integral to the TCC. What the team heard and comprehended was that excellence in customer service, meeting clients' hospitality needs and a re-establishment of civic pride in the facility were the paramount goals that should be infused into any long-term plan. Given that platform, it was felt that a change is necessary from the current management structure and the privatization of the management in some structured form of the TCC is considered the best option given the variety of uses at the facility. Therefore, the City Manager recommends issuing a competitive Request for Proposal (RFP) to solicit offers to take on private management of the TCC. As part of the RFP, the City shall reserve the right to reject any and all offers, so that the City may determine whether the submitted proposals would benefit the best interest of the City. The RFP process will determine subsequent actions to be taken regarding TCC organizational, staffing, and management structure for the entire facility.

Background – In February 2013, The TCC Management Options Team began researching the trends in the convention and event industry. The Team also reached out to a wide variety of stakeholders ranging from users to potential collaborative partners through an online survey and face-to-face meetings. Over 40 meetings were held with the different stakeholders. In the meetings, stakeholders were asked to identify the challenges, assets, opportunities and visions for the TCC. Research was also conducted to determine best practices and trends in the convention and event industry.

Present Consideration – Stakeholder meetings determined that there were common factors necessary to improve sustainability of the TCC. These factors included, institution of appropriate and higher standards for the management and operations of the facility, provision of quality customer service be paramount, maximize the TCC spaces for economic potential and invest to enhance and improve the physical condition of the facilities and the grounds. Details on stakeholder input can be found in the attached report. In addition, the Team researched the different management options suitable for a multipurpose facility.

The convention and event industry research revealed that a number of cities across the country are contracting with private management companies to operate their convention and event centers. The advantages of private management are solidified by the development and administration of a contract that includes performance measures defining expectations of improvement in efficiencies and enhancement in the use of the facilities. Additionally, organizational, staffing and management structures for the facility can be developed for the retention of shows and events that are vital to our community, such as the Gem Show, as well as focus on innovation to take the TCC into the future.

Legal Considerations – Staff will work within the parameters of the procurement code to develop the request for proposal.

Respectfully submitted,



Richard Miranda
City Manager

RM/LB/CB
City Manager's Office

Attachments: Tucson Convention Center Management Options Report
Appendix A – Stakeholders
Appendix B – Stakeholder opinions of future opportunities for TCC

Tucson Convention Center Management Options

Introduction

Mayor and Council have highlighted economic development and downtown revitalization as one of its priorities. To that end, the City Manager's Office has been working diligently over the last twelve months to improve the management and reputation of the Tucson Convention Center (TCC). The recent success with the 2013 Gem, Mineral, and Fossil Showcase is the fruit of this effort. With the Modern Streetcar coming on line, the time is ripe to move forward to find and implement new strategies that will restore civic pride in the TCC.

Project Goal

To conduct a stakeholder input process in addition to analyzing current industry trends to generate an analysis of the TCC as it relates to purpose, management, realistic opportunities and future options.

Methodology

Initial project research included review of pertinent industry reports, meetings with TCC stakeholders and analysis of findings to produce preliminary recommendations with the intention of "setting the table" for the project's formal research. Meetings followed a unified format: discussing challenges, strengths, opportunities and visions. The result is an analysis of the trends, comparison of stakeholder's perspectives, and a presentation of the options.

Convention Center Industry Trends

Most convention centers around the country were built in the 1970's and 1980's as economic development tools for cities willing to undertake the public commitment to fund and operate these facilities. The proposed benefits generated from convention center activities include convention activity linked tax revenue and downtown (re)development. The national supply of exhibit space increased from 40.4 million square feet in 1990 to approximately 60.9 million square feet in 2003 while demand for exhibit space has modest gains.¹ The second wave of convention center expansion came in the early 2000's with existing convention centers adding a headquarters hotel in yet another attempt to secure their share of the convention business.

Convention centers no longer capture their fair share of the market just by existing. More often than not, convention centers must give the space away for free in order to attract large-scale conventions and conferences. For some cities, the bed and sales tax generated from those convention goes justifies the discounts.

The vast majority of convention centers run operational deficits. The City's FY 2013 General Fund support of the TCC is estimated to be approximately \$3.4 million, including debt service. By comparison, the General Fund transfer in Albuquerque was \$750,000, while in Phoenix it was approximately \$15 million.

¹ Space Available: The Realities of Convention Centers as Economic Development Strategy. Heywood Sanders, The Brookings Institution, 2005.

As communities face difficult financial choices, they are looking to reduce the costs associated with running a convention center. To this end, some communities have turned to private management of their convention and event centers.

What is the TCC?

From industry research there are four major size categories for convention centers:²

- 1) Major National Centers are those such as Chicago, New York, Atlanta and New Orleans
- 2) Emergent National Powers are Las Vegas and Orlando
- 3) Prime Visitor Destinations such as San Francisco and Boston
- 4) Regional Centers such as San Jose, Baltimore, Tampa, Denver, Phoenix.

On a national level, the TCC is not able to attract large-scale convention business. There are two realities not associated with management that limit the TCC's ability to compete for such business: lack of direct air flights and lack of hotel rooms within walking distance. Visit Tucson (formerly MTCVB) currently markets the TCC as a Regional Events Center. Several of the stakeholders indicated that the TCC serves a small, niche convention market that can range from the National Barbershop Quartet, Science and Astronomy Exposition, Future Business Leaders of America, and USA Volleyball in addition to the Gem Shows. At the same time, some of these small conventions have also relocated to the area's resorts, which can easily create an entire destination package for convention attendees. The region's Casinos provide venues similar to the TCC as well. Casinos have a successful model of paying entertainers for their shows and in turn receive revenues through hotel stays, gambling, food and drink. The TCC also plays the role of community center where it can and has been used as a place where Tucson meets for recreational, social, educational, cultural activities. Both the Casinos and the Southern Arizona Lodging and Resort Association encourage collaboration between their businesses and the TCC where more festivals and community activities could take place in order to activate the TCC site.

Operating Cost of the TCC

The FY 2013 operating expenditures for the TCC are estimated to be \$5.5 million. The projected revenues for FY 2013 are \$3.4 million. As a result of expenditures exceeding revenues, the General Fund operating transfer at the end of FY 2013 is estimated to be \$2.1 million. In addition, the annual debt service (lease payment) from the General Fund is \$1.3 million, for a total of approximately \$3.4 million General Fund dedicated to the TCC in FY 2013. The breakdown of the total estimated \$5.5 million in operating expenditures is as follows: Salaries and Benefits: \$2.2 million; Services: \$3.2 million; and Supplies: \$0.1 million

² Ibid.

Stakeholder Input

We reached out to a wide variety of stakeholders (See Appendix A) ranging from users to potential collaborative partners through an online survey and face to face meetings. Over 40 meetings were held with the different stakeholders. In the meetings, we asked all stakeholders to identify the challenges, assets, opportunities and visions for the TCC. Below is a general overview of responses from the stakeholder process (See Appendix B for a more detailed account of stakeholder's opinions on future opportunities).

Challenges

- Disconnection with downtown
- Poor condition of the facility
- Not a convention center
- Location
- No pedestrian traffic
- Ugly building
- Contracts too rigid
- Bad press
- Lack of hotel rooms
- Poor reputation
- Food contract lacks flexibility and performance is poor
- Signage is lacking
- Technology is lacking
- Inconsistent parking pricing
- Underutilized space
- A "dead zone"
- Understaffed or lack of adequate types of staff
- Poor customer service
- Lack of visionary leadership

Strengths

- Leo Rich
- Music Hall
- Overall size
- Multi-use capacity
- Parking
- Largest exhibit space in Southern Arizona
- Location (ingress and egress)
- Proximity to Modern Streetcar
- Weather Proof

Most Common Future Opportunities

- Improve customer service
- Contract flexibility
- Cosmetic changes
- Improve amenities
- Proactive marketing
- TCC can be an economic driver for downtown
- Institute appropriate and higher standard of management quality
- Activate all spaces
- Make it a destination (Give people a reason to want to be there)
- City of Tucson should not be in the Convention Business
- Define the TCC convention market
- Collaborate with other venues
- Create score card for public with tangible results
- Privatize and improve management
- Nurture the annual events that attract high volume of people and this may attract the investment for other projects

Vision

- Activate through commercial/residential development in dead space
- Create assets - fountains and outdoor music space/amphitheater
- Planned Area Development for area from Broadway to Cushing and Church to I-10 in context with the entire downtown and streetcar.
- Develop a Request for Proposal for mixed use in parking areas and along street frontage and go vertical.
- Lease or sell portions of property
- Build a parking garage
- Improve Arena: Attract better concerts and focus on the Latino population. Area needs to have energy and activity.
- Seasonality – bring national summer events to Tucson during winter months
- There is a lack of civic pride: create a destination
- Humanize the scale

Facts that may impact Management and Future of the TCC

- Restrictions on tearing down the facility until bond debt is retired
- Rio Nuevo ownership arrangement and settlement
- Needs assessment of the entire site to determine scope and costs for maintenance and upgrades

Management Options

1. City management with a focus on hiring staff with the right expertise and will to commit to a high level of customer service and proactive marketing.
2. Qualified management contract for the entire facility.
3. Qualified management contract for two areas of expertise: a) Arts and Theatre, and b) Arena/Exhibition Hall/Meeting Rooms

Option 1: Improved City Management

Opportunities

- Ability to emphasize community priorities

Challenges

- Need for additional funding from General Fund due to the variety of expertise and increased numbers of staff needed to run the TCC adequately.
- Difficult to find "right" staff that has the expertise in all of the diverse venues.
- The City Civil Service System does not allow for staff agility that is needed in this type of facility where customer service is critical.
- No reduction in cost of operation.

Option 2: Qualified Management Contract for the Entire Facility

Opportunities

- Contract could have a specific compensation matrix tied to performance measures such as level of occupancy, percentage of reduced rate tickets, staffing levels, customer satisfaction, etc.
- Possible reduction in General Fund transfer.
- Ability to bring in national expertise to activate our facility.
- Length of contract could be short to allow for changes to management.
- Ability to adjust staffing based on needs.
- Flexibility of contracting with promoters and subcontractors.
- Improved customer service.
- Increased usage and therefore increased revenues to downtown businesses.

Challenges

- Non-profits and community groups may have decreased access to the facility.
- Need to have a knowledgeable contract manager managing this contract with expertise in the convention/hospitality business.

Option 3: Split Management

Opportunities

- Allows for all the pros found under qualified management contract, but in addition allows for the community interests to participate and have increased access to the facility.
- Performing Arts Management Group could incorporate additional downtown theaters into their management purview.
- Allows for members of the performing arts group to be stewards of the facility.
- Potential for fund raising, naming and donors to be linked to the performing arts facilities.

Challenges

- Reduced expenditures to General Fund but probably not as much as Option 2. Some of the benefits of this option are indirect benefits such as further activation of the TCC and additional revenues to downtown businesses.
- Need to have a knowledgeable contract manager managing this contract with expertise in the convention/hospitality business.
- Need to have a knowledgeable contract manager managing this contract with expertise in the performing arts business.
- Coordination between the two management models.

Recommendation

The City Manager recommends issuing a competitive Request for Proposal (RFP) to solicit offers to take on private management of the TCC. As part of the RFP, the City shall reserve the right to reject any and all offers, so that the City may determine whether the submitted proposals would benefit the best interest of the City. The RFP process will determine subsequent actions to be taken regarding TCC organizational, staffing and management structure for the entire facility.

**TUCSON CONVENTION CENTER MANAGEMENT OPTIONS
APPENDIX A**

STAKEHOLDERS

TCC Commission Options Process Subcommittee

Visit Tucson

Hotel Congress/Maynard's

Rio Nuevo Board Members

Rialto Theater

Fox Theater

Pascua Yaqui Tribe

Starr Pass

River Park Inn

American Gem Trade Association

Tucson Symphony Orchestra

Arizona Opera

AZ Chamber Music

UA Presents

Pima County Sports and Tourism Authority

Downtown Tucson Partnership

Southern Arizona Homebuilders Association

Feld Promotions*

Gadsden/Mercado

Click Automotive*

Metropolitan Chamber of Commerce

Hispanic Chamber of Commerce*

Southern Arizona Lodging and Resort Association

GLBT Chamber of Commerce*

Marana Chamber of Commerce*

Green Chamber of Commerce*

Black Chamber of Commerce*

Greater Vail Chamber of Commerce*

Tucson Gem and Mineral Society

Greater Oro Valley Chamber of Commerce

Southern Arizona Arts and Cultural Alliance*

Museum of Contemporary Art

Peach Properties

Scott Stitler

Jim Campbell

Metropolitan Pima Alliance's Real Estate Advisory Committee

Festival and Events Association of Tucson and Southern Arizona

Chris Desimone

Pima County Facilities Manager – Reid Spaulding

*Stakeholder contacted. Did not respond to survey or request for meeting.

**TUCSON CONVENTION CENTER MANAGEMENT OPTIONS
APPENDIX A**

Herb Stratford
American Home Shows*
Pima Council on Aging
Allan Norville
Humberto Lopez
All TCC Contractors*
Tucson Historic Preservation Foundation
Tucson Children's Museum
Members of the Barrio Viejo Neighborhood Association*

*Stakeholder contacted. Did not respond to survey or request for meeting.

TUCSON CONVENTION CENTER MANAGEMENT OPTIONS
APPENDIX B

STAKEHOLDER OPINIONS ON FUTURE OPPORTUNITIES

- Improve Customer Service - each event do a good job, staff with people who understand this;
- Make cosmetic fixes immediately, upgrade facilities with the understanding that this could range from addressing deferred maintenance to redeveloping the site as a state of the art facility;
- Improve Marketing and Public Relations;
- Evaluate rate structure and allow for flexibility; Packaged deals – include items in price and charge for furniture so that you can pay for upgrades;
- TCC is not a Convention Center. It is a Regional Events Center;
- Turn it into a viable regional center that may be a Southern Arizona Cultural Destination Center;
- Create assets - fountains and outdoor music space/amphitheater;
- Activate through commercial/residential development in dead space;
- Energize the space: Connect it with other parts of downtown. Bring life to the empty space around the TCC;
- Planned Area Development for area from Broadway to Cushing and Church to I-10 in context with the entire downtown and streetcar. Don't create a separate district; no need for it to be massive, keep it authentic. Put out a Request for Proposal for mixed use and go vertical. There is a big demand for residential in downtown and retail will follow. Doesn't have to be one developer but needs to be coordinated;
- Lease or sell portions of property;
- Build a parking garage;
- Nurture the annual events that attract high volume of people and this may attract the investment for other projects;
- Collaboration with other venues that may seem like competitors;
- TCC could be a tool to promote the greater downtown of Tucson - economic impact to restaurants and bars downtown;
- Improve Arena: Attract better concerts and focus on the Latino population. Fix the current arena; make the most of what you've got. Area needs to have energy and activity;
- There is a lack of civic pride: improve it to a point where the public is excited to be there and want to be there. Make it a special place;
- Turn Music Hall into a high end concert hall;
- Increase local events/festivals – belief that more people will attend events and festivals if it is downtown;
- Desire for TCC to focus on sporting events;
- Want big music festivals and larger shows;
- Arts and convention visions need to include the business community due to link with funding and economic development ;

TUCSON CONVENTION CENTER MANAGEMENT OPTIONS

APPENDIX B

- Character and charm of downtown needs to be extracted. People need to feel safe;
- Creating a place where you want to be, create a destination;
- Break up management into two areas: Theater/arts management and Arena/Ex Hall/Meeting rooms;
- Privatize management, city should be the landlord;
- Effective public management, which includes marketing, activating all spaces, and contract management. Marketing includes exterior marketing, working with Visit Tucson and interior marketing through advertisement and signage. Activating all spaces includes programming outdoor space, corridors, and meeting rooms. Contract management includes following industry standards and providing flexibility but protection for the City of Tucson¹;
- Humanize the scale;
- Create score card for public with tangible results;
- Retire Rio Nuevo Bonds early so have more flexibility;
- Expanded community center with lots of activity;
- Tucson Symphony interested in managing the Music Hall and Leo Rich, completely private management kills Symphonies;
- Renovate Music Hall so that the lobby increases the comfort level for the customer and there are fewer seats making it easier to have sell-out crowds, create excitement;
- Understand that where there is a strong support for arts and culture there is a connection to economic prosperity ;
- Private management responds quicker to tenants' needs;
- Definition of the mission of the buildings. Is it for all types of art? Is it a cultural center or a money making machine;
- Make changes that are cool and provide accessible links to rest of downtown;
- Important to think about 30 years later – usability of facilities;
- Performing arts facilities should all be coordinating with others;
- Great town for performing arts, 50,000 people = educated pool from UofA and snowbirds with money; not a lot of working professionals;
- Needs better public art - competitions to improve art at TCC;
- Seasonality – bring national summer events to Tucson during winter months;
- Don't destroy patterns, pay attention to scale, feeling of the place, don't go massive;
- Likes idea of breaking out management to different private entities who really know how to program facility;
- Buildings could be positioned correctly, don't change them and be particular;
- Need to set realistic expectations and accountability – show 3-5 year goals with sales tax revenues;
- Scrape the whole thing and in its place build:
 - Smaller scale ex-hall, possible outdoor venue, maybe keep Leo Rich and Music Hall;

TUCSON CONVENTION CENTER MANAGEMENT OPTIONS
APPENDIX B

- Long term land lease for all other parcels through an auction:
 - City makes money off the leases – Lease starts in 24 months and continues for 40-50 years;
 - Developer pays for the improvements;
 - Recreate the old barrio – call it Barrio Tucson and make it look like the gaslight district in San Diego;
 - Recreate the old barrio – call it Barrio Tucson and make it look like the gaslight district in San Diego;
- Master Plan
 - Phase I = Cushing/Church;
 - Phase II = North end;
- Let the market dictate the land use but perhaps the corners should be treated differently;
- 2-3 story residential with charming walking streets;
City should provide infrastructure, streetscape and garages.

ⁱ Mayor and Council's TCC Commission, Options Process Subcommittee Recommendation

Tucson Convention Center Management Options



City of Tucson
tucsonaz.gov



Over the last 12 months, the CMO's has been working to improve the management of the TCC. With a successful 2013 Gem, Mineral and Fossil Showcase and the Modern Streetcar coming on line, it was time to conduct a stakeholder input process in addition to analyzing current industry trends to generate an analysis of the TCC as it relates to purpose, management, realistic opportunities and future options.

Convention/Exhibition Industry Trends

- 90s and early 2000s: convention and exhibit space increased dramatically across the nation
 - Approximately 51% increase in available convention space since early 90s
 - Economic impact generated by events used as justification for expansion



City of Tucson
tucsonaz.gov



70s and 80s convention centers were built as economic development tools for cities willing to undertake the public commitment to fund and operate these facilities.

Expansion was an attempt for each City to secure their share of the business

Headquarter hotels were included in this expansion

Convention/Exhibition Industry Trends

- 9/11 and Great Recession
 - Demand for convention and exhibit space decreased (4% decline in 2010)
 - Decrease in sales tax revenue from convention center events created a change in political mind-set as cities sought to decrease expenses
 - As a result of excess supply and fewer overall conventions, meeting organizers are demanding highly discounted or free rent



City of Tucson
tucsonaz.gov



- Nearly all convention centers in the U.S. run operational deficits
 - This is above and beyond any annual debt service payment related to construction financing



City of Tucson
tucsonaz.gov



- If a convention center is not positioned competitively with respect to location, design, amenities, price, technology, marketing and management it is likely to fail in its ability to generate economic impacts for community



City of Tucson
tucsonaz.gov



Current Trends

- Communities are starting to look at private management as a way to decrease general fund transfer to cover cost of operation
- Repurpose space for other uses
- Identifying new revenue streams



City of Tucson
tucsonaz.gov



Albuquerque, Palm Springs, Los Angeles, Shreveport, LA, Philadelphia, Fresno, Long Beach, Savannah, Georgia

Incorporating eateries, entertainment venues, plazas, pedestrian amenities

Convention Centers producing their events, art shows, food festivals, music festivals

TCC Position in the industry

- Four tiers of Convention Centers
- TCC Realities
 - Lack of direct flights into Tucson
 - Number of hotel rooms within walking distance
 - Number and condition of meeting rooms
 - Overall Structure of the facility
 - Niche Market



City of Tucson
tucsonaz.gov



1. Major National Centers are those such as Chicago, New York, Atlanta, and New Orleans
2. Emergent National Powers are Las Vegas and Orlando
3. Prime Visitor Destinations such as San Francisco and Boston
4. Regional Centers such as San Jose, Baltimore, Tampa, Denver and Phoenix

Visit Tucson markets TCC as a Regional Events Center

Explain niche market

TCC Budget and Operating Costs

FY2013 Expenditures \$5,953,750

FY2013 Revenues \$3,457,000

General Fund Transfer including debt service payment \$2,496,750



City of Tucson
tucsonaz.gov



Albuquerque General Fund Transfer \$750,000

Phoenix General Fund Transfer Approximately \$15 million

Stakeholder Input

Over 50 stakeholders ranging from users to potential collaborative partners

- Challenges
- Strengths
- Opportunities
- Vision



City of Tucson
tucsonaz.gov



Challenges:

Providing Consistent Quality Contract, Event, Management and Customer Service
Disconnection w/ downtown, poor condition of the facility, not a convention center, location, no pedestrian traffic, ugly building, contracts too rigid, bad press, lack of hotel rooms, poor reputation, food contract lacks flexibility and performance is poor, signage is lacking, technology is lacking, inconsistent parking pricing, underutilized space, a dead zone, understaffed or lack of adequate types of staff, poor customer service, lack of visionary leadership

Strengths:

Leo Rich, Music Hall, overall size, multi-use capacity, parking, largest exhibit space in Southern Arizona, location, proximity to modern streetcar, weatherproof

Opportunities and Vision:

Improve customer service, contract flexibility, cosmetic changes, improve amenities, proactive marketing, TCC can be an economic driver for downtown, institute appropriate and higher standard of management quality, activate all spaces, make it a destination, collaborate, privatize, nurture the annual events, create assets, Planned Area Development, lease or sell portions of property, build parking garage, seasonality – bring national summer events to Tucson in winter, humanize the scale

Management Options

- Option 1 – Improved City Management
- Option 2 – Private Management of the Entire Facility
- Option 3 – Split Management



City of Tucson
tucsonaz.gov



Option 1, 2, 3
Pros and Cons

Recommendation

- Request for Qualifications to determine if there are interested parties to privately manage the TCC. RFQ should allow for flexibility of management options to protect community interests .



City of Tucson
tucsonaz.gov



In addition, there was much emphasis on planning the entire area from Broadway to Cushing and Church to 1-10. Management changes are a critical first step, however a public planning process to further activate the area should follow.

from 2010

①

Council was right to put kibosh on downtown hotel

Our view: Let's focus on convention center improvements, other projects

OCTOBER 28, 2010 12:00 AM

The Tucson City Council did the right thing Tuesday in putting the plan for a new downtown convention center hotel out of its misery.

Negotiations over the publicly financed project were going round and round, and the financial details and performance projections were either incomplete or raised worrisome questions. The city and the developer never did agree on a guaranteed maximum price for construction.

While we were enthusiastic about the potential for a new hotel, we were always against financing that put too much risk on taxpayers.

In the end, the council unanimously decided that selling taxpayer backed bonds was unacceptable.

This was after taxpayers spent a total of about \$18.3 million for the hotel plans and for design and construction of the Tucson Convention Center's new east entrance. About \$14 million of that went toward the now-discarded hotel proposal.

The hotel was to be combined with Tucson Convention Center renovations and a new parking garage at a total cost of about \$258 million.

Councilwoman Regina Romero made the motion to stop negotiations with developer Garfield Traub on the 525-room Sheraton Starwood hotel plan.

She suggested the city work with the recently appointed Rio Nuevo board to plan other downtown projects. That board is charged by the Legislature with developing revenue-generating improvements.

One that should be addressed immediately is renovating the dank, cramped TCC. It's past time to bring its meeting spaces up to date and to provide better, more convenient and more comfortable options for trade shows and visiting performers.

It's also crucial that the TCC be made more attractive to the gem and mineral shows that come here every winter. The spiffy new east entrance won't be enough.

Shows have threatened to leave Tucson because of inconvenient or inadequate venues.

American Gem Trade Association Executive Douglas Hucker told the City Council a year ago that AGTA would not continue here unless the group saw was "progress on a hotel and upgrading of the convention center."

In a recent meeting convened by City Councilman Steve Kozachik, gem show representatives

repeated their concerns about the convention center, Kozachik's chief of staff, Ann Charles, told us Wednesday.

But another major issue is whether free shuttle-bus service among the various venues around Tucson during the show would continue, she said. For three years, during Interstate 10 construction, the Department of Transportation provided shuttles, but that's ended now.

The gem and mineral shows' economic impact is about \$100 million annually.

Although the convention center hotel is off the table, there are heartening signs of progress downtown.

Janos Wilder of Janos and JBar opened a new restaurant on South Sixth Avenue just over a week ago. Providence Service Corp. has moved its headquarters downtown and is expanding its presence there. Tucson Electric Power Co.'s new, larger headquarters is under construction along Broadway at Scott.

All this is proof that private business sees a future in downtown and will invest there.

The city's original vision for Rio Nuevo 10 years ago wasn't to get into the hotel business or to put taxpayers at risk if a project failed. It was to make investments that would spur private development.

It's time to do exactly that.

Arizona Daily Star





MAYOR & COUNCIL COMMUNICATION

October 26, 2010

Subject: Public Hearing: Tucson Convention Center Hotel Project; Proposed Financing Terms, Including Rio Nuevo Multipurpose Facilities District Proposal; Direction to City Manager and Staff; and Next Steps for Continued Downtown Revitalization (City Wide)

Page: 1 of 5

Issue – As directed by the Mayor and Council, this item has been scheduled to allow the Mayor and Council to discuss, consider, and take action relating to the Tucson Convention Center Hotel Project, together with associated financing terms, including terms proposed by the Rio Nuevo Multipurpose Facilities District. The item includes a public hearing to allow for public comment on these issues. Following the public hearing, the Mayor and Council may take action and provide direction to the City Manager and staff relating to the Convention Center Hotel project, and to provide direction as to next steps for continued revitalization of the downtown area.

Recommendation – It is recommended that Mayor and Council provide direction to the City Manager following the public hearing. As noted above, the Mayor and Council may include direction as to next steps for the continued revitalization of the downtown area.

Background –

I. Prior Mayor and Council direction. On September 28, 2010, the Mayor and Council approved a motion providing direction to the City Manager and staff regarding the proposed Convention Center Hotel project, including possible financing for the project. As documented in the Administrative Action Report, the motion was as follows:

Council Member Kozachik MOVED and it was duly seconded to direct staff to proceed as discussed in Executive Session to negotiate an agreement with the Rio Nuevo Multipurpose Facilities District Board for financing the project that:

- 1) satisfies the direction given by the Legislation;
- 2) results in a reduced GMP for the project as well as reduced developer and design/build fees;
- 3) resolves issues relating to the use of local subcontractors; and
- 4) acquires additional security from the Hotel Operator.

It was FURTHER moved that staff not return to Mayor and Council for further action until these terms are accomplished.

Motion PASSED by a vote of 7 to 0.

OCT26-10-489(2)

Public Hearing: Tucson Convention Center Hotel Project; Proposed Financing Terms, Including Rio Nuevo Multipurpose Facilities District Proposal; Direction to City Manager and Staff; and Next Steps for Continued Downtown Revitalization (City Wide)

Following this action, the City Manager and staff have continued negotiations with the Rio Nuevo District's negotiating team, as well as with representatives of the developer (Garfield Traub) and hotel operator (Starwood) to attempt to reach terms consistent with the Mayor and Council's direction.

II. Prior Rio Nuevo Board direction. Subsequent to the Mayor and Council action on September 28th, the Rio Nuevo Multipurpose Facilities District Board ("Board"), at its meeting on October 7th, approved a motion providing as follows:

The Rio Nuevo Multipurpose Facilities District hereby issues a notice to proceed to the City of Tucson that will be good for 90 days pursuant to ARS 48-4204(B) on a proposed hotel convention center and garage project with the following parameters:

1. District participation is 100% of the hotel site generated specific TIF funds for the first 10 years. It will be reduced by 5% annually from there with a floor of a 50% allocation;
2. The ground lease for the hotel site will be at no charge for the first 5 years, thereafter it will be at market rate; assuming this is a 35 year bond it means the market rate is for 30 years;
3. The bond issuer is the City of Tucson;
4. The hotel flag is the Sheraton of Starwood Hotels;
5. The designs that the District has paid approximately \$21 million for, the District will be negotiating with the City of Tucson for half of the \$21 million for the cost of the design;
6. Distribution of income from the hotel site will be 50% for the City and 50% to the District;
7. The District will have representation at the table on all of the contracts;
8. The owner will be the bond required entity with negotiated ownership and oversight on behalf of the District;
9. The City is directed to review sufficiency of meeting rooms and consider adding rooms to the convention center to meet market demand;
10. The City will be required to pledge on-site bed and sales tax;
11. Direction to attorneys to negotiate on the GMP and proceed as we have been to bring the price down with the monies saved as part of those negotiations to be put back into the convention center for appropriate facelift to the existing convention center;
12. It will be an open book construction project;
13. 100% of the debt to be backed as required by the City Charter, or as acceptable under the City Charter.

Public Hearing: Tucson Convention Center Hotel Project; Proposed Financing Terms, Including Rio Nuevo Multipurpose Facilities District Proposal; Direction to City Manager and Staff; and Next Steps for Continued Downtown Revitalization (City Wide)

However, the Board subsequently amended this direction by adopting a new motion at its October 20th meeting. The approved motion amends the October 7th motion, and provides the following direction:

The Rio Nuevo Multipurpose Facilities District hereby issues a notice to proceed to the City of Tucson that is good for 90 days (this means to obtain results within this timeframe) and pursuant to A.R.S. Section 48-4204(B) on a proposed hotel, convention center and garage project with the following parameters (as amended):

1. The District participation will be 100% of the hotel generated site specific TIF;
2. Subject to a ground lease that will be provided for term at no charge;
3. Bond Issuer – Third party entity created to own the hotel;
4. Hotel Flag – Sheraton of Starwood Hotels;
5. Design plans for the hotel will be contributed to the hotel project and be counted toward the District's contribution to the project;
6. Distribution of any and all income (this means the net profit) from hotel and garage components – 50% City/50% District;
7. District will have representation at negotiations of all contracts related to the project and financing;
8. Owner of the hotel will be the bond-required entity with the District having 49% ownership and City has 51% as required by Bonds;
9. City shall review the sufficiency of meeting room space in the TCC and consider adding space to meet market demands;
10. The City will be required to pledge all on-site bed and sales tax. (This effectively means: Pledge of a City funded Special Reserve Fund of no less than \$4.5 million (exact amount to be the greater of: no less than \$4.5 million *or* equal to the construction sales tax and building permit fees generated by the construction) to the project and contribution of City Sales, Transient Rental and Bed taxes and any imposed surcharges generated by the Hotel).

Public Hearing: Tucson Convention Center Hotel Project; Proposed Financing Terms, Including Rio Nuevo Multipurpose Facilities District Proposal; Direction to City Manager and Staff; and Next Steps for Continued Downtown Revitalization (City Wide)

11. Direction to District counsel and City to continue negotiating on the GMP to bring the price down; it is recommended that any funds saved as part of those negotiations go back into the convention center for an appropriate face lift;
12. Hotel and project shall be an open-book construction project;
13. The City shall 100% guaranty the bonds (backstop) which language shall comply with the City Charter requirements for such matters.

III. Current Status of Negotiations of Terms as Identified by Mayor and Council.

As noted above, the direction from the Mayor and Council on September 28th included four (4) identified requirements. The first requirement was to negotiate an agreement with the Rio Nuevo Multipurpose Facilities District Board for financing the project that satisfies the direction given by the Arizona Legislature. This direction is in reference to the provisions of A.R.S. §48-4204(B), as adopted by the Legislature in 2009, which provides that District tax increment funds (TIF) can only be expended for certain limited purposes [debt service for bonds issued prior to 1/1/09; contractual obligations incurred prior to 6/1/09; fiduciary, legal and administrative expenses; and design and construction of the hotel and convention center located on the multipurpose facility site] until a Notice to Proceed is issued for a hotel and convention center located on the multipurpose facility site. The District's latest proposal attempts to address this issue by committing 100% of the hotel-generated TIF to the project financing for the term of the financing; contributing the ground, via a ground lease, to the project without any required lease payment; and contributing the design plans.

The second requirement identified by the Mayor and Council was to negotiate a reduced guaranteed maximum price (GMP) for the project as well as reduced developer and design/build fees. Through its motions and discussions, the Rio Nuevo District has indicated agreement with these objectives. City staff, with the assistance of counsel retained for this purpose, and in coordination with counsel for the District to the extent possible, have continued to negotiate with Garfield Traub to reduce the proposed GMP and development fees. At the time of the writing of this memorandum, these negotiations are continuing. City staff will present updated information on this issue to the Mayor and Council at the beginning of the discussion of this item, or sooner by memorandum if the information becomes available.

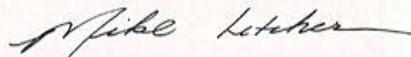
Similarly, City staff have engaged in negotiations to attempt to satisfy the third and fourth conditions of the Mayor and Council direction, relating to the use of local subcontractors in the construction of the project and acquiring additional security from the hotel operator (Starwood/Sheraton). Again, staff will present updated information on this issue to the Mayor and Council at the beginning of the discussion of this item, or sooner by memorandum if the information becomes available.

Public Hearing: Tucson Convention Center Hotel Project; Proposed Financing Terms, Including Rio Nuevo Multipurpose Facilities District Proposal; Direction to City Manager and Staff; and Next Steps for Continued Downtown Revitalization (City Wide)

Financial Considerations – The City's participation in this project includes an annual contribution of an amount equal to the site specific tax and fee revenue and a 100% guarantee of the debt service payments by the City's General Fund. To mitigate the potential risk to the General Fund several reserve funds will be established as part of the financing plan. Additionally, the flow of funds is structured to mitigate the potential risk to the General Fund. The draft financing plan has been presented to Mayor and Council at prior study sessions. Many of the items in the City's proposed term sheet were satisfactorily addressed by the Board's revised motion on October 20, 2010. However, other items remain that have not been addressed to staff's satisfaction at this time, including: District participation in the event of a revenue shortfall, distribution of net income, use of the TCC by the City for the term of the debt, sharing of cost of issuance if a financing fails to close and other technical items.

Legal Considerations – As noted earlier in this memorandum, until such time as a Notice to Proceed is issued for a hotel and convention center project, state law limits the District's ability to expend TIF funds to certain, expressly stated purposes. Under the Master Development Agreement for this project, the Rio Nuevo District is the party that has the authority to issue a Notice to Proceed with the project (subject to approval of a capital plan; issuance of necessary permits, and closing on the financing). Similarly, under the Master Development Agreement, the District is the party with the authority to terminate the Agreement, either for convenience or upon a determination that the Project is neither legally nor economically feasible. If ultimately the District chooses to terminate the Agreement for convenience, the work product of the Developer (Garfield Traub), Design Builder (Turner/Sundt) and Project Architect (DLR), could not be used by the District (or the City and District) for a period of one (1) year from the date of such termination.

Respectfully submitted,



Mike Letcher
City Manager

ML/MR/dc

Attachment: Letter from President Shelton, University of Arizona

Reality of new hotel connected to TCC looking less certain

JANUARY 03, 2010 12:00 AM • ROB O'DELL ARIZONA DAILY STAR

The city is building a new \$4.3 million entrance to the Tucson Convention Center - intended to be the gateway to a planned convention hotel that many local leaders believe is the key to reviving downtown.

But it's uncertain whether that hotel will be built anytime soon.

The city has refinanced millions in TCC rental payments made to Rio Nuevo - in effect, tapping one of its remaining credit lines - in order to pay \$11 million to developer Garfield Traub for the final hotel design. And the city's ability to finance bonds to complete the hotel could be threatened by an unprecedented financial crisis that could force layoffs, new taxes and cuts in police and fire personnel.

Now some experts are questioning the city's ability to finance the \$180 million hotel at all. An April report said the hotel's projected cash flow would not cover the debt to build it and advised the city to apply several site-specific taxes to make the finances pencil out.

In addition, the city likely would have to kick in \$1.1 million a year from the general fund - which could otherwise be used to pay police officers, firefighters and keep recreation centers open.

A footnote in the hotel's financial report said the expected occupancy rates are valid only if the city does a massive \$34 million renovation of the TCC and substantially upgrades or replaces the arena. The city theoretically has money to renovate the TCC - by tapping the same credit line as TCC rental payments - but it likely will not have the money to build an arena for 10 years, if ever.

"The likelihood of something like this succeeding is basically close to zero," said Edward A. Mermelstein, a real estate attorney and co-founder of international real estate law firm Edward A. Mermelstein & Associates. "It's one of the worst times to do any type of real estate development, especially anything to do with hotels."

Hotels are dependent on the economy, and the market will likely stay depressed for three to five years, Mermelstein said. Those who are financing hotel deals now are buying distressed hotels at low prices and expect to start making money in five to seven years, he said.

"Construction of new facilities ... is nonexistent," he said.

Worse, he said, is that Tucson's hotel would be union-built, which typically adds 20 percent to 30 percent to the cost.

Carl Winston, director of San Diego State University's hospitality and tourism-management program, said many convention center hotels fail. A convention hotel in St. Louis, for example,

went into foreclosure in early 2009.

"If the project is so good, why isn't the private sector building it?" Winston asked. "It's a mighty big bet, and it fails more often than it succeeds."

A convention hotel is a great idea, but the city can't afford it right now, said Alan F. Willenbrock, a Tucson portfolio manager and chartered financial analyst. Willenbrock represents Pima County on the Greater Arizona Development Authority.

He said the city will have to put up additional taxes and money to make the hotel's finances work, adding that he felt Tucson couldn't sell bonds for the hotel because of its financial condition. He noted that commercial, mortgage-backed securities tied to hotels have the highest default rates of any commercial properties, making it hard for Tucson to find investors for its hotel bonds.

The city's focus on the new hotel has been pushed somewhat to the back burner after city officials discovered a \$32 million budget deficit for the current fiscal year.

Sean McBride, the city's new assistant city manager, said talk of the hotel finances are "conjecture and speculation" until a new report on the hotel's projected occupancy comes out in January.

McBride, who is now heading the city's hotel effort, said he has not read the April report on the hotel's projected occupancy rates and cash flow.

The city is not blindly committed to building the hotel if the numbers don't make sense, McBride said. He acknowledged that not building it means the city will have paid \$4.3 million for a new entrance to the TCC for a nonexistent hotel.

In this scenario, the city would also have paid \$11 million for the final design of the hotel as well. Officials likely would try to use the hotel designs when it makes sense financially, he said.

The Rio Nuevo district has little excess cash flow, McBride said, because its sales-tax receipts are way down and because of the debt service being paid on Rio Nuevo's \$80 million bond issuance in December 2008 - money which has now been exhausted.

The bonds would need to be backed by the city's general fund, McBride said, because Rio Nuevo alone doesn't have the ability to do it.

A swath of the city's bonds was downgraded in May because of the city's deteriorating financial condition.

Winston, of San Diego State, said he couldn't predict whether the city could issue bonds for the hotel, but he said this is the worst economic environment for hotels he has seen.

In addition, he said, "by far the weakest part of travel is groups and conventions," adding that demand for convention hotels is dropping faster than the economy as a whole.

Bill Mosher, chief executive officer of the Denver Convention Hotel Authority, said even successful convention center hotels such as in Denver would have a hard time getting financing right now. Mosher was the head of Tucson's Downtown Development Corporation for about 10

years until 1990.

"I'm not sure we could do ours" today, Mosher said. "And it's one of the most successful of the publicly funded hotels."

On StarNet: Learn more about Rio Nuevo at azstarnet.com/sn/rionuevo

Contact reporter Rob O'Dell at 573-4346 or rodell@azstarnet.com

Downtown hotel design sparks hope, questions

Our view: Impressive plans hinge on lawmakers' support for Rio Nuevo funding

MARCH 11, 2009 12:00 AM

About 50 people got a close look at a preliminary architectural design for a Downtown convention center hotel Monday night. The architects detailed their plans, including their goal to break ground this fall.

Imagine a 25-story, 525-room hotel shaped like a deck of cards — narrow on the east and west and broad on the south and north. The northern face, overlooking the center of Downtown, would be a mix of glass and metals to make it reflective; the southern face would be more subdued, with indigenous rock. **Questions abound**

What's not known is how much the design would cost or exactly how the hotel would be paid for. The architects, the DLR Group of Overland Park, Kan., and the developer, Garfield Traub Development of Dallas, are scheduled to deliver the design and budget numbers to the City Council in two weeks.

Stephen Moffett, president of Garfield Traub, told us after the public meeting that financing for the publicly owned hotel would probably primarily be through bonds backed by the hotel's revenues. But some support from the Rio Nuevo tax-increment-financing district would also be required.

If Tucson loses the TIF money — sales taxes paid in the Rio Nuevo District and rebated to Rio Nuevo by the state — the hotel will not be built, Moffett said.

During the meeting, architects and developers fielded questions about the design, including:

- Given that the proposed hotel's main entrance will be on Granada Street, how will designers encourage pedestrian visitors?

The answer: Some design elements already do; it's a question the designers will work on as they refine the plans. Also, the new streetcar route will go past, bringing people from the West Side or down from University Medical Center, through the Fourth Avenue underpass and over from Congress Street.

- Will the designers use any solar energy in the design?

The answer: Maybe a pilot effort in part of the building.

- How will designers avoid creating a heat-island effect from the combined convention center and hotel complex?

The answer: By including indigenous materials, lots of shade and other mitigating designs.

- Will the hotel incorporate public art by Tucson artists?

The answer: Yes, emphatically. There will be a call to artists for large landscape sculptures, wall pieces and murals, and art for the meeting and hotel rooms. **Coordinating with arena**

Among those attending the meeting Monday were representatives of 360 Architecture of Kansas City, which has been tapped to design an arena south of Congress along the Interstate 10 frontage road, and Swaim Associates of Tucson, the local architects on that project.

Ken Martin of DLR said the hotel architects and developers met Monday with the arena team and streetcar engineers.

"We talked about how we need consistent design guidelines (at street level) so that it all makes sense and flows together," said Martin.

The hotel, as tall as the Unisource Energy Tower, would be operated and marketed by Starwood Hotels & Resorts Worldwide as a Sheraton convention hotel. It would include meeting spaces and be linked to the Tucson Convention Center. A four-level parking structure next to it would begin underground and be tiered and landscaped as it rises so that it won't look like a garage.

"We're trying to make a heroic building for the city of Tucson," said Gary Worthy of DLR's Phoenix office.

Tony Traub, a principal with Garfield Traub, said the firm may build hotels, but in fact is in "the redevelopment business."

He said, "You've got wonderful infrastructure Downtown. Part of our business is to spur private developers to invest Downtown. It really can happen here."

We were impressed with the design, especially the hotel's glowing north facade. We hope designers will continue to work on its heat-island effect and pedestrian friendliness. The TCC-hotel complex must not be a monolith that's daunting to approach.

The unknowns are still plentiful: the project's cost; the ability to float bonds in a spiraling economy; and whether the necessary TIF support will be preserved by state lawmakers, who face a large budget deficit.

We hope the hotel project proves viable because we want the best for Downtown. A vibrant city center is critical to economic development and an overall high quality of life. Great cities have great downtowns.



Executive Summary

**Convention Center Expansion Study
Market Study: Proposed Convention
Center Hotel**

**Market Study: Proposed Integrated
Hotel and Convention Center**

Tucson, Arizona

Submitted to:

Michael Sneyd
Dev-Con International LLC
350 Bay Street, Suite 1200
Toronto, Canada, M5H 2S6

Prepared by:

HVS Consulting and Valuation Services
Division of North Star Research Corporation
205 West Randolph Street, Suite 1650
Chicago, Illinois 60606
(312) 587-9900
(312) 587-9908 FAX
(416) 868-1816



July 23, 2008

Michael Sneyd
Dev-Con International LLC
350 Bay Street, Suite 1200
Toronto, Canada, M5H 2S6
(416) 868-1816

205 West Randolph, Suite 1650
Chicago, Illinois 60606
312-587-9900
312-587-9908 FAX
www.hvs.com

Re: Convention Center and Hotel Studies
Tucson, Arizona

Dear Mr. Sneyd:

Pursuant to your request, we have summarized our three studies of the proposed expansion of the Tucson Convention center and development of an attached headquarters hotel property. The studies, provided under separate covers include the following:

Convention Center Expansion Study
Market Study: Proposed Convention Center Hotel
Market Study: Proposed Integrated Convention Center and Hotel

We have enjoyed working with you on this assignment.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas Hazinski,
Managing Director

New York
San Francisco
Boulder
Denver
Boston
Miami
Dallas
Chicago
Washington, DC
Newport, RI
Atlanta
Mexico City
Vancouver
Toronto
London
Madrid
Athens
New Delhi
Singapore
Hong Kong
São Paulo
Buenos Aires
Shanghai



Executive Summary

The City of Tucson retained HVS to recommend an approach to the expansion of the Tucson Convention Center (“TCC”) and the development of a convention center headquarters hotel. Our research included the following:

- Analysis of hotel and convention industry trends,
- An overview of the economics and demographics of the Tucson market area,
- A review of historical operations of the TCC,
- Comparison of the demand and financial operations of the TCC with peer convention center venues,
- Analyses of the competitive hotel market and a forecast of the penetration of the proposed hotel into that market,
- A building program recommendation and preliminary concept plan, and
- Forecasts of financial operations of the hotel and convention centers under the scenarios described below.

~~Since neither project would generate sufficient income to support private development,~~ HVS assumes that the TCC expansion and the headquarters hotel would be publicly owned and financed. HVS considered two possible operating scenarios:

Scenario 1 - Separate Operation The City would engage two different private management companies - one specializing in convention center management and the other specializing in hotel management - to operate the TCC and the proposed hotel respectively. The manager would enter into a room block agreement, allowing the TCC access to room blocks in the hotel. The major advantage of this management approach is that the TCC and proposed hotel manager would bring specialized expertise and focus on its respective market niche.



Scenario 2 - Integrated Operation A single hotel management company would operate both the TCC and the hotel. Advantages of integrated management include, substantial operating cost savings, a potentially reduced level of capital investment, and highly professional marketing of the convention center by a hotel brand.

This executive summary compares forecasts of operations associated with each of these scenarios.

The recommended building program for the hotel and TCC expansion are the same under both operating scenarios. See Table 1.

Table 1
Program Plan for the of the Convention Center, Hotel and Parking

TCC Expansion			
Type of Space	Existing	New	Total
Total Exhibition	147,690	90,000	179,760
Grand Ballroom		36,000	36,000
Junior Ballroom	20,164		20,164
Total Meeting	9,240	14,050	23,290

Hotel Building Program

- 400 sleeping rooms in Phase 1
- Integrated with the TCC
- Shares meeting and ballroom space with TCC
 - 20,000 square feet ballroom
 - 12,000 square feet ballroom
- Capable of independent operation for in-house groups

300 to 350-room hotel in Phase 2

Parking Program

- Replacement of all three TCC parking lots, if those lots are redeveloped for other uses
- Addition of 400 parking spaces adjacent to and dedicated to the headquarter hotel

Source: HVS

As currently configured the TCC is most deficient in meeting space and presents the most pressing need for expansion. Currently, the TCC offers less total meeting space than a majority of comparable facilities analyzed, and the



least amount of breakout rooms. Additionally, meeting planners nationwide are indicating the growing for flexible breakout space for their events.

With HVS' recommendations for TCC expansion, which includes an expansion of exhibit space and grand ballroom space, the existing 20,000 square foot ballroom would become a junior ballroom serving banquets and larger breakout meeting sessions. Three room blocks with a total of 23,000 square feet of flexible breakout space would provide the appropriate compliment of meeting space. HVS also recommends the addition of a board room and two small show offices. This addition in meeting space would allow the TCC to better target regional conventions and tradeshow.

Skidmore Owings and Merrill ("SOM") Architects provided a concept plan that specified how the program plan could be implemented on the site. The concept plan relies on a portion of a downtown master plan, approved by the City.

Figure 1
TCC Expansion with the Approved Master Plan



Source: SOM

The TCC and headquarters hotel are shown in the yellow box with the hotel rooms tower on the northeast corner of the site. The exhibition hall would be expanded in both east and west directions, providing a single contiguous exhibit space of 179,000 square feet. This building program would provide



Tucson with a convention center and hotel package that is comparable to other successful cities.

The primary emphasis of the expansion is to enable the TCC to move from serving primarily local consumer show and civic events to a venue that attracts regional conventions and tradeshows, which would bring new business tourism to Tucson. Table 2 compares the demand forecast to the expanded TCC with a set peer venues.

Table 2
Comparison of Comparable Venues to HVS Forecast

	Subject Property (Stabilized)	Average of Peers
Number of Events		
Conventions & Tradeshows	30	40
Consumer Shows	30	19
Banquets	60	88
Meetings & Conferences	140	129
Total	260	339
Average Attendance		
Conventions & Tradeshows	2,250	1,447
Consumer Shows	6,600	5,027
Banquets	500	394
Meetings & Conferences	571	360
Overall Average	1,444	1,075
Total Attendance		
Conventions & Tradeshows	67,500	57,719
Consumer Shows	198,000	97,525
Banquets	30,000	34,476
Meetings & Conferences	80,000	46,572
Total	375,500	364,108

Source: HVS

The expanded TCC would generate fewer conventions and tradeshows than the peer venues. Although the proposed expansion would address two of the primary objections of event planners - lack of meeting space and inadequate lodging facilities - there are other impediments to attracting events. Its historical average attendance at convention and tradeshows is higher than most of the peers. The above average forecast of consumer show attendance also reflects the relative size of the venue and historical average attendance.



HVS analyzed the market penetration of a 400-room full-service hotel property. Table 3 shows the occupancy forecast.

Table 3
Forecast of Subject Property's Occupancy

Market Segment	2011	2012	2013	2014	2015
Meeting and Group					
Demand	353,574	369,826	379,608	389,523	396,475
Market Share	12.0 %	13.0 %	14.0 %	14.6 %	14.6 %
Capture	42,563	48,150	53,068	56,901	57,917
Penetration	152 %	165 %	177 %	185 %	185 %
Leisure					
Demand	569,263	577,846	583,594	589,401	595,265
Market Share	3.7 %	4.5 %	4.7 %	4.7 %	4.7 %
Capture	21,184	26,067	27,694	27,969	28,247
Penetration	47 %	57 %	60 %	60 %	60 %
Commercial					
Demand	300,991	305,517	308,565	311,643	314,752
Market Share	4.1 %	5.2 %	5.6 %	5.6 %	5.6 %
Capture	12,278	15,956	17,285	17,458	17,632
Penetration	52 %	66 %	71 %	71 %	71 %
Total Room Nights Captured	76,025	90,172	98,046	102,328	103,796
Available Room Nights	146,000	146,000	146,000	146,000	146,000
Subject Occupancy	52 %	62 %	67 %	70 %	71 %
Marketwide Available Room Nights	1,848,360	1,848,360	1,848,360	1,848,360	1,848,360
Fair Share	8 %	8 %	8 %	8 %	8 %
Marketwide Occupied Room Nights	1,223,828	1,253,189	1,271,767	1,290,567	1,306,492
Market Share	6 %	7 %	8 %	8 %	8 %
Marketwide Occupancy	66 %	68 %	69 %	70 %	71 %
Total Penetration	79 %	91 %	98 %	100 %	101 %

Because many of the competitors are resort properties, or otherwise have a preferred location, HVS forecasts that the proposed hotel would achieve less than a fair share of market demand penetrating the overall market at 97 percent.

Table 4 summarizes the HVS analysis of average daily room rates by market segment.



Table 4
Subject Property's Average Rate Forecast using the Market Segmentation Method

	2011	2012	2013	2014	2015
Meeting and Group					
Average Rate Growth	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Captured Room Nights	42,563	48,150	53,068	56,901	57,917
Rooms Revenue	\$5,864,483	\$6,833,277	\$7,757,106	\$8,566,982	\$8,981,480
Average Rate	\$137.78	\$141.92	\$146.17	\$150.56	\$155.08
Leisure					
Average Rate Growth	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Captured Room Nights	21,184	26,067	27,694	27,969	28,247
Rooms Revenue	\$2,802,050	\$3,551,299	\$3,886,169	\$4,042,577	\$4,205,283
Average Rate	\$132.27	\$136.24	\$140.33	\$144.54	\$148.87
Commercial					
Average Rate Growth	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Captured Room Nights	12,278	15,956	17,285	17,458	17,632
Rooms Revenue	\$1,962,325	\$2,626,703	\$2,930,911	\$3,048,953	\$3,171,751
Average Rate	\$159.83	\$164.62	\$169.56	\$174.65	\$179.89
Total					
Average Rate Growth	%	3.2 %	3.0 %	2.9 %	3.0 %
Captured Room Nights	76,025	90,172	98,046	102,328	103,796
Rooms Revenue	\$10,628,858	\$13,011,279	\$14,574,185	\$15,658,513	\$16,358,514
Average Rate	\$139.81	\$144.29	\$148.65	\$153.02	\$157.60
Average Rate Penetration	104.5 %	104.7 %	104.7 %	104.7 %	104.7 %
Marketwide Average Rate Growth	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Marketwide Average Rate	\$133.80	\$137.81	\$141.94	\$146.20	\$150.59

As a major branded, quality full-service property, HVS forecasts that it would achieve a 105 percent average rate penetration.



Financial Forecast

HVS generated a forecast of financial operations for the expanded TCC and proposed hotel under the separate and integrated operating scenarios.

- Table 5 provides a forecast of income and expense for the hotel as a stand-alone operation.
- Table 6 summarizes the forecast of financial operations for an independent operation of the expanded TCC.
- Table 7 provides a forecast of financial operations for an integrated convention center and hotel operation.
- Table 8 compares the two scenarios.

**Table 6
Ten-Year Forecast of Income and Expense for the Independent Operations of the Convention Center**

	2007/2008*		Expansion 2011		2012		2013		2014		2015	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
OPERATING REVENUE												
Facility Rental	1,294,000	32.2%	1,981,000	34.7%	2,110,000	34.0%	2,218,000	33.6%	2,323,000	33.5%	2,393,000	33.5%
Food & Beverage (Gross)	1,917,000	47.6%	2,482,000	43.5%	2,766,000	44.6%	2,992,000	45.3%	3,156,000	45.5%	3,251,000	45.5%
Event Services (Gross)	813,000	20.2%	1,245,000	21.8%	1,325,000	21.4%	1,394,000	21.1%	1,460,000	21.0%	1,504,000	21.0%
Total	\$4,024,000	100.0%	\$5,707,000	100.0%	\$6,201,000	100.0%	\$6,604,000	100.0%	\$6,939,000	100.0%	\$7,147,000	100.0%
OPERATING EXPENSES												
Administrative & General	533,000	13.2%	582,000	10.2%	600,000	9.7%	618,000	9.4%	636,000	9.2%	655,000	9.2%
Marketing & Sales	355,000	8.8%	388,000	6.8%	400,000	6.5%	412,000	6.2%	424,000	6.1%	437,000	6.1%
Food & Beverage Costs	1,438,000	35.7%	1,861,000	32.6%	2,074,000	33.4%	2,244,000	34.0%	2,367,000	34.1%	2,438,000	34.1%
Event Services Costs	569,000	14.1%	871,000	15.3%	928,000	15.0%	976,000	14.8%	1,022,000	14.7%	1,053,000	14.7%
Repair & Maintenance	1,040,000	25.8%	1,198,000	21.0%	1,249,000	20.1%	1,297,000	19.6%	1,341,000	19.3%	1,382,000	19.3%
Utilities	1,218,000	30.3%	1,489,000	26.1%	1,572,000	25.4%	1,645,000	24.9%	1,709,000	24.6%	1,760,000	24.6%
Total	\$5,153,000	128.1%	\$6,390,000	112.0%	\$6,823,000	110.0%	\$7,190,000	108.9%	\$7,500,000	108.1%	\$7,725,000	108.1%
OPERATING INCOME (LOSS)	(\$1,128,000)	-28.1%	(\$683,000)	-12.0%	(\$621,000)	-10.0%	(\$587,000)	-8.9%	(\$561,000)	-8.1%	(\$578,000)	-8.1%
NON-OPERATING EXPENSES												
Management Fees	0	0.0%	200,000	3.5%	217,000	3.5%	231,000	3.5%	243,000	3.5%	250,000	3.5%
Insurance	0	0.0%	57,000	1.0%	62,000	1.0%	66,000	1.0%	69,000	1.0%	71,000	1.0%
Capital Maintenance Reserve	0	0.0%	57,000	1.0%	124,000	2.0%	198,000	3.0%	278,000	4.0%	286,000	4.0%
Total	\$0	0.0%	\$314,000	5.5%	\$403,000	6.5%	\$495,000	7.5%	\$590,000	8.5%	\$608,000	8.5%
TOTAL NET INCOME (LOSS)	(\$1,128,000)	-28.0%	(\$997,000)	-17.5%	(\$1,024,000)	-16.5%	(\$1,082,000)	-16.4%	(\$1,151,000)	-16.6%	(\$1,185,000)	-16.6%

*Estimate based on an allocation of historical revenue and expenses.



**Table 8
Ten-Year Forecast Hotel of Income and Expense Comparing an Integrated Convention Center and Hotel to an Independent Convention Center and Hotel**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Rooms:	400	400	400	400	400	400	400	400	400	400
Occupied Rooms:	75,920	90,520	97,820	102,200	102,200	102,200	102,200	102,200	102,200	102,200
Occupancy:	52%	62%	67%	70%	70%	70%	70%	70%	70%	70%
Average Rate:	\$140.05 % of	\$144.50 % of	\$148.65 % of	\$153.35 % of	\$157.95 % of	\$162.69 % of	\$167.57 % of	\$172.59 % of	\$177.77 % of	\$183.11 % of
RevPAR:	\$72.83 Gross	\$89.59 Gross	\$99.59 Gross	\$107.34 Gross	\$110.56 Gross	\$113.88 Gross	\$117.30 Gross	\$120.82 Gross	\$124.44 Gross	\$128.17 Gross
Hotel Only	\$2,602 16.8 %	\$4,635 22.9 %	\$5,646 26.8 %	\$6,466 28.6 %	\$6,660 28.6 %	\$6,859 28.6 %	\$7,065 28.6 %	\$7,277 28.6 %	\$7,496 28.6 %	\$7,721 28.6 %
Convention Center Only	(\$997) -17.5 %	(\$1,024) -16.5 %	(\$1,082) -16.4 %	(\$1,151) -16.6 %	(\$1,185) -16.6 %	(\$1,221) -16.6 %	(\$1,257) -16.6 %	(\$1,295) -16.6 %	(\$1,334) -16.6 %	(\$1,374) -16.6 %
Combined Convention Center & Hotel	\$1,606	\$3,611	\$4,564	\$5,315	\$5,474	\$5,638	\$5,808	\$5,982	\$6,162	\$6,347
Integrated Convention Center & Hotel	\$2,175 10.3 %	\$4,223 16.7 %	\$5,210 18.7 %	\$6,058 20.5 %	\$6,240 20.5 %	\$6,427 20.5 %	\$6,620 20.5 %	\$6,819 20.5 %	\$7,024 20.5 %	\$7,235 20.5 %
Difference - (Integrated-Independent)	\$569	\$612	\$646	\$743	\$765	\$789	\$813	\$837	\$862	\$888



Comparison Integrated vs. Independent Operations

As illustrated, the hotel would stabilize at a profitable level, while the convention center as a stand-alone operation would operate at a loss. HVS supported our positioning of each revenue and expense level with comparable operations and trends specific to this market.

As a combined operation, the overall level of net operation income would improve by approximately \$740,000 in a stabilized year. The primary savings related to an integrated operation of the convention center and subject hotel is staffing costs. The integrated operations of the convention center and subject hotel reduce costs related to administration, marketing and maintenance through reductions in duplicate staffing positions and economies of scale.

Council expected to OK \$300 million hotels deal

NOVEMBER 18, 2007 12:00 AM • BY ROB O'DELL ARIZONA DAILY STAR

Tucson is poised to give the go-ahead to spend nearly \$300 million for hotels, retail and other amenities to revitalize the Tucson Convention Center area in an effort to attract tourism money Downtown.

In the culmination of a competitive process for the publicly financed convention center hotel, the City Council will discuss Tuesday afternoon and likely accept the recommendation from a five-member committee tasked to pick a new convention hotel from four finalists.

Instead of picking one project, the committee picked three recommendations for the council to consider.

Garfield Traub was the big winner, recommended to build a \$203 million, 707-room Sheraton Hotel Downtown.

The committee also recommended the council give \$87 million to develop two of the other finalist proposals, numbers that have some council members and residents questioning whether that's too much public money to sink into the convention hotel project and to provide to two Downtown landowners.

Panelists recommended spending \$28 million to buy the Hotel Arizona from owner Humberto S. Lopez — spending another \$42 million to remodel the hotel and possibly sell it later.

In addition, it was recommended by the panel that the city pay \$17 million to buy seven acres of prime real estate Downtown from Allan Norville, a site the city has been after for decades.

The city has not done any formal appraisal on either the Hotel Arizona or Norville's land, said Jaret Barr, the city's project manager for the hotel.

The figures are simply the asking prices that Norville and Lopez wanted for their properties, he said. Instead of getting an appraisal, Barr said, the selection committee determined whether the numbers made sense economically.

The numbers work based on an initial analysis, Barr said, adding that the city couldn't pay much more than those prices to make the deal work. Final negotiated prices, which the council must approve, will be based on appraisals, he said.

Despite the reservations of some, the recommendations look likely to be approved with a solid majority of support on the council, which is expected to direct the city staff to work to finalize the deals.

The negotiated prices for the projects will come to the council early next year for final approval, Barr said.

How much is too much?

The money for Lopez and Norville has some in the community questioning why the city is paying so much for properties that didn't win the hotel competition.

"It just seems incredible that this money is being thrown out for second- and third-place finishers," said Jeff Stensrud, a teacher at Canyon del Oro High School.

Some council members, including Democrats Karin Uhlich and Shirley Scott, said they're taking all their time until Tuesday's meeting to study the deals because of the amounts being proposed for Norville's and Lopez's properties.

But Barr said this was the city's one chance to get these parcels together and master-plan the site correctly.

"You will never get another chance to put it together," he said.

Both owners agreed to structure their payments so the city doesn't have to pay all the money upfront, Barr said, which is a huge help for financing the projects, Barr said.

Norville is willing to take half his \$17 million price upfront and take the other half in 2010, Barr said. Lopez is willing to take \$8 million upfront, and take the remaining \$20 million once the hotel debt is paid off — a time that has yet to be determined, he said.

Real estate experts interviewed generally said they didn't know or didn't want to comment on whether the asking prices for the properties were accurate.

The federal government condemned four acres of Norville's land just north of the site in 1995 and bitter court battles ensued. One jury valued the four acres where the Evo A. DeConcini Federal Courthouse now sits at \$2.75 million and a second valued it at \$8.4 million — although that ruling was later thrown out, according to Arizona Daily Star archives.

Norville's current land is almost twice as big and property prices have appreciated substantially since 1995.

Greg Lee, a commercial-real-estate appraiser with Singleton & Lee, didn't want to comment on the properties' values, but said it was smart for the city to buy them to control their use.

"It will all be backed up by an appraisal that will be public," Lee said.

Mayor Bob Walkup said the land will only get more expensive once the city builds an arena and a hotel next to the sites. He said the prices Norville and Lopez are asking may be a bit of a markup over their current values, however.

"I'm 100 percent in favor of it," Walkup said.

City may buy La Placita Village

Council members and two hotel experts applauded the committee's recommendation.

Carl Winston, San Diego State University's hospitality and tourism-management program

director, said he liked the master plan and the clustering of hotels around the TCC.

"It's not a bad strategy for a city looking for a spark to redevelop an area," Winston said.

Charlie Gray, executive director of the Greater Albuquerque Innkeepers Association, and former manager of what is now the Hotel Arizona, also was positive.

"If this all comes to be, it will put Tucson a large step ahead of Albuquerque to attract hotel conventions," Gray said. "I wish I was still in the area to be part of it."

What the city has created is a 58-acre master plan for a new arena, the two convention hotels, retail space and condominiums. That includes the multicolored office complex La Placita Village, which owner Don Bourn said may also be sold to the city.

Garfield Traub would use on land for the Sheraton, which would feature a 14,000-square-foot ballroom and a full-service restaurant, bar and lounge, retail space, and potentially condominiums.

The exact location of the hotel is unknown, Barr said, adding that the location of the city's new 12,300-seat, \$130 million arena could change as well.

A \$24 million renovation of the 250-room Hotel Arizona, 181 W. Broadway, would occur initially, but the council's action would keep the door open for another 28-story, 450-room expansion if future market conditions allow.

Acquiring Norville's seven-acre property at Granada Avenue and Cushing Street would be a smart move for the city, said Ray Garfield, a part-owner of Garfield Traub.

Norville said he didn't have any comment until the process is finished.

Councilman Steve Leal said the city has fought with Norville over his land "forever" and said including his land and the Hotel Arizona in the deal was "powerful."

Lopez and Norville are the owners and they need to be paid in order for the city to acquire the properties, said Councilwoman Nina Trasoff, who strongly supports the recommendation.

On how much the properties are worth, Trasoff said, "That's something you need experts for."

DID YOU KNOW

The Hotel Arizona, at 181 W. Broadway, was built for \$11 million in 1973 and originally opened as the Braniff International Hotel; its later names included Holiday Inn Broadway and Radisson Hotel City Center.

Source: Star archives



City not swayed as Lopez closes Hotel Arizona



APRIL 24, 2012 12:00 AM • CARLI BROSSEAU ARIZONA DAILY STAR

The downtown Hotel Arizona closed Monday, even as owner Humberto S. Lopez continues to seek city financial help to remodel the deteriorating property.

Lopez has threatened before to close the hotel to gain leverage in his negotiations with the city, but the mayor and two council members said his latest decision won't force their hand.

"His closing the hotel will not affect the way we look at this," said Mayor Jonathan Rothschild. "We've got to follow the state statute. We're going to be very strict about making sure that taxpayers get out at least as much as private developers receive."

The hotel's closure does not make the city any more likely to accept a deal with Lopez, and the City Council has done nothing to advance his latest proposal, Rothschild said.

Lopez and his company HSL Properties have owned the hotel at 181 W. Broadway since 1984. They are negotiating with the city "options that will enable it to reopen as a fully renovated, nationally franchised hotel that will service the Convention Center and downtown Tucson," they said in a news release Monday.

A sign posted on the hotel's door said it was already closed for renovations. Other area hotels will absorb reservations and catering events, and affiliated properties will offer some of the hotel's employees new jobs, the HSL news release said. It said others will get help finding new employment. No financial or vacancy-rate information was made available.

An HSL representative said the company would not comment beyond the news release. Neither Lopez nor HSL's executive vice president, Omar Mireles, returned repeated calls for comment.

Middle of Rio Nuevo

Lopez has long sought financial assistance from city taxpayers for the hotel, which is in the heart of the downtown and Rio Nuevo area the city has been striving to revitalize. It is along the modern streetcar route and next to the Tucson Convention Center.

Under Lopez's most recent proposal, HSL Properties would keep sales, hotel and bed taxes generated at the hotel over 20 years in exchange for renovating the property, which by all accounts needs an upgrade. In early 2011, Lopez reported 70 of the hotel's 308 rooms were uninhabitable.

"It's a prime piece of property," said Rick Grinnell, a member of the Rio Nuevo board tasked with using state sales tax receipts to help fund downtown development. "The economics just don't play out the way everyone would like to see them play out."

"There's nothing we can do," he said. "It's a business decision."

However, Hotel Arizona's closure comes just weeks after the city and the Rio Nuevo board in a joint closed session heard a presentation from another developer, Allan Norville, about possible convention center hotel plans.

Third-party analysis

Rothschild said his staff recently put together a list of 21 things the city government can do for business. "We are limited to that list," he said.

Among the benefits potentially available to Lopez are the abated property taxes associated with the city's recently approved central business district. "If Bert wants to come forward and wants to do that, we will talk to anyone who comes forward," Rothschild said.

The mayor emphasized that a successful proposal in the central business district would have to be vetted by an independent third party to ensure that the city is benefiting from the project as least as much as the developer.

The improvement would also have to result in a 100 percent increase in the property value. The property-tax abatements, if the city agreed to a deal, would extend for eight years and begin a year from now.

The city would have to take ownership of the property and then lease it back to the owner, who would make improvements on it.

Uhlich wary

Councilwoman Karin Uhlich said she's wary of Lopez's potential use of the tax abatement because she fears he is trying to use the city as a tax shelter.

Uhlich, like other members of the City Council, bridled at any notion that Lopez would close down the hotel in an effort to increase his leverage in negotiations with the city.

"I would certainly caution them or anyone else to make decisions thinking they are going to manipulate the city," she said.

In December 2010, the hotel's management said it would close unless it saw plans for an improvement to the Tucson Convention Center as well as the hotel.

The same year, Lopez led a recall effort against then-Mayor Bob Walkup, Councilwoman Regina Romero and Uhlich. He eventually dropped the campaign, saying he was satisfied that the council was beginning to adopt a more business-friendly stance.

As Lopez has been negotiating with the city over Hotel Arizona, HSL Properties has been snapping up real estate in other parts of Tucson. The company has acquired La Placita Village adjacent to Hotel Arizona, the Clarion Hotel near Tucson International Airport and Embassy

Suites Tucson Williams Center in midtown, among other properties.

Lopez earlier told the Arizona Daily Star that he would put money into downtown properties only if there's an effective public-private partnership in place.

But when it comes to properties outside downtown, he has fewer financial concerns. "There's an opportunity to make a profit," he said then.

Some members of the council chafe at that strategy.

"If it's greater risk (to invest downtown), the city should not put the taxpayers at that risk," Councilman Steve Kozachik said Monday.

Uhlich said Lopez's investments in properties outside downtown make her question whether Lopez is the kind of partner the city wants.

"Part of redevelopment is choosing the right partners," Uhlich said. "I've seen him in public, and I've urged him to invest in the properties already in his holdings and in his properties downtown. It's a business model I think deserves intense scrutiny."

Uhlich and other council members emphasize that despite their trepidation, they are willing to hear proposals from Lopez and other developers but they definitely want them made in public.

"Let's just do a straight-up deal," Kozachik said.

Contact reporter Carli Brosseau at cbrosseau@azstarnet.com or at 573-4197.

Lopez closes his Hotel Arizona in downtown Tucson

APRIL 23, 2012 5:19 PM • BY CARLI BROSSEAU ARIZONA DAILY STAR

The Hotel Arizona announced today that is closing while it explores redevelopment options. A sign on the door says the hotel is already closed.

The downtown hotel, 181 W. Broadway, is owned by Humberto S. Lopez and his HSL Properties.

The hotel is negotiating with the city government "options that will enable it to reopen as a fully renovated, nationally franchised hotel that will service the Convention Center and downtown Tucson," according to a news release. Lopez has long sought financial assistance from city taxpayers for the hotel.

Other area hotels will absorb reservations and catering events, the news release said.

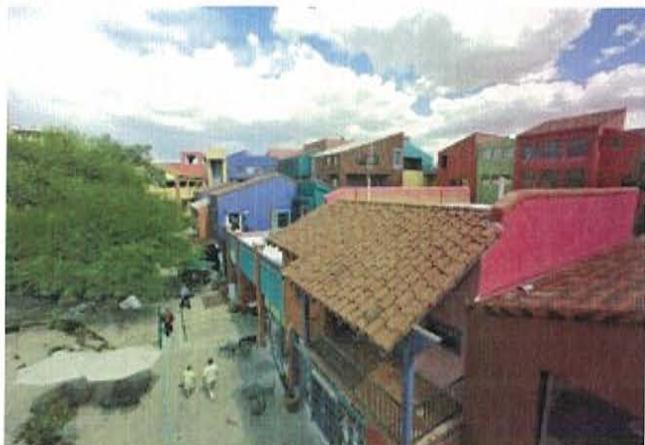
Affiliated properties will offer some of the hotel's employees new jobs, it said. Others will be helped to find other employment.

The hotel has threatened to close before.

In December 2010, the hotel's management said it would close unless it saw city plans for an improvement to the Tucson Convention Center as well as the hotel.



Hotel Arizona's Lopez gains control of La Placita



DECEMBER 31, 2011 12:02 AM • RHONDA BODFIELD
ARIZONA DAILY STAR

The owner of Hotel Arizona just secured a vast footprint in downtown Tucson.

An affiliate of HSL Properties on Friday acquired the sprawling and colorful La Placita Village complex next to the Tucson Convention Center from its previous owner, an offshoot of Bourn Cos.

The move has been brewing for several months. In August, BP La Placita Village Investors, which

is managed in part by developer Don Bourn, was in default on a \$2 million second deed of trust on the property, which was taken out in 2004. The beneficiary of the loan is Lopez Family-Transamerica Holdings, managed in part by Humberto S. Lopez, who owns the Hotel Arizona next door.

Bourn had until the end of December to secure financing. When that didn't come through, Lopez's HSL took over the property.

"Clearly, this was not necessarily a planned situation, but now we can make lemonade out of lemons," said Omar Mireles, executive vice president of HSL.

The proximity of Lopez's hotel, and the fact it will lie on the route of the future streetcar, already makes him a big player in downtown renovation efforts. Lopez, who has owned the hotel since 1984, made a pitch to the city in November to grant him substantial tax incentives to fix up the hotel, which by all accounts is struggling under the weight of millions in outstanding debt and ongoing maintenance problems. In early 2011, Lopez reported 70 of the hotel's 200 rooms were uninhabitable.

The addition of La Placita, however, now gives the company control over yet another key piece of downtown real estate.

Mireles said the move helps revive possibilities for the west end of downtown. "HSL is excited to be in a position to bring together the whole block as an integral part of this TCC area," Mireles said in a written statement.

In a brief interview, Mireles said it's too soon to know what those opportunities will look like, saying the company will take a fresh look at the complex. "There's nothing concrete at this point," he said.

The company announced that the change in ownership will not displace any of the current La

Placita tenants, which include the Arizona Daily Star's downtown bureau. All current leases will remain in place and the company will address any outstanding maintenance concerns as soon as possible, Mireles said.

Michael Keith, head of the Downtown Tucson Partnership, said the move sets up an interesting dynamic.

"The cherry on the sundae for downtown Tucson is the Convention Center," Keith said, adding the facility has been begging for a master developer to make it the hub it should be. "Now that entire area, including La Placita and the hotel along with the Convention Center, could be reimagined in ways that would really set Tucson on a very unique path."

The City Council is poised next week to huddle with its attorneys to discuss Lopez's hotel proposition.

Since the city isn't allowed to just give away public resources, such as allowing a single property owner to retain sales taxes generated on site, Lopez had offered the city use of the hotel garage in exchange.

Mayor Jonathan Rothschild said when the news of La Placita's ownership change came across his desk, his immediate thought was that it provides Lopez with more assets to use if the city were to consider creating a business-improvement district downtown.

But Rothschild said while he wants to have a larger discussion about how other cities have successfully prompted renovations of blighted areas, he's not interested in working out deals with single development entities.

"The general concept for me is to create a structure and a set of rules that apply to everybody and that everybody can be eligible for," he said. "Maybe Humberto will qualify under those rules, maybe he won't. But this does appear to give him an additional asset he could utilize, assuming the city were to go forward."

City Councilman Steve Kozachik agreed that while he's willing to consider the use of incentives to spur development, he also wants a uniform tool kit that would apply to all applicants.

Kozachik said he remains skeptical of Lopez's hotel pitch as it stands currently. "There are too many questions that the taxpayers would have - legitimate questions - about one person benefiting at the taxpayers' expense, with questionable returns on investment."

Kozachik said Lopez should just donate the hotel to the city and then enter into negotiations with the city to develop La Placita and the garage.

At a minimum, though, he suggested La Placita should be part of a package in any agreement Lopez attempts to work out with the city on the hotel.

"It's an interesting piece of the puzzle with respect to development opportunities, but not if the piece includes Bert Lopez asking for help with the hotel and then trying to make money off of La Placita," Kozachik said.

Contact reporter Rhonda Bodfield at rbodfield@azstarnet.com or 573-4243.

ASU online This is the place. [Start Now](#)

ARIZONA STATE UNIVERSITY



Apps [Android](#) [iPhone](#) [iPad](#) [Kindle Fire](#) [E-edition/iPad](#) [Scan In Dine Out/iPhone](#) [Scan In Dine Out/](#)

[Home](#) / [News](#)

Long-vacant downtown Tucson lot could see new life

Respond: [Write a letter to the editor](#) | [Write a guest opinion](#)



Rob Paulus Architects Ltd

The historic Indian Trading Post, foreground, would be opened up and stripped back to its structural core to maximize its connection to East Congress Street. Next door, historically inspired awnings and panels would shade the older structure and The Post building.

By [Darren DaRonco](#) Arizona Daily Star

6

A controversial dirt lot in downtown Tucson could finally see some long-anticipated construction now that lawsuits among the developer, city and Rio Nuevo Board are settled.

Handwritten scribbles and the number '9' in the top right corner.

Developer **Don Bourn** unveiled his preliminary plans for his Thrifty Block project along East Congress Street between South Scott and Stone avenues during Wednesday's Rio Nuevo meeting.

Turning those plans into reality could take as much as four years under the terms of a deal Bourn worked out with Rio Nuevo and the city.

At the heart of Bourn's planned project is a five-story mixed-use development named The Post.

The building would entail four floors of up to 44 residential units and a street-level floor designed for retail shops and restaurants.

Bourn's plans also call for renovating the historic Indian Trading Post and the annex building of the old Valley National Bank (now used by Chase bank), which flank the east and west sides of the proposed new development. Those would be turned into office and commercial spaces.

Architect **Rob Paulus**, who designed the project, said the idea was to fuse the old with the modern, similar to what he says is cropping up across Europe.

Courtyards, parking and other open spaces would surround the new building to attract revelers from the east end of Congress Street, with its Hotel Congress, Rialto Theatre and student housing activity.

"With all the energy on the east end, obviously it can move to the west and be a part of this project," Paulus said.

Bourn expects the property will carry a \$20 million price tag, of which he has already spent more than \$5 million in designs, acquisitions and more.

Although the project is in the early stages, Bourn expects to begin construction within the year.

Long history

Bourn has been the target of frequent criticism over the years for failing to build anything on the site, which he received for a pittance.

About eight years ago, the district spent \$900,000 demolishing buildings — including the 100-year-old Pusch Building — along East Congress between South Scott and Stone.

Bourn received the land for \$100 as part of a deal for him to build condos and retail on the property.

The project never materialized for a number of reasons.

First, Bourn said, the initial plans fell through after the economy tanked and the lender pulled its loan.

After that came a lawsuit from taxpayer advocate **John Kromko** in February 2011 and subsequent countersuits from Rio Nuevo to retake possession of the property.

Legal issues placed the site in limbo for almost three years and cost Bourn about \$800,000.

But last month, the city finalized a legal settlement which gave Bourn up to four years to build or the property would revert to Rio Nuevo's possession.

Bourn said he didn't want to waste any time and started working with Paulus on the current designs about a month ago after he felt a final deal was imminent.

"I'm a big believer there's a pendulum. We've all had a lot of negative publicity about this. If we start showing some good things, then we're going to have a lot of positive publicity," Bourn said. "I wanted to get on with this."

Rio Nuevo chairman **Fletcher McCusker** said he was surprised Bourn acted so quickly since the ink was barely dry on the legal settlement.

“really brilliant”

“He’s really been stuck because part of the suit was that (Rio Nuevo) foreclosed on him and he couldn’t do anything with the property,” McCusker said. “He’s fully engaged and we saw that today. Just conceptually, where they are is really brilliant.”

Bourn said he’s tired of being a “whipping boy” in the media so he wanted to put his “own feet to the fire” to get the project completed.

“I want to dispel the comments about the charade that we’ve all been playing on this project,” Bourn said. “I don’t think there’s many people that would have put the kind of money into this project that we put into it. So we’re committed to downtown. We’re committed to Tucson.”

Contact reporter Darren DeRonce at 873-4243 or daronco@azstarnet.com. Follow on Twitter @DarrenDeRonce

Tags Rob Paulus, Tucson, Rio Nuevo Board, John Kromko, Pusch Building, Don Bourn, Fletcher Mccusker, Bourn, Don Bourn Don Bourn, Congress, Usd, Valley National Bank, Hotel Congress, Retail Shops, Bank, Architect, Europe, Chase, Energy, Michael Bourn, Retail, Taxpayer Advocate, Cleveland Indians, Wednesday, Nuevo Chair, Major League Baseball Wild Card Game

More News Stories

Council revises business incentive program



McCain still hopeful immigration reform is a political priority

City hosts forum on ballot propositions



Tucson's Lopez steps down from Arizona Senate leadership post

From around the Web

ADVERTISEMENT



Australian model Mackenzie Smits wears a vest—and little else—to combat the autumn chill.



See surfer Alana Blanchard and 19 other female athletes to keep an eye on this year.



The real reason why Homeland Security recently purchased 1.7 Billion Rounds of ammunition.



Good-Bye To Baldness. Here's a life-changing hair loss solution...



Tucson : New trick allows Arizona drivers to get auto insurance as low as \$9

Recommendations

Sponsored Links

[Theater arts students present classical farce](#)

(Welcome to StarNet)

[Man wanted in Tucson shooting arrested in Detroit](#)

(Welcome to StarNet)

[Mother Of Twisted Killer Scott Peterson Dies... WITHOUT Visiting Her Evil Son One Final Time](#)

(Rage! Online)

[Local author turning heads with fantasy series](#)

(Welcome to StarNet)

Sponsored Results

[Dr. Oz Weight Loss Trick](#)

Magic diet pill has people melting fat away fast. Voted #1 for 2013. www.healthtrendsguide.com

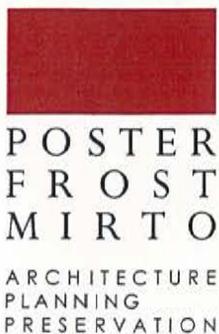
[Used Upright Pianos](#)

Certified Used Piano Inventory, Visit our Large Showroom www.azpiano.com

[Mortgage Rates Hit 2.87%](#)

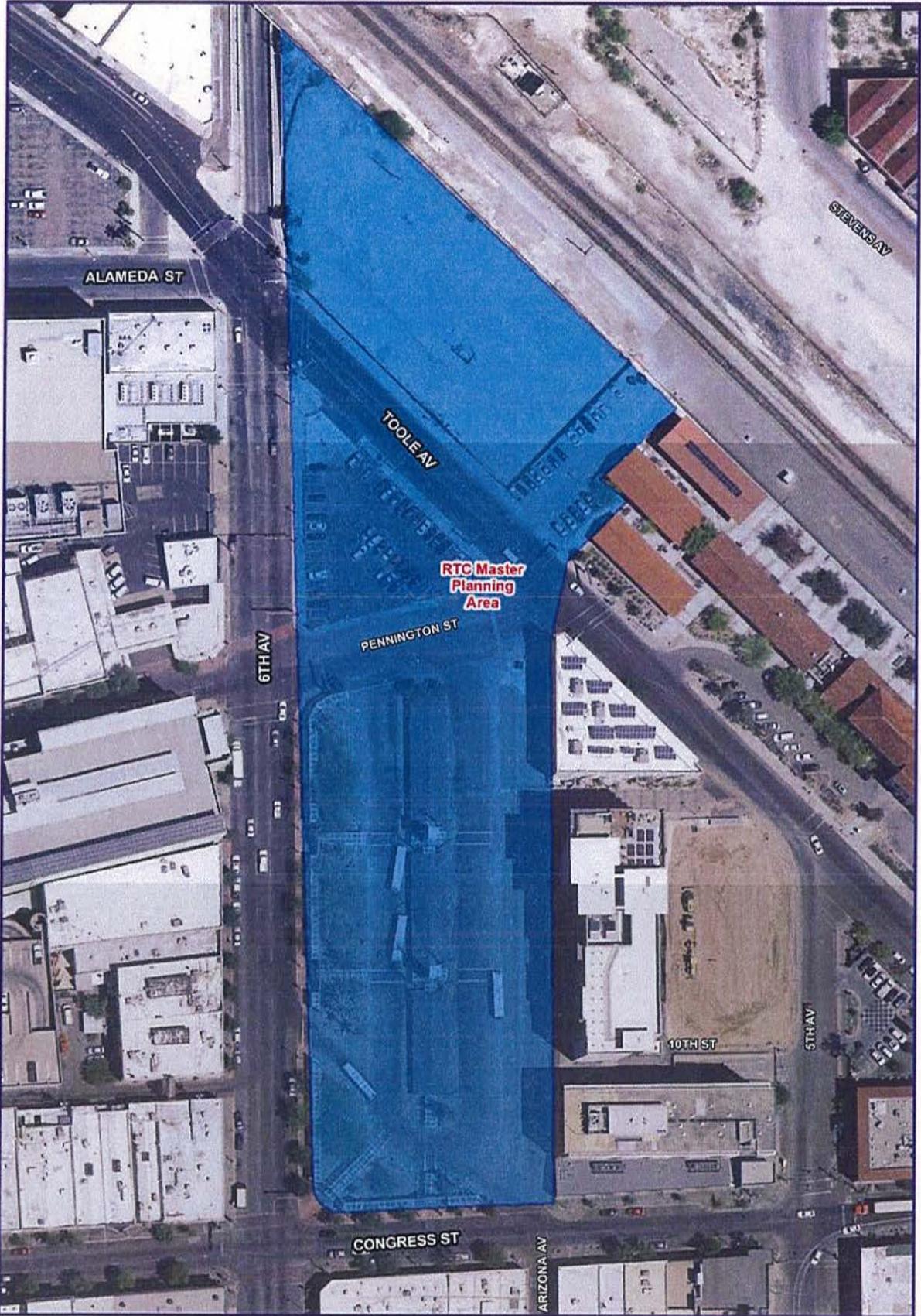
If you owe under \$729k you may qualify for 3.12% APR Govt Refi Plans. www.SeeRefinanceRates.com

10



Community Planning Process Ronstadt Transit Center Site Redevelopment, City of Tucson

Prepared by: Poster Frost Mirto
May 24, 2013



EXECUTIVE SUMMARY

PROJECT GOALS AND OBJECTIVES

Project Background

The history of Tucson's downtown in this century has been a long slow cycle of growth followed by a rapid decline. From its origins at the base of *Chuckson* at least 4000 years ago, the intersection of 'A' Mountain and the Santa Cruz River has been the cradle of Tucson's settlement. From its Native American origins, through the Spanish, Mexican, Territorial and Statehood periods, the centrality of Downtown Tucson to its urban form has been a constant in its development. Tucson's downtown has been and remains a unique (one-of-a-kind) element of its urban structure.

In 1960, El Con Mall was constructed on Broadway west of Alvernon. This new commercial development marked the beginning of the rapid decline of Tucson's downtown as the community's commercial and residential center. The growth of the suburbs and a post-WW2 auto-dominant development pattern led to the downtown's loss of commercial prominence as department stores closed or moved to other locations, small businesses failed, and population growth occurred elsewhere in the valley. The so-called "urban renewal" of the late 60's and early 70's exacerbated the problem with the destruction of much of the historic barrios and their social structure, their replacement by day-use-only government buildings, and the rupture of the historic urban pattern with super-block development. That decline continued unabated for several decades. But by the early 1980's there began a series of efforts to address this decline.

In 1991, the Ronstadt Transit Center opened as part of a City-wide network of transit centers to facilitate the efficient functioning of the Sun Tran bus network. After a substantial amount of community input, the current complex was constructed with its brick arcade made from the salvaged brick from the storefronts that were demolished to make room for the center.

Current Project

The future of the Ronstadt Transit Center has been the subject of considerable discussion in the last ten years. There is vacant or under-utilized land to its north. Downtown is in the midst of its most serious revitalization, since the 1960's. The City of Tucson has indicated that now is the time to focus on the possibility of mixed-use redevelopment for this underutilized site. This interest has been precipitated by the following events:

- The Modern Streetcar is soon to be completed
- Significant public and private investment has occurred downtown
- The major City of Tucson/Rio Nuevo issues have been resolved
- In 2011-2013, improvements were authorized, designed, and constructed (completed April 2013) in order to:
 - a. make the Ronstadt Transit Center safer as per recommendations from a Carter and Carter (CPTED) Crime Prevention Through Environmental Design) study
 - b. improve comfort for transit users

- c. repaint the facility to brighten its image
- d. improve lighting
- e. improve the paving and the overall ground plane
- f. create a better sense of entry
- g. rebuild a new eastern island that was removed for MLK construction
- h. other miscellaneous improvements.

Developing a Redevelopment Consensus

After nearly a decade of polarized “either/or” discussion about the future of the Ronstadt Transit Center (on one hand some thought it absolutely needed to move from the downtown to allow redevelopment of this key site, while others argued it should not be touched) a new atmosphere of “both/and” has recently emerged. With the leadership of Ward 3, the Downtown Tucson Partnership, and the Bus Riders Union, there seems to be an emerging consensus that the greater Ronstadt Transit Center site might be able to be redeveloped and continue to function as an improved downtown transit center on that same site.

Poster Frost Mirto was hired as community planners in late February 2013 to continue to nurture that emerging consensus on the RTC’s future. *Poster Frost Mirto* was asked to do the following scope of work:

- Review existing RTC documentation and analyze past studies and redevelopment concepts
- Meet with key stakeholders to elaborate key issues and concerns
- Develop consensus redevelopment goals as a basis for moving forward
- Review goals at a public meeting to solicit community feedback
- Develop goals into RFQ criteria
- Prepare final memo on process and conclusions

From March through May, stakeholder meetings were conducted with key groups including (notes from those meetings are included in Chapter 4):

- Real estate professionals
- The Downtown Neighborhoods (DNaRC)
- The Bus Riders Union (a large meeting convened by them in the Rialto Theatre)
- Adjacent neighbors
- Tucson Pima County Historic Commission
- Mayor and Council Transit Task Force
- Downtown Tucson Partnership
- ParkWise

Site Description

The project site is composed of three city owned properties located on the northeast corner of the intersection of Congress Street and Sixth Avenue as well as the potential of an additional existing building at 149 N. Stone Avenue (20,000 sf office building with retail on the ground floor; valued at \$1.5 - \$1.9 million), in the heart of downtown Tucson and within the City’s redevelopment (GPLET) area. The largest of the three parcels (2.3 acres) serves as the Ronstadt Transit Center and is located directly adjacent to the new modern streetcar route and is situated in the middle of the City’s entertainment district. A second triangle shaped property sits at the southeast corner of the Sixth Avenue and Toole Avenue intersection and provides paved surface parking to a nearby business. The third property is made up of 1.42 acres and is directly north of the triangle parking lot and Toole Avenue, and lies within the historic Warehouse Arts District. It is currently used as an unpaved surface parking lot open to the public. All three sites hold an

OCR2 zoning and a 300 foot height limitation. The site is bordered by existing residential and commercial to the east, Congress Street and popular nightlife destinations to the south, retail to the west along Sixth Avenue, and the Union Pacific Rail Road and future Downtown Links project directly to the north.

Ronstadt Transit Center Redevelopment Goals

- The phrase that was common to the *Bus Riders Union* and to the *Downtown Tucson Partnership* (Merchants Sub-Committee) is that “Downtown is for Everyone.” The greater Ronstadt Transit Center site should be successfully transformed to accommodate new development for a variety of mixed uses at the same time as it can provide an efficient and pleasant downtown transportation hub for all Tucsonans.
- Ronstadt needs to not just be a transit center, but must evolve into a transportation center for public buses, the Modern Streetcar, bicycles and bike-share, pedestrians, car-share, “park-once” parking, inter-city train, inter-city buses, vans, shuttles, taxis, kiss-and-ride, and other forms of transportation evolving and changing.
- The needs and operations of Sun Tran are also changing and evolving. Sun Tran is in the process of developing a detailed and thorough on-board survey and operational plan in the Fall of 2013. The new transportation center, and the developer chosen for its redevelopment, must work closely with Sun Tran as it develops its short term and long-term operational plan. The process needs to move slowly enough for this Sun Tran planning process to develop.
- The redevelopment of this site needs to be a win for transit users. Level of service, efficiency, quality, much-improved comfort and amenities, and convenience for the transit user needs to improve significantly as a result of this project.
- The short-term and long-term needs of Sun Tran must be satisfied within any redevelopment proposal.
- The potential development uses for this site will be driven to a large extent by the feasibility of land uses in the marketplace. Proposed uses should be in accordance with community desires, but in the end, development will be driven by what feasible uses can pencil out on this site. The Tucson community needs to be flexible and open-minded in its evaluation of proposed uses for this site. Developers need to be creative and thoughtful in their proposals. Projects that meet a local downtown need for services and activities will be most welcomed.
- Views on appropriate new land uses for the Ronstadt Transit Center site vary. Additional student housing in non-adaptable suite formats is not well supported, but market-rate housing and workforce housing would be a key component for redevelopment. Educational uses, commercial/retail uses, public health, food(grocery and food carts), urban conveniences, open space, and adequate parking would all be among welcome uses.
- The need for urban open space on this site has been expressed by all stakeholders in this community process. This open space will only be successful if it is urban in character, is highly used by the community, is integrated in an active well-used commercial setting, and has lots of eyes and ears on the space. It will not work as an urban open space if it is allowed to function as neutral territory with no sense of community ownership and oversight.
- As the specific location of transit and other transportation facilities is considered, it must be remembered that the Modern Streetcar will connect at the RTC’s southern boundary. Proximity to the Streetcar connection will be important. As the distance from the Streetcar to other forms of transportation increases, the quality of the experience between the two needs to also increase. Said another way, if the distance between the two is long the connection needs to be very interesting and comfortable for pedestrians.
- The real estate deal that emerges from this process will not be easy and it is likely to be high-risk. It will require substantial pre-leasing. It will also require substantial incentives by the public sector to reduce risk. Incentives will need to be aggressive. The best incentives will be programmatic, regulatory, financial and political. Actual cash investment of public funds will be more difficult to undertake in the current tight budget and economy.
- The architecture should be exciting with a strong connection to Tucson. It should be place-specific. The arts should play a big role in the new development. Day and night uses are essential.

- The needs of the downtown neighborhoods should paramount in the redevelopment. Developers, Sun Tran, and the City of Tucson must commit to an ongoing dialogue and negotiation with neighborhoods.
- The development process needs to be carefully vetted and analyzed. This is not a time for hunches and guesses. The next change to this site will be for a long time and needs to be done carefully.
- The site will develop under a City/Developer development agreement. The City of Tucson needs to dramatically improve its ability to create effective development agreement documents. This document needs to be the best of its kind with milestones, timelines, and deliverables that protect the public's interest in this site.
- Traffic needs to be a careful element of any redevelopment plan. Teams considered need excellent and creative traffic (especially transit) engineering consultants to insure an orderly flow of vehicles of all types in the downtown area.
- The greater Ronstadt Transit Center site is in the midst of an historic downtown. The historic urban fabric should be maintained. Efforts should be made to avoid closing Pennington or Toole. The historic brick arcade façade and the Melody Peters ceramic public art should be maintained if possible. Historic building massing, scale, rhythm, and streetscape should be maintained along Congress and 6th Avenue as much as possible. These streets should be largely filled in as they historically were, but with permeable entries on 6th Avenue and Congress. The Tucson Pima County Historic Commission should be involved in this design process.
- Care and protection should be given to local downtown businesses. Efforts should be made to avoid existing business displacement. Downtown merchant should be involved in the process of development of this site.
- Developers considered should be experienced in public/private partnerships, urban mixed-use, and transit-oriented development. They should demonstrate a commitment to transparency, consensus building, and strong/positive government relationships.
- A two-stage process for the selection of a developer is recommended. Stage One would be a Request for Qualifications (RFQ) with general information on the project goals and objectives. It would request the submitter to describe skills and qualifications of team members, similar project experience, references, demonstrate understanding of the project, and propose a general project approach. From the Stage One submitters, up to three developers would be selected. They would move to Stage Two Request for Proposals (RFP). They would be given a very much more detailed project description, elements, and requirements and would be asked to propose a specific preliminary design, cost estimate, pro forma, incentive package, tangible benefits to City (sales tax, multiplier, jobs, etc.), timeline, etc., for the development of this site. The City should consider a modest (\$15,000 per team?) stipend to offset the costs of this proposal preparation.
- The timeline for the RFQ/RFP should be deliberate not fast. It should coincide with the completion of the Sun Tran Operational Study expected by the end of November. RFQ could be September – November 2013. RFP could be January – April, 2014. RFP's should be reviewed in a very public process.