MEMORANDUM

Date: April 11, 2018

To: The Honorable Ally Miller, Member
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **World View and Space Port Tucson Email Request**

I am responding to your email request to staff for information related to the Arizona Department of Transportation grant application for aviation funding related to Space Port Tucson. (Attachment 1) As I reviewed the emails, they should have been addressed to me instead of Deputy County Administrator Tom Burke, as Mr. Burke would not have the information. However, I also believe Mr. Burke responded to your request on May 25, 2017. Hence, I am puzzled by the continued request of my staff. Please refer to the County Code on appropriate information requests from County staff. In addition, when the request was made on Tuesday, May 23, 2017, at a Budget Review meeting, I was not present.

The answer to your question is relatively simple – there are no specific grant awards made regarding Space Port Tucson. There has not been a formal grant application other than through conversations with the Arizona Department of Transportation (ADOT) Aeronautics staff as well as my conversations with the Director of ADOT at the time World View announced locating their corporate headquarters in Pima County.

Attached is a December 22, 2015 letter of offer acceptance from World View Chief Executive Officer Jane Poynter to Arizona Commerce Authority President and CEO Sandra Watson. (Attachment 2) You will note in her letter she indicated under Launch Pad:

> *"The World View headquarters, as specified during the proposal discussions and negotiation, will require a 700ft Launch Pad to be constructed in conjunction with the new building and to be operational no later than the time of moving into the new building at the Pima County Aerospace, Defense and Technology Business and Research Park."*

Ms. Poynter further states:

> *"It is our understanding that the Arizona Commerce Authority will assure that a Launch Pad construction project is funded in a timely manner in accordance with the overall building schedule to be completed in approximately November 2016....While Pima County may be the owner of the Launch Pad, the Arizona Commerce Authority will assure that the Launch Pad is constructed and paid for. The launch pad is to be a facility for the general use of the Aerospace and Defense community and a business attraction for southern Arizona."*

Clearly, constructing Space Port Tucson was part of the World View economic development proposal from the State. In addition, the summary term sheet from Sun Corridor, Inc. (Attachment 3) notes that Pima County would construct the launch pad "(if awarded ADOT grant)."

On January 5, 2016, Sandra Watson responded (Attachment 4) to the acceptance offer from World View Chief Executive Officer Jane Poynter by stating, as related to the launch pad:

> *"The ACA will work closely with State and local groups to support the Launch Pad construction for the Project. However the ACA cannot guarantee its funding - the ACA's commitment to Project funding is fully embodied within the ACA's incentives proposal dated December 9, 2015. In conjunction with Pima and Coconino County, the ACA will support the Project in its application for access to ADOT State Aviation Funds."(emphasis added)*

As you now know, the overall building project cost considerably less than originally estimated and the County has fully constructed the launch pad at our own cost. However, we will continue to press the State commitments made during the recruitment process for World View, specifically direct conversations I had with the ADOT Director regarding their willingness to fund an appropriate and substantial share of the launch pad construction with the only constraint that the aviation fund at the time had been oversubscribed and it would be a number of years until the fund has sufficient capacity to fulfill this State promise to the County.

As recently as March 16, 2018, our staff, through Economic Development Director John Moffatt communicated with the ADOT Executive Officer regarding appropriate timing on processing grant application to reimburse the County for our funds spent on the launch pad. We will continue to pursue this grant with the State until their original funding commitments have been met. We certainly hope they will stand by their commitments on this project as they initiated this specific economic development project.

Similar to recent communication with you on related matters, had I been provided a copy or had the inquiry been directed to my attention I believe the answers could have been provided relatively quickly; however, the answers would have been the same as those offered today.

CHH/anc

Attachments

c: Tom Burke, Deputy County Administrator for Administration
Dr. John Moffatt, Director, Economic Development Office
Diana Durazo, Special Projects Manager, Pima County Administrator's Office
Sandra Watson, President and CEO, Arizona Commerce Authority
John Halikowski, Director, Arizona Department of Transportation

ATTACHMENT 1

Jan Lesher

From: JoAnn di Filippo
Sent: Friday, April 6, 2018 4:11 PM
To: Tom Burke
Cc: Ally Miller; Jan Lesher; Sandy Russell; Therese Rubink; Lynne St. Angelo
Subject: FW: World View Space Port
Attachments: 04.06.18 Email Request T. Burke re WVSPt Expenses.pdf

FIFTH REQUEST

Tom:
On Monday, May 22, 2017, I requested information pertaining to the grant award application, award letter, and/or funding source for the World View SpacePort. Since that time, I submitted four additional requests for this information to either you or Jan. I am attaching copies of those requests, as well as detailing below the specific timeframe for each request including:

1. FIRST REQUEST: Monday, May 22, 2017 (addressed to Jan Lesher)
2. FOLLOW-UP REQUEST: Wednesday, May 24, 2017 (addressed to Jan Lesher)
3. SECOND REQUEST: January 18, 2018 (addressed to Tom Burke)
4. THIRD REQUEST: Thursday, February 15, 2018 (addressed to Tom Burke)
5. FOURTH REQUEST: Friday, March 9, 2018 (addressed to Tom Burke)
6. FIFTH REQUEST: Friday, April 6, 2018 (today's request addressed to Tom Burke)

As you can see, the original request for this information was made nearly one year ago on May 22, 2017. Inasmuch as we are still awaiting an update response to the latest emails sent to you on 1/18/18 and 2/15/18, I am once again requesting that you please forward this information no later than close of business on Tuesday, April 10, 2018, so I can advise Supervisor Miller accordingly. Your cooperation is greatly appreciated. If any questions, please let me know.

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JoAnn di Filippo, PhD
Chief Advisor
Pima County Supervisor Ally Miller – District 1
www.allymillerdistrict1.com
P: (520) 724-2738
F: (520) 724-8489

From: JoAnn di Filippo
Sent: Friday, March 9, 2018 1:37 PM
To: Tom Burke <Tom.Burke@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>; Jan Lesher <Jan.Lesher@pima.gov>; Sandy Russell <Sandy.Russell@pima.gov>; Therese Rubink <Therese.Rubink@pima.gov>; John Backer <John.Backer@pima.gov>
Subject: FW: World View Space Port

FOURTH REQUEST

Tom:

Please provide a follow-up to my email inquiry re the World View Space Port dated January 18,2 018 (see below). As always, thanks.

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From: JoAnn di Filippo
Sent: Thursday, February 15, 2018 12:24 PM
To: Tom Burke <Tom.Burke@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>; Jan Lesher <Jan.Lesher@pima.gov>; Sandy Russell <Sandy.Russell@pima.gov>; Therese Rubink <Therese.Rubink@pima.gov>; John Backer <John.Backer@pima.gov>
Subject: RE: World View Space Port

THIRD REQUEST

Tom:
Please provide a follow-up to my email inquiry re the World View Space Port dated January 18 2018 (see below). Thanks.

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From: JoAnn di Filippo
Sent: Thursday, January 18, 2018 11:02 AM
To: Tom Burke <Tom.Burke@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>; Jan Lesher <Jan.Lesher@pima.gov>; Sandy Russell <Sandy.Russell@pima.gov>; Therese Rubink <Therese.Rubink@pima.gov>; John Backer <John.Backer@pima.gov>
Subject: World View Space Port

Tom:
Could you please provide an update on the Space Port grant application, as well as a copy of any award letters? I'm referring specifically to awards that would serve as reimbursement for JVD 17*2881 dated March 22, 2017 (est. cost $2.179 mil). This is a follow-up request from my May-June 2017 communications with you and Nanette.

Thanks much.

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F: (520) 724-8489

JoAnn di Filippo

From: Tom Burke
Sent: Thursday, May 25, 2017 5:58 PM
To: JoAnn di Filippo
Cc: Ally Miller; Jan Lesher
Subject: RE: Capital Projects: SpacePort Tucson

JoAnn,

The CIP Project No. for the Pima County Spaceport project is CFM.XPCWV2. The Aeronautical Division of the Arizona Department of Transportation awards grants for projects that use local funds for capacity enhancement. Pima County believes the improvements at the Spaceport are eligible or ADOT grant funding and has been working on obtaining a grant. The potential funding is identified in the CIP reports as Grant Pending. To date, the County has not formally submitted a grant application and anticipates doing so this coming fiscal year which is why it shows in the budget. The total project costs for the County building project leased to World View and for the Spaceport project is $14,823,974. The potential reimbursement from ADOT would reduce the County's share of the project cost for the two projects to $12,644,310.

Tom Burke
520-724-3030

From: JoAnn di Filippo
Sent: Thursday, May 25, 2017 11:57 AM
To: Jan Lesher <Jan.Lesher@pima.gov>; Tom Burke <Tom.Burke@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>
Subject: RE: Capital Projects: SpacePort Tucson

Jan:
Thank you. I'll look forward to receiving something from Tom today (the info you mentioned this morning). Enjoy yourself!

JoAnn di Filippo, PhD
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From: Jan Lesher
Sent: Thursday, May 25, 2017 11:55 AM
To: JoAnn di Filippo <JoAnn.diFilippo@pima.gov>; Tom Burke <Tom.Burke@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>
Subject: RE: Capital Projects: SpacePort Tucson

JoAnn –

I am about to leave the building and am headed to Alaska but Tom Burke will make sure you get an answer ASAP.

Again, my apologies for the delay

Jan

From: JoAnn di Filippo
Sent: Wednesday, May 24, 2017 7:04 PM
To: Jan Lesher <Jan.Lesher@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>
Subject: RE: Capital Projects: SpacePort Tucson

Jan:
Checking on this request as I haven't seen anything come through email. Any update(s)? Thanks.

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Sent: Monday, May 22, 2017 3:49 PM
To: Jan Lesher <Jan.Lesher@pima.gov>
Cc: Ally Miller <Ally.Miller@pima.gov>
Subject: Capital Projects: SpacePort Tucson

Jan:
At last week's budget hearing, Nannette Slusser stated the county had received a $2.179 million grant from ADOT for SpacePort Tucson. Could you please provide the following in relation to SpacePort Tucson:

1. A copy of the ADOT grant award transmittal letter/form indicating $2.179 million has been approved for the designated project; and
2. The CIP number for this project.

Also, in these hearings it was noted that of the $350 million voter approve HURF bonds, only $73,375 remained authorized but unspent. Could we please have a summary of where these funds have been spent. Specifically, what roads were impacted by use of these funds.

If any questions, please let me know. Thanks.

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From: Jan Lesher
Sent: Wednesday, May 24, 2017 7:55 PM
To: JoAnn di Filippo
Cc: Ally Miller
Subject: Re: Capital Projects: SpacePort Tucson

I will pull together what's come in tomorrow am. I was waiting for one piece but will send what I have and follow up when complete

Thanks,

Jan

On May 24, 2017, at 7:04 PM, JoAnn di Filippo <JoAnn.diFilippo@pima.gov> wrote:

> Jan:
> Checking on this request as I haven't seen anything come through email. Any update(s)? Thanks.
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> JoAnn di Filippo, PhD
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> **Cc:** Ally Miller <Ally.Miller@pima.gov>
> **Subject:** Capital Projects: SpacePort Tucson
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JoAnn di Filippo

From: Jan Lesher
Sent: Monday, May 22, 2017 4:14 PM
To: JoAnn di Filippo
Cc: Ally Miller
Subject: RE: Capital Projects: SpacePort Tucson

JoAnn – We'll get you the answers ASAP

Thanks,

Jan

From: JoAnn di Filippo
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ATTACHMENT 2

WORLD VIEW

December 22, 2015

Sandra Watson
President
Arizona Commerce Authority
333 North Central, Suite 1900
Phoenix, Arizona 85004

LETTER DELIVERED VIA EMAIL

Dear Sandra,

It is with gratitude, excitement and appreciation that I write to announce and inform you that after an exhaustive and competitive site selection process between Arizona, New Mexico and Florida, World View Enterprises, Inc. has elected to call Arizona home and make it the world headquarters for the company. We therefore accept your Project Curvature Revised Offer dated December 9th 2015 given the conditions in this letter derived from our work with the Arizona Commerce Authority, Sun Corridor and the municipalities.

In light of on-going discussions and final contract documentation with the Arizona Commerce Authority, Pima County, the City of Tucson, the City of Page Arizona, Coconino County and the Sun Corridor, I am providing this letter to you as a contract point of reference to memorialize and ensure that both World View and all stakeholders have clear understanding of the terms, conditions and contract requirements.

Assumptions, Terms & Conditions for Project Curvature Contract Acceptance

I) Arizona Commerce Authority Proposal:

World View accepts the Arizona Commerce Authority proposal dated December 9th 2015 with the following assumptions, contract terms and conditions.

A. Launch Pad

The World View Headquarters, as specified during the proposal discussions and negotiation, will require a 700ft Launch Pad to be constructed in conjunction with the new building and to be operational no later than the time of moving into the new building at the Pima County Aerospace, Defense and Technology Business and Research Park.

It us our understanding that the Arizona Commerce Authority will assure that a Launch Pad construction project is funded in a timely manner in accordance with the overall building schedule to be completed in

approximately November of 2016. All Launch Pad costs will be funded separately from the Pima County financing proposal for building construction.

While Pima County may be the owner of the Launch Pad, the Arizona Commerce Authority will assure that the launch pad is constructed and paid for. The launch pad is to be a facility for the general use of the Aerospace and Defense community and a business attraction for southern Arizona. As part of World View's building lease, World View will provide for the safe operation of the facility by entities wishing to use it for a variety of compatible purposes on an as-available and operationally safe basis.

B. Arizona Competes Fund

World View understands that the Arizona Commerce Authority will provide milestone payments that include Capex. . World View understand that the operational date for the new facility is as of the effective date of the contract there by qualifying for the Arizona Competes Fund for 2016 and beyond. World View expects that the Pima County Building Lease Contract will be considered as a CapEx Lease so as to fully qualify for the Arizona Competes Fund.

C. Arizona Qualified Facility Refundable Tax Credit Program

World View understands that the operational date for the new facility is as of the effective date of the contract thereby qualifying for the tax credit program for 2016 and beyond.

Further, World View expects that the Pima County Building Lease Contract will be considered as a CapEx Lease so as to fully qualify for the Arizona Qualified Facility Refundable Tax Credit Program. World View will become qualified upon the effective date of the contract.

II) Pima County Proposal:

World View accepts the Pima County proposal with the follow assumptions, contract terms and conditions. All launch pad expenditures including land and required improvements, grading, sealing etc. for the 700-foot diameter pad, appropriately spaced from the World View facility, will not be the responsibility of World View and will therefore not be included in the Pima County $15M building financing package.

III) City of Tucson:

World View accepts the City of Tucson proposal including that that the City of Tucson will work with Pima County and private contractors to provide all required water infrastructure development.

IV) City of Page:

Arizona Commerce Authority is committed to work with the City of Page and Page Municipal Airport to obtain funding for on-site improvements and modifications necessary to support launch pad operations at the Page Airport. This is an important economic development activity in northern Arizona.

V) Sun Corridor, Inc.:

Upon signature and acceptance of the proposed contracts by all parties, Sun Corridor will remain actively engaged so as to ensure contract support and compliance as necessary.

VI) Contract Implementation, Schedule, Timing & Compliance:

World View anticipates being operational and 'fully moved in' to the new corporate headquarters in approximately November 2016. All jurisdictions will assure their terms and conditions are aligned to ensure that World View customer contracts and requirements are fully met.

The World View Point of Contact for Contract Implementation will be Maricela Solis and can be reached directly at 520-850-5967 or maricela@worldviewexperience.com.

Finally, our team at World View Experience is grateful to the Arizona Commerce Authority and all stakeholders and supporters for helping the company decide to stay in Tucson.

We look forward to working with you and our community to make southern and northern Arizona a prosperous globally recognized center for the rapidly growing commercial space industry.

To Your Stratospheric Success,

Jane Poynter
Chief Executive Officer

World View Enterprises, Inc., 1840 E. Valencia Rd., Tucson AZ 85706

ATTACHMENT 3

Regional Proposal – Project Curvature – Best and Final Offer

BUSINESS INCENTIVE OPPORTUNITIES

In addition to our other assets we understand that incentives are important to offset significant capital investment associated with the establishment of a new facility. The following is a summary of what our region has to offer. A detailed description of the programs follows.

Arizona Commerce Authority

Arizona Qualified Facility Refundable Tax Program	$	4,000,000
Job Training Program (up to $4,000 per qualified employee)	$	249,600
Arizona Competes Fund (valid through December 28, 2015)	$	1,000,000
Total	$	**5,249,600**

Pima County

Pima County Workforce Training (up to $3,000 per qualified employee)	$	1,068,000
Construction of Launch Pad (if awarded ADOT grant)	$	1,500,000
Finance facility construction & capital equip. (favorable negotiated lease rate)	$	15,000,000
Construction of Sewer infrastructure	$	181,500
Total	$	**17,749,500**

City of Tucson

Primary Jobs Incentive Program	$	125,000
Construction of water infrastructure at no cost to client	$	321,000
Total	$	**646,000**

Total of all programs	$	**23,645,100**

Note: Incentives and associated costs shown are estimated and qualification requirements are applicable for each. Total dollar estimates were formulated from assumptions provided by the client as outlined in Project overview. Some programs will need approval by the governing body in each jurisdiction.

ATTACHMENT 4

January 5, 2016

Ms. Jane Poynter
Chief Executive Officer
World View Enterprises, Inc.
1840 E Valencia Rd
Tucson, AZ 85706

RE: Project Curvature

Dear Ms. Poynter:

Thank you for your letter dated December 22, 2015 in which you indicated that World View Enterprises, Inc. ("World View") has decided to develop the exciting World View Headquarters project (the "Project") in Arizona. The Arizona Commerce Authority (the "ACA") is thrilled to learn of this decision and is committed to supporting World View in its implementation of the Project. The purpose of this letter is to clarify the ACA's position on the terms relating to the ACA outlined in your letter.

A. <u>Launch Pad</u>

The ACA will work closely with state and local groups to support the Launch Pad construction for the Project. However, the ACA cannot guarantee its funding – the ACA's commitment to Project funding is fully embodied within the ACA's incentives proposal dated December 9, 2015. in conjunction with Pima and Coconino County, the ACA will support the Project in its application for access to ADOT State Aviation Funds. The ACA has provided the parameters of that program however, we would welcome the opportunity to review that with you again to ensure clarity on that process and timing.

B. <u>Arizona Competes Fund</u>

As indicated in the ACA's letter dated December 9, 2015, the Arizona Commerce Authority will develop milestone payments that include job creation and capital investment, and grant payments will be made over the term of the three-year grant as milestones are met. Regardless of the characterization of the lease from Pima County for the Project Headquarters facility (the "Headquarters Facility"), the ACA will deem the construction of the facility as capital investment for purpose of the Arizona Competes Fund Agreement. The timing of the capital investment in the Headquarters Facility for purposes of the milestones will be determined between World View and the ACA based on further discussion regarding the milestones.

C. Arizona Qualified Facility Refundable Tax Credit Program

The ACA has communicated to Pima County that it would be advantageous to World View, for purposes of the Qualified Facility Program, for the lease from Pima County to World View for the Headquarters Facility to be a capital lease. (We encourage World View to consult with its tax consultants on the advisability of the lease being a capital lease for purposes other than of the Qualified Facility Program.) We understand that Pima County is currently evaluating the possible structure and terms of the lease.

Once World View and Pima County agree upon the structure and terms of the lease, and if World View and Pima County agree that the structure and terms represent a capital lease, the ACA, in conjunction with the Arizona Department of Revenue ("ADOR"), will review the lease and make a determination as to (i) whether the lease is a capital lease for purposes of the Qualified Facility Program and (ii) if the lease is a capital lease, what portion of the expenditures relating to the Headquarters Facility and the lease are treated as qualifying investment for purposes of the Qualified Facility Program.

Please note that, by statute, Qualified Facility Program tax credits can be claimed after all the necessary jobs (one "Qualified Employment Position" for every $200,000 in "Qualifying Investment") are created and a post-approval application is submitted to and approved by the ACA. At that point, available credits maybe claimed in equal portions over a five-year period (i.e., 20% per year).

D. City of Page

As requested, the ACA is committed to work with the City of Page and Page Municipal Airport to obtain funding for on-site improvements and modifications necessary to support launch pad operations at the Page Airport.

The ACA looks forward to discussing these matters further to achieve mutual clarity about commitments relating to the Project. Please note that the ACA cannot alter statutory requirements through agreements with clients, and please also note that while the ACA will support the Project in its communications with other state and local organizations, the ACA cannot make any commitments for or on behalf of other organizations.

This is a tremendous project for the State of Arizona and we are excited to provide whatever support necessary to ensure your short and long term success.

Sincerely,

ARIZONA COMMERCE AUTHORITY

Sandra Watson
President and CEO