



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

November 10, 2022

The Honorable Karen Fann, President
Arizona State Senate

The Honorable Russell Bowers, Speaker
Arizona House of Representatives

The Honorable Doug Ducey, Governor
State of Arizona

Mr. Fletcher McCusker, Chairman
Rio Nuevo Multipurpose Facilities District Board of Directors

Transmitted herewith is a report of the Arizona Auditor General, *Performance Audit & Financial Analysis, Rio Nuevo Multipurpose Facilities District*. Johnson Consulting conducted the audit under contract with the Arizona Auditor General and in response to the requirements of Arizona Revised Statutes (A.R.S.) §48-4231.01.

The report provides an evaluation of performance benchmarking against comparable and aspirational convention facilities and an audit findings section covering statutory compliance, including the City of Tucson's payments made to or on behalf of the District, tax revenue collections, and required annual budgets. Johnson Consulting found that the District addressed several key recommendations from previous reports but still identified areas in which the District can improve. The previous and current reports recommended that the District develop a longer-term strategic master plan, as well as a comprehensive capital improvement plan outlining the most critical Tucson Convention Center improvements needed and associated costs for it to be successful. In addition, the current report recommended that the District should comply with A.R.S. §48-4203(E) by submitting its annual report each year by October 1 to the Legislature and presenting to the Joint Legislative Committee on Capital Review each construction project and other improvement to real property exceeding \$500,000. The District's response to the reported findings and recommendations must be adopted by the District's Board of Directors within 45 days of the report's release.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General



PERFORMANCE AUDIT & FINANCIAL ANALYSIS
RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
TUCSON, ARIZONA

SUBMITTED TO
Arizona Auditor General

SUBMITTED BY
Johnson Consulting

DATE
November 9, 2022



TABLE OF CONTENTS

TRANSMITTAL LETTER

SECTION I

INTRODUCTION & EXECUTIVE SUMMARY 1

SECTION II

AUDIT FINDINGS 15

SECTION III

PERFORMANCE BENCHMARKING..... 22

SECTION IV

STRATEGIC RECOMMENDATIONS 45

APPENDIX

SUPPORT SCHEDULES

November 9, 2022

Arizona Auditor General
2910 North 44th Street
Suite 410
Phoenix, Arizona 85018

Re: Rio Nuevo Multipurpose Facilities District Performance Audit & Financial Analysis

Johnson Consulting and Keegan & Linscott, PC (the Consulting Team) are pleased to submit this report to the Arizona Auditor General regarding a performance audit of the Rio Nuevo Multipurpose Facilities District as required by A.R.S. §48-4231.01. This report presents the findings of the consulting team's analysis as of November 9, 2022.

We received substantial support from the Rio Nuevo Multi-Purpose Facilities District, the city of Tucson, and from the competitive set convention facilities analyzed in this report. The consulting team has enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. Johnson Consulting, Inc.

C.H. Johnson Consulting, Inc.

SECTION I
INTRODUCTION & EXECUTIVE SUMMARY



INTRODUCTION

Johnson Consulting was retained by the Arizona Auditor General to conduct a performance audit of the Rio Nuevo Multipurpose Facilities District (the “District” or “Rio Nuevo”) pursuant to A.R.S. §48-4231.01. The performance audit is intended to evaluate the District’s operational and financial performance, as well as its effectiveness in carrying out its mission. To effectively complete this assignment, Johnson Consulting has utilized the services of Keegan Linscott & Associates, PC (“KL”) to address certain technical aspects of the required performance audit procedures.

DISTRICT OVERVIEW

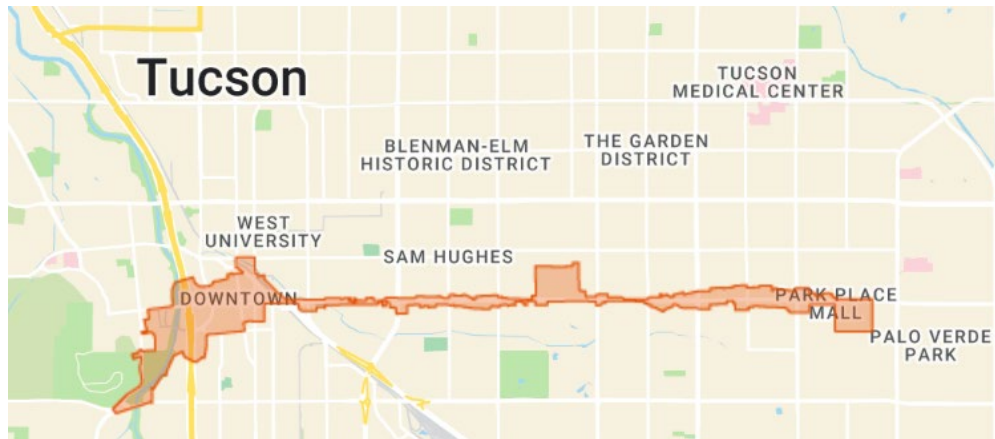
In 1999 voters approved the creation of the District through the passage of Proposition 400. The District is a municipal tax collection district, as well as a special taxing district. The voters authorized the District to receive an incremental portion of State-shared funds derived from sales taxes collected within the Tax Increment Financing (“TIF”) District boundaries of the City of Tucson (“COT” or the “City”). TIF is a special finance mechanism utilized by the State of Arizona to fund municipal improvement projects. Use of sales tax rather than property tax provides a stronger base to fund projects in the District since a sales tax TIF district generates a greater volume of revenue. In forming the District, the Tucson Convention Center was designated as the Primary Component (the “Primary Component” or “TCC”) in the District, with the expectation that all efforts would end in a funding framework to enhance the TCC to nationally competitive levels.

The District is a State municipal district with the powers, privileges, and immunities granted to governmental, municipal corporations for District purposes. These powers enable the District to plan multi-faceted development projects, including cultural and recreational amenities and improvements, historic recreations, mixed-use developments, and other projects that would enhance and support the TCC, and lead to the development of hotels within the District. The Arizona State Legislature reorganized the District in November of 2009, and a new board was appointed in March of 2010. Expenditure of the TIF Funds collected is managed by the Rio Nuevo Multipurpose Facilities District Board of Directors, who are appointed by the State’s Governor, President of the Senate, and Speaker of the House of Representatives.

Downtown Tucson, within the District, is the primary beneficiary of strategic investments to stimulate the marketplace and support new private sector development. The District’s TIF Funds are to be strategically invested in enhancing the TCC and adding adjacent hotel support, with the objective of creating a vibrant Tucson city center. This is to be achieved by leveraging downtown Tucson’s competitive advantage as the region’s urban and cultural center. The District is located in central Tucson and occupies a wide strip of land that extends west and east of downtown Tucson. East to west, the District runs down Broadway Boulevard, starting at Park Place Mall near Wilmot and extending to a panhandle that exceeds just west of Interstate 10. A portion of the Broadway part of Rio Nuevo is now being enhanced, with the designation as

the Sunshine Mile, and the assemblage of numerous quaint historical buildings, along Broadway. See Figure 1-1 below for a map of the District.

Figure 1-1



Within the eastern part of the District (i.e., east of I-10) are three multi-purpose facilities, the Tucson Convention Center, including the Tucson Arena, Leo Rich Theater, and the Linda Ronstadt Music Hall; Fox Theater; and Rialto Theater, all key drivers of visitation to the District and downtown Tucson. This area is also where existing historic buildings are located, such as the Carnegie Library building that currently houses the Tucson Children’s Museum, the Tucson Museum of Art’s La Casa Cordova (Tucson’s oldest building), and the University of Arizona Campus.

Western Rio Nuevo (i.e., west of I-10) contains large parcels of undeveloped land, new mixed-use development projects with retail and housing components, and the terminus of the new light-rail system.

Administratively, the Arizona Department of Revenue (“ADOR”) tracks sales tax collected within the Rio Nuevo District and the COT compares collections each month to sales taxes collected during the corresponding “base year” months of 1999. Rio Nuevo is then allotted the lesser of the incremental increase in sales taxes for the month in comparison to the base year, or 50% of the total sales tax collected in the District for the current month. It is the responsibility of the District and the COT to ensure that businesses within the District are making the election on their sales tax forms that identifies them as belonging in the TIF district.

RIO NUEVO PERFORMANCE HISTORY & PRIOR AUDIT FINDINGS

As previously noted, it was originally envisioned that downtown Tucson would be the beneficiary of strategic investments to stimulate the marketplace and support new private sector development. The additional TIF revenue generated as a result of this development would then be used to fund additional improvements within the District. The District’s TIF Funds were to be strategically invested in public and public/private



projects focused on developing a vibrant Tucson city center. This did not occur in the initial 10-years of the District, and the District was off mission by not focusing on improvements to the TCC as its priority. Additionally, the estimated cost of each project was significantly underestimated, which, in many cases resulted in the projects being cancelled or delayed.

Consequently, the residents of Tucson experienced little overall improvement to the area given the level of expenditure by the District during this period. Other adverse consequences included a general lack of significant growth related to incremental sales tax revenues, few needed enhancements to the Primary Component of the District, and no significant movement towards the construction of a convention center hotel to create destination interest for the area, and infuse the District with additional sales tax and tourist dollars.

With available funds severely depleted, in 2010 the District Board suspended project/capital expenditures until key issues could be resolved. Nonetheless, there was an opportunity for the District Board to improve performance related to its financial, operational, and compliance responsibilities. In the 2010 performance audit report, Crowe Horwath offered recommendations focused on enhancing compliance with applicable regulatory provisions, as well as development of appropriate policies and financial oversight necessary for the District. Furthermore, recommendations from the 2010, 2013, and 2016 performance audit reports gave specific attention to the need for the District to develop a comprehensive strategy that addresses the use of available funds.

The performance audit conducted in 2019 resulted in the recommendations detailed in Figure 1-2. For this table, we have also included the status of addressing the 2019 recommendations and Rio Nuevo's status update for each item.



Figure 1-2

Rio Nuevo 2019 Recommendation Update		
Recommendation	Status	Rio Nuevo Update
TCC Short Term		
Continue to push ASM Global and CVB in developing events. ASM Global's annual reports should report prior year performance and set goals for future demand by event type, revenue enhancements and expense reductions. Critical to their annual reporting should be a capital budgeting request rated by essential/ life safety, important and non-essential.	Implemented - event calendar continues to grow as the TCC recovers from lost business due to the pandemic. Completed recent expansion and upgrades to address capital improvement needs.	ASM Global and Visit Tucson (CVB) have been working closely in developing marketing and incentive plans to develop meeting and convention business. ASM Global submits expected number of events by event type as part of the annual operating plan. Additionally a list of capital priorities is part of the Annual Operating Plan.
ASM Global should provide analysis and strategies and targets to continue to improve demand and attendance by event category and for each venue so that it is clear what components of the campus are responsible for specific revenue and expense generation.	Implemented for all facilities - actively tracking demand and attendance by event category.	ASM Global tracks events by type and looks at events by facility with estimated revenues. Expenses are not tracked by facility.
Continue tracking attendance for each of the event categories for the arena and the convention center. This will allow management, COT and the District to understand what events are having the most significant impact on tax revenue generation and hotel room night demand. It will also provide direction in terms of a more robust sales and marketing plan to target underperforming event categories.	Implemented for all facilities - actively tracking demand and attendance by event category.	ASM Global tracks attendance for all events in all the facilities. ASM Global has increased marketing efforts to help create demand for confirmed events.
Both ASM Global and Visit Tucson should continue to perform satisfaction surveys and track lost business, by reason, and by event type, and incorporate this information in their annual reporting. This will continue to highlight strengths and weaknesses of management, the building and the market. These factors can then be assessed and prioritized by the COT and the District.	Partially Implemented - ASM Global & Visit Tucson are working together to target appropriate demand sectors. Data continues to be tracked.	Satisfaction surveys are distributed to clients, patrons, and stakeholders annually and Visit Tucson tracks reasons for lost business. Assessment to identify priorities needs improvement.
Develop a new masterplan (update to existing masterplan) and budget to identify and evaluate the most critical improvement needs for the TCC.	Not Implemented - still needs to be developed. 2019 Masterplan does not hit all objectives recommended in this performance audit.	ASM maintains a list of capital improvement needs for the facility. These capital needs are mainly repair & maintenance and end of life needs. A Master Plan and budget were developed in 2019 which resulted in the \$65 million remodel.
TCC Long Term		
Pursue a stewardship model where there is an oversight authority with dedicated funding to protect the asset and purpose of the venue, and a private management company running direct operations.	Not Implemented - with the extension of Rio Nuevo, RN is serving in this capacity with ASM Global managing direct operations. Once Rio Nuevo expires, a plan should be in place for new oversight structure.	Yet to be completed.
Rio Nuevo		
Develop a longer-term strategic and capital spending plan that considers revenue of all types, expenses, and multiple scenarios. This generally exists but is not as formalized as needed.	Not Implemented - still needs to be formalized.	Yet to be completed.
Develop a thoughtful District Plan, which should address ASM Global's recommended 10-year capital budget for the TCC, a TCC sub district master plan, a sources and uses funding plan and spending schedule, and a vision for the future.	Not Implemented - master plan still needs to be developed.	Yet to be completed.

Source: Rio Nuevo, TCC, Johnson Consulting



Specific recommendations from the 2022 report are summarized as follows:

SHORT-TERM STRATEGY

- The level of transformation of the convention center district is continually improving and growing. The nearby hotel supply has expanded and new development is ongoing. From our interviews with convention center staff, they have indicated that the improvements to the TCC and arena are well received by customers. As recommended in 2019 and again for this performance audit period, a prudent next step would be the development of a master plan as the recent expansion and upgrades are absorbed by the building and marketplace, which is standard industry practice.
- As part of that master plan, there should be a considered strategy to work with the Gem Show to help formalize their presence in Tucson. The formalization of a quality Expo Center used for the Gem Show, as well as other trade shows and exhibitions, indoor sporting competitions, festivals etc. would be an addition that would address a longstanding shortcoming of the TCC. An example of such a venue is the Palmer Events Center in Austin. It is operated by the same department that operates the Austin Convention Center. A business plan and term sheet should be developed for such an initiative. This will de facto expand the TCC by adding a module of space, serving demand that currently bypasses Tucson or has to use temporary tent facilities.

LONG-TERM STRATEGY

- As recommended in 2019 and again for this performance audit period, concurrent with the subdistrict TCC area masterplan, the entire Rio Nuevo District should be studied and a master plan developed. Tucson is continually moving in a positive direction as noted by the pending redevelopment of the waste site and development commencing along Broadway as a result of the Sunshine Mile initiative. Water, safety, transit, smart city technologies, and parking are all placemaking considerations. A masterplan analysis should consider if the recent redevelopment efforts have changed Tucson's trajectory upward. Further, each area of the District should be future thought, visualizing the next wave of influence the District can have in placemaking and stewarding development objectives. Also, adjacent neighborhoods are being redeveloped as the influence of Rio Nuevo impacts a broader area of the district. A masterplan update or overlay would be a strategic and appropriate next step to formalize future investment and development decisions.



- Rio Nuevo is set to end in 2035. A succession plan should be developed to consider what takes the place of Rio Nuevo from a funding and stewardship perspective. Convention centers need continual upkeep and improvements to remain competitive.

GENERAL RIO NUEVO RECOMMENDATIONS

- A 2019 Master Plan was developed after the COVID-19 pandemic relating to the TCC. However, it is time for Rio Nuevo to update its long-range masterplan for the entire district and should reflect future thinking for the TCC. There is still some space for the center, arena and theater to modify within their footprint and those incremental projects should be prioritized by management within their annual capital budgeting. A new Master Plan is not needed for the TCC per se; however, the overall master plan should certainly center around the TCC, but the entire district needs to be revisited. During this master planning process, it would be beneficial to develop objective criteria for project targeting and acceptance for participation by Rio Nuevo. This will help to prioritize projects similar to those in Figure 1-3.
- The District should present to the Joint Committee on Capital Review any construction project (or other improvement to real property) with a cost of more than \$500,000 in accordance with A.R.S. §48-4203(E)(3). We recommend that the District comply with statutory requirements by notifying the Joint Committee on Capital Review of any such projects going forward.
- The District should report to the Arizona State Legislature by October 1st of each year regarding the activities, operations, revenues and expenditures of the District for the immediately preceding fiscal year in accordance with A.R.S. §48-4203(E)(2). We recommend that the District ensure that these reports are submitted annually by October 1st.
- A.R.S. §48-4202 establishes the composition of the Board of Directors for the District and requires that the Board consist of nine (9) members. We noted that as of June 30, 2022 there were only seven (7) members appointed. Therefore, our recommendation would be to notify the required State personnel that additional members should be added to the Board in order to be in compliance with the statute.
- Formalization of financial planning is another significant goal moving forward. This means formalization of a capital improvement plan, budget management, and daily operations in the finance department.

MAJOR ACTIVITIES IN RECENT YEARS

Members of the District Board have taken steps to address the findings of the previous performance audits.



The District has stabilized organizationally and has directed its energy and resources towards the fulfillment of its mission as a redevelopment authority.

They have also implemented about half of past recommendations noted in Figure 1-2. The District has received three unmodified audit opinions for the fiscal years ended June 30, 2020, 2021 and 2022. Recent commitments by Rio Nuevo total over \$102 million and support total Project costs that exceed \$415 million. Public/Private commitments total over \$37 million and support total project costs of over \$350 million. These commitments are summarized in Figure 1-3.



Figure 1-3

Rio Nuevo Multipurpose Facilities District						
Project	Type	Land Use	Size	Project Cost	Rio Nuevo Commitment	Completion
Public/Private Projects:						
44 E. Broadway	Renovation & New Construction	Retail & Office	105,597 square feet	\$38,000,000	\$4,500,000	2020
City Park	New Construction	Office & Retail	5 stories	\$20,000,000	\$2,600,000	2020
Hilton Dual-Brand Hotel at Cathedral Square	New Construction	Hotel	6 stories 198 hotel rooms	\$44,500,000	\$6,975,000	2020
Monier Project	New Construction	Retail & Residential	12,975 square feet retail 122 apartments	\$34,000,000	\$2,400,000	2020
Rocco's Chicago Style Pizza	New Construction	Restaurant	6,000 square feet	\$1,000,000	\$500,000	2020
Economic Relief Assistance Program		COVID Relief		\$1,300,000	\$1,300,000	2020
Window Repair Program	Assisting businesses with repair of broken windows during COVID	Misc.		\$35,000	\$35,000	2020
DoubleTree Hotel at the Tucson Convention Center	New Construction	Hotel	170 hotel rooms	\$38,000,000	\$2,500,000	2021
Julian Drew Lofts	New Construction	Residential & Retail	5 stories 3,350 square feet retail 44 units	\$9,000,000	\$1,750,000	2021
Citizen Hotel		Hotel		\$4,500,000	\$500,000	2021
Farhang Offices	Relocation of offices downtown	Offices		\$2,300,000	\$40,000	2021
110 E. Congress (Blue Front Restaurant)	New restaurant in vacant storefront	Restaurant		\$600,000	\$300,000	2022
Hotel Congress Expansion	Expansion of HC patio and new Century Room	Restaurant		TBD	\$900,000	2022
Presidio Duplex	Renovation	Restaurant & Event Space	1 story	\$450,000	\$450,000	2022
Toole & 7th Avenue - BATA Restaurant		Retail & Restaurant	13,400 square feet	\$2,000,000	\$2,000,000	2022
1 S. Church Ave (Marriott Tribute)	240,000SF (new hotel); 150 rooms	Hotel		\$31,100,000	\$1,110,000	2023
Corbett		Mixed-Use		\$8,000,000	\$500,000	2023
El Presidio Neighborhood	Activation of El Presidio District - streetscape improvements	Mixed-Use		\$500,000	\$500,000	2023
Gibson's Event Center	New event center in vacant storefront	Mixed-Use		\$1,485,041	\$500,000	2023
Reilly's	Expansion of restaurant	Restaurant		TBD	\$200,000	2023
Sosa-Carrillo House	Preserving Historic Sosa-Carrillo House on TCC grounds	Misc.		\$100,000	\$100,000	2023
TABU	New restaurant in vacant storefront	Restaurant		\$930,000	\$300,000	2023
The Bautista	New Construction	Mixed-Use	16,500 square feet retail 252 residential units Restaurant	\$72,000,000	\$1,800,000	2023
Cordova Projects	4x new restaurants opening	Restaurant		\$2,855,500	\$450,000	In Progress**
TRE Program	Funding TRE's for restaurants during COVID	Restaurant		\$70,000	\$70,000	In Progress**
Zemam's	Expansion of restaurant	Restaurant		\$1,260,477	\$500,000	In Progress**
Film/TV Incentives	Incentives to office & shoot film in RN District	Film		TBD	\$200,000	Ongoing***
Off-Duty Police Services	Hiring additional Officers to patrol downtown	Misc.		\$400,000	\$400,000	Ongoing***
Pima County Parking	Funding operations of garage for public parking	Parking		\$37,200	\$37,200	Ongoing***
Valet Parking Program	Providing valet services for the public during busy nights/events	Parking		TBD		Ongoing***
Sunshine Mile*	New Construction	TBD	1 mile	TBD	\$3,000,000	Ongoing***
Congress Street Block (98-130 E. Congress)	Renovation	Retail & Restaurant	2 stories	\$12,000,000	\$1,000,000	TBD****
Volvo Site		TBD	TBD	\$24,000,000	\$400,000	TBD****
Total Public/Private Commitments:				\$350,423,218	\$37,817,200	
Public Projects:						
Tucson Convention Center	Renovation & Expansion	Convention Center	18,000 SF TCC expansion 845 parking spaces TCC Renovation Leo Rich Theater Renovation Tucson Music Hall Renovation Ice Plant/Ice Floor Replacement	\$65,000,000	\$65,000,000	Ongoing
Total Commitments:				\$415,423,218	\$102,817,200	

*Sunshine Mile continues to expand and Rio Nuevo is committed to spend more to continue growth
 **Project is in final planning or under construction, completion date undetermined
 ***Programs that will receive funding for project lifetime
 ****Project timeline still being discussed, significantly delayed due to COVID-19 pandemic
 Source: Rio Nuevo, Johnson Consulting



SCOPE OF WORK FOR CURRENT PERFORMANCE AUDIT

In accordance with A.R.S. §48-4231.01, which includes evaluations and certain required information for the District for Fiscal Years Ending 2020 – 2022, the analysis by Johnson Consulting and KL included consideration of:

- Capital costs, including debt service, of the Multipurpose Facility and other assets of the District.
- The level of the District's indebtedness, the amount of principal, interest and other debt service expenses paid in the preceding fiscal year and the remaining term to maturity with respect to each outstanding bond issue.
- Operation and maintenance costs of the Multipurpose Facility and other assets of the District.
- The District's overall expenditures in the preceding fiscal year, including the level of expenses for administration, planning, travel, and entertainment, and considers the degree to which expenditures work towards supporting and achieving the District's purposes.
- A description of, and the amount of, municipal payments pursuant to A.R.S. § 42-5031, subsection D during the performance audit period, and the cumulative amount of those payments through the end of the preceding fiscal year.
- The public use of each component of the Multipurpose Facility.
- Revenues derived from each component of the Multipurpose Facility and other revenues of the District.
- District projects that are currently under construction and that are included in the District's plans for capital improvements and investment.

In order to execute the engagement and related analysis we performed the following tasks:

- Met with the Arizona Auditor General to discuss the engagement scope, communication and reporting.
- Met with District Management and personnel from the COT to discuss activities during the performance audit period, as well as statutory requirements and the terms of operative agreements in place or executed during the performance audit period (i.e., fiscal years 2020 – 2022).



- Held discussions with the District’s Independent Auditor, and reviewed reports issued by the Independent Auditor that cover fiscal years 2020 and 2021, and a draft of the fiscal year 2022 report (not yet issued).
- From the District and/or COT, we requested and obtained relevant information and documents, including, but not limited to:
 - Intergovernmental Agreement (“IGA”) and Settlement Agreement executed between the District and the COT.
 - Financial statements, records, schedules and information related to District revenues, expenditures, assets and obligations during the performance audit period.
 - District budgets and projections related to future revenues and expenditures.
 - Policies and procedures related to the District.
 - District Board meeting minutes.
- Evaluated the District’s compliance with significant statutory provisions, as well as the District’s and the COT’s compliance with operative IGA provisions.
- Benchmarked TCC performance and design to determine its competitive position among national peer facilities.

This report identifies findings and recommendations regarding the construction, financing, operation and maintenance of each component of the TCC, including whether the facility exceeds, meets or fails to meet nationally recognized design and performance standards.

In addition, this report includes the schedules covering the following topics:

- The District’s projects currently under construction and that are to be included in the District’s plans for capital improvements and investments. These schedules include costs of completed projects and assets owned by the District, and costs-to-date and estimated costs-to-complete for projects planned and currently under construction. The schedules identify capital activity during the performance audit period and as of June 30, 2022. (See **Appendix Schedule A – Tables 1 and 2**)
- The level of the District’s indebtedness, the amount of principal, interest and other debt service expenditures paid during the performance audit period, and remaining term to maturity with respect to each. (See **Appendix Schedule B – Tables 1 and 2**)



- Revenues and operating expenses generated by the District during the performance audit period. (See **Appendix Schedule C – Tables 1 and 2**)
- A description of the amount of municipal payments made by the COT, pursuant to ARS §42-5031, subsection D, during the performance audit period, and the cumulative amount of those payments through the end of fiscal year 2022. There have not been additional municipal payments during this performance audit period, therefore the matching funds required to be committed by the COT amount to zero. (See **Appendix Schedule D**)
- A schedule of the Tucson Convention Center Component Revenues, Operation, and Maintenance Costs. (See **Appendix Schedule E – Tables 1 and 2**)

EXECUTIVE SUMMARY

The District is responsible for meeting the requirements of applicable provisions of the Arizona Revised Statutes (“A.R.S.”) and the operative Intergovernmental Agreement (“IGA”) with the City of Tucson (“COT”). We have reviewed applicable statutory and IGA provisions and evaluated compliance related to the District and the COT. In consideration of issues identified in previous performance audits, we note continuous improvement related to transparency and compliance during the current performance audit period (i.e., fiscal years 2020 – 2022).

As with the last performance audit in 2019, there has been continued improvement in the performance of the Rio Nuevo District (the “District”) through Fiscal Year 2022. Actions taken by the District have continued to allow for major projects to advance, which supports the long term outlook for the Tucson Convention Center (TCC). Among the aforementioned investments by Rio Nuevo that support the district’s mission, during the 2019 performance audit period Rio Nuevo also approved a \$65 million investment in its multipurpose facilities directly, including:

- Replacement of Ice Plant and Arena Ice Floor: \$3.2 million
- 300-space Parking Garage in Lot A: \$45,000
- Renovation of TCC Convention Spaces & Meeting Rooms: \$7.6 million
- Tucson Arena Lighting Upgrades: \$220,000
- Site Streetscape and Connections: \$2.5 million
- Eckbo Historic Landscape Restoration: \$8 million
- Technology Enhancements and High-Speed Data Infrastructure: \$2.5 million



- 18,000 Square Foot Meeting Room Expansion at the TCC: \$9.2 million
- 500-space Parking Garage in Lot C: \$11.4 million
- Renovation and Upgrades to Linda Ronstadt Music Hall: \$7.4 million
- Renovation to Leo Rich Theater: \$2 million

As of this 2022 performance audit, all of the improvements listed above have been completed over the last three years, with the exception of ongoing improvements to technology enhancements and high-speed data infrastructure. The District has also worked towards addressing the key recommendations outlined in the 2019 performance audit, as noted in Figure 1-2, 3 of which have been fully implemented, 1 has been partially implemented, and the last 4 recommendations, including 1 short term, 1 long term, and both Rio Nuevo recommendations, have not yet been implemented. From a financial compliance perspective, the District expended significant funds on capital projects during the performance audit period under the District's leadership. Between FYE 2016 and FYE 2022, total operating revenues have increased at a compounded annual growth rate of 3.0% while total operating expenses have increased at a rate of 3.4%, although this still resulted in an increase in net operating loss from \$2.9 million in FYE 2016 to nearly \$3.2 million in FYE 2022 (or 1.8% compounded annual growth rate, annually). Based on data and projections provided by the District, it is anticipated that the District will remain solvent in the short and long term.

Not compliance related, yet important for consideration, is the District's improved monitoring of the tax revenue collections within the District. Under a Disclosure Agreement with the Arizona Department of Revenue ("ADOR"), dated October 23, 2014, detailed information about taxpayers is now being confidentially shared with the District and utilized by District Management to identify anomalies, which are communicated with ADOR and the City of Tucson. This communication provides the basis for follow up activities with taxpayers, performed by the two taxing authorities, and has resulted in increased tax revenues during the performance audit period.

A key component of the performance audit requires evaluation with regard to how the TCC compares to nationally competitive convention center and arena facilities in terms of design and performance. The benchmarking set consists of the case studies used in Johnson Consulting's 2013, 2016, and 2019 performance audits, along with additional case studies that Johnson Consulting believes to be relevant in the context of this new, more holistic approach. The benchmarking set comprises a mix of publicly and privately managed facilities that exhibit either similar geographic, economic, and/or physical attributes to the TCC or Tucson facilities as a whole. All facilities within the set are publicly owned at the City or County government level.



This performance audit found that the Tucson facilities have ascended from the middle of the pack to ranking higher up since 2019 among the comparable case studies by a number of measures, including the number of events, number of event-days, event attendance, and operating revenue and expenses. Tucson facilities and the support environment around the TCC still fall short in comparison to some of the aspirational case studies, which have more advanced support districts and facilities that provide examples of model development patterns. In terms of market, Tucson has benefitted from a rapidly growing population across its metropolitan area compared to its competitive and aspirational markets. Tucson still, however, can improve upon its urbanity adjacent to its multipurpose facilities. Out of the 11 total case studies, including Tucson, Tucson ranks 7th in population within ½ mile, 8th in daytime population within ½ mile, 8th in hotel rooms within ½ mile, and 6th in retail and nightlife sales volume within ½ mile. Attracting residents, visitors, and businesses to Tucson and the Rio Nuevo District will foster the development of additional hotels and amenities in the District, which illustrates how continued economic development is 100 percent on mission for Rio Nuevo.

Recent developments and improvements to the TCC are highlighted throughout the report, and showcase the advancements that have been made since the last performance audit. For example, SMG, now ASM Global, was brought in relatively soon after the 2013 performance audit, which has helped improve the data and event tracking to industry standards and is helping remedy the reputation of the TCC from the perspective of event and meeting planners. The arena improvements helped attract an AHL team affiliate of the Phoenix Coyotes as an anchor tenant to the arena. This has helped to increase the overall attendance and revenue profile of the TCC and provide an increase in activity in the District from the increased visitors to the arena. The relocation of the Greyhound Bus Terminal paved the way for the 136-room AC Hotel by Marriott to be developed in close proximity to TCC, the first hotel in downtown for many decades. Its proximity to the TCC and the increase in hotel room supply has helped the TCC be more competitive when targeting events that require a larger hotel room block size. Since 2019, a 170-room Double Tree Hotel and a 198-room Hilton Hotel have opened in Tucson, both of which are within a 4-minute walk to the TCC. Tucson currently has 6 more hotels in the pipeline that are proposed to open in the next two years, resulting in an additional 753 guest rooms. Most notably is the MOXY Tucson Downtown hotel with 138, located on the same block as the Rialto Theatre.

These developments emphasize how important the District is in improving the competitive position of the TCC, and its adjacent support environment, because these developments are all critical to meeting planner's selection criteria. The majority of the suggested upgrades from the 2019 performance audit have been completed and the TCC and the local economy are still absorbing these improvements and they have been well received by customers, as per Visit Tucson and TCC management staff. It will be critical to evaluate the impacts of these recent upgrades to inform management on how to move forward. It is also recommended that an annual capital improvement plan be developed in addition to a master plan for the



TCC. This will create a clear path forward and ensure that the facility is able to meet and exceed market needs and opportunities in the future.

The efforts of the District over the past few years have resulted in improvements that support the mission of the Rio Nuevo District. Renovations that have been done to the TCC since the prior report have transformed the TCC for minor league sports, live performances, and other events. While maintaining traction on improvements while also focusing on management and operations will position the TCC to continue to ensure overall District success and downtown revitalization. It is key to be able to draw a wide variety of programming in order to sustain ongoing success.

SECTION II
AUDIT FINDINGS

COMPLIANCE WITH STATUTORY AND INTERGOVERNMENTAL AGREEMENT PROVISIONS

The District is responsible for meeting the requirements of applicable provisions of the Arizona Revised Statutes (“A.R.S.”) and the operative Intergovernmental Agreement (“IGA”) with the City of Tucson (“COT”). We have reviewed applicable statutory and IGA provisions and evaluated compliance related to the District and the COT. In consideration of issues identified in previous performance audits, we note continuous improvement related to transparency and compliance during the current performance audit period (i.e., fiscal years 2020 – 2022). Following is a discussion of significant statutory and agreement provisions, as well as any instances of non-compliance noted.

COT PAYMENTS

Through the operative IGA with the District, and in accordance with A.R.S. §42-5031 (D), the COT has agreed to make direct payments to the District from any lawful source, or to expend monies “for land, infrastructure or other improvements directly related to the multipurpose facility or the multipurpose facility site, in an aggregate amount equal to the amount received by the district pursuant to this section” (A.R.S. §42-5031). That is, the COT has agreed to make matching expenditures in an amount equal to the TIF revenue distributed to the District.

Per inspection of the Office of the Arizona State Treasurer website, aggregate sales tax distributions made to the District from inception through June 30, 2022 approximates \$221 million. In response to our inquiries, the COT provided the payment information presented in Schedule D after the end of the performance audit period, but prior to the issuance of this report. It is the position of the COT that they have made expenditures of approximately \$681.6 million directly related to the multipurpose facility or the multipurpose facility site, which exceeds the match requirement as it is in excess of the aggregate sales tax revenue distributed to the District (see **Schedule D**).

MONITORING OF TAX REVENUE COLLECTIONS

In accordance with A.R.S. §48-4203 (A)(3) the District and the COT entered into the operative IGA. Furthermore, the District has adopted administrative rules during the performance audit period pursuant to A.R.S. §48-4203 (A)(4) and (5).

Article 4.3 of the operative IGA states that the COT “shall work with the Arizona Department of Revenue (“ADOR”) and the District to facilitate ADOR’s collection and remittance of the tax increment funds on behalf of the District, to include: monitoring of the collection of the tax by businesses located within the multipurpose facilities site; providing outreach and education within

the multipurpose facilities site to promote and ensure proper collection of the tax; and otherwise assisting ADOR and the District with proper collection and accounting of the tax increment funds.”

Through the performance audit we noted that the District’s Management continues to perform outreach activities to get more businesses to participate and remit TIF revenues, as evidenced by the increase in TIF revenues within **Schedule C - Table 2**. In September 2020, 778 businesses and organizations were in the district; to date, there are 793 businesses and organizations within the district. Outreach activities include contacting new local businesses within the District which is aimed at education of the benefits of the District, as well as ensuring businesses within the District are appropriately remitting taxes. District Management also receives monthly detailed information related to taxpayer filings directly from the ADOR, under a Disclosure Agreement, dated October 23, 2014. The detailed information is input into a database and filings are tracked by District Management in order to identify anomalies and trends. Any anomalies are communicated with the COT and ADOR and these tax authorities follow up with the taxpayers.

We also made inquiries of District Management regarding the COT’s efforts to stimulate filling out required tax forms and monitor the collection and remittance of TIF revenue. The previously mentioned outreach efforts have been effective, as 15 businesses were added to the District. We noted the COT performs monitoring activities aimed at ensuring proper collection of tax increment funds from businesses within the District. Monitoring activities performed by the COT typically include review of detailed information provided by ADOR regarding taxes remitted by businesses within the District and identification of anomalies. COT personnel are also able to locate businesses within the District by generating a list by address, which is utilized to facilitate further communication with businesses to help ensure further compliance.

DATABASE OF EXPENDITURES ON THE OFFICIAL DISTRICT WEBSITE

A.R.S. §48-4231.02 requires the District to maintain an official website with a database of expenditures made by the District. The statute identifies specific expenditure information and functionality that should be part of the website database. Per discussion with District Management, the database was available on the District’s official website beginning in October 2013. Per review of the website during the audit period, it was noted that the database was fully functional and contained all the information and functionality elements required by the applicable statute.

REQUIRED ANNUAL REPORTS & BUDGETS

A.R.S. §48-4203(E)(2) requires the District to submit an annual report to the Arizona State Legislature by October 1st of each year regarding the activities, operations, revenues and expenditures of the District for the immediately preceding fiscal year. Specifically, the board shall

submit the annual report to the President of the Senate and the Speaker of the House of Representatives and provide a copy to the Secretary of State. At the discretion of the chairpersons of the Senate Finance Committee and the House of Representatives Ways and Means Committee, or their successor committees, the committees may hold separate or joint hearings to consider the annual report prepared by the District. Per inquiry of District management, the FY 2022 annual report was not submitted as of the date of this report. For FY 2020 and FY 2021, management indicated those reports were submitted but not by the deadline. We recommend that the District ensure that the annual reports are submitted to the Arizona State Legislature by October 1st for the District to comply with statutory requirements.

Each fiscal year the District is required to submit an annual budget to the Clerk of the Pima County Board of Supervisors. The provisions of A.R.S. §48-4232 identify specific elements and information to be included in annual budgets. Per review of the District's budgets prepared and submitted during the performance audit period it was noted the budgets included all elements and information required by the statute and all were submitted to the Clerk of the County Board of Supervisors in a timely manner.

BOARD OF DIRECTORS MEMBERSHIP

A.R.S. §48-4202 establishes the composition of the Board of Directors for the District, and notes that the Board shall consist of nine (9) members based upon appointments to be made by the Governor, the President of the Senate, and the Speaker of the House of Representatives. There are currently only seven (7) members of the District Board. The remaining appointments are the responsibility of the Governor and Speaker of the House of Representatives.

COMPLIANCE WITH FINANCIAL PROVISIONS

As specified in A.R.S. §48-4204 (B) there are specific purposes for which taxes and charges raised by the District can be used.

From the taxes and charges levied or identified pursuant to section 48-4237 for use with respect to multipurpose facilities and from other monies lawfully available to the District, the District may acquire land and construct, finance, furnish, maintain, improve, operate, market and promote the use of multipurpose facilities and other structures, utilities, roads, parking areas or buildings necessary for full use of the multipurpose facilities and do all things necessary or convenient to accomplish those purposes. Public funds identified in section 48-4237, including funds distributed pursuant to section 42-5031, may only be used for the components for a multipurpose facility which are owned by the District or which are publicly owned, except that monies paid to the District pursuant to Section 42-5031 may only be used for the following purposes until a notice to proceed is issued for a hotel and convention center located on the multipurpose facility site:

1. *Debt service for bonds issued by the District before January 1, 2009.*
2. *Contractual obligations incurred by District before June 1, 2009.*
3. *Fiduciary, reasonable legal and administrative expenses of the District.*
4. *The design and construction of the hotel and convention center located on the multipurpose facility site.*

From the District's inception through 2009, many of the expenditures made by the District were for purposes and/or projects other than those statutorily required or intended. Specifically, many of the expenditures made during this time period failed to provide new or additional tax revenues, nor were they incurred in relation to the Primary Component (i.e., the Tucson Convention Center "TCC").

Per discussion with District Management and review of historical documentation it was noted that remediation of this compliance deficiency was a significant focus of the reconstituted District Board, and many related recommendations were put forth in the previous performance audits. Our examination of the following performance sections was based on the statutory requirements discussed above and was influenced by our knowledge of the District's past performance.

CAPITAL EXPENDITURES

As a result of the District's completion of restructuring activities and settlements of the legal disputes with the COT and State, the Rio Nuevo Board of Directors significantly increased capital expenditure and construction activity during the performance audit period. This policy is reflected in **Schedule A - Table 1** which shows capital expenditures and assets placed in service of \$9,086,317 in 2020, \$30,937,146 in 2021, and \$35,507,462 in 2022. Expenditures were evaluated for proper initiation, approval, disbursement, and recording in accordance with applicable statutory and internal policy provisions.

In reviewing capital expenditures, it was noted that of the approximately \$75.5 million of total expenditures, roughly \$55 million was spent on additional improvements on the TCC. The remaining outlays were expended on other projects within the District, including Bautista, which provides benefit to the District. All capital expenditures during the performance audit period appeared reasonable and in accordance with the relevant statutory provisions.

Additionally, effective August 3, 2018, A.R.S. §48-4203(E) requires the District to present to the Joint Committee on Capital Review any construction project (or other improvement to real property) with a cost of more than \$500,000. From April 25, 2019 through June 30, 2022, the District's Board of Directors did not submit any projects for review to the Joint Committee on Capital Review. Therefore, the District is not in compliance with this statutory provision. See

further discussion of planned capital expenditures in *Expenditures in Support of the District's Purpose* to follow.

DEBT SERVICE EXPENDITURES

Throughout the life of the District a series of debt instruments have been issued/entered into to fund asset acquisition, design studies, infrastructure improvements, and the repayment of loans, with the expectation that these investments would generate future TIF revenues. During the performance audit period, five unique debt obligations were in existence, one was entered into and two remain outstanding as of June 30, 2022.

Through procedures performed it was noted that TIF revenues due to the District are deposited directly into certain bank accounts by ADOR, and the required debt service payments are automatically made to the appropriate party. Any remaining TIF revenue is then provided to the District for use in carrying out its mission. Per inquiry of Management and observation of the debt service process, it appears that District Management plays an active role in monitoring the debt service payments and the activity within the bank accounts. The debt balances at June 30, 2022 appeared to be accurate, current, and payments of principal and interest were made in a timely manner during the performance audit period. See **Schedule B – Table 1** for debt service payments made during the performance audit period, and **Schedule B – Table 2** for debt service payments through 2035.

EXPENDITURES IN SUPPORT OF THE DISTRICT'S PURPOSE

In consideration of whether the District's expenditures for the period supported and achieved the District's purposes, we note that legal and administrative expenses of the District appear reasonable considering the nature of the District's activities (see **Schedule C – Table 1**).

The District has committed to continually fund projects through public/private development partnerships, which have included the AC Marriott Hotel, TCC Hotel, Bautista, the Caterpillar Surface Mining Complex, Gadsden, 44 E. Broadway, TCC Capital Improvement project and the City Park projects, among others. We also note that significant project expenditures were made during the period (see **Schedule A**) and these capital expenditures appeared reasonable and in accordance with statutory provisions of A.R.S. §48-4204(B).

As noted in subsequent sections of this report, the District is also committed to continually improve and operate (with the aid of ASM Global) the TCC multipurpose facility. We noted that the TCC operated at a loss for 2022, per the financial results (see **Schedule E**).

RECOMMENDATIONS

Based on procedures performed related to compliance with statutory, intergovernmental, and financial provisions, the consulting team has developed the following recommendations:

- **Required Annual Report Submittal:** A.R.S. §48-4203(E)(2) requires the District to report to the Arizona State Legislature by October 1st of each year regarding the activities, operations, revenues and expenditures of the District for the immediately preceding fiscal year. We recommend that the District ensure that these reports are submitted by October 1st each year as required by the statute.
- **Required Project Submittal to the Joint Committee on Capital Review:** A.R.S. §48-4203(E) requires the District to present to the Joint Committee on Capital Review any construction project (or other improvement to real property) with a cost of more than \$500,000. We recommend that the District comply with statutory requirements by notifying the Joint Committee on Capital Review for any future projects over \$500,000.
- **Required Board of Director Membership (repeat):** A.R.S. §48-4202 establishes the composition of the Board of Directors for the District and requires that the Board consist of nine (9) members. We noted that as of June 30, 2022 there were only seven (7) members appointed. Therefore, our recommendation would be to notify the required State personnel that additional members should be added to the Board in order to be in compliance with the statute.
- **Finance Department Staffing (repeat):** As the District is continuously growing in terms of its impact and footprint, management should consider adding at least a part time accounting and/or finance staff during high demand in order to maintain the high level of reporting and transparency required of the District while also serving the requirements of the day-to-day operations.
- **District Budget Information (repeat):** While the District is in compliance with the statutory requirements of A.R.S. §48-4232 in relation to annual budgets, we recommend the District develop more formal budget projections that extend beyond the upcoming fiscal year. Management should consider developing five-year budget projects; however, at a minimum should consider developing three-year budget projections. This will help in developing and achieving long-term strategic goals.
- **Formalization of Capital Planning (repeat):** In achieving the long-term strategic goals of the District and evaluating the success of the projects previously implemented it's critical that the District Board and Management revisit their capital planning process and formalize key components. A comprehensive capital improvement plan may consider certain



policies and procedures for evaluation, planning, funding and approval and execution of capital projects, financial evaluation tools, and reporting and monitoring policies over capital projects.

SECTION III
PERFORMANCE BENCHMARKING

PERFORMANCE & BENCHMARKING ANALYSIS

The specific requirements of A.R.S. §48-4231.01 state that the TCC facility needs to be evaluated to determine if it exceeds, meets or fails to meet nationally recognized design and performance standards. For the purpose of this analysis Johnson Consulting defines “design” as the overall quality of convention facilities and support environment in relation to the TCC’s benchmarking set. “Performance” is defined by the quality of management, the level of demand, revenue and expenses profile, and hotel room night generation by the facility.

These requirements will be addressed in the following performance and benchmarking analysis. This section will also continue to analyze support environments that are evolving around convention center venues and provide an analysis of the convention center and event industry response and recovery from COVID-19.

For each statistic, this section will present a detailed analysis of the Tucson facilities’ performance, followed by a high-level benchmark against the benchmarking set, as available, for the most recent year. It is important to note the impact that COVID-19 had on the financial and demand data for the most recent years, the availability of data, and the trajectory for recovery beginning in 2022.

The benchmarking set consists of the case studies used in Johnson Consulting’s 2013, 2016, and 2019 performance audits, along with additional case studies that Johnson Consulting believes to be relevant in the context of this new, more holistic approach. The benchmarking set comprises a mix of publicly and privately managed facilities that exhibit either similar geographic, economic, and/or physical attributes to the TCC or Tucson facilities as a whole. All facilities within the set are publicly owned at the City or County government level. The benchmarking set has been broken down into two categories, based on the attributes mentioned above, and color-coded throughout the remainder of this section as follows:

- **Comparable:** Tucson is currently comparable to and competitive with these case studies
 - Palm Springs, CA
 - Albuquerque, NM
 - Spokane, WA
 - El Paso, TX
- **Aspirational:** Tucson has potential to be comparable to and competitive with these case studies in the future if the progress that has been made heretofore continues
 - Fort Worth, TX
 - San Jose, CA
 - Phoenix, AZ
 - Austin, TX
 - Long Beach, CA
 - Irving, TX



The comparable case studies are similar to Tucson in market size, facility inventory, and operations. The aspirational case studies generally have a larger market, larger facilities, and a larger budget, despite Tucson having the most events within this set. The following provides justification for the inclusion of each case study:

- Palm Springs, CA Convention Center (PSCC) – Palm Springs was chosen because it is a competitor for convention and tradeshow events, as well as the quality of its facilities, adjacent headquarters hotel and the overall quality of the destination.
- Spokane, WA Convention Center within Spokane Public Facilities District (SPFD) – Spokane is a best-in-class facility for the TCC to emulate given its program of spaces, ability to execute appropriate expansion and upgrades, and the public/private partnership to develop a large headquarters hotel. The oversight and management structure of the Spokane Public Facilities District is also a primary reason why this facility was chosen for analysis.
- Albuquerque, NM Convention Center (ACC) – This facility was selected due to its role as a primary competitor of the TCC, recent upgrades to the facility, and its operating structure.
- El Paso, TX Convention Center – Located in the Central Business District, this venue is known as the El Paso Civic Center. The facility was expanded to raise the exhibit hall capacity to 8,000, almost as much as the TCC Arena.
- Fort Worth, TX Convention Center (FWCC) – While larger than the TCC, this convention center has effectively upgraded a facility of the same generation as the TCC, and is well run by the City of Fort Worth. There are also plans for an expansion and a headquarters hotel, if feasible.
- Phoenix, AZ Convention Center (PCC) – The Phoenix Convention Center was included due to its presence in the same regional market as the TCC.
- Long Beach, CA Convention & Entertainment Center – The Long Beach Convention Center was included due to having similar facility attributes, including an arena. The Long Beach MSA and Tucson also have similar population bases. This facility also demonstrates operating profits most years as opposed to a deficit.
- San Jose, CA McEnry Convention Center – This facility is the largest of its kind in Silicon Valley and is known for hosting high profile technology conferences and events. This synergy is advantageous in attracting more programming of similar caliber.
- Austin, TX Convention Center – This site is home to multiple anchor tenants and has grown in profitability since the facility nearly doubled in size in 2002.



- Irving, TX Convention Center – The Irving Convention Center is known for its design and is located adjacent to Las Colinas mixed use development.



Figure 3-1 presents a summary of the benchmarking analysis, including indicators related to the destination and market, facilities, event demand and attendance, and operating revenue and expenses.

Figure 3-1

Tucson, AZ Facilities Benchmarking Analysis Summary											
Location	Tucson, AZ	Palm Springs, CA	Spokane, WA	Albuquerque, NM	El Paso, TX	Fort Worth, TX	Phoenix, AZ	Long Beach, CA	San Jose, CA	Austin, TX	Irving, TX
Metropolitan Area	Tucson, AZ	Riverside-San Bernardino-Ontario, CA	Spokane, WA	Albuquerque, NM	El Paso, TX	Dallas-Fort Worth-Arlington, TX	Phoenix - Mesa - Glendale, AZ	Los Angeles - Long Beach - Anaheim, CA	San Jose - Sunnyvale - Santa Clara, CA	Austin, TX	Irving, TX
Destination and Market											
Metropolitan Area Population	1,060,553	4,647,703	598,998	922,905	882,924	7,961,535	5,009,506	13,196,147	2,023,898	2,446,554	7,961,535
Population within 1/2 Mile	3,062	1,737	2,905	2,932	3,702	1,362	3,960	13,697	7,468	4,659	3,239
Daytime Population within 1/2 Mile	15,537	4,759	23,709	24,447	17,995	25,347	46,857	25,187	19,517	10,236	6,884
Hotel Rooms within 1/2 Mile	1,583	1,170	2,969	979	1,600	3,430	4,177	2,129	2,637	8,451	1,509
Retail, Restaurant, & Bar Sales within 1/2 Mile	\$1,030,380	\$1,027,729	\$401,517	\$671,417	\$339,419	\$894,038	\$1,200,487	\$6,915,349	\$4,612,122	\$3,814,109	\$9,490,215
Total Tax on Hotel Rooms	12.05%	15.50%	9.00%	14.75%	17.50%	15.25%	12.67%	10.25%	9.13%	7.25%	7.25%
Facilities	Tucson CC Tucson Arena Tucson Music Hall Leo Rich Theater	Palm Springs CC	Spokane CC Spokane Arena INB PAC	Albuquerque CC Kiva Auditorium	El Paso CC Chavez Theater Plaza Theater Amphitheater	Fort Worth CC Arena	Phoenix CC Symphony Hall Orpheum Theater	Long Beach CC Long Beach Arena Terrace Theater O'Neill Theater	San Jose CC California Theater San Jose PAC Montgomery Theater San Jose Civic South Hall	Austin CC Palmer Events Center	Irving Convention Center
Facilities Overview											
Exhibit Space (SF)	143,460	92,545	120,000	166,546	80,000	253,226	584,500	270,000	223,000	317,052	48,576
Ballroom Space (SF)	20,164	20,016	50,564	31,164	-	27,904	118,800	39,973	50,711	63,928	26,104
Meeting Space (SF)	25,474	15,789	32,500	47,478	14,900	56,486	162,655	38,757	50,765	70,124	10,599
Total Event Space (SF)	189,098	128,350	203,064	245,188	94,900	337,616	865,955	348,730	324,476	451,104	85,279
Arena Facility Seating	8,962	-	11,736	-	-	13,500	-	13,500	3,036	-	-
Theater Facility Seating	2,800	-	2,953	2,300	4,750	-	3,868	3,877	4,274	-	4,279,310
Events and Attendance											
# of Events (most recent year)	664	78	589	480	116	228	68	241	-	47	103
Attendance (most recent year)	341,738	132,495	405,740	-	210,519	309,589	316,771	343,620	-	45,026	96,956
# of Event Days (most recent year)	778	-	-	-	135	455	-	322	-	128	232
Revenue and Expenses											
Operating Revenue (most recent year)	\$3,817,871	\$2,319,376	\$7,201,693	\$6,482,837	\$5,677,700	\$6,810,641	\$13,226,000	\$11,222,712	\$4,883,049	\$4,279,310	\$2,560,884
Operating Expenses (most recent year)	\$6,586,366	\$3,650,592	\$6,946,640	\$5,782,722	\$8,863,213	\$6,035,286	\$43,685,000	\$6,295,726	\$14,762,312	\$29,029,351	\$4,374,616
Net Operating Income (most recent year)	(\$2,768,495)	(\$1,331,216)	\$255,053	\$700,115	(\$3,185,513)	\$775,355	(\$30,459,000)	\$4,926,986	(\$9,879,263)	(\$24,750,041)	(\$1,813,732)

Source: Relevant Facilities, Smith Travel Research, Esri, Johnson Consulting



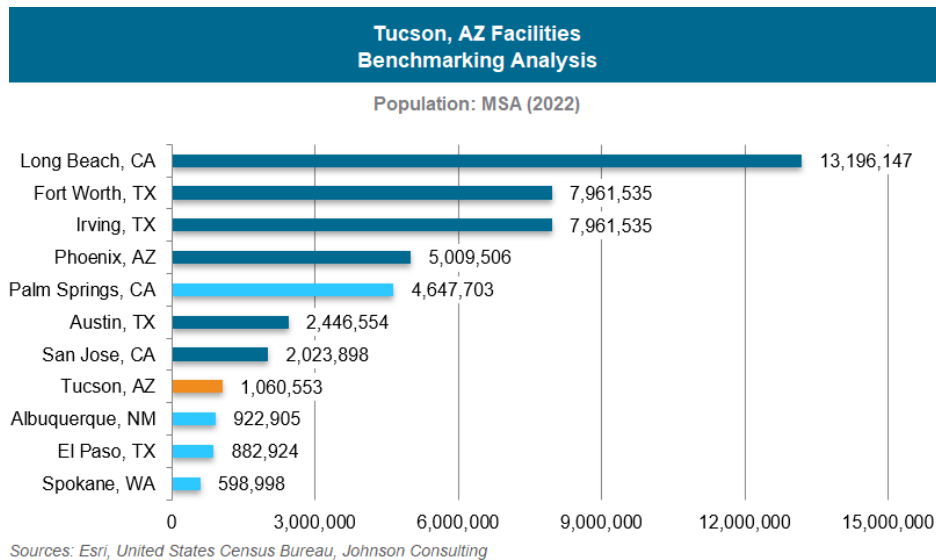
DESTINATION AND MARKET

In order to contextualize the facilities in each of the benchmarking case studies, the following subsections will analyze a variety of destination and market characteristics. These statistics provide insight into the destination’s ability to support these public facilities by attracting events and attendees.

METROPOLITAN AREA POPULATION

With over 1 million residents, the Tucson MSA ranks eighth among the eleven benchmarking case studies in terms of the population of the metropolitan area. Long Beach is the largest by this measure with Fort Worth and Irving tied at second due to being located within the same MSA. Figure 3-2 presents this statistic for all eleven case studies in the benchmarking set.

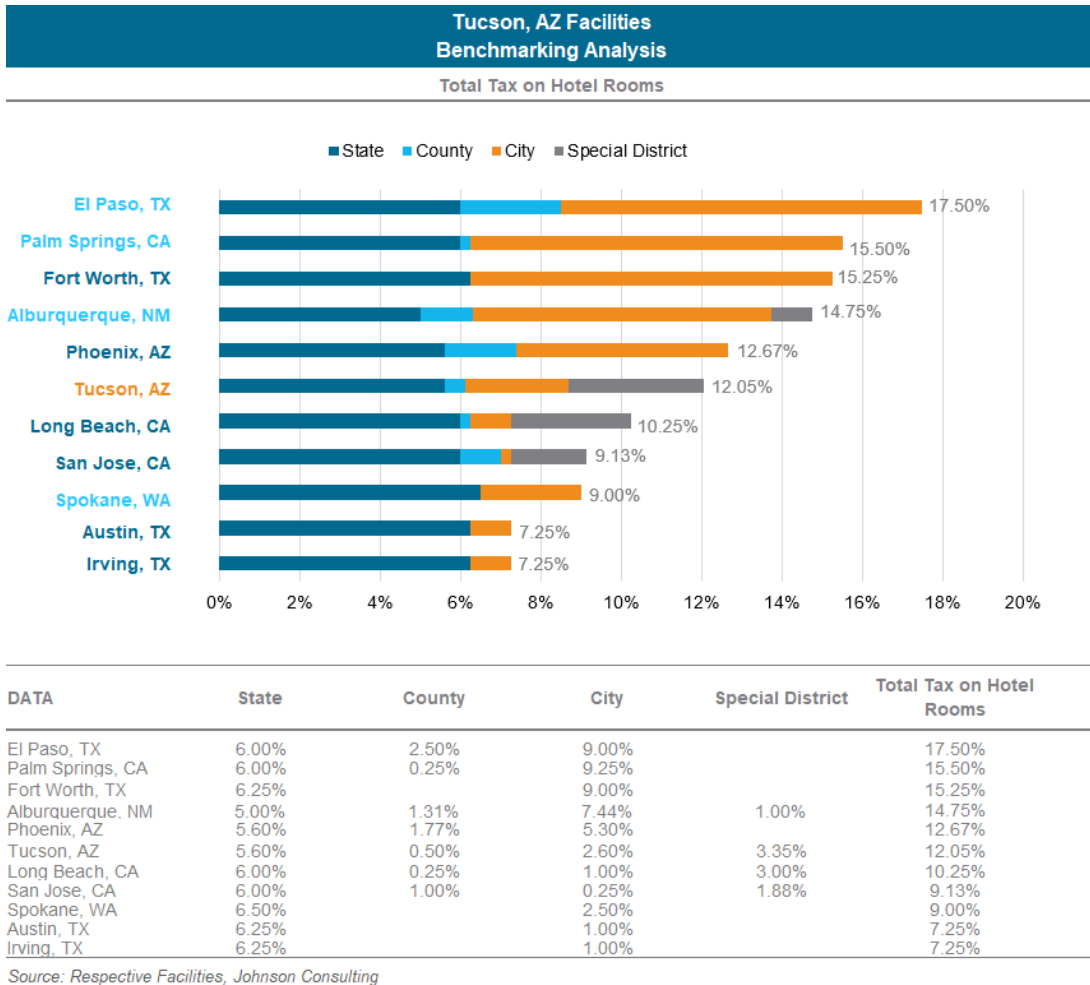
Figure 3-2



HOTEL TAX

Another market characteristic that is important in this industry is the total tax on hotel rooms. Hotel taxes are often used as a source of funding for public event facilities, and can impact the affordability of hotel accommodations and room blocks for events. Destinations with high hotel taxes risk being seen as unaffordable, and destinations with low hotel taxes will have less tax revenue available to support their event facilities. Figure 3-3 presents the total tax on hotel rooms for the benchmarking set. As shown, Tucson ranks sixth with a total hotel tax of 12.05%, with 5.60% going to the state, 0.50% going to the County, and 5.95% going to the city.

Figure 3-3



The following subsections pertain specifically to the areas immediately surrounding the primary convention center facility for each of the case studies. This area is crucial in accomplishing two of this industry’s primary objectives: 1) maximizing economic and fiscal impact and 2) providing the best event experience possible. The vibrancy of the adjacent area depends on the presence of a concentration of people, which represents a concentration of money, which supports a concentration of places to spend that money, and the cyclical relationship continues. Beginning with the concentration of people, there are three types of people that must be considered: 1) residents of the area, 2) workers in the area, and 3) visitors to the area.

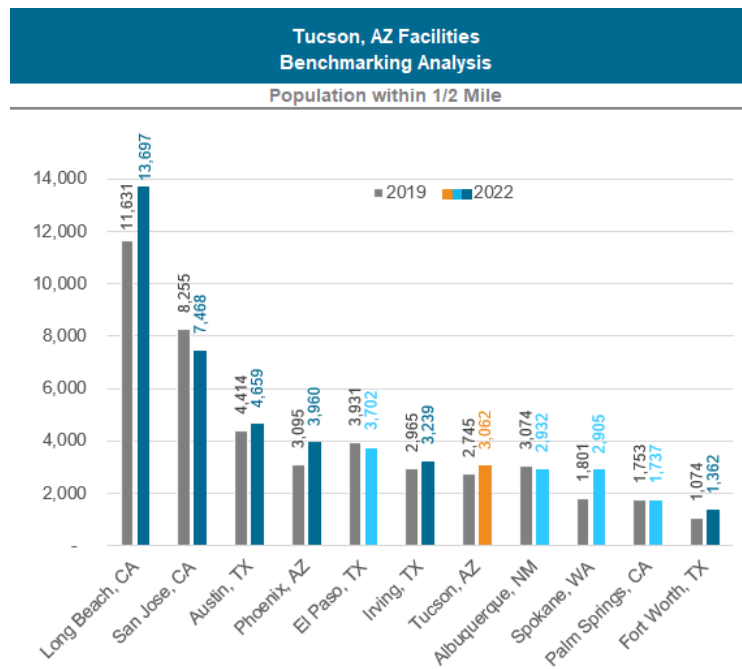
ADJACENT POPULATION

Residents of the area are accounted for by measuring the area’s population. Figure 3-4 presents the population within the ½ mile radius for the benchmarking set for 2019 and 2022. As shown, Tucson ranks



seventh with just over 3,000 people residing within this area. Long Beach and San Jose are the top two case studies of this measure by a significant margin, with over 13,600 and 7,400 adjacent residents, respectively. Higher adjacent populations in the vicinity of the event facility makes the area feel vibrant during all hours of the day and all days of the week by supporting restaurants, retail, entertainment, and cultural facilities. These residents also play a crucial role in supporting retail, nightlife, entertainment, and other activities in these areas, which can elevate the experience of the event attendee and therefore make the facility more attractive to event planners. Cities around the country are recognizing the importance of boosting the density of residential development in their cores, and have acted to foster it over the past few decades. As shown, some case studies have decreased in population since 2019 for the half mile radius around the facility, however Tucson has seen an increase in population. Tucson would be well-advised to continue this effort.

Figure 3-4



Sources: Esri, United States Census Bureau, Johnson Consulting

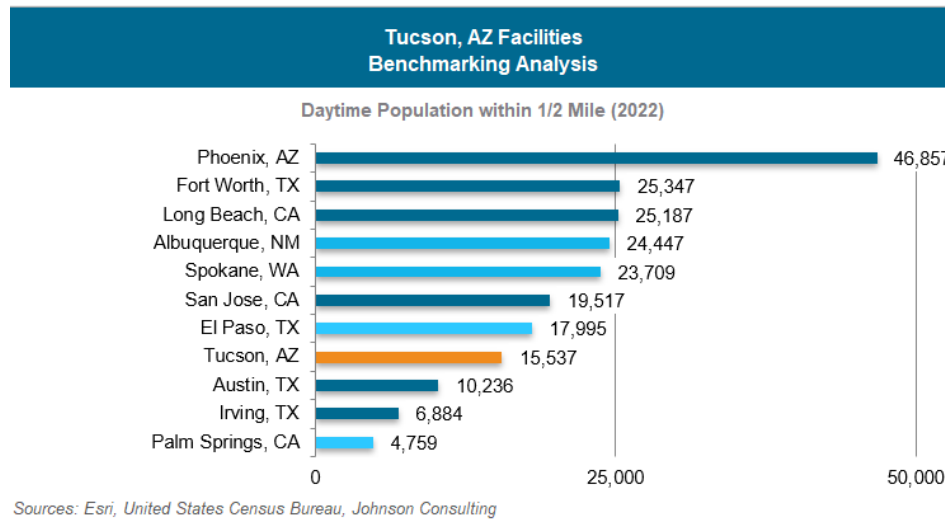
ADJACENT DAYTIME POPULATION

Workers that are employed by businesses in the area are accounted for by analyzing daytime population figures. These workers commute into the city and return to their homes outside the city’s core after business hours, but often venture out of their work buildings for lunch, meetings, errands, walks, or after-work activities. These workers are frequent patrons of retail, cafes, restaurants, and other business and



amenities in these areas. Although this activity is typically limited to weekdays and business hours, this is when many convention center events occur. Figure 3-5 presents this analysis for the benchmarking set. As shown, Tucson ranks eighth with an adjacent daytime population of over 15,500.

Figure 3-5

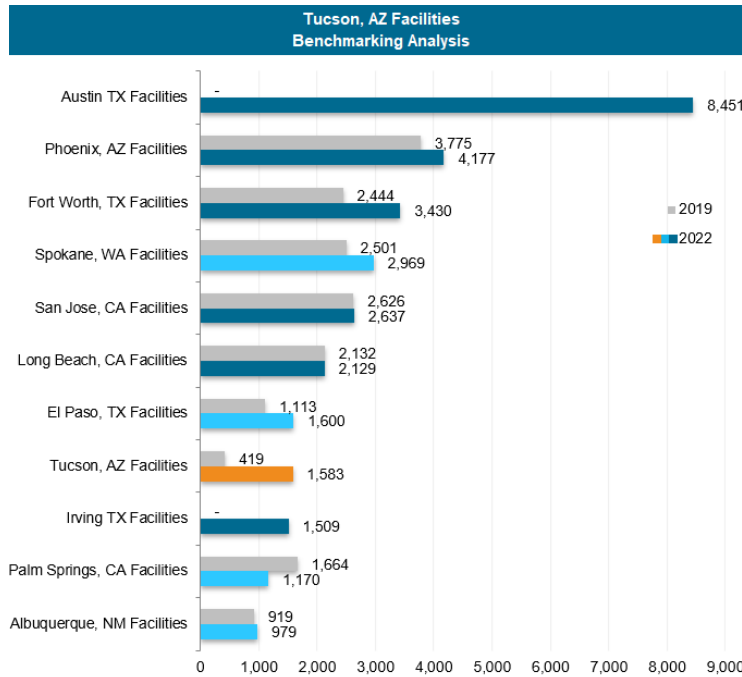


ADJACENT HOTELS

Visitors to the area can be accounted for by analyzing the volume of hotel rooms. These numbers are indicative of not only the strength of the hotel markets overall, but also of the strategic location of the event facility relative to the concentration of transient visitors in each destination. This is one of the most important market characteristics for event planners, as it serves as an indicator of the market’s ability to have adequate room blocks available within a close proximity to the event facility. Figure 3-6 presents the total number of hotel rooms for the benchmarking set. Tucson ranks eighth by this measure with just 1,583 rooms – less than half that of Austin, Phoenix, and Fort Worth. Tucson, however, had the highest growth rate in room supply by nearly quadrupling the amount of hotel rooms today as the city had within the same geography in 2019.



Figure 3-6



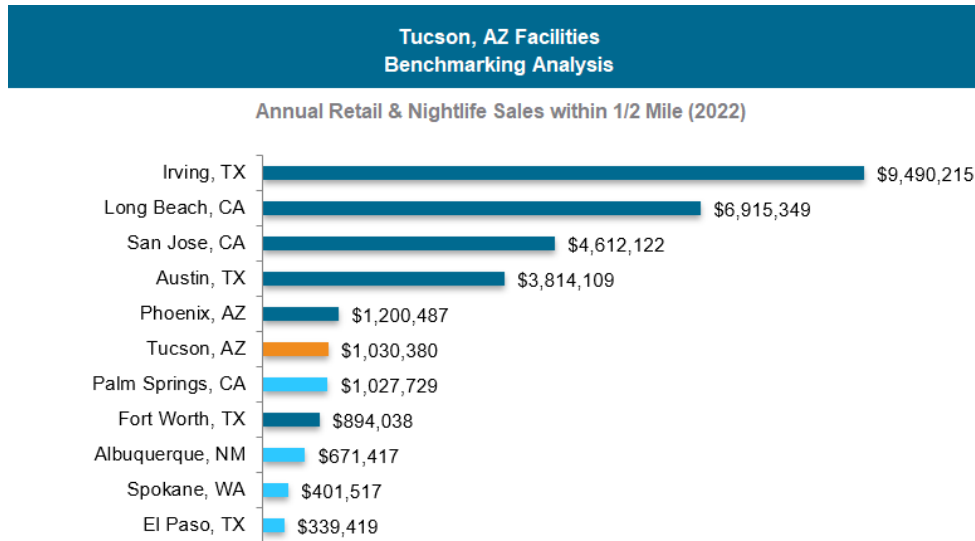
*2019 information is not available for Austin and Irving
 Source: Smith Travel Research, Johnson Consulting

ADJACENT RETAIL & NIGHTLIFE

The effect of the concentration of people living in the area, working in the area, and visiting the area is evidenced in Figure 3-7, which shows the total annual sales at retail and nightlife establishments within the ½ mile radius. As shown, Tucson ranks sixth by this measure, with total annual sales of over \$1 million. This is a result of the lack of population, daytime population, and hotel rooms in the adjacent area. Not only does this hinder the ability of Tucson to fully capture the spending of event attendees, but it can have a negative effect on the experience of the attendee and therefore lead to negative perceptions of Tucson.



Figure 3-7



Sources: Esri, United States Census Bureau, Johnson Consulting

These indicators illustrate that attracting supplemental residential and commercial development should be one of Rio Nuevo’s top priorities.

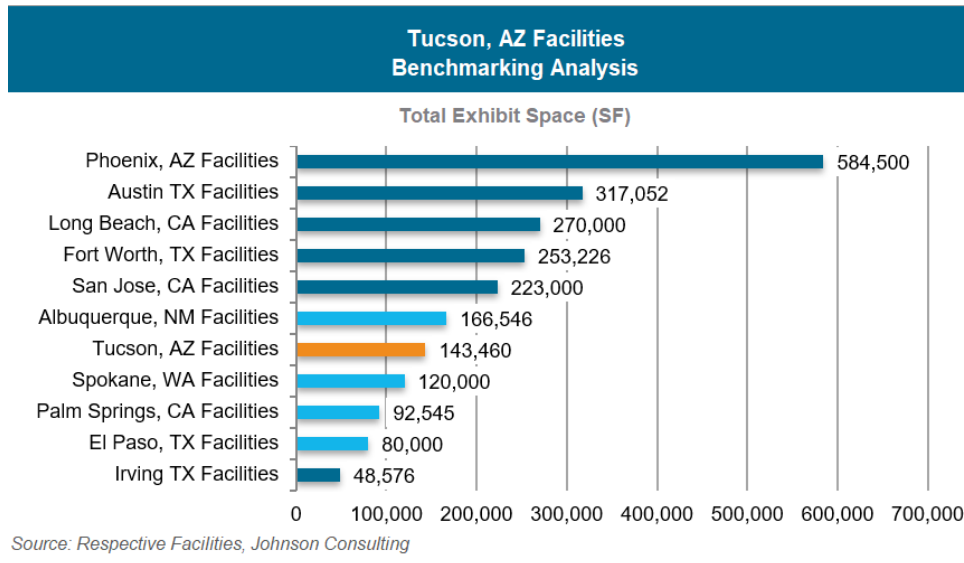
FACILITIES

EXHIBIT SPACE

Figure 3-8 presents the total square footage of exhibit space for the benchmarking set. With 143,460 total square feet, the Tucson facilities rank seventh among the benchmarking set. Phoenix and Austin facilities stand out with the largest exhibit spaces, while Irving and El Paso have the smallest exhibit spaces to offer. Arena floors were also included as exhibit space in these calculations, as long as the arena is located within the same building as the primary exhibit hall space. This is the case for Tucson, Long Beach, and Fort Worth. An attached arena is advantageous for assembly and religious events, event flexibility, and scalability.



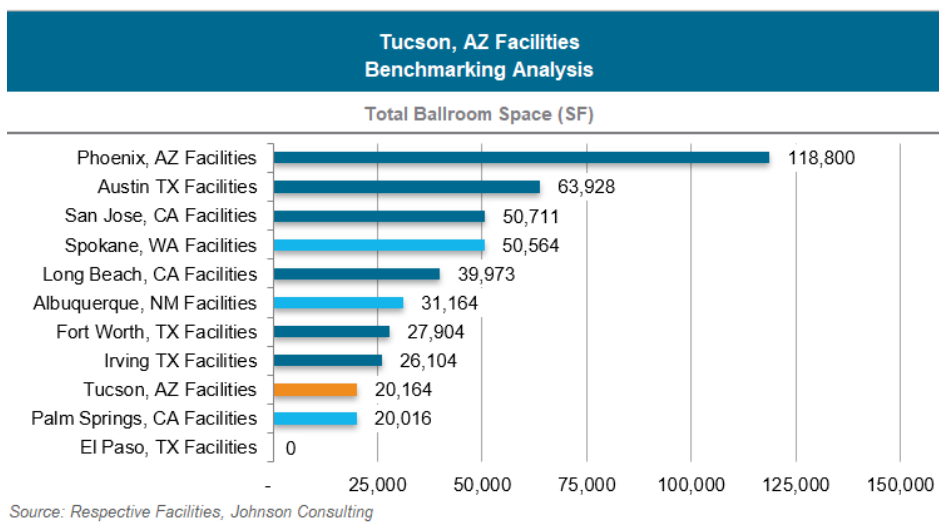
Figure 3-8



BALLROOM SPACE

As shown in Figure 3-9, the Tucson facilities rank ninth with respect to ballroom space, with 20,164 square feet. Phoenix has the largest offering of ballroom space by far with 118,800 total square feet, more than double the next largest total ballroom square footage. Notably, El Paso does not have a ballroom space. Although this function can be achieved with some of its larger meeting rooms or by sectioning-off portions of the exhibit hall, this is not ideal for acoustical and aesthetic purposes.

Figure 3-9

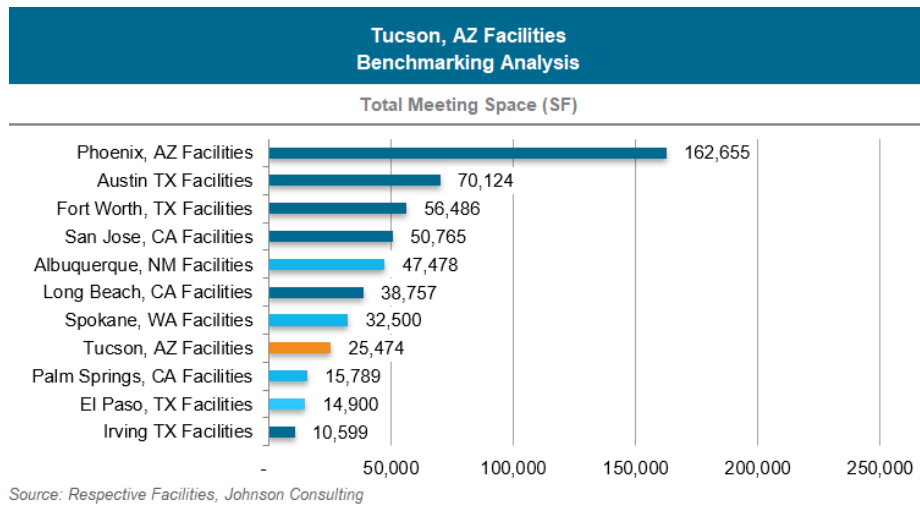




MEETING SPACE

The most significant shortfall of the Tucson facilities from a space perspective is the amount of meeting space available. With 25,474 square feet across all meeting rooms, Tucson ranks 8th in the benchmarking set. Phoenix again has the largest total square footage of space in this category by far, with over 162,000 square feet among 105 meeting rooms. Figure 3-10 summarizes the total square footage of meeting space for the benchmarking set.

Figure 3-10

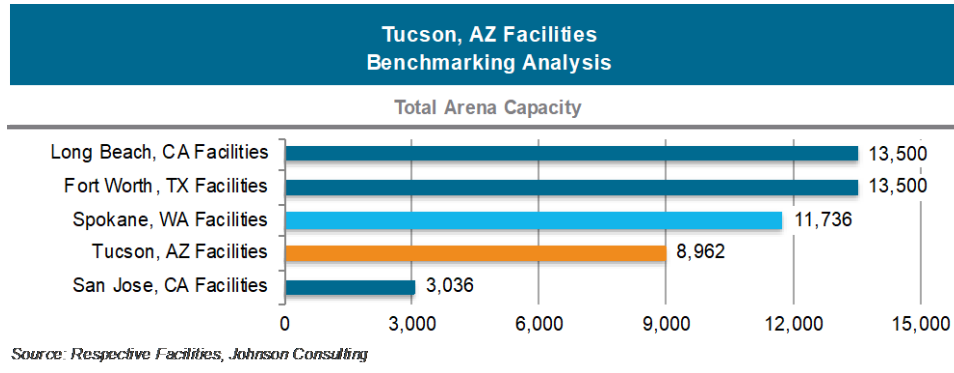


ARENA

Five of the eleven case studies in the benchmarking set have an arena-type facility. Tucson, Long Beach, and Fort Worth have Arena facilities that are attached to their convention center facility, while the Spokane and San Jose arenas are off-site. Of the five case studies with arenas, Tucson’s arena has the fourth highest capacity, with 8,962 seats, shown in Figure 3-11. Long Beach and Fort Worth have the largest arenas with capacities of 13,500. These capacities will vary to some degree depending on the event configuration. Although Tucson Arena is the fourth smallest in the benchmarking set, it still provides an advantage over the facilities that do not have arenas that are managed in conjunction with their other public facilities. Arenas allow facilities to host a greater variety of events that might otherwise not be accommodated, such as sporting events, large concerts and performances, and other events that require the congregation of large groups of guests in a single venue.



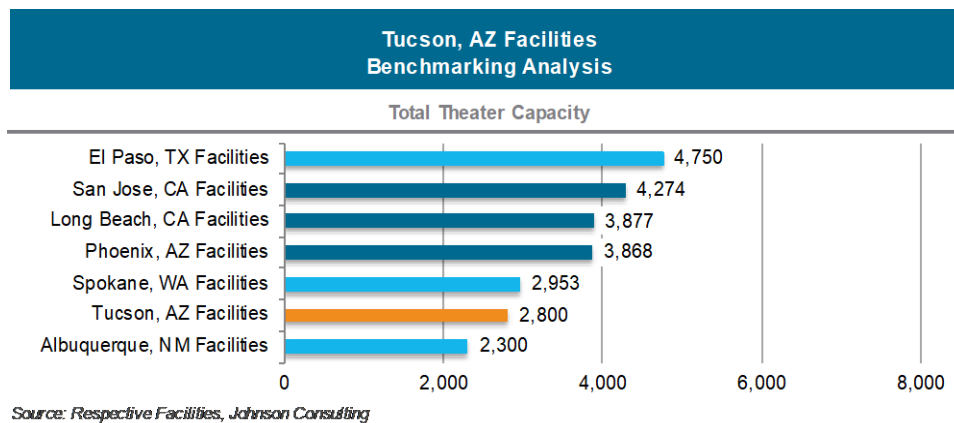
Figure 3-11



THEATER

Seven of the eleven benchmarking facilities offer theater-type facilities in conjunction with their convention center. As illustrated in Figure 3-12, Tucson offers the 2,289-seat Linda Ronstadt Music Hall and the 511-seat Leo Rich Theater, which are not connected to the TCC but are located within walking distance on the TCC campus. Combined, these two facilities total 2,800 seats, which ranks sixth among the benchmarking set. The El Paso facilities have the largest combined theater capacity (4,750), which includes three theaters. San Jose also offers three theaters with a combined capacity of 4,274. Long Beach and Phoenix each offer two theaters with combined capacities of 3,877 and 3,868, respectively. Spokane’s INB Performing Arts Center has a seating capacity of 2,953, and Albuquerque’s Kiva Auditorium seats 2,300. Theater-type facilities allow for the ability to host events with a performance or presentation component, events that require good acoustics, and events that desire a finer, more intimate setting.

Figure 3-12



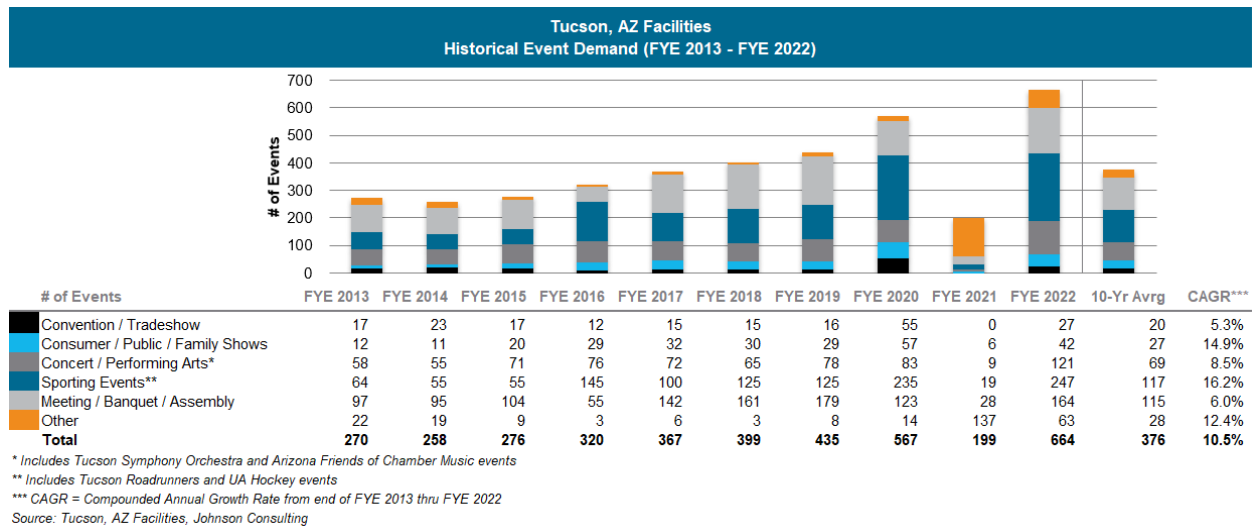


EVENTS & ATTENDANCE

EVENTS

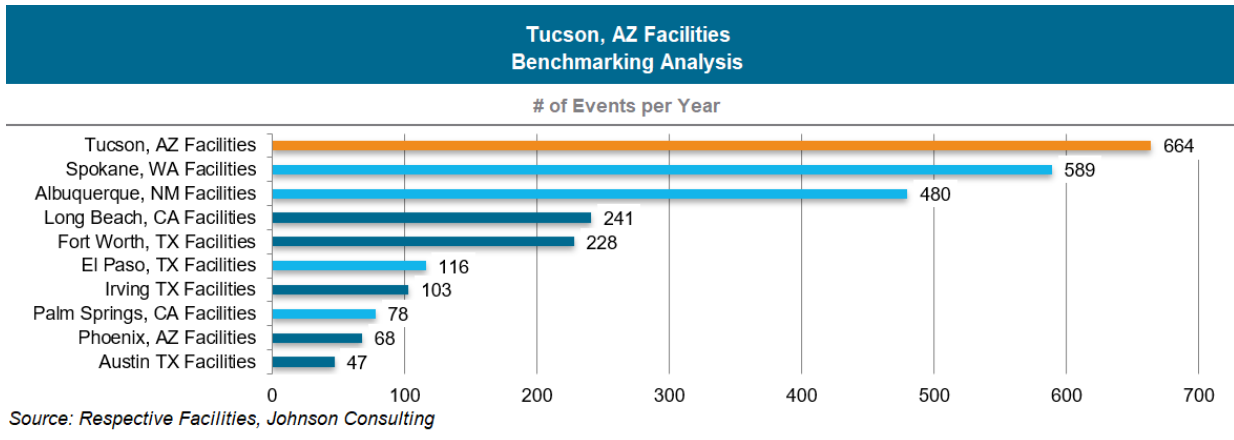
Figure 3-13 presents the historical event demand by event type for the Tucson facilities – showing that the total number of events per year has increased from 270 in FYE 2013 to 664 in FYE 2022, equating to a compounded annual growth rate (CAGR) of 10.5%. The event types that have been the most significant drivers of this growth are Sporting Events, Consumer / Public / Family Shows, and Other, which saw annual growth of 16.2%, 14.9%, and 12.4% respectively. Convention / Tradeshow events have experienced the smallest growth, as they have been inhibited by small amounts of meeting space, a small ballroom, and poor adjacent hotel supply.

Figure 3-13



Upon comparing the total number of events at the Tucson facilities to that of the benchmarking set, it is revealed that the Tucson facilities hosted the highest number of events for the most recent year. Figure 3-14 presents this comparison, as available, for the most recent year available, showing that the number of events at these facilities ranged from just 47 at the Austin facilities to 664 at Tucson facilities. There are several factors that influence these numbers, such as the type of event, type of facility, number of facilities, and size of the facility. Oftentimes, larger facilities will have fewer events per year, but those events will take place over a larger number of days and draw a larger number of attendees, therefore generating more hotel room nights and a larger economic impact.

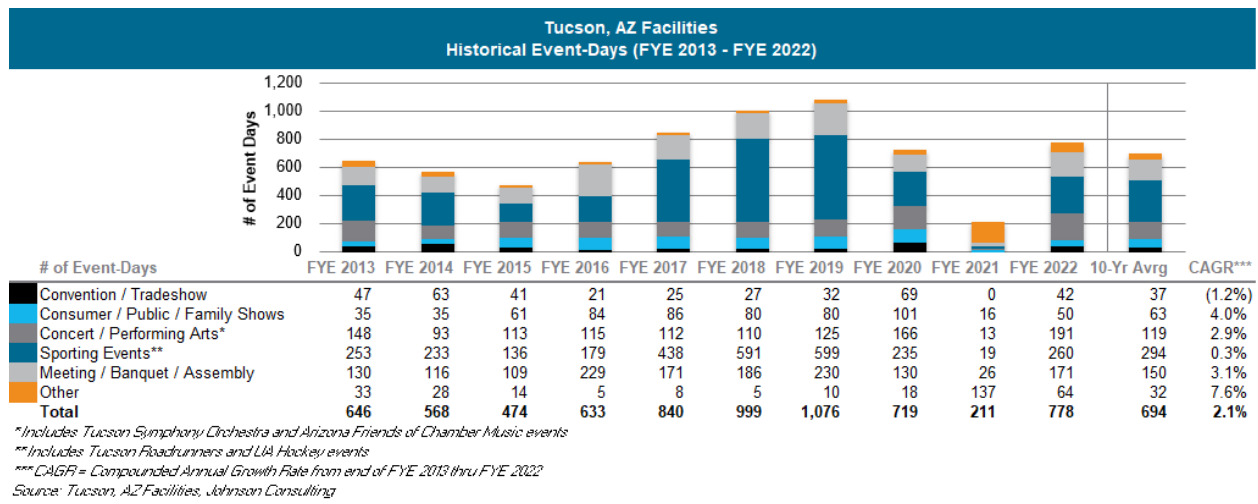
Figure 3-14



EVENT-DAYS

The event activity at the Tucson facilities has also increased in terms of the number of event-days. Figure 3-15 presents the historical event-days by event type for the Tucson facilities – showing that the total number of event-days per year has increased from 646 in FYE 2013 to 778 in FYE 2022, equating to a compounded annual growth rate (CAGR) of 2.1%. This small growth rate can be partially attributed to event calendar recovery from COVID-19. The event types that have been the most significant drivers of this growth are Consumer / Public / Family Shows, Meeting / Banquet / Assembly, and Other, which saw annual growth of 4.0%, 3.1%, and 7.6% respectively.

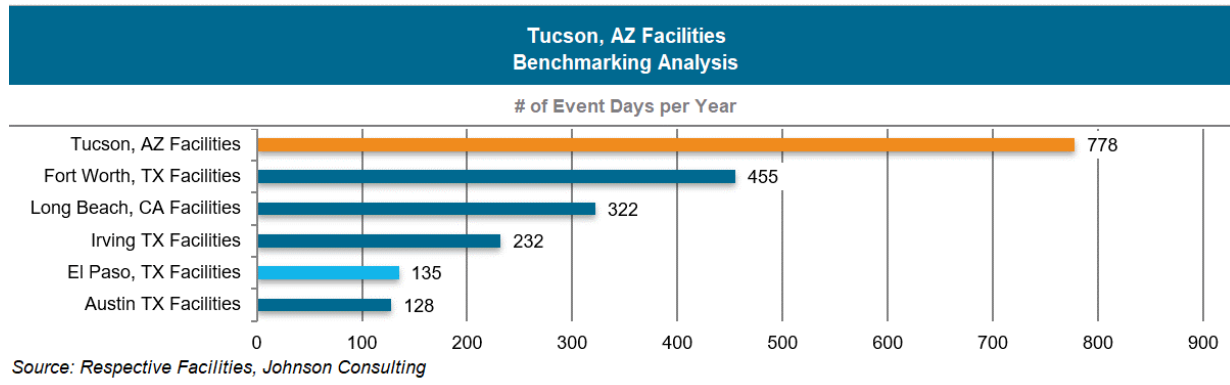
Figure 3-15





When compared to the number of event days for the benchmarking facilities for which this data is available, Tucson again ranks highest for the most recent year. Figure 3-16 presents this comparison.

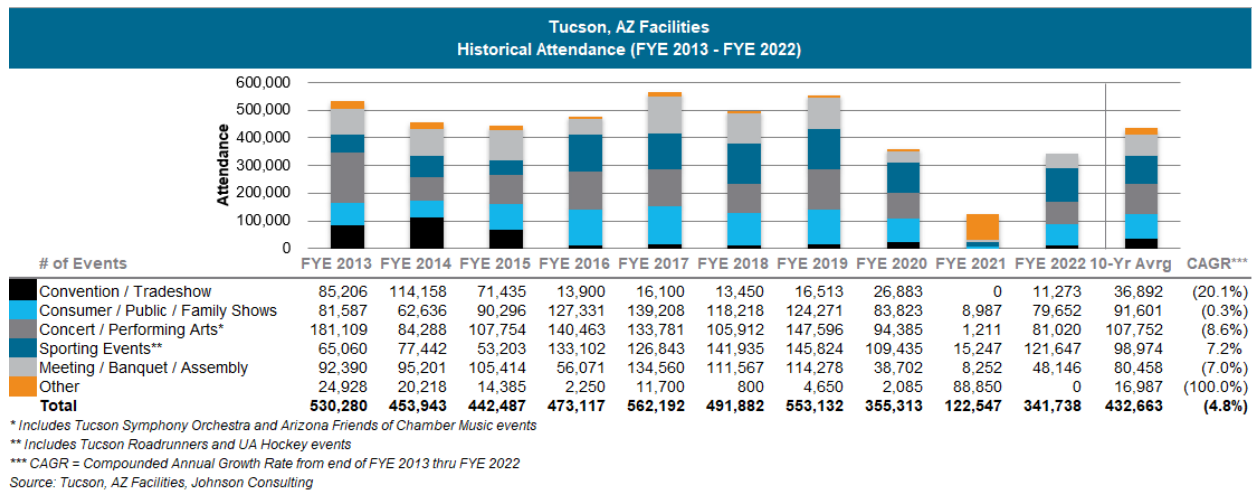
Figure 3-16



ATTENDANCE

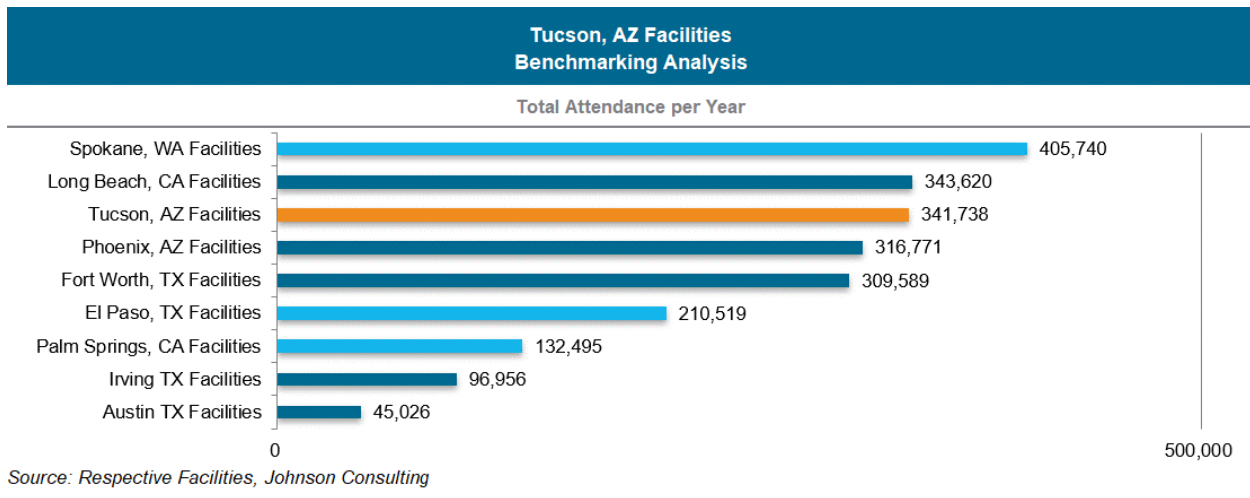
In terms of attendance, activity at the Tucson facilities has decreased over the last few years, largely as a result of COVID-19 restrictions. Figure 3-17 presents the historical attendance statistics for events at the Tucson facilities, by event type. As shown, total attendance decreased from 530,280 in FYE 2013 to 341,738 in FYE 2022 (-4.8% compounded annual growth rate), although the 10-year average during this timeframe was 432,663, due to a few years in between when attendance was significantly lower. The most significant factor contributing to this attendance decline is the pandemic, but it is also important to note the decrease in Convention / Tradeshow activity, which decreased by 20.1% during this time period. These events tend to occur over more days and draw larger attendances than other event types, so the loss of even one or two events can have a large impact on total attendance.

Figure 3-17



The Tucson facilities performed well in terms of total attendance compared to the benchmarking set. As shown in Figure 3-18, Tucson ranks third out of the nine benchmarks with available attendance data, although when aspirational benchmarks are ignored, Tucson ranks second among the comparable benchmarks. All figures presented in this section are for the most recent year available. Total attendance ranged from just 45,026 at the Austin facilities to over 400,000 at Spokane facilities, which demonstrates the degree to which these larger Convention / Tradeshow events can boost overall attendance numbers.

Figure 3-18



REVENUE & EXPENSES

Figure 3-19 presents the statement of revenue and expenditures for the Tucson facilities for FYE 2016 through FYE 2022, as provided by ASM Global. As shown, these facilities generated over \$6 million in operating revenue and nearly \$9 million in operating expenses in FYE 2022, equating to a net operating loss of nearly \$3.2 million. Between FYE 2016 and FYE 2022, total operating revenues have increased at a compounded annual growth rate of 3.0% while total operating expenses have increased at a rate of 3.4%, although this still resulted in an increase in net operating loss from \$2.9 million in FYE 2016 to nearly \$3.2 million in FYE 2022 (or 1.8% compounded annual growth rate, annually).

Figure 3-19

Tucson, AZ Facilities Statement of Revenue & Expenditures								
	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	CAGR*
Direct Event Revenue								
Rental Income	\$1,281,666	\$1,802,788	\$1,874,840	\$1,800,825	\$1,365,268	\$525,824	\$1,638,095	
Service Revenue	1,082,915	941,872	1,010,476	1,375,874	932,609	120,415	1,486,727	
Subtotal	\$2,364,581	\$2,744,660	\$2,885,316	\$3,176,699	\$2,297,877	\$646,239	\$3,124,822	4.8%
Ancillary Revenue								
F&B Concessions	\$636,610	\$838,674	\$921,578	\$1,254,025	\$741,464	\$110,483	\$932,148	
F&B Catering	439,056	508,022	594,326	807,803	711,073	99,518	504,464	
Novelty Sales	38,929	23,478	16,120	27,489	22,756	0	30,783	
Parking	814,361	847,722	770,469	837,477	508,903	30,568	502,545	
Telephone	1,630	240	0	0	0	0	0	
Electrical Services	76,918	79,081	87,113	110,505	75,895	5,277	72,611	
Audio Visual	14,263	153,935	46,111	26,347	29,774	1,629	47,518	
Internet Services	51,761	51,869	34,437	44,914	41,954	1,750	19,600	
Equipment Rental	33,059	62,815	79,237	146,912	70,440	6,283	47,824	
Other Ancillary	5,916	5,165	283	0	0	0	2,484	
Subtotal	\$2,112,503	\$2,571,001	\$2,549,674	\$3,255,472	\$2,202,259	\$255,508	\$2,159,977	0.4%
Other Event Revenue								
Ticket Rebates	\$139,595	\$232,496	\$212,999	\$311,948	\$148,564	\$13,016	\$369,005	
Facility Fees	325,852	316,948	310,860	392,304	192,575	11,861	276,883	
Subtotal	\$465,447	\$549,444	\$523,859	\$704,252	\$341,139	\$24,877	\$645,888	5.6%
Other Operating Revenue								
Non-Operating Parking	\$43,937	\$33,031	\$34,728	\$45,368	\$53,975	\$11,031	\$12,843	
Other Revenue	73,985	135,958	77,561	114,490	235,073	154,461	113,414	
Subtotal	\$117,922	\$168,989	\$112,289	\$159,858	\$289,048	\$165,492	\$126,257	1.1%
Total Revenue	\$5,060,453	\$6,034,094	\$6,071,138	\$7,296,281	\$5,130,323	\$1,092,116	\$6,056,944	3.0%
Salaries & Wages								
Salaries & Wages	\$2,581,526	\$2,975,161	\$3,425,370	\$3,860,967	\$3,510,241	\$1,509,426	\$3,407,453	
Payroll Taxes & Benefits	520,267	628,772	729,675	784,475	840,649	611,478	746,430	
Labor Allocations to Events	(721,985)	(1,052,765)	(1,350,923)	(1,512,924)	(1,241,111)	(149,797)	(1,296,759)	
Subtotal	\$2,379,808	\$2,551,168	\$2,804,122	\$3,132,518	\$3,109,779	\$1,971,107	\$2,857,124	3.1%
Indirect Expenses								
Service Expenses	\$1,791,313	\$2,184,301	\$1,967,865	\$2,252,049	\$1,560,561	\$286,646	\$2,375,733	
Contracted Services	255,344	\$99,007	\$105,204	\$112,388	\$161,266	\$49,369	\$155,140	
General & Administrative	303,851	347,069	363,021	471,983	383,279	202,232	366,637	
Operating	222,172	333,858	357,217	422,029	285,612	116,849	313,940	
Repairs & Maintenance	468,032	663,125	580,479	860,563	497,810	356,812	534,623	
Operational Supplies	20,123	38,272	51,730	77,164	29,289	10,961	34,096	
Insurance	105,111	188,877	178,172	149,830	158,526	112,245	172,586	
Utilities	1,576,130	1,653,074	1,767,282	1,856,255	1,418,997	906,530	1,911,494	
SMG Management Fee	211,470	315,050	326,546	349,541	338,002	155,380	239,726	
Subtotal	\$4,953,546	\$5,822,633	\$5,697,516	\$6,551,802	\$4,833,342	\$2,197,024	\$6,103,975	3.5%
Total Expenses	\$7,333,354	\$8,373,801	\$8,501,638	\$9,684,320	\$7,943,121	\$4,168,131	\$8,961,099	3.4%
Net Operating Income (Loss)	(\$2,272,901)	(\$2,339,707)	(\$2,430,500)	(\$2,388,039)	(\$2,812,798)	(\$3,076,015)	(\$2,904,155)	4.2%
Capital Expenditures	\$594,747	\$752,380	\$482,001	\$215,102	\$136,118	\$60,707	\$283,929	
Net Income (Loss)	(\$2,867,648)	(\$3,092,087)	(\$2,912,501)	(\$2,603,141)	(\$2,948,916)	(\$3,136,722)	(\$3,188,084)	1.8%

* CAGR = Compounded Annual Growth Rate from end of FYE 2016 thru FYE 2022

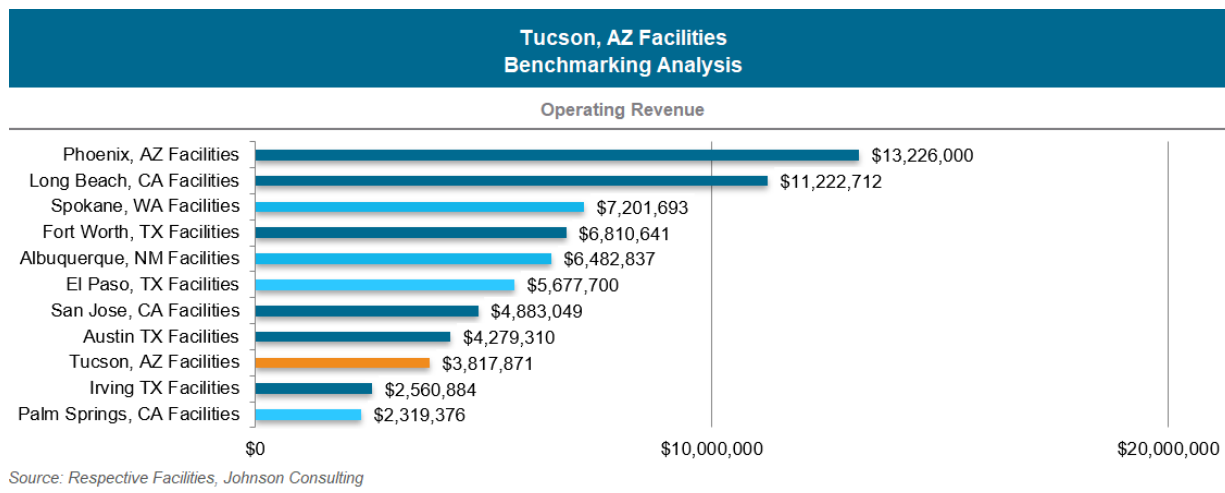
**Additional information, including ending fund totals, were not provided

Source: TCC, Johnson Consulting



Comparison of the Tucson facilities’ revenue and expenses to the benchmarking set reveals that, while the overall volume varies, the proportionality of these numbers to the facilities (considering the number, type, and size) that exist in each market are on par. Figure 3-20 presents the total operating revenue for the benchmarking set, showing that Tucson ranks ninth out of eleven by this measure. All figures presented in this section are for the most recent year available (FYE 2022 in Tucson’s case). The two benchmarks that stand out are Phoenix and Long Beach, each with over \$11 million in operating revenue. Phoenix has the largest convention center of any of the benchmarks by far, with nearly double the square footage of the next largest convention center.

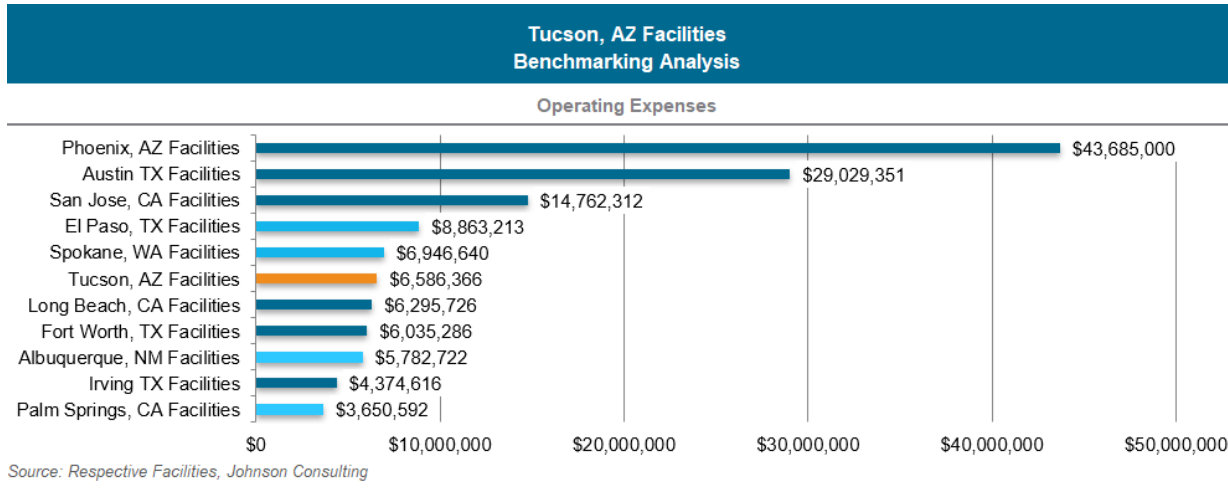
Figure 3-20



The trend is similar in terms of operating expenses. Phoenix again having the highest operating expenses by far, with over \$43.6 million in FYE 2022. Tucson, with total operating expenses of nearly \$6.6 million, ranks sixth in the benchmarking set. This comparison is presented in Figure 3-21.

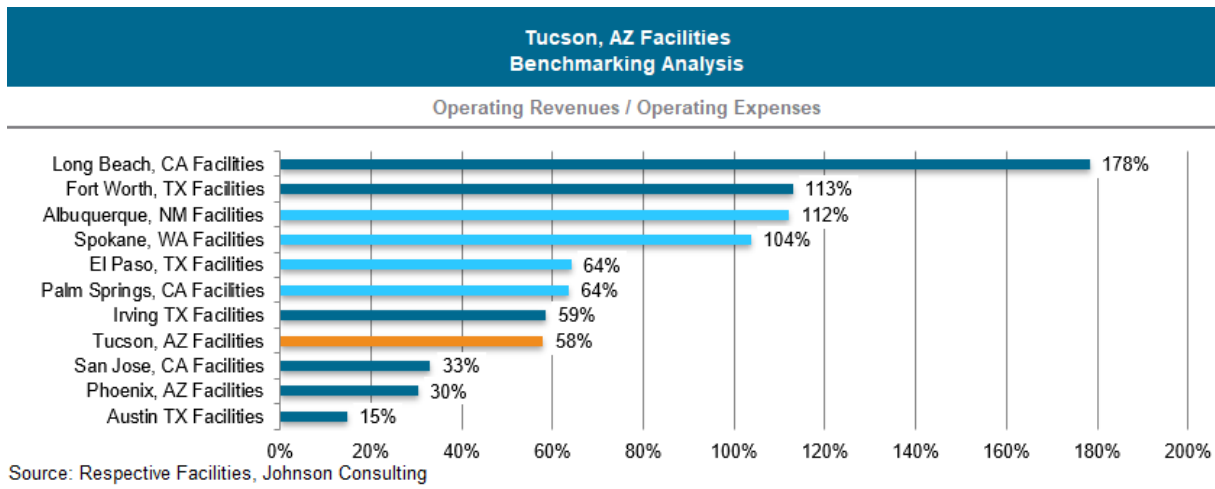


Figure 3-21



As a function of the previous two metrics, Figure 3-22 presents operating revenues as a percentage of operating expenses, revealing how much of each benchmark’s expenses are covered by revenues generated at the facilities versus how much is subsidized by tax revenue or other public funds. As shown, this value ranges from 15% in Austin to 178% in Long Beach. All four aspirational benchmarks are ranked above Tucson in this list. Tucson, with a value of 58%, ranks eighth overall.

Figure 3-22



LOST BUSINESS

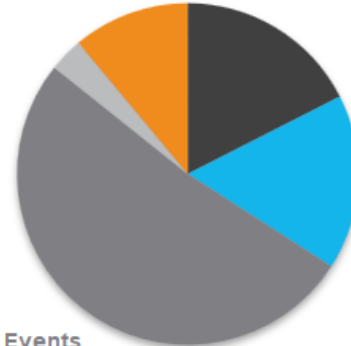
Lost business can serve as a metric of evaluating the degree to which these benchmarks, as well as other facilities, have been successful in competing with the Tucson facilities.

Figure 3-23 presents the number of lost events by event type and reason for lost business occurring in fiscal years 2020 – 2027. As shown, there were 217 total events lost – the vast majority of which (112) concerts or performing arts events, as well as 38 conventions/tradeshows. The reason for the lost business varied – 78 events simply did not confirm, 58 events were cancelled due to the pandemic, and 40 chose an alternate venue or city.

Lost business data ranges from 2020 to 2027 due to the events booking out multiple years in advance. The range for Requests for Quotes (RFQ) extends out until 2027.

Figure 3-23

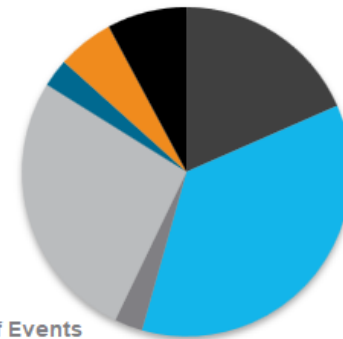
Tucson, AZ Facilities Lost Events by Type (FYE 2020 - FYE 2027)



# of Events	
Convention / Tradeshow	38
Consumer / Public / Family Shows	36
Concert / Performing Arts	112
Meeting / Banquet / Assembly	7
Other	24
Total	217

Source: Tucson, AZ Facilities, Johnson Consulting

Tucson, AZ Facilities Lost Events by Reason (FYE 2020 - FYE 2027)



# of Events	
Chose Alternate Venue/ City	40
Did Not Confirm	78
Funding/ Rental Fee Too High	6
Covid-19	58
Hotel Rooms Not Available	6
Selected New Date	12
Other/ Unknown	17
Total	217

Source: Tucson, AZ Facilities, Johnson Consulting



RECENT DEVELOPMENTS

Rio Nuevo has made strides in economic development prior to, during, and post COVID-19. Below is a list of recent projects completed or slated to be completed that Rio Nuevo has committed significant funding to. Most recently, Rio Nuevo has committed to a number of new projects proposed to be completed in the next few years. Notably, the Sunshine Mile project consists of 39 properties that were slated to be torn down and were instead transferred to Rio Nuevo to be preserved, and many were historically significant. Rio Nuevo has partnered with private sector entities to reactivate these properties and bear all costs for improvements and operations. Rio Nuevo will be able to lease the properties with an option for purchase, resulting in sales and property taxes on assets that would have otherwise been demolished. According to Rio Nuevo, the Sunshine Mile project could produce as much as \$20,000,000 annually in TPT (Transaction Privilege Tax), otherwise known as Arizona sales tax, based on the projections from the 39 Sunshine Mile Awardees, with current investment from Rio Nuevo of \$3,000,000, which can be expected to grow as the Sunshine Mile project expands.

Figure 3-24

Rio Nuevo Multipurpose Facilities District							
Project	Type	Land Use	Size	Project Cost	Rio Nuevo Commitment	Completion	
Public/Private Projects:							
44 E. Broadway	Renovation & New Construction	Retail & Office	105,597 square feet	\$38,000,000	\$4,500,000	2020	
City Park	New Construction	Office & Retail	5 stories	\$20,000,000	\$2,600,000	2020	
Hilton Dual-Brand Hotel at Cathedral Square	New Construction	Hotel	198 hotel rooms 4 stories	\$44,500,000	\$6,975,000	2020	
Monier Project	New Construction	Retail & Residential	12,975 square feet retail 122 apartments	\$34,000,000	\$2,400,000	2020	
Rocco's Chicago Style Pizza	New Construction	Restaurant	6,000 square feet	\$1,000,000	\$500,000	2020	
Economic Relief Assistance Program		COVID Relief		\$1,300,000	\$1,300,000	2020	
Window Repair Program	Assisting businesses with repair of broken windows during COVID	Misc.		\$35,000	\$35,000	2020	
DoubleTree Hotel at the Tucson Convention Center	New Construction	Hotel	170 hotel rooms	\$38,000,000	\$2,500,000	2021	
Julian Drew Lofts	New Construction	Residential & Retail	3,350 square feet retail 44 units	\$9,000,000	\$1,750,000	2021	
Citizen Hotel		Hotel		\$4,500,000	\$500,000	2021	
Farhang Offices	Relocation of offices downtown	Offices		\$2,300,000	\$40,000	2021	
110 E. Congress (Blue Front Restaurant)	New restaurant in vacant storefront	Restaurant		\$600,000	\$300,000	2022	
Hotel Congress Expansion	Expansion of HC patio and new Century Room	Restaurant		TBD	\$900,000	2022	
Presidio Duplex	Renovation	Restaurant & Event Space	1 story	\$450,000	\$450,000	2022	
Toole & 7th Avenue - BATA Restaurant		Retail & Restaurant	13,400 square feet	\$2,000,000	\$2,000,000	2022	
1 S. Church Ave (Marriott Tribute)	240,000SF (new hotel); 150 rooms	Hotel		\$31,100,000	\$1,110,000	2023	
Corbett		Mixed-Use		\$8,000,000	\$500,000	2023	
El Presidio Neighborhood	Activation of El Presidio District - streetscape improvements	Mixed-Use		\$500,000	\$500,000	2023	
Gibson's Event Center	New event center in vacant storefront	Mixed-Use		\$1,485,041	\$500,000	2023	
Reilly's	Expansion of restaurant	Restaurant		TBD	\$200,000	2023	
Sosa-Carrillo House	Preserving Historic Sosa-Carrillo House on TCC grounds	Misc.		\$100,000	\$100,000	2023	
TABU	New restaurant in vacant storefront	Restaurant		\$930,000	\$300,000	2023	
The Bautista	New Construction	Mixed-Use	16,500 square feet retail 252 residential units Restaurant	\$72,000,000	\$1,800,000	2023	
Cordova Projects	4x new restaurants opening	Restaurant		\$2,855,500	\$450,000	In Progress**	
TRE Program	Funding TRE's for restaurants during COVID	Restaurant		\$70,000	\$70,000	In Progress**	
Zemam's	Expansion of restaurant	Restaurant		\$1,260,477	\$500,000	In Progress**	
Film/TV Incentives	Incentives to office & shoot film in RN District	Film		TBD	\$200,000	Ongoing***	
Off-Duty Police Services	Hiring additional Officers to patrol downtown	Misc.		\$400,000	\$400,000	Ongoing***	
Pima County Parking	Funding operations of garage for public parking	Parking		\$37,200	\$37,200	Ongoing***	
Valet Parking Program	Providing valet services for the public during busy nights/events	Parking		TBD		Ongoing***	
Sunshine Mile*	New Construction	TBD	1 mile	TBD	\$3,000,000	Ongoing***	
Congress Street Block (98-130 E. Congress)	Renovation	Retail & Restaurant	2 stories	\$12,000,000	\$1,000,000	TBD****	
Volvo Site		TBD	TBD	\$24,000,000	\$400,000	TBD****	
Total Public/Private Commitments:				\$350,423,218	\$37,817,200		
Public Projects:							
Tucson Convention Center	Renovation & Expansion	Convention Center	18,000 SF TCC expansion 845 parking spaces TCC Renovation Leo Rich Theater Renovation Tucson Music Hall Renovation Ice Plant/Ice Floor Replacement	\$65,000,000	\$65,000,000	Ongoing	
Total Commitments:				\$415,423,218	\$102,817,200		

*Sunshine Mile continues to expand and Rio Nuevo is committed to spend more to continue growth

**Project is in final planning or under construction, completion date undetermined

***Programs that will receive funding for project lifetime

****Project timeline still being discussed, significantly delayed due to COVID-19 pandemic

Source: Rio Nuevo, Johnson Consulting

COVID PACE OF RECOVERY

As noted throughout the report, Rio Nuevo and the TCC have demonstrated resilience throughout the COVID-19 pandemic. This is supported by the events and attendance figures, showing that the TCC numbers are returning to pre-pandemic levels. Furthermore, Rio Nuevo has developed a strategic plan on how to move forward post the COVID-19 pandemic. Since the TIF District depends on sales, it is crucial to maintain robust infrastructure to create opportunities for future development. Revenues plummeted and a number of businesses shut down during the pandemic. Despite the downfall, Tucson was recognized as a top destination post covid by magazines and newspapers such as Forbes, the New York Times, and Planetizen.

The Board approved a \$70,000,000 renovation while the facilities were still closed. This allowed for an accelerated pace of improvements while the venue was closed during the COVID-19 shutdown. As restrictions were lifted, demand and attendance boomed at the TCC. Rio Nuevo has since enjoyed ongoing development from commercial to housing, and has received dozens of requests for assistance in new projects ranging from hotels to restraints to entertainment venues and corporate relocations.

The overall convention center industry is still in recovery. Primary challenges include risk assessment, inflation, staffing, supply chain, and event content. Impacts of inflations are widespread and are affecting business from all angles including labor, housing, food and beverage, and utility bills. According to Access Intelligence Research & Consulting, it is projected that the recovery period will be about 4 years, which is double the amount of time as other significant economic events, such as the 2008 recession, which recovered in two years according to the Center for Exhibition Industry Research. As of mid-2022, the meeting and events industry is about 70% back to 2019 attendance levels, however it is expected that it will take about another year for bookings and revenues to catch up. Attendees are eager to experience in person events again, but cost, structure, community collaboration, and programming are more central to success and profits than before the pandemic. With the renovated TCC and the driving force behind Rio Nuevo, Tucson is returning to pre-pandemic numbers. Revenues and land values are at historical highs, and it is up to ongoing flexibility, adaption, innovation, and best practices for management and marketing for continued success and advancement.

SECTION IV
STRATEGIC RECOMMENDATIONS

STRATEGIC RECOMMENDATIONS

While there is still some work to be done, the TCC has made strides in upgrades and improvements both physically and operationally. They have made efforts to add new spaces to the building, such as the new meeting space, made improvements to the facility quality and space ratios that are more in line with industry standard. The next big add would be exhibit space, as the current temporary structure does not meet nationally recognized performance and design standards. Hiring ASM Global and making incremental improvements in the arena have been great advances forward, and the renovation and expansion completed for the TCC complex paired with the hotel development pipeline and additional restaurant and nightlife amenities are encouraging signs that these improvements will continue. Stimulating the support environment around the TCC is equally as important as the quality inside the TCC. Operationally, no major issues exist, and this is commendable, as operations were one of the biggest liabilities in the past. As shown in Figure 3-15 and Figure 3-17, event demand has been increasing since 2016, with the exception of downturns due to the COVID-19 pandemic. The City, Rio Nuevo, the Convention and Visitors Bureau and ASM Global are communicating and have developed a positive spirit regarding the TCC.

As has been the case, The District can continue to make smaller investments, making the TCC better and making the broader downtown a better environment. These investments alone make Tucson more competitive, but until the two biggest issues facing the District are addressed – the absence of a competitive hotel supply and competitive design standards – market penetration of the convention and tradeshow market will continue to be hampered.

TUCSON CONVENTION CENTER COMPLEX

- The level of transformation of the convention center district is continually improving and growing. The nearby hotel supply has expanded and new development is ongoing. From our interviews with convention center staff, they have indicated that the improvements to the TCC and arena are well received by customers. As recommended in 2019 and again for this performance audit period, a prudent next step would be the development of a master plan as the recent expansion and upgrades are absorbed by the building and marketplace, which is standard industry practice.
- As part of that master plan, there should be a considered strategy to work with the Gem Show to help formalize their presence in Tucson. The formalization of a quality Expo Center used for the Gem Show, as well as other trade shows and exhibitions, indoor sporting competitions, festivals etc. would be an addition that would address a longstanding shortcoming of the TCC. An example of such a venue is the Palmer Events Center in Austin. It is operated by the same department that operates the Austin Convention Center. A business plan and term sheet should be developed for such an initiative. This will de facto expand the TCC by adding a module of space, serving demand that currently bypasses Tucson or has to use temporary tent facilities.

LONG-TERM STRATEGY

- As recommended in 2019 and again for this performance audit period, concurrent with the subdistrict TCC area masterplan, the entire Rio Nuevo District should be studied and a master plan developed. Tucson is continually moving in a positive direction as noted by the pending redevelopment of the waste site and development commencing along Broadway as a result of the Sunshine Mile initiative. Water, safety, transit, smart city technologies, and parking are all placemaking considerations. A masterplan analysis should consider if the recent redevelopment efforts have changed Tucson's trajectory upward. Further, each area of the District should be future thought, visualizing the next wave of influence the District can have in placemaking and stewarding development objectives. Also, adjacent neighborhoods are being redeveloped as the influence of Rio Nuevo impacts a broader area of the district. A masterplan update or overlay would be a strategic and appropriate next step to formalize future investment and development decisions.
- Rio Nuevo is set to end in 2035. A succession plan should be developed to consider what takes the place of Rio Nuevo from a funding and stewardship perspective. Convention centers need continual upkeep and improvements to remain competitive.

GENERAL RIO NUEVO RECOMMENDATIONS

RIO NUEVO

The Consulting Team sets forth the following recommendations that aim to continue the momentum that has occurred in recent years and to guide Rio Nuevo forward in achieving the future that is envisioned.

- **District Master Plan:** in our prior reports, it was recommended that the District develop a longer-term, strategic master plan. This generally exists, but still is not as formalized as needed. There is still need for a specific plan to be developed in order to foster the visualization of the future of the TCC District. This plan should address expansion, headquarters hotel(s), adjacent edges, and land assemblage.
- **Required Annual Report Submittal:** A.R.S. §48-4203(E)(2) requires the District to report to the Arizona State Legislature by October 1st of each year regarding the activities, operations, revenues and expenditures of the District for the immediately preceding fiscal year. We recommend that the District ensure that these reports are submitted by October 1st each year as required by the statute.
- **Required Board of Director Membership:** A.R.S. §48-4202 establishes the composition of the Board of Directors for the District and requires that the Board consist of nine (9) members. We noted that as of June 30, 2022 there were only seven (7) members appointed. Therefore, our recommendation would be to notify the Governor and Speaker of the House that additional members should be added to the Board in order to be in compliance with the statute.

- **Required Project Submittal to the Joint Committee on Capital Review:** A.R.S. §48-4203(E) requires the District to present to the Joint Committee on Capital Review any construction project (or other improvement to real property) with a cost of more than \$500,000. We recommend that the District comply with statutory requirements by notifying the Joint Committee on Capital Review for any future projects over \$500,000.
- **Finance Department Staffing:** As the District is continuously growing in terms of its impact and footprint, management should consider adding at least a part time accounting and/or finance staff during high demand in order to maintain the high level of reporting and transparency required of the District while also serving the requirements of the day-to-day operations.
- **District Budget Information:** While the District is in compliance with the statutory requirements of A.R.S. §48-4232 in relation to annual budgets, we recommend the District develop more formal budget projections that extended beyond the upcoming fiscal year. Management should consider developing five-year budget projects; however, at a minimum should consider developing three-year budget projections. This will help in developing and achieving long-term strategic goals.
- **Formalization of Capital Planning:** In achieving the long-term strategic goals of the District and evaluating the success of the projects previously implemented, it is critical that the District Board and Management revisit their capital planning process and formalize key components. A comprehensive capital improvement plan may consider the following:
 - Policies and procedures for the evaluation, planning, funding, approval, and execution of capital projects. This should include development of policies and procedures for potential projects that are three to five years out that are not currently being evaluated/considered.
 - Financial evaluation tools such as long- and short-term cost budgets and revenue projections, return on investment calculations, and analysis of financing options (e.g., internally funded, private/public partnership, bond issuance, etc.).
 - Reporting and monitoring practices that will make data available related to the impact and performance of projects (i.e., costs, revenues, attendance, increase in property value, etc.).
 - Effective August 3, 2018, A.R.S. §48-4203(E) requires the District to present to the Joint Committee on Capital Review any construction project (or other improvement to real property) with a cost of more than \$500,000.

**APPENDIX
SUPPORT SCHEDULES**



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Capital Costs & Construction in Progress - Schedule A (Table 1)
As of June 30

	2019	Increases	Decreases	Transfers	2020	Increases	Decreases	Transfers	2021	Increases	Decreases	Transfers	2022
Construction in Progress													
Tucson Convention Center	\$ 115,908	\$ 5,018,691	\$ -	\$ -	\$ 5,134,599	\$ 19,410,422	\$ -	\$ -	\$ 24,545,021	\$ 30,708,852	\$ -	\$ (48,861,105)	\$ 6,392,768
Land	17,626,303	34,696	-	-	17,660,999	7,255,124	(319,171)	(2,202,776) *	22,394,176	4,600,000	-	-	26,994,176
Land Improvements	443,554	482,091	-	-	925,645	-	-	-	925,645	6,917	-	-	932,562
Buildings	94,857,328	3,207,191	-	-	98,064,519	3,982,571	-	-	102,047,090	161,293	-	48,861,105	151,069,488
Equipment	1,247,263	343,648	-	-	1,590,911	289,029	-	-	1,879,940	30,400	-	-	1,910,340
	114,290,356	9,086,317	-	-	123,376,673	30,937,146	(319,171)	(2,202,776)	151,791,872	35,507,462	-	-	187,299,334
Less: Accumulated Depreciation	(17,732,919)	(5,280,173)	-	-	(23,013,092)	(5,401,953)	-	-	(28,415,045)	(6,108,468)	-	-	(34,523,513)
Total Capital Assets	\$ 96,557,437	\$ 3,806,144	\$ -	\$ -	\$100,363,581	\$ 25,535,193	\$ (319,171)	\$ (2,202,776)	\$ 123,376,827	\$ 29,398,994	\$ -	\$ -	\$ 152,775,821

Source - 2022 Rio Nuevo general ledger, fiscal year 2020-2021 audited financial statements.

Note - As of the date of this performance audit report, the fiscal year 2022 financial statement audit had not yet been issued.

* This amount was originally recorded as land; however, during 2021 it was determined that the substance of this transaction was a sale-leaseback, and as a result it was reclassified from land to notes receivable.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Status of Construction in Progress - Schedule A (Table 2)
As of June 30, 2022

Project	June 30, 2019	Additions	Capitalized FY 2020, 2021 & 2022	Sales of Property	June 30, 2022	Budget	Estimated Costs to Complete	Status	Notes
Tucson Convention Center Renovations	\$ 115,908	\$ 55,137,965	\$ (48,861,105)	\$ -	\$ 6,392,768	\$ 65,824,983	\$ 4,004,358	In Progress	Phase II is complete, which includes renovations to the hockey facilities. Further renovations are being done to the overall Tucson Convention Center campus and were largely complete as of June 30, 2022. A planned upgrade to the IT structure of the TCC is expected to cost roughly \$2.5M.
El Presidio	-	444,348	(444,348)	-	-	444,348	-	Complete	Funds have been fully spent on the project, expanding and revitalizing the El Presidio District.
City Park	-	2,600,000	(2,600,000)	-	-	2,600,000	-	Complete	The City Park project has been completed by the District and is leased to local businesses, including Hexagon Mining.
1703 EBroadway	-	188,222	(188,222)	-	-	188,222	-	Complete	Improvements on the 1703 EBroadway property have been completed.
Bautista Project	-	7,250,000	(7,250,000)	-	-	7,250,000	-	Complete	The Bautista Project land has been purchased by the District and will be leased back to the developers of the project.
Totals	\$ 115,908	\$ 65,620,535	\$ (59,343,675)	\$ -	\$ 6,392,768				

Source - Management, Rio Nuevo general ledger, fiscal year 2022 draft audited financial statements, fiscal year 2020 and 2021 audited financial statements.

Note - As of the date of this performance audit report, the fiscal year 2022 financial statement audit had not yet been issued.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Debt Service Payments - Schedule B (Table 1)
For the Period from Inception to June 30, 2022

	Inception to June 30, 2019	FY20	FY21	FY22	Inception to June 30, 2022
Revenue Bonds Refunded, Series 2016					
Principal	\$ 21,560,000	\$ 47,625,000	\$ -	\$ -	\$ 69,185,000
Interest	5,504,018	1,492,631	-	-	6,996,649
Revenue Bonds Refunded, Series 2017					
Principal	345,000	190,000	195,000	205,000	935,000
Interest	174,482	70,920	70,711	57,060	373,173
Revenue Bonds Refunded, Series 2019					
Principal	-	5,950,000	5,847,000	6,004,000	17,801,000
Interest	-	1,276,047	3,074,993	2,917,709	7,268,749
COPs, Series 2009:					
Principal	12,560,000	-	-	-	12,560,000
Interest	4,599,934	166,662	-	-	4,766,596
Construction Loan Payable					
Principal	381,070	- *	-	-	381,070
Interest	295,630	-	-	-	295,630
Revenue Bonds, Series 2008:					
Principal	80,000,000	-	-	-	80,000,000
Interest	32,842,949	-	-	-	32,842,949
Total Principal Paid	114,846,070	53,765,000	6,042,000	6,209,000	180,862,070
Total Interest Paid	43,417,013	3,006,260	3,145,704	2,974,769	52,543,746
Total Debt Service Payments	<u>\$ 158,263,083</u>	<u>\$ 56,771,260</u>	<u>\$ 9,187,704</u>	<u>\$ 9,183,769</u>	<u>\$ 233,405,816</u>

Source - Rio Nuevo general ledger, fiscal year 2020 and 2021 audited financial statements.

Note - As of the date of this performance audit report, the fiscal year 2022 financial statement audit had not yet been issued.

* No debt service payments were made; however, \$42,618,930 was forgiven during the year.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Debt Service Schedule - Schedule B (Table 2)
For the Fiscal Years ending June 30

Date	Series 2017		Series 2019-A-BBVA		Series 2019-B-BOK		Fiscal Year	
	Principal	Interest	Principal	Interest	Principal	Interest	Total	Total
FY 2023	210,000	49,680	4,918,000	2,288,195	1,248,000	468,006	9,181,881	9,181,881
FY 2024	220,000	42,120	5,051,000	2,155,901	1,281,000	434,435	9,184,456	9,184,456
FY 2025	225,000	34,200	5,186,000	2,020,029	1,316,000	399,976	9,181,205	9,181,205
FY 2026	235,000	26,100	5,326,000	1,880,525	1,351,000	364,576	9,183,201	9,183,201
FY 2027-2031	490,000	26,640	28,859,000	7,174,849	7,320,000	1,257,817	45,128,306	45,128,306
FY 2032-2035	-	-	35,723,000	2,817,560	4,882,000	264,992	43,687,552	43,687,552
	<u>\$ 1,380,000</u>	<u>\$ 178,740</u>	<u>\$ 85,063,000</u>	<u>\$ 18,337,059</u>	<u>\$ 17,398,000</u>	<u>\$ 3,189,802</u>	<u>\$ 125,546,601</u>	<u>\$ 125,546,601</u>

Sources - 1) Subordinate Lien Excise Tax Revenue Refunding Bonds, Series 2017, 2) Revenue and Refunding Loans, Series 2019A and 2019B and 3) fiscal year 2020 and 2021 audited financial statements.

Note 1 - For purposes of financial reporting, debt service payments made within close proximity to year end are deemed to have been made in the recently ended fiscal year (e.g., debt service payments made July 1st through 15th of 2022 (FY 2023) are considered to be FY 2022 debt service costs).

Note 2 - As of the date of this performance audit report, the fiscal year 2022 financial statement audit had not yet been issued.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Operating Expenditures - Schedule C (Table 1)
For the Fiscal Years Ending June 30

	2020	2021	2022
Professional Services			
Legal	\$ 702,611	\$ 570,166	\$ 447,380
Audit & Accounting	98,874	27,500	31,000
Consulting & Engineering	184,953	166,021	165,096
Other Professional Services	551,239	76,063	17,047
Total Professional Services	<u>1,537,677</u>	<u>839,750</u>	<u>660,523</u>
Administration Expenses			
Payroll & Benefits	75,521	75,451	77,673
Insurance	53,145	55,722	46,653
Business Improvement District Tax	184,734	178,989	168,029
Outside Project Costs	3,364,108	869,714	4,147,914
Merchant Assistance Program	1,537,378	17,775	-
Advertising & Marketing	901,249	197,753	686,695
Other	57,141	95,014	92,524
Total Administrative Expenses	<u>6,173,276</u>	<u>1,490,418</u>	<u>5,219,488</u>
Total Operating Expenses	<u>\$ 7,710,953</u>	<u>\$ 2,330,168</u>	<u>\$ 5,880,011</u>

Source - Fiscal year 2020 and 2021 audited financial statements, Rio Nuevo general ledger.

Note 1- Rio Nuevo general ledger is maintained on the accrual basis of accounting and as such, expenses are recorded when incurred not when cash is disbursed.

Note 2 - As of the date of this performance audit report, the fiscal year 2022 financial statement audit had not yet been issued.

Note 3 - Tucson Convention Center expenditures are not recorded in Rio Nuevo's general ledger, as the TCC is managed by an outside entity, ASM Global.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Revenues - Schedule C (Table 2)
For the Fiscal Years Ending June 30

	2020	2021	2022
TIF Revenue			
TCC Related			
SMG	\$ 73,175	\$ 179,670	\$ 221,770
Other TIF Revenue	38,527,375	33,884,106	40,332,200
Less, baseline amounts	(24,351,942)	(24,351,942)	(24,351,942)
Total TIF Revenue	<u>14,248,608</u>	<u>9,711,834</u>	<u>16,202,028</u>
Rent			
TCC	1,103,333	1,103,333	1,103,333
Other	2,167,254	151,663	93,722
Total Rent	<u>3,270,587</u>	<u>1,254,996</u>	<u>1,197,055</u>
Other			
Tucson roadrunners surcharge	160,248	26,884	-
Miscellaneous	15,669	34,261	100
Total Other	<u>175,917</u>	<u>61,145</u>	<u>100</u>
Interest & investment income	1,074,643	289,711	53,024
Total District Revenues	<u>\$ 18,769,755</u>	<u>\$ 11,317,686</u>	<u>\$ 17,452,207</u>

Source - Rio Nuevo general ledger.

Note 1- Rio Nuevo general ledger is maintained on the accrual basis of accounting, and as such revenues are recorded when earned, not when cash is received.

Note 2 - As of the date of this performance audit report, the fiscal year 2022 financial statement audit had not yet been issued.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Municipal Payments (City Match) - Schedule D
Inception-to-Date as of June 30, 2022

	As of June 30, 2019	Performance Period	As of June 30, 2022
Multipurpose Facility Projects			
TCC Elevator and Escalator Repair/Replacement	\$ 3,561,753	\$ -	\$ 3,561,753
TCC Solar Panels	2,605,114	-	2,605,114
TCC Facility Improvements	2,013,560	-	2,013,560
TCC Arena Bleachers	1,054,097	-	1,054,097
TCC Roof Improvements	572,984	-	572,984
TCC Box Office	59,763	-	59,763
TCC Banquet Chairs	165,567	-	165,567
TCC Zamboni and Arena Door Modifications	141,944	-	141,944
TCC Security Cameras	100,000	-	100,000
TCC Kitchen Equipment	66,123	-	66,123
TCC Dance Floor Replacement	38,966	-	38,966
TCC Music Hall Elevator	215,051	-	215,051
TCC Music Hall Dimmer System	87,820	-	87,820
TCC Music Hall Curtain	49,230	-	49,230
TCC Music Hall Flyrail Project	32,951	-	32,951
TCC Music Hall Portable Bar Carts	18,134	-	18,134
TCC Arena Forklifts (2)	72,177	-	72,177
TCC Arena Ice Rink Compressor	46,338	-	46,338
TCC Arena Power Scrubber	24,800	-	24,800
TCC Storage Room	37,375	-	37,375
TCC Arena Turf Storage Racks	35,000	-	35,000
TCC Arena Metal Detectors	32,258	-	32,258
TCC Arena Point of Sale Terminals	18,975	-	18,975
TCC Arena Readyspace Extractor	12,639	-	12,639
TCC Club Car Golf Carts (2)	11,756	-	11,756
TCC Arena Model 6100 Sweeper	11,471	-	11,471
TCC Parking Lot Traffic Spikes	6,905	-	6,905
TCC Eckbo Plaza Lighting	26,075	-	26,075
	\$ 11,118,826	\$ -	\$ 11,118,826
Multipurpose Facility Site Projects			
Modern Streetcar	\$ 163,705,976	\$ -	\$ 163,705,976
Firestation 1 Relocation	36,604,349	-	36,604,349
City Hall Annex Parking Garage	12,018,038	-	12,018,038
Central Energy District Heating and Cooling Loop	9,122,482	-	9,122,482
Central Plant Expansion	8,813,001	-	8,813,001
Water Review Developer Financed Projects	9,218,372	-	9,218,372
Barraza-Aviation Parkway - Downtown	26,579,803	-	26,579,803
Plaza Centro Garage	6,580,359	-	6,580,359
Transit Headquarters Build Improvements	6,250,816	-	6,250,816
Downtown Intermodal	5,728,687	-	5,728,687
MLK Amenities	3,393,027	-	3,393,027
MacArthur Building Acquisition	2,394,350	-	2,394,350
Diamond Snake Bridge	2,374,825	-	2,374,825
Broadway: Euclid to Country Club	7,549,598	-	7,549,598
Court Structural Improvements	1,747,634	-	1,747,634
Broadway/Euclid/Camp	1,606,517	-	1,606,517
Fox Theatre Special	1,000,000	-	1,000,000



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Municipal Payments (City Match) - Schedule D
Inception-to-Date as of June 30, 2022

	As of June 30, 2019	Performance Period	As of June 30, 2022
Multipurpose Facility Site Projects			
Depot Tenant Improvements	976,498	-	976,498
El Paso and Southwestern Greenway	961,787	-	961,787
Mercado District Rentals - El Portal	562,914	-	562,914
Rio Nuevo Housing Site	554,594	-	554,594
City Staff Time Spent on Capital Projects	511,772	-	511,772
Stone Ave Corridor Phase II	443,890	-	443,890
Broadway Turn Lane @El Con	384,550	-	384,550
City/State Parking Garage Improvements	329,022	-	329,022
City Hall Annex Communications	301,126	-	301,126
Pedestrian Impl Plan	288,647	-	288,647
Clean Renewable Energy Bonds Solar Panels	276,243	-	276,243
Police Headquarters Expansion	223,341	-	223,341
Broadway and 5th Parking Structure	140,803	-	140,803
Armory Park Pedestrian Enhancements	126,877	-	126,877
6th Street Improvements	121,216	-	121,216
Downtown Wayfinding Improvements	119,906	-	119,906
WWII Downtown Memorial	105,300	-	105,300
Stone Ave and Cushing st. Hawk	95,095	-	95,095
Main Library Parking Garage Improvements	83,747	-	83,747
Main Library Plaza	72,685	-	72,685
Congress Improvements	57,394	-	57,394
Ronstadt Transit Center	49,186	-	49,186
Jacome Plaza Historical Marker	38,057	-	38,057
B2B Mayor - Rialto Marque	21,000	-	21,000
Building Main & Improvements	20,260	-	20,260
Depot Plaza	15,000	-	15,000
Council Chambers	12,936	-	12,936
Broadway/Alvernon Intersection	11,305	-	11,305
Country Club: Broadway to 22nd	9,928	-	9,928
Euclid Ave - Broadway to Grant D	8,123	-	8,123
Misc Street & Spot Improvements	5,013	-	5,013
Broadway-Tucson/Country Club	1,986	-	1,986
Data Center Storage/Server Infrastructure	1,903,447	-	1,903,447
Court Building Remodel	3,929,644	-	3,929,644
Police Headquarters Video Surveillance System	133,459	-	133,459
Historic Train Depot Roof Replacement	578,357	-	578,357
Public Works Building Remodel	628,575	-	628,575
Greyhound Transit Center	2,894,341	-	2,894,341
SunLink Maintenance Storage Facility	20,145,484	-	20,145,484
Reid Park Solar Charging Station for Golf Carts	128,458	-	128,458
Congress Landfill Remediation	6,526,405	-	6,526,405
	\$ 348,486,205	\$ -	\$ 348,486,205
Private Sector District Site Projects			
IE Congress St. Tenant Improvements	\$ 70,000	\$ -	\$ 70,000
IS Church Ave. Tenant Improvements	1,091,475	-	1,091,475
IW Broadway Tenant Improvements	330,373	-	330,373
IO E Broadway Facade Improvements	2,700,000	-	2,700,000
100 N. Stone Ave. Tenant Improvements	1,084,000	-	1,084,000



100 S Church Ave. Office	248,700	-	248,700
110 E Congress St. Restaurant	120,000	-	120,000
110 S Church Ave. Apartment Building	49,647,800	-	49,647,800
111 S Church Ave. 7 Story Housing & Garage	12,674,645	-	12,674,645
145 S 6th Ave. Salon	750,000	-	750,000
160 S Avenida Del Convento Apartment Building	20,908,673	-	20,908,673
166 W. Alameda St. Remodel/Auditorium	1,000,000	-	1,000,000
177 N. Church Ave. Office Renovation	625,000	-	625,000
178 E Broadway Tenant Improvements	216,000	-	216,000
181 W. Broadway Pharmacy	215,000	-	215,000
192 S Stone Ave. Office Building	9,821,131	-	9,821,131
1935 E Broadway Automotive Repair	324,648	-	324,648
2 E Congress St. Apartments	762,000	-	762,000
20 E Broadway Apartment Building	8,485,969	-	8,485,969
20 E Congress St. Tenant Improvements	433,000	-	433,000
20 S Stone Ave. New Apartment Building	19,870,883	-	19,870,883
231 S Avenida del Palo Fierro Duplex	335,429	-	335,429
235 S Church Ave. Renovation	1,800,000	-	1,800,000
266 E Congress St. Restaurant	212,000	-	212,000
267 S Avenida del Convento Entertainment Complex	1,699,635	-	1,699,635
278 E Congress St. TI's & Playground Remodel	900,000	-	900,000
2936 E Broadway Restaurant Tenant Improvements	300,000	-	300,000
3699 E Broadway Retail Renovation	1,100,000	-	1,100,000
37 E Pennington Charter School	381,000	-	381,000
40 E Congress St. New Shell & Improvements	12,165,160	-	12,165,160
415 N. 6th Ave. Office	2,800,000	-	2,800,000
450 W. Paseo Redondo Tenant Improvements	350,000	-	350,000
4575 E Broadway Hospital Improvements	4,445,300	-	4,445,300
4722 E Broadway Shell/Gym Improvements	1,317,500	-	1,317,500
5049 E Broadway Tenant Improvements	281,000	-	281,000
5151 E Broadway Office Renovations	1,442,000	-	1,442,000
5255 E Williams Office Tenant Improvements	450,000	-	450,000
5420 E Broadway Bakery Tenant Improvements	231,000	-	231,000
5460 E Broadway Salon Tenant Improvements	350,000	-	350,000
5470 E Broadway Office Tenant Improvements	329,625	-	329,625
55 N. Park Ave. New Apt. Building	53,450,130	-	53,450,130
5721 E Broadway Restaurant	399,270	-	399,270
5870 E Broadway Retail/Theatre Tenant Improvements	4,460,000	-	4,460,000
5950 E Broadway Retail Tenant Improvements	2,203,713	-	2,203,713
63 E Congress St. Arcade & Bar	245,000	-	245,000
855 W. Congress St. Apt. Building	12,293,637	-	12,293,637
875 W. Cushing St. Caterpillar HQ	34,704,787	-	34,704,787
88 E Broadway Restaurant Tenant Improvements	425,685	-	425,685
999 E Broadway Pool	420,880	-	420,880
	<u>\$ 270,872,048</u>	<u>\$ -</u>	<u>\$ 270,872,048</u>
Projects Partly In Site, In District			
Barraza/Aviation Phase 1	\$ 44,166,915	\$ -	\$ 44,166,915
Arroyo Chico Drainage Improv	6,945,273	-	6,945,273
	<u>\$ 51,112,188</u>	<u>\$ -</u>	<u>\$ 51,112,188</u>
Total	<u><u>\$ 681,589,267</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 681,589,267</u></u>

Source - City of Tucson, Finance & Planning & Development Departments



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Tucson Convention Center Component Revenues - Schedule E (Table 1)
For the Fiscal Years Ending June 30, 2022

	2022
Direct Event Income	
Rental Income	\$ 1,638,095
Service Revenue, net	(889,006)
Total Direct Event Income	749,089
Ancillary Income	
F & B Concessions	932,148
F & B Catering	504,464
Novelty Sales	30,783
Parking	502,545
Electrical Services	72,611
Audio Visual	47,518
Internet Services	19,600
Equipment Rental	47,824
Other Ancillary	2,484
Total Ancillary Income	2,159,977
Other Event Income	
Ticket Rebates	369,005
Facility Fees	276,883
Facility Fees-Restricted Fund	136,660
Total Other Event Income	782,548
Other Operating Income	126,257
Total TCC Component Revenues	\$ 3,817,871

Source - ASM Global Tucson Convention Center Income Statement.

Note 1- ASM Global general ledger is maintained on the accrual basis of accounting and as such, revenues and expenses are recorded when earned or incurred, not when cash is disbursed.

Note 2- Rio Nuevo utilizes a third-party management company, ASM Global, to operate the Tucson Convention Center.



RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
 TCC Operations and Maintenance Costs - Schedule E (Table 2)
 For the Fiscal Years Ending June 30, 2022

	2022
Net Salaries and Benefits	\$ 2,857,124
Contracted Services	155,140
General and Administrative	366,637
Operating	313,940
Repairs & Maintenance	534,623
Operational Supplies	34,096
Insurance	172,586
Utilities	1,911,494
SMG Management Fees	239,726
Total Operations and Maintenance Costs	\$ 6,585,366

Source - ASM Global Tucson Convention Center Income Statement.

Note 1- ASM Global general ledger is maintained on the accrual basis of accounting and as such, expenses are recorded when incurred not when cash is

Note 2- Rio Nuevo utilizes a third-party management company, ASM Global, to operate the Tucson Convention Center.