



## **Proposed Tempe Entertainment District**

### **Development & Disposition Agreement (DDA) Basics**

Nov. 18, 2022

The following is a factual breakdown, by category, of the drafted 75-page Development and Disposition Agreement (DDA) that the City Council will consider at its Nov. 22 and Nov. 29 public hearings.

*Note: some elements are repeated depending on their relevance within multiple categories.*

#### **Land sale**

- Developer will acquire and develop the 46 acres of city property in four phases.
- The developer will pay the initial purchase price of the land in two specific amounts for the land: \$40 million for Phase 1A and \$10.3 million for Phase 2A. The initial \$40 million will be deposited and will be nonrefundable once remediation starts on that first phase of land.
- Developer's deposit will be used for remediation of the land. The developer will take title to land parcels after remediation is completed and once developer remediation funds are replenished by the Community Facilities District (CFD), further described below, will pay the city for the value of the land.

#### **Remediation**

- Preliminary estimated cost to remediate is \$73.6 million, but if costs are higher, the city's cost contribution is capped at \$93.6 million.
- Remediation will not happen on the whole 46 acres all at once, but rather in phases. All remediation is paid for by the developer and paid from bond proceeds.
- Remediation and public infrastructure costs to be paid by bonds issued by a new Community Facilities District (CFD) and repaid through portions of sales tax, lodging (bed) tax and property tax revenues generated by the project and only by the project, and a surcharge on all sales within the project.

## **Bonding/Financing**

- The project will not require a regional tax or Tempe-specific tax. Developer investment, estimated to be \$2.1 billion, and revenues earned on-site will pay for the project.
- Remediation and public infrastructure costs, estimated at \$209 million but capped at \$229 million, are to be paid by bonds issued by a new Community Facilities District.
- The sources for repayment of the bonds will consist of a portion of the sales and property tax revenues generated on-site as well as a surcharge implemented by the developer on all sales within the project. Specifically, the city will repay the bonds using 75% of the unrestricted sales tax revenues generated on the property and 62% of unrestricted property taxes. The developer will join in repaying the bonds using the surcharge on all sales and taxable activity within the project. The surcharge rate may vary year to year to generate sufficient revenue for the annual bond payment. Repayment will take no more than 30 years. The developer's contribution will likely exceed more than half of the total bond principal and interest payments that must be made.
- Public infrastructure to be added to the site includes: roads, landscaping, sewer and water lines, relocation and undergrounding of electricity lines, re-shoring the Rio Salado riverbed levee to continue the existing multi-use path.
- \$8 million, attributable to the purchase of the property, will be generated by bond sale proceeds and will be used for the costs to relocate the Municipal Utilities yard at Priest and Rio Salado. The yard will be relocated by Sept. 1, 2025.

## **Revenues, jobs**

- An independent estimate by the city's consultant Hunden Strategic Partners has determined the total economic impact of the project over 30 years is \$13.6 billion.
- Hunden Strategic Partners has projected revenues to the city over 30 years: \$350 million in sales taxes and \$40 million in property taxes. Hunden also estimates the city will spend about \$199 million of this amount over 30 years repaying the Community Facilities District bonds for the public infrastructure.
- Nearly 3,300 new full-time equivalent jobs over 30 years.
- Tempe retains 100% of the restricted sales taxes, 25% of the unrestricted sales and lodging taxes, and 38% of the unrestricted primary property taxes.

## **GPLET and additional benefits to the community**

- The agreement follows all Arizona laws regarding the allowed use of Government Property Lease Excise Tax (GPLET).
- A detailed, third-party economic impact analysis estimates more than \$200 million in public benefits to the City of Tempe from the project, exclusive of the additional developer contributions to the city described below.
- The arena and music venue will have a 30-year GPLET abatement period. Other project components will have an eight-year GPLET abatement period.

- “Tempe” will be part of the name of the entertainment district.
- At no cost, the City of Tempe will be able to use the music venue at least five days per year, the arena at least three days per year, an outdoor covered venue at least 10 days per year and the outdoor event plaza for at least five days per year. An arena suite will be available to the city for economic development/marketing purposes.
- A 1,500-square-foot emergency response and public safety facility will be constructed on site.
- Tempe will get regular and emergency use of digital signs on the property.
- The Tempe Union High School District Foundation and the Tempe Impact Education Foundation will each get \$50,000 from the developer to assist in their missions.
- Developer will pay Valley Metro \$414,000 per year to defray the costs of additional ride-sharing and shuttle services during the life of the 30-year arena GPLET.
- Tempe will get free use of 3,000 square feet of Class A office space during the life of the 30-year arena GPLET.
- Instead of the \$2.5 million in required art in this private development, the developer will spend at least \$7 million on public art within the project.
- Developer will contribute \$20,000 to relocate historic POW barracks buildings that had been placed at the site.
- Developer will give Tempe \$50,000 a year for managing transit/transportation impacts up to \$1.5 million.
- Developer to give Tempe \$1.1 million a year for public safety expenses during the life of the 30-year arena GPLET.
- Developer to pay \$2 million to Tempe for affordable/workforce housing construction.
- Developer to pay Tempe \$1.5 million for general city enhancements or social services at the city’s discretion.
- Developer will pay the city \$200,000 per year during the life of the 30-year GPLET to support the city’s traffic control improvements at the Priest and 202/143 entrance to reduce “cut-through” traffic on the airport grounds.

### **The project**

Totals of all phases are: 330,000 square feet of Class A office; up to 2,100 residential units; at least 315,000 square feet of retail; and two hotels with 500 total beds. All four phases will up to 10 years to complete.

#### **First phase (Phase 1A):**

- This is the eastern half of the property.
- 650,000-square-foot arena with 16,000 seats and 54,000 square feet of retail
- Minimum 1,100 parking spaces
- 1,500-square-foot emergency response and public safety facility

#### **Second phase (Phase 1B):**

- Practice facility and operations headquarters
- 68,000-square-foot outdoor event plaza
- 50,000-square-foot music venue
- 200-room boutique hotel
- 160,000 square feet of Class A office space
- 80,000 square feet of retail
- 195 multi-family units

**Third phase (Phase 2A):**

- 177,000 square feet of Class A office space
- 300-room conference hotel
- Up to 600 units of multi-family residential
- 39,000 square feet of retail

**Fourth phase (Phase 2B):**

- 1,200 multi-family units
- 143,000 square feet of retail

**Timeline**

- Remediation of the Phase 1 property is projected to begin following voter approval of a referendum and confirmation from the FAA that the arena will not represent a hazard to air navigation.
- All other phases will be completed, each in turn, over approximately 10 years after the commencement of the initial remediation of the Phase 1 property.
- Some phases may be compressed and not necessarily sequential.

**Referendum**

- Developer must submit the Planned Area Development (PAD), General Plan Amendment, and Development Agreement to Tempe voters.
- If the City Council grants its approvals Nov. 29, the developer must timely gather enough qualifying signatures for the ballot. If the developer does not successfully refer the ordinances to a ballot, the City Council may within 90 days thereafter rescind the DDA.
- The developer must pay all the cost the city incurs for the referendum election.

**Traffic impacts**

- Developer hired a traffic engineer to conduct a traffic impact analysis that has been submitted to the city. This will guide design and site planning related to traffic mitigation.

- Developer will give Tempe \$50,000 a year for managing transit/transportation impacts up to \$1.5 million.
- Developer will pay Valley Metro \$414,000 per year to defray the costs of additional ride-sharing and shuttle services during the life of the 30-year arena GPLET.
- Developer will pay the city \$200,000 per year during the life of the 30-year GPLET to support the city's traffic control improvements at the Priest and 202/143 entrance to reduce "cut-through" traffic on the airport grounds.

### **Signage**

- Tempe will get regular and emergency use of digital signs on the property.

### **Naming rights**

- The arena will be called "(Future sponsor) Arena at Tempe (Future name of Entertainment District)"
- The entertainment district will be called "Tempe (Future name of Entertainment District)"
- "Tempe" will appear on screen during TV game broadcasts, and be emblazoned on the center ice.

### **Multifamily housing**

- All multifamily units must have sound mitigation to ensure indoor noise levels meet FAA requirements
- Before any residential building gets a Certificate of Occupancy, the developer will confirm that future owners/tenants will be notified of the proximity to the airport and sign an acknowledgement to that effect.
- The property will be subject to "avigation easements" protecting the airport from claims over noise.

### **Airport**

- Prior to issuance of building permits, developer will inform Phoenix of building designs and plans to address noise within each building.
- Developer has offered to indemnify Phoenix from any litigation claims filed by residents within the project for noise reasons
- Though not required by law, developer agrees not to: have fireworks or laser shows on site, not to host events that would require airport shutdowns such as Presidential debates; and to use building materials that reduce reflection.

- Developer will pay the city \$200,000 per year during the life of the 30-year GPLET to support the city's traffic control improvements at the Priest and 202/143 entrance to reduce "cut-through" traffic on the airport grounds.

### **Labor**

- For construction of the arena and the practice facility, any trade partners and subcontractors will be licensed and highly skilled in their trades. The general contractor/construction manager will ensure at least 20% of the onsite work (by dollar amount) will be awarded to firms under an Arizona collective bargaining agreement.
- For the construction of public infrastructure (except excavation and remediation), the general contractor/construction manager will ensure at least 20% of the onsite work (by dollar amount) will be awarded to firms under an Arizona collective bargaining agreement.
- Developer will use reasonable efforts to deploy one or more apprenticeship programs for the project.

### **Protections for City of Tempe**

- Developer is responsible for all private development costs.
- The Community Facilities District (CFD) is a separate legal entity from the city and will be responsible for bond repayment.
- Developer is remediating the property with its funding before it gets title to the property.
- The \$40 million initial land sale amount paid by the developer is non-refundable.
- Bonds will be issued only to cover public infrastructure improvements within the CFD in four incremental phases as the project progresses, and only after the developer has secured all the private financing for each phase.
- Developer to indemnify Tempe if Phoenix/the airport bring a lawsuit over the residential portion of the development.
- Developer to indemnify Tempe if the city is sued over the referendum election.