MEMORANDUM

Date: April 12, 2019

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

From: C.H. Huckelberry
County Administrator

Re: **Consent Calendar Item #14 on the April 16, 2019 Board of Supervisors Agenda - Haydon Building Corp., Amendment No. 3 for Kino South Sports Complex**

Construction of the Kino South Sports Complex continues to move forward. In a November 15, 2018 memorandum to the Board, I provided a detailed overview and rationale for the complex along with a construction estimate at the time of $26 million. The Board of Supervisors have previously approved the contract with Haydon Building Corp., and Guaranteed Maximum Price (GMP) packages #1 and #2.

The April 16, 2019 Board Agenda includes a contract amendment adding $8,961,391 to the contract for line item reconciliations to GMP#1 and GMP#2, and for GMP#3 which includes all the vertical and above ground elements such as concessions/administrative building, locker room/restroom building, ticket booths/entry, maintenance building/compound, two remote restroom buildings, drainage culverts, hardscape/sidewalks, fencing, pickle ball complex, erosion control and ancillary items as outlined in the 100 percent plans for design. These amendments bring the total contact cost to $29.2 million, which includes the original pre-construction contractor services of $190,845, $1,033,398 in contractor contingency and $950,000 in owner's contingency for the entire project.

The amendment documents each line item and change, both increase and decrease in cost or quantity. The following items are the largest impact areas, and constitute the main aspects of the project cost change:

- GMP#1 (increased $431,317) - This increase includes a detailed line item reconciliation, but a majority of the costs are directly attributable to the Tucson Water system design changes. Tucson Water required a change from placing the new water main line on the new Julian Wash Bridge to using an underground boring due to an increase in pipe size from a 12" main to a larger 16" water main requirement. This constitutes the majority of the GMP#1 increase. Other associated water system costs and material cost changes are included.

- GMP#2 (increased $85,534) - This increase includes a detailed line item reconciliation, but a majority of the costs are relating to a drainage channel re-alignment and inclusion of environmentally-sensitive Low Impact Development (LID)

features. Re-alignment of a drainage channel was necessary to achieve increased onsite water harvesting, riparian restoration and vegetative cover through LID techniques, and to reduce runoff impacts to adjacent properties by detaining more storm water on the property consistent with the Floodplain Management Ordinance and the Storm Water Detention and Retention Manual. The channel re-alignment has resulted in routing the channel away from the future connection under Interstate 10, thereby avoiding a future cost associated with the underpass.

- GMP#3 (increase $1,393,666) - The new GMP#3 total is $8.4M, which is a $1.4 million increase from the last cost estimate. This change has two significant drivers. The first is associated with drainage culverts, pipes, earthwork, and erosion control (rip rap) related to the channel re-alignment that total an additional $609,340. The remaining cost increases of $784,326 from the last estimate includes cost escalation whereby materials and labor are more expensive for the remaining vertical structures, fencing, and hardscape in the project.

This amendment includes all project elements for the project, to remain on schedule for an opening of January 2020. As previously noted, funding for this project comes from hotel and rental car tax revenues that are statutorily restricted for use for tourism and stadium district purposes. The Kino Sports District (KSD) continues to receive strong interest in booking the facility starting in January. In fact, KSD has had to turn away business again this year due to a lack of available long fields during a specific weekend. Achieving this schedule has always been predicated on the acceleration of early GMP packages #1 and #2 to ensure that the grass would be installed by May/June of this year. Had these early packages not been pursued, the project would have been delayed by an entire calendar year, which would have reduced revenue-generating use of the facility and also would have had a significant impact to costs as we continue to see year to year construction costs much higher than those that were used for initial estimating.

CHH/mp

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Nancy Cole, Manager, Project Management Office

MEMORANDUM

Date: November 15, 2018

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

From: C.H. Huckelberry
County Administrator

Re: **Kino South Sports Complex First Phase of Sports Development and Plans to Promote Commercial Development by Sale or Lease of Certain Kino South Properties**

Background

The Kino Sports Complex (KSC) opened in 1998 to provide two-team professional baseball spring training as well as local Triple-A Baseball until approximately 2013. Spring training was a great economic driver for the local economy during that period. However, the teams eventually left Tucson in order to be physically closer to a large number of teams in the Phoenix area. Today, the KSC has transformed from a single-use with limited seasonal play to a multi-faceted facility with year round athletic events ranging from professional to youth sports as well as numerous community events, the gem show, concerts and other year round social gatherings. Flexible planning and versatility of space at the complex allows existing baseball and soccer fields to also host other athletic sports such as rugby or lacrosse, often changing field configurations with just days between events.

The existing north facilities cover 155 acres and have the capacity to accommodate crowds of up to 13,000. The new master planned Kino South Sports Complex will add 145 acres to the complex, plus a bonus 20-acre area of commercially zoned property now available for private development. The master plan includes 18 natural turf multi-use fields, a 20 pickleball court complex, additional community recreational turf fields, an event amphitheater (5,000 seats), an indoor court sports complex, an outdoor 10,000 seat stadium, and space for other large event or entertainment venue (such as a water park, ice rink or other). Ancillary improvements such as landscaping, concessions, passive recreation and connectivity to the Loop are also included. Future commercial areas are planned to include retail, hotel and restaurant development to support the sports complex as well as take advantage of a great location on Kino Parkway, the gateway from the Tucson International Airport to Downtown Tucson and the University of Arizona.

The first phase of development is now under construction and includes facilities for 18 natural turf multi-use fields, 20 pickleball tournament complex courts, parking and related infrastructure estimated to have a construction cost of $26 million.

Regional Economic Impact and Revenue Growth

Pima County worked with the Sports Facility Advisory (SFA) group in 2014-15 to look at the existing Kino facilities and determine what balance of elements could be included within the South Complex in order to build a balanced site with national and international interest. The initial pro-forma developed by SFA estimated the cost of construction and operations through the first five years of $57.8 million with an economic impact through the first five years of $109 million, roughly a 2 to 1 return on investment. The capital investment is significant; however, the regional economic impact and the synergy of potential additional commercial development in the immediate area will be well worth this investment. The site is planned to have three major components: the publically developed Kino South Sports Complex that is funded by the Stadium District, the public private partnership area for larger event venues, and the private development area for commercial/hotel/restaurant support services. Using this approach allows the County to focus on building the public sports fields while others focus on the planned private development components which are expected to leverage external development partners to complete the entire site plan. This investment will also mutually support nearby redevelopment areas including existing neighborhoods and private development such as the Bridges.

KSC revenues from various events continue to grow significantly. After two-team Spring training baseball left the complex, revenues dropped from $1.2 million per year to $100,000 or less. By diversifying sport revenues to soccer and other field sports and community use of these facilities, use revenues have increased to approximately $2.9 million per year, up $500,000 in just the last three years. I expect use revenues to increase significantly, perhaps double, when the South Complex opens in 2020.

Development Incentives – The Federal Opportunity Zone Designation

The Kino South Sports Complex is included in the Arizona Commerce Authority Opportunity Zone census tracks as approved by the federal government. Opportunity Zones are designed to incentivize capital investments in disadvantaged/low-income communities nationwide by creating tax incentives for investors who participate in a qualified Opportunity Fund, as listed below:

- Temporary Deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is disposed of or December 31, 2026.

- Reduction - A step-up in tax credit or deduction for capital gains reinvested in an Opportunity Fund. The tax credit or deduction is increased by 10 percent if the

investment in the Opportunity Fund is held by the taxpayer for at least 5 years and by an additional 5 percent if held for at least 7 years, thereby excluding up to 15 percent of the original gain from taxation.

- Exclusion - A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued after an investment in an Opportunity Fund.

Pima County worked with our regional partners to include the Kino South Sports census track as an Opportunity Zone fully realizing that this additive investment impact of the tax incentives and the baseline development investment potential would make this site very attractive for the private development community. This zone also extends northwest to the Bridges and South Tucson creating an entire corridor opportunity.

We have already been approached by Phoenix based developers regarding Opportunity Zone investments they could make on the commercial properties along Kino, south of I-10.

Attached is a PowerPoint presentation that is being given to interested parties regarding this project. It is also being provided to potential private investment partners. As you can see, there are significant enhanced transportation improvements on the near horizon around the KSC. These include, a new interchange at Country Club Road and Interstate 10; a widened interstate adjacent to the facility; a modified and efficient interchange at Kino Parkway and Interstate 10; a vehicle/pedestrian/multi-use underpass under the Interstate along the Forgeus Avenue alignment, integrating the Kino North and South Complexes.

In addition, the Tucson International Airport and Tucson Airport Authority (TAA) is planning a new major entry into the airport following the Country Club alignment south. Hence, the Kino Sports Complex remains ideally centered in the region. It will become increasingly accessible due to the interstate improvements by the Arizona Department of Transportation as well as TAA within the next five years.

Kino Sports Complex Financing / Stadium District Utilization Information

The full repayment of the Kino Stadium and Spring Training Complex debt occurred in Fiscal Year (FY) 2017/18. This debt had an annual debt service payment of approximately $3 million per year. With the repayment of this debt and ongoing annual hotel bed tax revenue of $2.5 million as well as annual car rental surcharge revenue of $1.5 million, the District can now invest in a substantial expansion of the complex. The present expansion is currently estimated to be $26 million in construction cost and can be financed through the issuance of Certificates of Participation (COPs). The COPs debt service payments will be repaid with

Stadium District revenues, including the car rental surcharge tax, hotel bed tax, etc. which are restricted in nature and therefore cannot be used for any other purpose, including such non-Stadium expenditures as road repairs.

The current Kino South Sports Complex project under construction includes 12 all natural grass sand-based fields that will be lighted, along with concessions, restrooms/locker rooms, guest services and space for congregating between games or events. These fields are designed to professional standards, including a sand base and drainage underlay system that allows minimal impact to playtime during storm events and allows the stadium district to maintain a very high performing turf field. This quality level is critically important to scheduling large local events like the Fort Lowell Shootout, and regional as well as national events, as it reduces turf recovery time and potential rain impacts for tournament play schedules. The district is already pursuing several national and regional tournament opportunities that were not available prior to the creation of a single site with this number of adjacent fields starting after the 2020 planned opening.

The addition of this turf will also allow the entire sports complex to be more flexible in event planning, since multiple events occurring across the campus focused on different sports will now be possible. This will allow the district to take advantage of the beautiful weather and environment in Tucson during the high season. The complex will also install the region's first pickleball tournament complex, including a 20-court complex with access to the same concessions and support facilities as the turf sports. This complex will also be lighted, and will provide a venue for this fast growing national sport.

The utilization of the Kino Sports Complex has continued to increase over the past two fiscal years, and is on target to exceed those totals in the current fiscal year. Attendance in FY 2016/17 was estimated at 248,770 participants and spectators, while in FY 2017/18 that number increased to 265,770. An increase of almost seven percent. FY 2018/19 is on target to surpass the previous two years with 59,958 visitors in the first quarter alone.

Events running the spectrum from Pac-12 Soccer and Rugby, to Division 3 and 4 Collegiate Baseball Tournaments, MLS Soccer, and Indoor Football provide for a variety of top caliber sports competitions throughout the calendar year. Add to that youth and adult recreational leagues in soccer, baseball, football, rugby and softball and the Kino Sports Complex has scheduled use averaging 320 days/year.

And when not scheduled with sports events the diversity of the Complex affords for community and entertainment events including concerts, gem show, carnivals, holiday light displays, fun runs, and fundraisers. The annual Gem Show alone sees over 75,000 additional visitors to the venue not calculated in the sports and ticketed event usage above.

The KSC continues to receive many accolades. The Catalina Foothills Unified School District Director of Facilities recently commented, "I was absolutely stunned with the quality of the baseball field....We likely will be contacting you again as we start designing, constructing and maintaining our own stadium field." Also, the coordinators of the Annual American Heroes Veterans Tournament wrote, " the Kino Sports Complex is one of the cleanest and nicest facilities...the amenities that were available is something they don't see at the other places they pay at....and you guys don't have a spring training team here—you have got to be kidding this place is beautiful."

Project Update

The project is still completing design while concurrently using a Construction Manager at Risk (CMAR) to install the fields. This approach has been critical to meeting the timeline necessary to develop the turf sod and installation of irrigation to establish the turf in time for the 2020 season opening. The current plan will install the turf sod in May of 2019, requiring that the grading, utility and underground distribution, field drainage and sand base and irrigation system be fully functional prior to this turf install date. The CMAR, Haydon Building Corporation (Haydon), has extensive experience in Arizona building large sport event complexes to this same quality of play. Haydon has worked side by side with our local design team to ensure quality detailing while providing input for efficiency and cost savings, where applicable.

The current project budget has been increased from the original $18.6 million to a current construction cost of approximately $26 million. The original budget did not include the professional level quality fields since these were originally planned as youth recreation fields. There is a significant cost and quality difference to this decision. However, it is critically important to maintain the professional level field quality to allow the complex to function year round with minimal impacts from weather on the field of play. This allows the stadium district to schedule high-level, regional and national tournaments year-round assuring that the tournament play will not be affected. The additional project budget to ensure this is built to the high quality standards of the current complex as well as incorporating sustainable elements, will result in long term reduced operational cost impacts, with the added benefit of having an adequate number of fields to attract national level tournaments.

The project construction also remains on schedule for the planned opening in early 2020.

Recommendation Regarding Guaranteed Maximum Price (GMP) Package 2 on November 20, 2018 Agenda

The Board of Supervisors November 20, 2018 agenda will include a Guaranteed Maximum Price (GMP) package 2 for the project improvement. The amount of $9.6 million for GMP 2

includes the ordering and installation of materials necessary to install the 12 long fields turf subgrade infrastructure comprised of an underdrain system, irrigation and subgrade sand bed. In addition, the entry road and parking lot areas will begin subgrade preparation and irrigation installation for future paving operations. These elements are needed to continue site preparation for installation of the already-ordered sod for the growing season in 2019. For your information, a third package is expected to be presented to the Board in the first quarter for 2019 for total project construction expenditures of $26 million.

CHH/mp

Attachment

c: Jan Lesher, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Nanette M. Slusser, Assistant County Administrator for Public Works
Maureen Ochoa, Director, Stadium District
Nancy Cole, Manager, Project Management Office

Kino Stadium District – The South Sports Complex

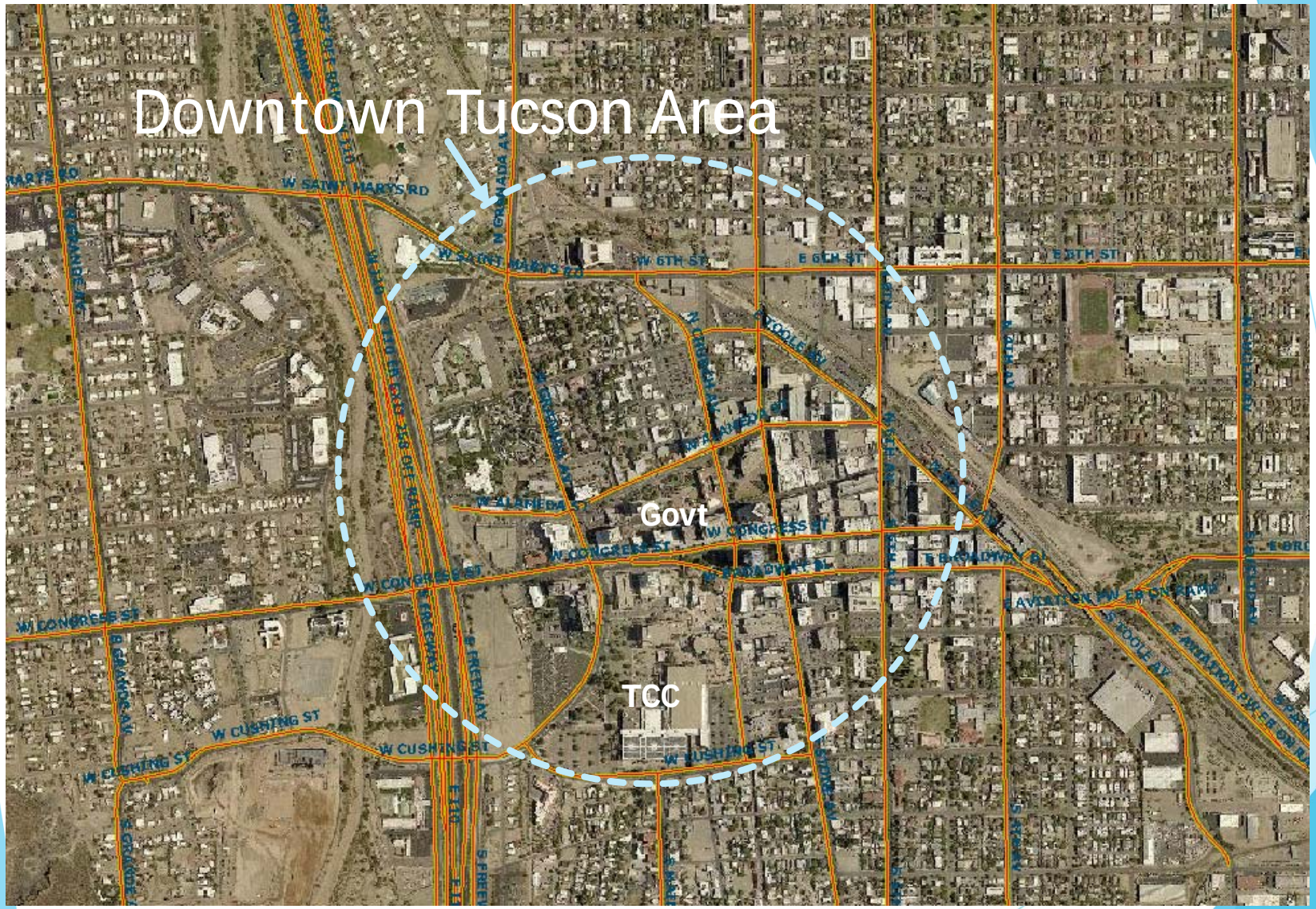
October 2018

Kino Sports Complex

- Opened in 1998 to house professional baseball spring leagues; as well as Triple-A baseball in the summer.
- Today, Kino Sports Complex has transformed, hosting athletic events from professional to youth sports, as well as community events, the gem show, concerts and other year round social gatherings
- Flexible planning and versatility in the complex allows for the existing baseball and soccer fields to also host other athletic uses (rugby, lacrosse)
- The north and south facilities cover 155 acres and have the capacity to accommodate crowds of up to 13,000
- The new south complex adds 145 acres to the complex, plus a bonus 20 acres of commercially zoned property to be available for private development

Kino Sports Complex – South Expansion

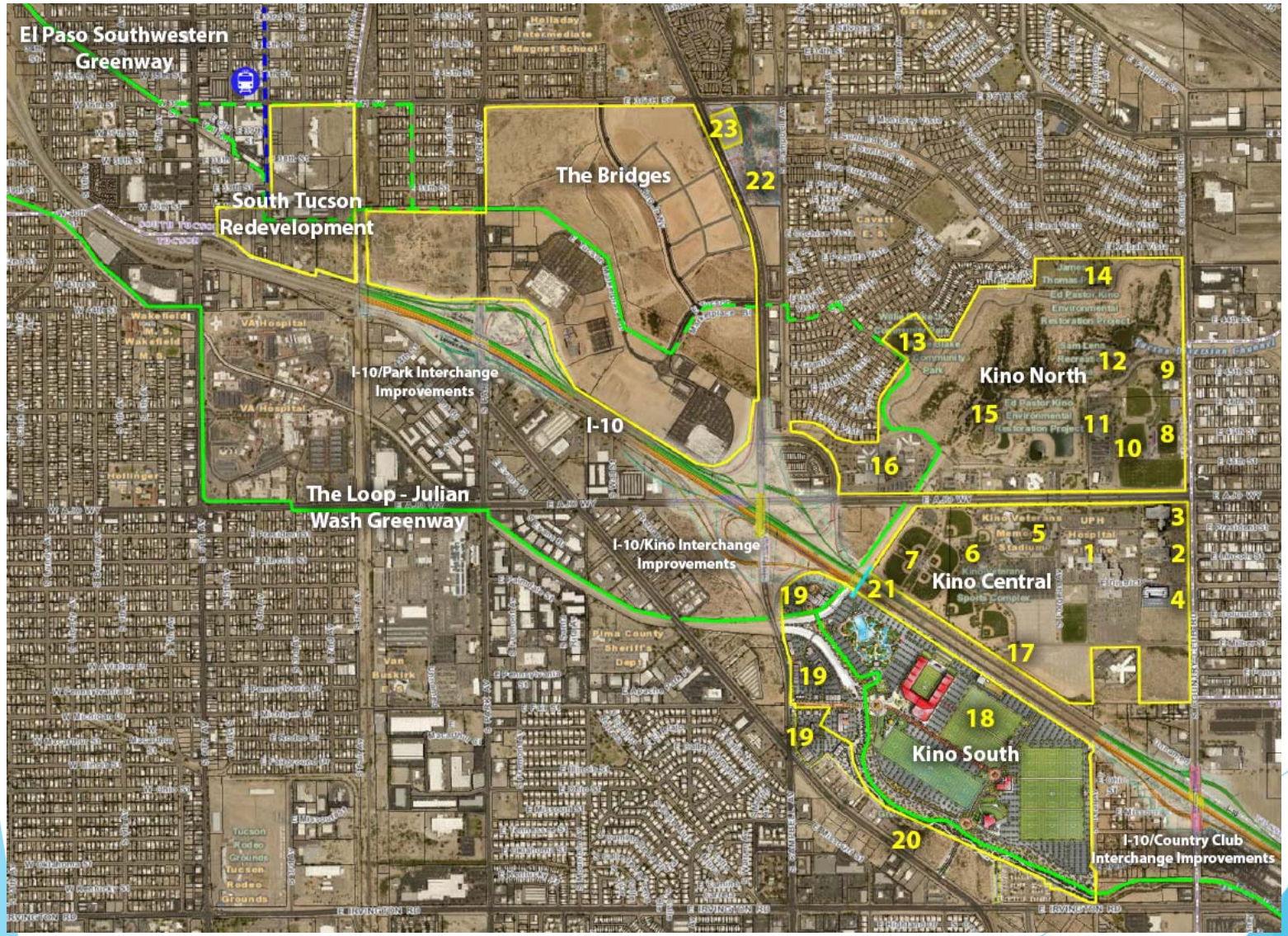
- Community Goals
  - Integrate Healthy Community principles / support active recreation
  - Pedestrian & Bicycle friendly
  - Creation of the premier sports and entertainment complex in Southern AZ
  - Attract regional and national sporting events
  - Beautify gateway to the City Center and University of Arizona from TIA
  - Expand Partnership opportunities: Special, Senior & Para Olympics, UA Soccer/Rugby/Hockey,
- Economic Goals
  - Spur Redevelopment, Stimulate Economic Development
  - Recruit youth sports tournaments
  - Create new tax revenues (increase tourism-related revenues for KSD and the region)
  - Cooperate/Collaborate with regional partners – COT, COST, UA, Visit Tucson, Sun Corridor and other property owners/developers
  - Develop Public-Private Partnerships to realize goals


Downtown Tucson Area
Govt
TCC
W SAINT MARYS RD
W 6TH ST
E 6TH ST
W CONGRESS ST
W CUSHING ST
W ALAMEDA ST
E BROADWAY BL
E AVIATION PW EB ON RAMP
S FREEWAY
S TOOLE AV

Downtown Tucson Area
Kino Stadium District
at the same scale
dwarfs downtown

Kino Sports Complex – Location

- Transportation Hub – On I-10 at Kino, Benson & Ajo
- Proximate to Downtown, I-10/I-19, Tucson Airport, University of Arizona
- Future Development Areas
  - The Bridges
  - South Tucson Redevelopment
  - Benson Highway Corridor
- Special Linkages – Creating a sense of Place
  - Kino Restoration Area
  - The Loop
  - The El Paso Southwestern Greenway (Downtown)


El Paso Southwestern Greenway
South Tucson Redevelopment
The Bridges
I-10/Park Interchange Improvements
I-10
The Loop - Julian Wash Greenway
I-10/Kino Interchange Improvements
Kino North
Kino Central
Kino South
I-10/Country Club Interchange Improvements
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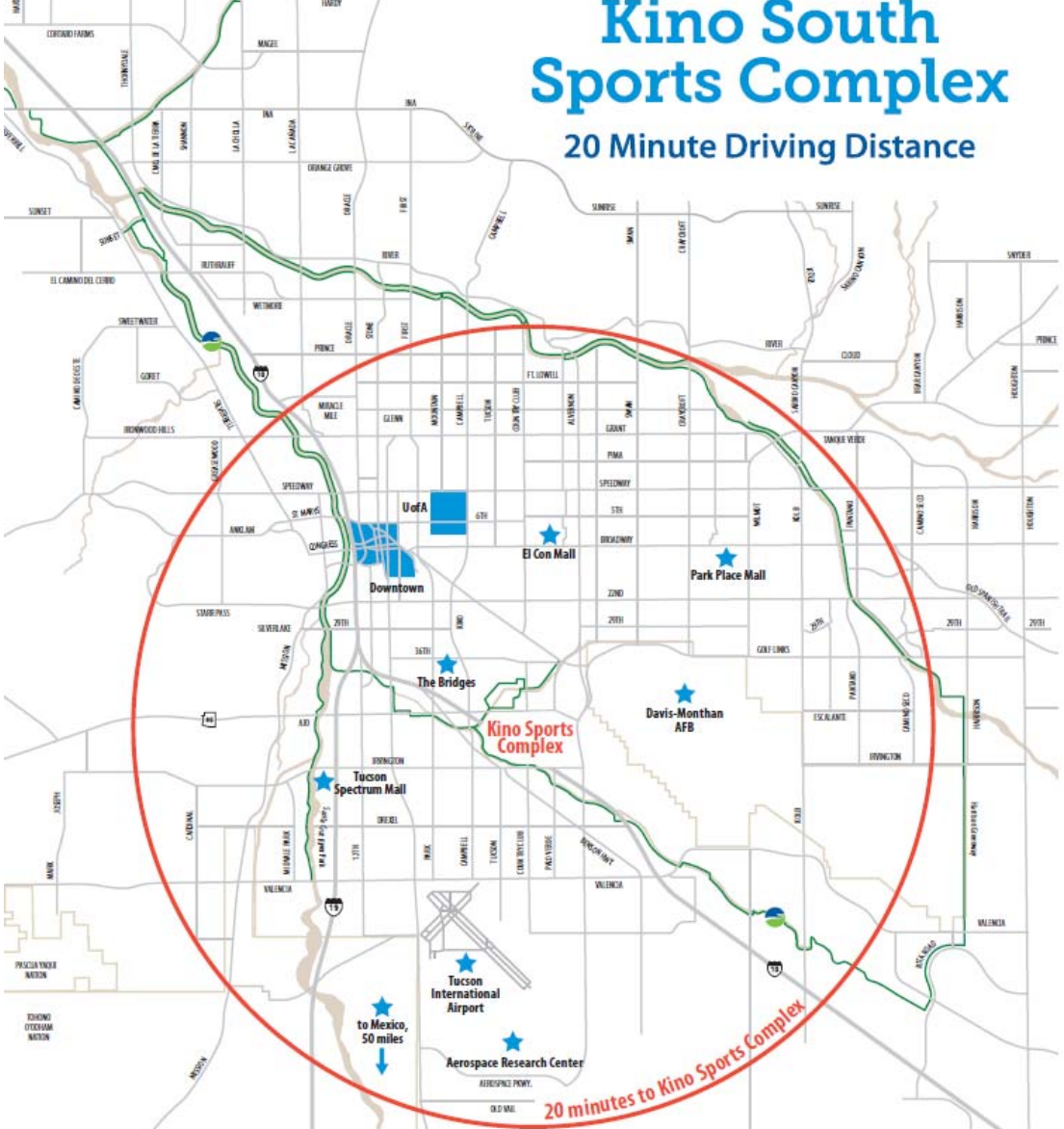
Kino South Sports Complex

20 Minute Driving Distance



Places of Interest & Employment Centers

The Loop Shared Use Path

N

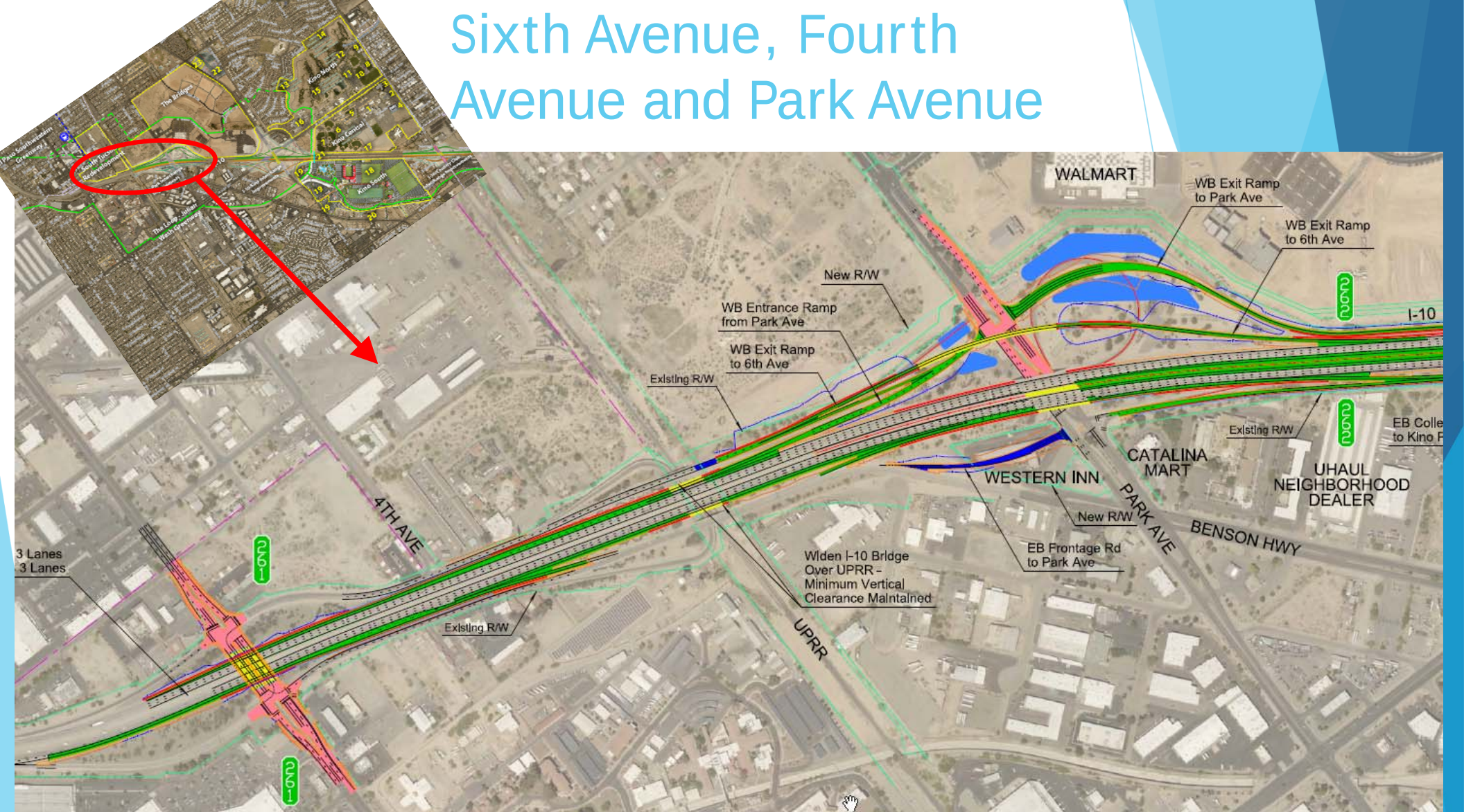
0 1.0 2.0 4.0

Scale in Miles

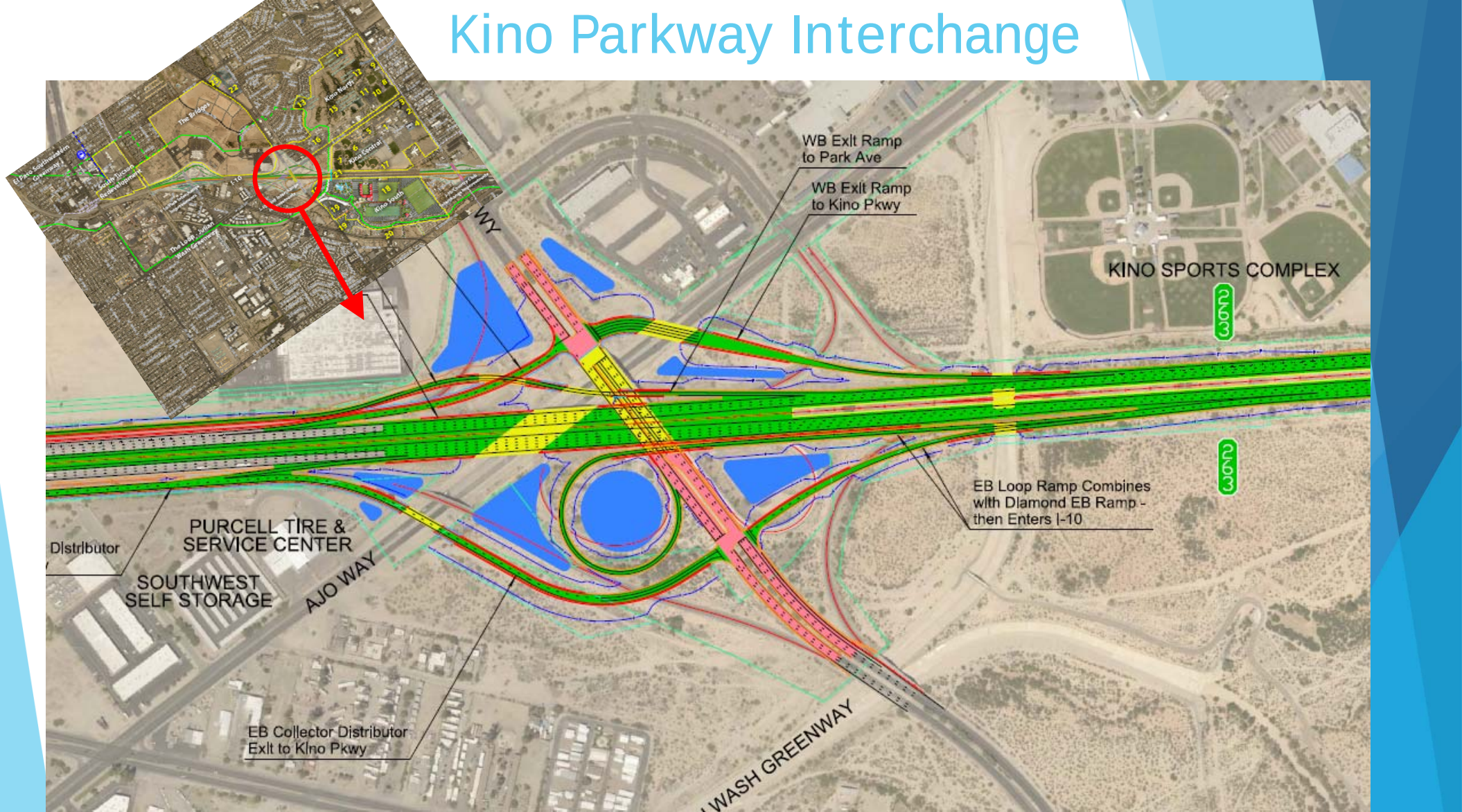
Kino Sports Complex – Transportation

- ADOT Improvements
  - Country Club – New Interchange (Design funded in 5 yr Plan; No Construction $)
  - Kino – Upgraded Interchange (Design funded in 5 yr Plan; No Construction $)
  - Park – Upgraded Interchange (future)
  - Underpass at Kino Stadium for internal connectivity (future; local funds)

Sixth Avenue, Fourth Avenue and Park Avenue



Kino Parkway Interchange



New Country Club

Kino Sports Complex – South Complex

- Master Plan Elements
  - Tournament complex: 18 natural turf multi-use, lit fields
  - 20 pickle ball court complex
  - Community recreation – additional turf fields
  - Event Amphitheater (5,000 seats)
  - Court Sports Complex
  - Outdoor Stadium (10,000 seats)
  - Other large event or entertainment (Water Park, Ice rink)
  - Ancillary improvements and connectivity to the Loop

Kino South Sports Complex

Kino Sports Complex – Phase 1

- Two long turf field complexes, each with 6 fields
- 20 pickle ball courts
- Concessions & Lockers
- Entry gate/main south entry
- Promenade area for vendors, players
- Parking
- Future expansion area (3 more fields)
- Support spaces

MAJOR SIGNAGE (TYP)
I-10
(APPROX 84,000 ADT)
CLUB ROAD
VEHICULAR UNDERPASS
TO KINO SPORTS COMPLEX AND FORGEUS AVE
MAJOR SIGNAGE (TYP)
JULIAN WASH
PIMA COUNTY OWNED
PRIVATE OWNERSHIP
E BENSON HWY
ENTRY MONUMENT (TYP)
PRIMARY ENTRANCE

Kino Sports Complex –Partnership

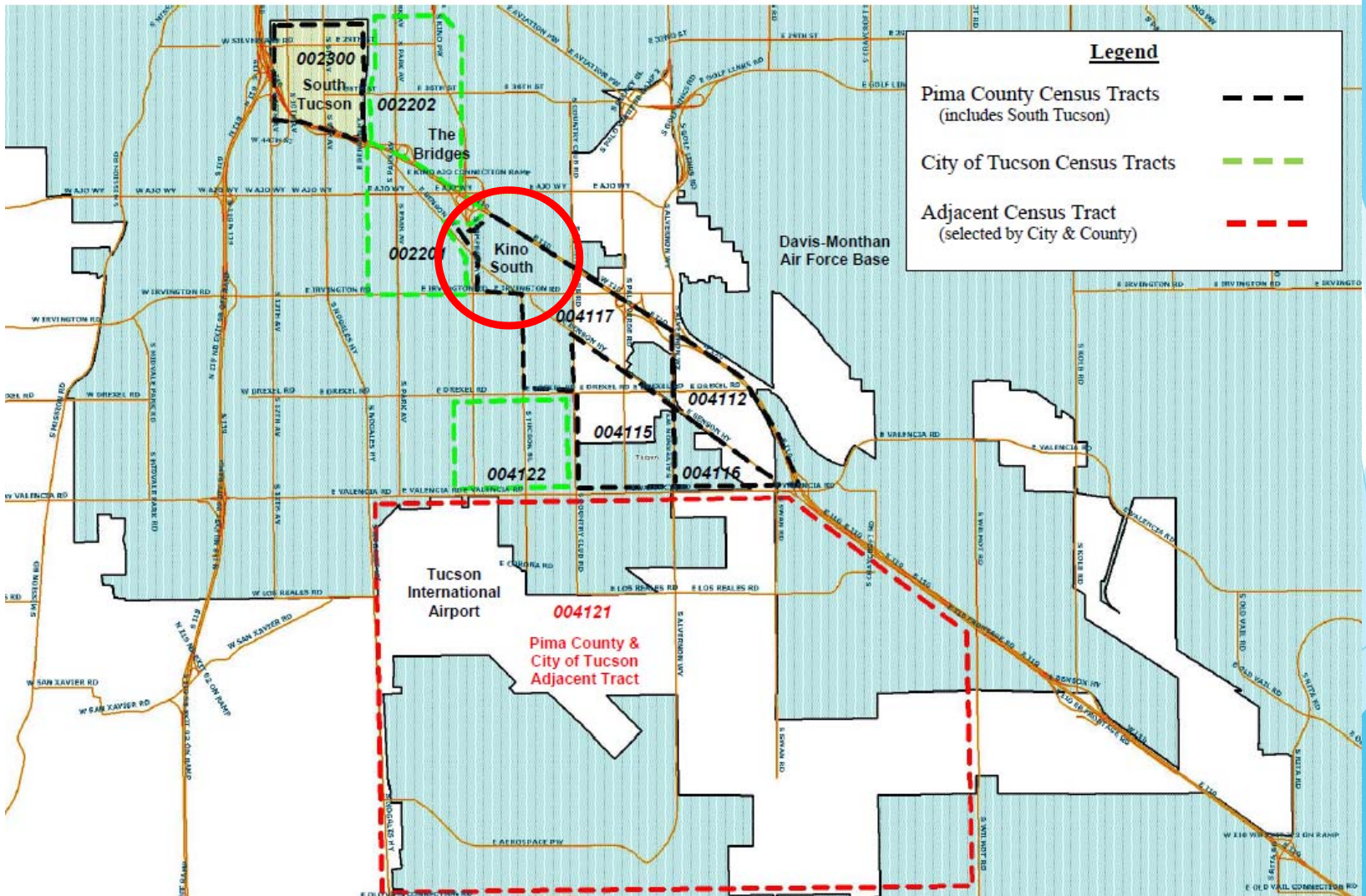
- Two development opportunities – different goals
- Private Development opportunities
  - Parcels A, B, C
  - Retail, Commercial, Hotel
  - Support services for event or tournament attendees
- Public Private Partnership opportunities
  - Flexible Event Space – 10,000 seat stadium
  - Indoor Court Sports, ability to house events, meeting spaces
  - Water Park or other recreational opportunity
  - Ice Rink or alternate sporting venue

- Private Partnership Opportunities:
  - Parcels D & E
- Commercial Opportunities:
  - Parcels A, B & C

Kino Sports Complex –Timeline

- Construction of Phase 1 - UNDERWAY
- Phase 1 Completion Date – January 2020
- Public Private Partnership opportunities - ???
  - Requires an open and competitive process
  - The County has already a draft ready to go
  - Planned to be ready to go out when the grass is green
- Commercial Retail opportunities - ???
  - Timed to be available when the market is ready

Kino Sports Complex –Opportunity Zones

- The Kino South Sports Complex is included in the Arizona Commerce Authority Opportunity Zone Census Tracts as approved by the Federal Government.
- The Opportunity Zones program is designed to incentivize capital investments
  - A temporary deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund.
  - A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis is increase by 10% if the investment is held at least 5 years, and by an additional 5% if held for at least 7 years.
  - A permanent exclusion from capital gains taxes for the sale or exchange of an investment if held for at least 10 years. This only applies to gains accrued after an investment in the opportunity fund.

AZ Commerce Authority Opportunity Zone Census Tracts – May 2018