



MEMORANDUM

Date: May 11, 2022

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshner
County Administrator

A handwritten signature in black ink, appearing to read "Jan Leshner", is written over the printed name of the County Administrator.

Re: **Update from Knott Development on the Mosaic Quarter Project**

Attached is the latest required update on Mosaic Quarter which provides details on the evolution of the design concept for the Mosaic Quarter Stadium, newly formed partnerships with tourism promotion organizations, newly formed public art collaborations, emerging initiatives with Pima Community College and contemplated adjustments to the predevelopment work timing and project phasing.

Notable highlights in the report include:

- Redesign to enclose the Mosaic Quarter Stadium to accommodate a broader range of users and functions throughout the year including various local high school athletic programming and enhanced regional and national tournament capacity. Also introduced are track and field elements and a retractable artificial turf field for long-field based sports. These revisions significantly expand the overall flexibility and capacity of the entire Mosaic Quarter project as outlined in the update.
- Exciting emerging initiatives with Pima Community College related to incorporating the College's Performing Arts programming at the Mosaic Quarter Pavilion and establishment of apprenticeship and internship opportunities related to hospitality, culinary construction, business and applied technologies. Additionally, Knott development has committed to partner with the College to pursue National Junior College Association championship tournaments at Mosaic Quarter.
- Initial discussions with Pima County staff (County Administration, Procurement and Capital Program Office) regarding an upcoming proposed amendment to the Master Developer Partnership Agreement related to predevelopment work phase timing and project phasing, based on a combination of site design considerations and current supply chain, construction, labor conditions. Proposed changes to the Agreement are expected to extend the predevelopment phase up to 6 months and adjusting the project phasing review and approval to match the staggered phasing option preferred by the County.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Update from Knott Development on the Mosaic Quarter Project**
May 11, 2022
Page 2

Regarding the proposed changes to the Agreement between Pima County and Knott Development, staff anticipates presenting an amendment to the Board of Supervisors for consideration in June 2022.

Another update from Knott Development will be in July 2022. As previously noted, Frank Knott is also available for individualized update meetings with Board Members and staff.

JKL/dym

Attachment

- c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
- Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer, Health and Community Services
- Yves Khawam, PhD, Assistant County Administrator for Public Works
- Michelle Campagne, Director, Finance and Risk Management
- Nancy Cole, Director, Capital Program Office
- Diane Frisch, Director, Attractions & Tourism
- Heath Vescovi-Chiordi, Director, Economic Development
- Reenie Ochoa, Director, Stadium District and Kino Sports Complex

May 9, 2022

Jan Leshner
County Administrator
130 West Congress Street, 10th Floor
Tucson, Arizona 85701

Re: Development Report

Ms. Leshner:

This letter provides our periodic update on Mosaic Quarter. In this update, we are pleased to announce our revised operational plans for Mosaic Quarter Stadium (“MQ Stadium”), a wide-ranging commitment to Pima Community College, additional public arts initiatives, and a partnership designed to provide economic development benefits to businesses, retailers, restaurants and attractions throughout Pima County. Finally, this letter provides an update regarding predevelopment work timing and phasing adjustments being discussed with County staff.

MOSAIC QUARTER STADIUM

MQ Stadium Redesign.

In our March update, we noted our concern that the original MQ Stadium design limited opportunities with potential local and regional partners. Our concern extended to the utility of the facility within the overall economic development function of Mosaic Quarter. This was primarily due to MQ Stadium’s open-air design which limited the number and timing of activities capable of being resident within the structure.

As a result, MQ Stadium’s redesign includes making it an enclosed stadium facility. Within its enclosed space, MQ Stadium will maintain its original seating capacity and ability to host all manner of field-based sports. By enclosing it, however, MQ Stadium gains utility, partnership opportunities, enhanced revenue generation capacity, economic development functionality and cohesiveness with MQ Iceplex, MQ Field House and MQ Sportsplex.

Among the benefits achieved with the enclosed design of MQ Stadium are:

- Serving as a home stadium for high school sports of multiple County school districts;
- Hosting various competition levels of soccer, wrestling, lacrosse, rugby and football in a year-round setting;
- Combined with the adjacent Kino South facility, hosting high school championships in multiple field sports;
- Attracting collegiate, professional and international soccer, rugby and lacrosse programming;
- Adding to the utility of MQ Field House, MQ Sportsplex and MQ Iceplex as tournament venues;
- Providing much needed additional indoor space for local field sports organizations; and
- In conjunction with MQ Field House and MQ Sportsplex, providing a venue for high school state championships in multiple sports;

In order to achieve maximum programming utility and execute on the foregoing opportunities, MQ Stadium's program design adds a unique element. Based on discussions with East Coast-based sponsors, MQ Stadium will include a central 200-meter hydraulic, banked track surrounded by a 400-meter competition track, including all required and accompanying track and field elements. To accommodate field sports, we will utilize a system adopted previously by several collegiate facilities – a retractable artificial turf field providing full-scale surface areas for football, soccer, lacrosse, rugby, field hockey and several other long-field based sports. When added to our existing seating capacity of 8,500, MQ Stadium provides a wealth of local, regional, state-wide and national tournament programming capabilities.

High School Programming.

MQ Stadium's redesign provides additional utility and functionality for high school sports and other indoor programming. As we noted in prior updates, Knott Development has been in discussions with several County school districts regarding the use of Mosaic Quarter facilities for enrichment and athletics programming. The enclosure of MQ Stadium, combined with the functionality to hold all manner of high school sports, including football, provides a meaningful facilities option to school districts – instead of constructing additional athletic facilities, school districts can avoid construction, capex, repair and maintenance budgets as well as avoid the burden of scheduling and managing third party users to mollify facility carrying costs. By enclosing MQ Stadium, the entire Mosaic Quarter site and its facilities become a viable, flexible option for school district facilities planning.

Integration with MQ Iceplex Tournament Programming.

The enclosure of MQ Stadium enables enhanced youth and adult hockey travel tournament capabilities hosted by MQ Iceplex. On an ad hoc basis, MQ Stadium can be equipped with 3 temporary ice rinks. The existence of 6 ice rinks within the Mosaic Quarter complex means MQ Iceplex will be able to serve travel tournaments comprised of 84 teams. With a minimum of 18 annual tournaments planned for MQ Iceplex, MQ Stadium represents an opportunity to add 756 team slots (assuming repeat visits by certain travel programs) composed of approximately 13,600 athletes and 20,000 guests. This translates to a \$29.3 million annual economic development impact, including 72,000 annual hotel room nights.

Integration with MQ Field House & MQ Sportsplex Programming.

In a similar fashion, MQ Stadium's redesign enhances the tournament benefits associated with MQ Field House and MQ Sportsplex tournament events. For example, basketball, volleyball, indoor soccer, cheer and dance, indoor lacrosse and youth flag football tournament sponsors could vastly increase the number of teams, players and guests associated with tournaments due to increased indoor surface areas. The resulting guest traffic benefits for Mosaic Quarter as well as local and regional restaurants, hotels and retail establishments are extreme.

In the case of basketball tournaments, the enclosure of MQ Stadium permits the temporary addition of 12 basketball courts to MQ Field House's and MQ Sportsplex's 8-court and 4-court respective capacities. The temporary courts provide capacity for an additional 144 teams and approximately 1,700 players and 2,500 guests. Due to the size and frequency of available and relocatable tournaments, if MQ Stadium's expansion function is utilized merely 2 weekends per year, it represents an opportunity, combined with MQ Field House and MQ Sportsplex, to host an aggregate 576 teams, 6,900 athletes and 10,400 guests for a regional economic development impact of approximately \$4.75 million and 13,800 hotel room nights.

MQ Stadium represents a similar opportunity in volleyball. Adding 24 courts to MQ Field House's 16 courts and MQ Sportsplex's 8 courts, MQ Stadium provides scale not currently represented in the regional market. In the same manner as basketball, should MQ Stadium's capacity be utilized only twice annually, it means the addition of approximately 180 teams, 2,200 athletes and 3,200 guests generating a total annual tournament impact opportunity of 720 teams, 8,600 athletes, 12,900 guests, 17,200 hotel room nights and \$8.6 million of regional spending.

Total Facilities Utilization – Mega Tournaments.

From a mega tournament perspective, the addition of an enclosed MQ Stadium to the combination of MQ Field House, MQ Sportsplex and MQ Iceplex represents a realistic opportunity to recruit well-renowned tournaments hosted by larger metropolitan areas. In this iteration, however, Mosaic Quarter would benefit from the temporary conversion of MQ Iceplex rinks to courts - in the same manner as NBA courts are often laid over NHL ice surfaces. By doing so, Mosaic Quarter would offer, in a single site location, 27 basketball courts, 54 volleyball courts, a 72 mat wrestling layout, and stadium venues for final tournament brackets by utilizing the 3,000-seat MQ Iceplex stadium rink and MQ Stadium's 8,500 seat capacity.

From a basketball perspective, one annual mega tournament would encompass approximately 324 teams, 3,800 athletes, 8,000 guests while providing regional economic benefits in the form of 8,800 hotel room nights and \$2.75 million in regional spending. In the same manner, one volleyball mega tournament would bring approximately 405 teams, 4,900 athletes, 12,000 guests generating 9,700 hotel room nights and \$4.89 million in local spending. The addition of MQ Stadium's flexible design creates a platform sufficient to hold the largest of youth travel tournaments presently calling Phoenix and Orlando home, but in a logistics-friendly same-site location, and one that combines with the unique amenities, attractions and character of Tucson and Southern Arizona.

Facilities Management Flexibility Benefits.

MQ Stadium likewise provides the ultimate in facility programming flexibility. Given the high volume of local users already identified for MQ Field House and MQ Sportsplex, it is possible that a tournament sponsor requests a weekend slot that otherwise would encroach on significant local programming dates. MQ Stadium, based on the capacities noted above, provides Mosaic Quarter with the opportunity for ultimate flexibility in keeping its commitments to local programming while simultaneously generating economic development opportunities through travel sports tournaments. The ability of Mosaic Quarter to flex with disparate demand schedules inherently creates a unique facilities programming management tool that would have been difficult to emulate with the original open-air design.

ATTRACTIONS AND AMENITIES PARTNERSHIP

With the expanded utility and programming capacities afforded to Mosaic Quarter by the MQ Stadium redesign, being able to create relationships with as many Tucson and Southern Arizona attractions, retail establishments and restaurants as possible is paramount. In our original operations plan, we had allocated significant resources for the development of a guest platform within our forthcoming phone app and websites to create and foster opportunities for guests to experience all that Tucson and Southern Arizona has to offer. Based on a newly initiated commitment and partnership, however, we're pleased to announce that Mosaic Quarter will be partnering with the Southern Arizona Attractions Alliance to outsource this valuable function. As a part of the relationship, Mosaic Quarter will utilize a custom version of the portal system developed by SAAA to provide guests with a seamless menu of attractions, restaurants and retailers to visit during their Tucson stay. To enhance the visitor experience, SAAA will create customized tourism packages for Mosaic Quarter guests that rotate per event, time of year and within the seasonal Southern Arizona attractions and event schedule. In addition to attractions and events, Mosaic Quarter guests will have the ability to discover restaurants and retailers, make reservations and receive customized discount packages from regional businesses. We believe our partnership with SAAA, especially as both organizations work with already and mutually-established partnerships (i.e., Pima County Attractions & Tourism, Visit Tucson, Downtown Partnership, Metro Chamber of Commerce, Hispanic Chamber of Commerce, Greater Vail Chamber of Commerce), will drive economic development benefits far beyond the borders of Mosaic Quarter and assist us in meeting our commitment to spread the impact of Mosaic Quarter across Southern Arizona.

PUBLIC ART PARTNERSHIPS

In our January update, we announced our first public art partnership with Ben's Bells Project. Since then, we have been working on additional partnership opportunities to bring public art to multiple aspects of Mosaic Quarter. As a result of those efforts, Knott Development is pleased to announce two additional partnership endeavors.

Cross-Border Initiative.

While in discussions with the Mexican Consulate regarding the development of an exchange program between the Tucson and Monterey hockey communities, Consul Rafael Barceló noted the existence of a cross-border public art opportunity that could mirror an existing Consulate initiative – sponsoring a local, exterior mural in collaboration with Mexican and Tucsonan artists. As we delved into the possible Mosaic Quarter mural opportunities, it was clear that the ice rinks of MQ Iceplex were the perfect canvass for a similar initiative.

Ice rinks are frequently the most benign of interior spaces. Typically consisting of bare walls that are adorned with tournament banners and advertisements, they offer a paltry visual experience. To part ways with the customary visual tedium, the Consulate and Knott Development are working on an initiative to jointly sponsor a combination of Mexican and Tucsonan artists to develop a mural within one of the MQ Iceplex community rinks. Envisioned to span an entire 200 x 30 foot wall space, the mural will sit opposite spectators, creating a commanding visual aesthetic. It is our hope that the mural will not only reflect the vibrancy of the arts in Mexico and Southern Arizona, but likewise exhibit the frequent cross-border collaboration between our respective communities and businesses.

We could not be more excited to join with the Consulate to bring this unique element to Mosaic Quarter and are likewise grateful for Consul Barceló's support in this differentiating architectural feature.

Regional Artist Collaboration.

To extend our public art profile throughout Southern Arizona, Mosaic Quarter is working with artists from Nogales. In the coming weeks, we will be meeting with several muralists in order to develop a plan for the implementation of exterior and interior murals at MQ Field House. With multiple athletic and gathering spaces, MQ Field House presents a wonderful opportunity to showcase unique Southern Arizona art in permanent, public setting.

PIMA COMMUNITY COLLEGE INITIATIVE

In past updates, we reflected on our meetings with Pima Community College (the "College") to discover workforce development partnership opportunities as well as partnership opportunities within specific areas of the College's programming. We recently spent significant time touring the College's campuses, visiting with division heads and working together to formulate a multifaceted plan to explore various partnership opportunities. As a result of those meetings, Knott Development and the College are working on memorandum of understanding to formalize the following commitments Knott Development has made on behalf of Mosaic Quarter:

Performing Arts.

With the recent announcement of MQ Pavilion, Mosaic Quarter includes a family-oriented amenity that does not require participation in a sport. Our original announcement noted that MQ Pavilion would be home to family movies, musical acts and performing arts productions throughout the year. As a part of MQ Pavilion's community programming commitment, Mosaic Quarter has committed to partner with the College's performing arts department for productions staged, managed and performed by College students. It is our hope that the MQ Pavilion experience will be one that furthers the careers of the College's performing arts students and offers a unique opportunity to expand the College's curriculum in this important area.

Hospitality.

With three hotels planned for Mosaic Quarter, Knott Development is in the unique position to develop internship, apprenticeship and workforce training opportunities with the College. As a part of our overall hospitality commitment to the College, Knott Development will work with its hotel development partners to establish apprenticeship programs within each of the hotel properties. As we execute on this commitment, our expectation is that College students will transition from the apprenticeship program to permanent jobs within Mosaic Quarter's hospitality assets, developing a community-focused pipeline of associates.

Culinary Workforce Development.

With as many as 10 restaurant sites within Mosaic Quarter, Knott Development and its restaurant development partners will be able to serve the College by providing on-the-job training and workforce development opportunities. Our goal with this commitment is to not just provide a real-world environment within which students can receive training additive to their experience within the College's programs. In addition, we seek to provide longer view workforce training options that afford every student the opportunity to see how they can grow and develop within the culinary industry to contribute to the businesses for whom they work and, hopefully, those that they create as entrepreneurs and purveyors.

Culinary Entrepreneurship.

During our tour of College facilities, we were highly impressed with the College's current execution of a student-managed restaurant. With the diversity and local ownership/management we have sought for Mosaic Quarter's dining establishments, it made immediate sense to us to figure out how to include the College's culinary program in an entrepreneurial setting within Mosaic Quarter.

In a recent update, Knott Development announced it was relocating to Tucson and would construct a commercial office building for itself, Mosaic Quarter management and the Mosaic Foundation within MQ Pavilion. To meet the culinary entrepreneurship goal we envisioned, we have committed to donate 5,000 square feet of the ground floor of the Knott Development building to the College in order to establish a student-managed restaurant within Mosaic Quarter. With its MQ Pavilion placement, the College's restaurant will be on equal footing with local restaurateurs and will showcase the College's culinary arts program, the skills obtained and honed by its students and provide a meaningful hands-on opportunity in all facets of restaurant operation and management. We could not be more excited to make this commitment!

Business Construction Technologies.

Based on Mosaic Quarter's facilities composition, long-term construction period and technologically-based and complex facilities management profile, we have committed to develop a workforce training and internship program within the College's Business Construction Technologies curriculum. Our goal is to develop opportunities that span, for example, facilities maintenance, water management and mechanical systems to provide students with exposure to a broad array of construction practices, management and technology experiences. From this collaboration, we aim to develop a pipeline of students who become Mosaic Quarter associates within the facilities management field.

Business Administration.

Mosaic Quarter includes various aspects of business administration, including financial management, facilities programming and scheduling and retail services. With the diversity of facilities, clientele and business lines represented by MQ Iceplex, MQ Field House, MQ Sportsplex, MQ Stadium and MQ Parking, we believe Mosaic Quarter's concentrated business environment provides a worthwhile training ground for students. As such, Knott Development has committed to develop internship, workforce training and apprenticeship programs for the College's business program. In a similar vein to our other workforce development, internship and apprenticeship commitments, our goal is to simultaneously provide a realistic educational laboratory through Mosaic Quarter's business lines and opportunities for Knott Development to identify future members of our team.

Applied Technologies.

As previously announced, MQ Iceplex will utilize an innovative water harvesting and filtration system to significantly reduce dependence on aquifer-sourced water for ice creation. In addition to this facility-discrete system, Mosaic Quarter will deploy a significant photovoltaic rooftop and canopy system to self-generate operational power. Although these systems could be included within our building construction technologies collaboration, after witnessing and understanding the breadth of the College's Applied Technologies curriculum, it made abundant sense for Knott Development to commit to specific internships and workforce development programs in this aspect of the future business and construction economy. As we further refine our plans for the implementation of these exciting technologies, we look forward to executing on our commitment to the College in developing valuable student experiences.

Athletics.

Knott Development has committed to partner with the College in its pursuit of National Junior College Athletic Association ("NJCAA") championship tournaments. Although the College and Tucson have been selected as the host of the NJCAA Division II men's and women's soccer tournament, it became clear during our meetings with College leadership that additional tournament opportunities lay ahead in combination with Mosaic Quarter facilities. Among the NJCAA tournament sports in which Knott Development has committed to partner with the College are wrestling, track and field, volleyball and basketball. It is our belief that the combined resources and capabilities of the College, the County, the City of Tucson and Mosaic Quarter, especially with the enclosure of MQ Stadium, represent an unparalleled opportunity for the NJCAA to relocate several tournaments to a unique, logistics-friendly and capable environment.

PREDEVELOPMENT WORK TIMING AND PHASING ADJUSTMENTS

Based on a combination of previously noted site constraints and current supply chain, construction and labor market conditions, we have held discussions with County staff regarding an amendment to our Development Agreement. The amendment discussed would create an additional, potential 6 months during which Knott Development would complete its predevelopment work and would formally split Mosaic Quarter into 3 development phases. We believe that these changes are necessary for the successful completion of the development and to reduce risks to Mosaic Quarter, the County and Knott Development.

As discussed in our November update, following the approval of the Development Agreement, we encountered several site-based and market conditions impediments that caused adjustments, re-composition and reconfiguration of material portions of the Mosaic Quarter development plan. These included ADOT interchange designs and the discovery of a major gas line easement that impacted the location and configuration of MQ Field House and site parking plans. These impediments were exacerbated by supply chain challenges, construction costs and labor constraints which impacted the viability of the previously-planned arena. These changes, in turn, led to the relocation and redesign of MQ Iceplex, the redesign of MQ Field House, the redesign of MQ Stadium and the relocation of hotel and restaurant assets.

Although these development adjustments significantly reduced development risk, provided increased shared cash flow opportunities and created development and construction efficiencies, market pricing and supply chain management challenges persisted. Based on multiple budget and pricing exercises with the subcontractor market, it was clear that incorporated building technologies, athletic and common area designs and mechanical systems plans required adjustment to lower overall pricing profiles to ensure a development plan that opened with profits and positive cash flow. To fully address these matters, we doubled our predevelopment budget from \$8 million to \$16 million and restructured our financing to meet the project's predevelopment financial needs. Our collective work to address these market-based impacts has resulted in building and programming efficiencies, significantly reduced costs, and achievable development and construction timelines. However, while we remain incredibly pleased with the creativity and work of our development, design

and construction teams, these market-required and impacting changes have encroached our original predevelopment work schedule. Based on our team's experience in increasing design efficiencies and cost reduction over the past 6 months, it is our belief that with a permissible extension of the predevelopment work period we will be able to further reign in market conditions that would otherwise impact Mosaic Quarter in a shorter time frame.

In addition to discrete building design and construction costs, it has likewise become clear that staggered development phasing is necessary to further reduce the impact of market-based financial, supply chain and labor conditions impacts. While the Development Agreement contemplates staggered phasing, it does so on the basis of single shot, whole-site building design and pricing. Quite simply, current market conditions and supply chain management impediments do not permit accurate long-range construction pricing, related design models and labor commitment availability. Our discussions with County staff have involved splitting Mosaic Quarter into 3 development phases:

- Phase I: MQ Iceplex and MQ Field House and supporting restaurant elements;
- Phase II: MQ Pavilion, MQ Sportsplex, MQ Entertainment Center and supporting restaurant elements;
- Phase III: MQ Stadium, MQ Parking and supporting hotel and restaurant elements.

As a part of segmenting the development phases, we seek to have each phase subject to the same financial and development metrics that currently exist within the Development Agreement. Thus, in each development phase, prior to the County agreeing to move forward with its portion of the partnership of each such phase, Knott Development would have to satisfy all cash flow, debt service reserves, credit rating and financial projections requirements, just as each are set forth in the Development Agreement on a whole-site basis. As the County's partner, we and our team believe this method of development segmentation permits the full and successful development of the site while protecting and preserving the County's resources.

Thank you for the opportunity to detail Mosaic Quarter's continued progress. As always, I welcome the occasion to discuss these efforts in more detail with you, County staff or the Board of Supervisors.

Regards,



Frank Knott