



MAYOR & COUNCIL MEMORANDUM

December 6, 2016

Subject: Introduction of City Park Development Project (Bourn Companies – BP City Park Investors, LLC) for Future Approval of a Government Property Lease Excise Tax (GPLET) Property Tax Abatement through Rio Nuevo Multipurpose Facilities District (Ward 6) Page: 1 of 2

Issue – BP City Park Investors, LLC engaged Rio Nuevo to enter into GPLET lease agreement for up to 25 years. While Rio Nuevo, as a stadium district, is allowed to enter into GPLET leases, the approval of the eight-year property tax abatement provision must be granted by the City of Tucson.

City Manager's Office Recommendation – It is recommended that the Mayor and Council receive the information regarding the City Park Development Project and direct staff to return to the Mayor and Council on December 20, 2016 to formally approve the eight-year abatement component of the GPLET lease between City Park Investors and Rio Nuevo.

Background – Rio Nuevo, as a stadium district is allowed to enter in GPLET leases and is bound by the statutory requirements for issuance of a GPLET:

- Project location is within the established Central Business District
- Improvements result in an increase in property value of at least 100 percent
- Independent analysis determines that the economic and fiscal benefit to government exceed the benefits received by the private lessee
- Rio Nuevo must take ownership of the property

The eight-year property tax abatement period must be granted by the City of Tucson.

Present Consideration – The City Park Development Project is slated to begin construction in early 2017. The new four-story mixed use project will be located at 40 East Congress. The Project will feature one story of loft office space and three stories of retail space. The ground floor will include Tucson's first food hall and an outdoor lounge space. The upper retail floor will include boutique bowling, entertainment and games. The top floor will have an indoor/outdoor rooftop with a large private event space. The Project will create 90 new restaurant and entertainment jobs and 53 office jobs. During construction the Project will create 100 jobs.

Results of Economic Analysis

In terms of local tax revenues, the restaurants, entertainment and office uses that are part of City Park would directly and indirectly generate approximately \$3.0 million in local revenues to the Rio Nuevo District, \$2.8 million to the City of Tucson, \$2.3 million to the county, school district and other local taxing jurisdictions, and \$4.7 million to the state from 2017 to 2025.

The value of the property tax abatement for all jurisdictions combined is estimated at \$1.2 million over eight years. However, during that period the Project would generate direct sales tax from on-going retail sales for a total benefit to the state and local government of \$8.9 million over eight years (based on direct revenues only). The benefit to the city, county and state exceeds the value of the GPLET property and lease excise tax abatement.

Introduction of City Park Development Project (Bourn Companies – BP City Park Investors, LLC) for Future Approval of a Government Property Lease Excise Tax (GPLET) Property Tax Abatement through Rio Nuevo Multipurpose Facilities District (Rio Nuevo and Ward 6)

On October 25, 2016, the Rio Nuevo board approved moving forward with the GPLET documentation for the City Park Development Project. On October 26, 2016, Rio Nuevo issued the required notice to the taxing jurisdictions outlining the intent to enter into a GPLET lease with City Park Investors, LLC. The Rio Nuevo board will hold a meeting on January 24, 2017, for final approval of the GPLET Lease with City Park Investors, LLC. Rio Nuevo is also providing a \$2.6 million loan, to be repaid, in part, by the increase in Rio Nuevo's portion of sales taxes generated.

If Mayor and Council provide direction to staff today to proceed with the approved process for the eight-year property tax abatement, staff will return at the December 20, 2016 meeting with a resolution formalizing the approval.

Plan Tucson Considerations - This item is related to the Elements of (1) *Business Climate* and *Redevelopment & Revitalization*. Specifically this item is supported by the following policies:

- BC5 - Foster the success of commercial areas, including downtown; major corridors; and arts, entertainment, and business districts through targeted investment, incentives, and other revitalization strategies.
- RR2 – Focus private and public investments in Plan Tucson Building Blocks.
- RR4 – Build from existing assets of areas identified for redevelopment and revitalization.
- BC2 – Continue to develop and implement local strategies, services, and incentives to enhance Tucson's business climate.

Financial Considerations – The foregone property tax revenues during the eight-year period is estimated at \$1.2 million. The anticipated new revenue to the taxing jurisdictions is estimated at \$8.9 million, of which the City of Tucson is expected to collect \$2.8 million. After the eight-year abatement period, the City will receive \$2,400 in excise tax for the remaining term of the GPLET lease.

Legal Considerations – The Attorney's Office has reviewed this memo for compliance with applicable laws.

Respectfully submitted,



Michael J. Ortega, P.E.
City Manager

MO/CB
Economic Initiatives
City Manager's Office
Attachments: Economic Analysis
SS/DEC06-16-228