Date: November 9, 2021

To: The Honorable Chair and Members
   Pima County Board of Supervisors
From: Jan Lester
       Chief Deputy County Administrator

Re: Update from Knott Development on Mosaic Quarter Project at Kino Sports & Entertainment Complex

As part of the Master Developer Partnership Agreement with Pima County, Knott Development is required to provide progress updates every 60 days. Attached is the November update covering adjustments to the site layout, changes in project elements, revised phasing plans and community engagement activities.

Of note on the site changes are infrastructure and market challenges, which when combined necessitated relocating the Field House and Iceplex. In order to accommodate the needed adjustments, and to also honor the previously made commitment to avoid detrimental competition with the Tucson Convention Center, the Arena has been removed. Also removed is the multi-family development, along with additional repositioning of the hotels and the medical office building.

These changes provided an opportunity to introduce new project elements consistent with the overall vision for the project, including adding a Sportsplex for a diverse range of indoor sports and activities other than basketball and volleyball. Additionally, a Pavilion area has been added incorporating outdoor spaces, dining and visual and performing arts areas. Included as part of the Pavilion is an office building that will house the philanthropic Mosaic Foundation (formerly Athletic Inclusion Foundation) and become the headquarters of Knott Development.

The revised site layout, and associated proposed timing and composition of the phases, are shown in the update letter and exhibits. Beyond the site layout, the update also provides exciting new illustrations of exterior elevations for the Field House and the Iceplex, which are set for Phase I completion in August 2024. The remaining elements of the project are planned to be phased in over several years with full completion targeted for 2027.

Along with the specific details on the site and facility aspects, the update includes an announcement that the University of Arizona hockey program will locate in the Iceplex beginning in August 2024. To accommodate the University, the Iceplex design has been updated to incorporate seating for games, locker rooms, and coach’s and film reviewing offices. Additional details on the relationship with the University will be forthcoming in subsequent updates.
Finally, the update provides a summary of continuing community outreach and engagement. Recent interactions have included the Tucson Airport Authority, Pima Area Labor Federation, Tucson Jewish Community Center, local development and real estate firms, Marana and Vail School Districts, and Pima Community College.

The next update from Knott Development is due by January 6, 2022.

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
    Dr. 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
    John Moffatt, Director, Economic Development
    Reenie Ochoa, Director, Stadium District and Kino Sports Complex
November 6, 2021

Mr. Chuck Huckelberry  
County Administrator  
130 West Congress Street, 10th Floor  
Tucson, Arizona 85701

Re: Development Report

Mr. Huckelberry:

This letter serves as our periodic update on Mosaic Quarter. As a follow-up to the development-related updates from our September 6 letter, this update largely focuses on certain adjustments to our Mosaic Quarter site plan, alterations to certain anchor elements and the recalibration of our development phasing plan. It also includes reporting on the community outreach and engagement activities that Knott Development continues to foster.

Development Plan Adjustments – Site and Market Conditions.  
As mentioned in our September 6 update, we have faced a series of obstacles to our originally contemplated site plan. Individually, each was seemingly surmountable due to the creativity and skill of our design team. When analyzed in the aggregate, though, facility operations and economic development impacts dictated prudent site and facility composition adjustments. Among the material constraints leading to our decisions were the following:

ADOT Interchange Design – The Arizona Department of Transportation’s proposed rights of way related to the reconfiguration of the Kino Parkway – Interstate 10 interchange presented layered challenges that affected site and facility design. ADOT’s design plan significantly encroached upon the Field House parcel, forestalling hospitality development plans for this portion of the site. In addition, ADOT’s proposed designs materially reduced Field House adjacent parking capacity.

Existing Infrastructure Impediments – Upon the commencement of predevelopment work, our team discovered an El Paso Gas easement across the main body of the Mosaic Quarter site. The easement’s development preclusions resulted in amendments to internal roadway design as well as a reduction of surface parking for the proposed arena. Compounding the effects associated with the gas line easement is the necessary relocation of a 36-inch sewer interceptor. A relocation of such critical infrastructure further exacerbated internal roadway and surface parking design, but likewise added complexity to overall site composition and placement for anchor and support element facilities. Lastly, the composition of the Julian Wash and its treatment under certain Army Corps of Engineers permitting regimes resulted in the necessary relocation of multimodal and pedestrian bridges, internal roadways which, on a cascading basis, affected the original placement of certain anchor and support element buildings.

Market Pricing and Supply Chain Conditions – As may come as no surprise in the post-pandemic market environment, we have experienced exacerbated supply chain delays as well as dramatic increases in materials and labor costs. Supply chain
considerations resulted in a slight push back of our development schedule and, for certainty of materials availability, a segmented phasing of the overall development utilizing the staggered development schedule within our Development Agreement. Increasing development costs further, the labor market within the Southwest region remains tight as Intel and TSMC fabrication plant construction activity strains the available labor pool. Typically, Arizona sees approximately $5 billion in annual commercial construction activity which supports 70,000 workers. With these fabrication plant projects alone, and exclusive of CARES Act fund deployment to regional construction projects, the available regional labor pool is looking at $55 billion in construction activity during the next five years. As a result, current labor pricing is, and is projected to remain, at levels in excess of Davis-Bacon Act prevailing wages. Together, these market constraints have impacted the costs of certain anchor elements to untenable levels.

Development Response Decisions.
While our design, finance and operations teams could overcome each of these obstacles on an individual, site-specific basis, we have made development plan adjustments consistent with three fundamental guideposts:

1. Prudently make site composition and design choices that satisfy our fiscal development obligations;
2. Strategically choose facility development that favors widespread community use and economic development; and
3. Maintain our commitment to facilities that supplement, rather than replace, existing assets.

In light of these guiding principles, we have made the following adjustments to our proposed site plan:

A larger version of the revised site plan is attached to this letter as Exhibit A
Elimination of the Arena – While we firmly believe in the business proposition underlying the design and utility of the proposed arena as well as the reciprocal benefits that would accrue to the TCC Arena, several factors dictated its removal. Site infrastructure impediments would have made it exceedingly difficult to sufficiently park arena guests without overtly compromising the design and scope of the Iceplex and Field House. Materially altering the Field House and Iceplex would, in turn, eliminate their associated economic development benefits in favor of the arena’s limited economic development impact. Furthermore, honoring our commitment to the City of Tucson and Rio Nuevo – altering the design and programming to avoid detrimentally competing with the TCC Arena – meant upsizing the arena. While current market development costs associated with the originally designed arena would have cannibalized site wide budgets, scaling the arena to an up-market size would have only exacerbated the predicament. Given the combination of market cost paradigms, site infrastructure impediment factors, our responsibilities to the County and our commitments, the prudent decision was to remove the arena and channel our energies into facilities that promoted community use, economic development and the creation of additional local partnerships.

Relocation and Redesign of the Iceplex – With the removal of the arena, prior inquiries regarding an expansion to Iceplex operations could be considered. To take advantage of these opportunities, the Iceplex is being redesigned and has been relocated to the portion of the site formerly occupied by the arena. Relocation permits an expansion of programming and operations, the development of additional local relationships, economic development opportunities and the reconfiguration of other portions of Mosaic Quarter that enhance its overall composition and community benefits.

Elimination of Multifamily Development – As a consequence of the reconfiguration of the Field House site, the relocation of the Iceplex and infrastructure impediments affecting overall site parking, we have removed the originally planned multifamily development. In addition to generating additional overall parking capacity, our redesign for this portion of Mosaic Quarter includes additional indoor multipurpose space. Moreover, this adjustment will further align Mosaic Quarter
with the adjacent Campbell Benson development, with whom we have a coordination agreement. Pursuant to these alterations, we will enable a more comprehensive redevelopment of the Benson Highway Corridor.

Reconfiguration of the Field House Parcel – In light of the eventual encroachment by ADOT’s planned interchange adjustments, as well as an unknown timeline for their finalization and execution, we have altered the Field House’s configuration. The previously planned Field House-adjacent hotel has been removed. With the exception of Field House-specific ADA parking, guest parking has been relocated across the Julian Wash. Site adjustments in contemplation of the new parking arrangement and the addition of a pedestrian bridge have resulted in a spacious drop-off zone, an expansion of covered parking spaces for Field House guests and easing of site-specific vehicular congestion.

Addition of Mosaic Quarter Sportsplex – Based on the volume of groups seeking occupancy within the Field House and the scope of their planned facility usage, we have added the Sportsplex to the roster of athletics-focused facilities within Mosaic Quarter. The Sportsplex will enhance Mosaic Quarter’s economic development prowess, enabling the addition of a larger series of travel-based tournaments in a diverse number of sports while offering a balance of indoor multipurpose space that permits the continuation of local indoor athletic programming during Field House-specific tournament events.

Creation of Mosaic Quarter Pavilion – The Iceplex’s relocation presented an opportunity to add a unique element to Mosaic Quarter, the Pavilion. Comprised of open space, restaurants, urban splash pads and incorporating visual and performing arts infrastructure, the Pavilion serves as a year-round community amenity independent of athletic events.

Repositioning of Medical Office Building – We have elected to reposition the originally planned medical office complex and are postponing its inclusion in the development plan as we work through discussions with several interested parties. In consideration of the Iceplex’s relocation, reconfiguration of the Field House site, addition of the Sportsplex and the need to
address infrastructure impediment-based surface parking volumes, prudence dictated delayed implementation of this support element until more concrete development plans were secured.

Repositioning of Hospitality Assets – The repositioning of the medical office building from its original site enabled the repositioning of our hospitality assets. Moving towards a franchise-supported model of single site/dual branding, our Field House-based hotel has been relocated to sit within a footprint shared with existing hospitality development plans. Altering site plan composition to permit both hotels to enjoy highway visibility, shared parking and a location central to both Mosaic Quarter guests and those attending tournaments on the County’s adjacent field complex, enhances the appeal and viability of both hotel properties while balancing our existing infrastructure-based planning needs.

Overall Development Phasing Plan.
While many of our development plan adjustments are premised on site-based infrastructure impediments, our phasing plans have been largely influenced by market cost and supply chain considerations. Although we anticipated a more linear development progression, we have now adopted a staggered plan. Based on the site plan segmentation and the descriptions set forth below, Mosaic Quarter will open in 2024 with all anchor and support elements completed in 2027.

- Phase 1 Completion – August 2024 (Field House, Iceplex, associated support elements)
- Phase 2 Completion – August 2025 (Pavilion) & February 2026 (Sportsplex)
- Phase 3 Completion: August 2026 (Hotels and support elements) & March 2027 (Stadium & Parking Garage)

A larger version of the revised site plan is attached as Exhibit D.
Phase 1 Composition.
Phase 1 will see the completion of the Field House and Iceplex along with their respective support elements. In tandem with the completion of these anchor elements, the Iceplex Event Plaza, Mosaic Quarter Entertainment Center and 2 restaurant concepts will open. In addition to anchor and support elements, we will complete all bridge and infrastructure work, including the main utility spines for the remainder of the site.

Moving to the center of Mosaic Quarter, the Iceplex takes on the role as the development’s visual focal point. The transformation of the Iceplex from a more utilitarian facility to one of architectural prominence is premised on the establishment of a new local relationship:

We are pleased to announce that the University of Arizona hockey program will relocate to Mosaic Quarter in August 2024. With exclusive rights to Rink 1, Arizona Hockey will conduct all practices and hold all home games at Mosaic Quarter Iceplex. As part of our relationship with the University, the Iceplex has been redesigned to accommodate sufficient seating for American Collegiate Hockey Association games, dedicated locker rooms, coach’s offices, film review facilities and additional, flex space. We could not be more excited to have Arizona Hockey as an Iceplex anchor and look forward to releasing more details during the next month regarding the Iceplex’s redesign and Arizona Hockey’s participation in Mosaic Quarter.
Phase 2 Composition.
Following the establishment of Field House and Iceplex operations, Mosaic Quarter Pavilion (the northwest portion of Phase 2) will open in August 2025. Consisting of 4 restaurant concepts with outdoor seating, open pedestrian and lounge spaces and urban splashpads, the Pavilion is designed to offer residents and visitors, alike, with an athletics-independent Mosaic Quarter experience. Among the unique amenities offered by the Pavilion is a large, shaded lawn area surrounding a permanent stage. The Pavilion will be home to weekend movies and performing arts productions produced by local partners, with the goal of making all productions open to the public and free to attend. We look forward to providing more visual and performing arts partnership details within our January 6 update.

In addition to the Pavilion, Phase 2 includes the Mosaic Quarter Sportsplex. Scheduled for completion in February 2026, the Sportsplex will complement both the Field House’s operational capabilities and its diversity of programming. With a high level of engagement from diverse sports such as judo, archery, indoor soccer, indoor flag and passing football and indoor lacrosse, a majority of non-tournament Field House hours will be occupied by activities other than local basketball and volleyball organizations. Given the space configuration requirements of these activities and the hourly capacities being achieved in short order, our facility scheduling flexibility justifies an additional Mosaic Quarter athletic facility. Even in concept form, the Sportsplex’s addition to the Mosaic Quarter site plan has generated interest from an even wider variety of national and international tournament sponsors. Moreover, the Sportsplex will offer operational balance of indoor multipurpose space that permits the continuation of local indoor athletic programming during Field House-specific tournament events.

Included as part of the Pavilion’s development is a 10,000sf office building adjacent to the Julian Wash. The Pavilion offices will become the headquarters of the Mosaic Foundation, Knott Development’s site-based philanthropic initiative. The foundation’s Pavilion offices and on-site location will enhance its presence within the Southern Arizona nonprofit community and will symbolically and functionally link its mission to Mosaic Quarter.

The Pavilion offices will likewise become the headquarters of Knott Development. This decision is based, in part, on the scale and breadth of Mosaic Quarter and the need to be on site far more consistently. Moreover, based on our experience in Tucson and Southern Arizona over the past 3 years, the business relationships forged and personal friendships developed, I have made the decision to relocate Knott Development and my personal residence to Tucson. Knott Development will officially move its operations upon the Pavilion’s opening and over the course of a two-year transition, will relocate all operations from the DC metropolitan area to Mosaic Quarter.

Phase 3 Composition.
During the construction of Mosaic Quarter Pavilion and the Sportsplex, the development of Phase 3 will commence. In its initial stage, Phase 3 will be composed of Mosaic Quarter’s hospitality assets and remaining retail and restaurant outlets. All
support elements included within Phase 3 are planned for completion in August 2026, taking advantage of established operations and occupancies within the Iceplex, Field House and Sportsplex.

Although on a to-be-determined basis under the Development Agreement, based on current programming success, we anticipate completion of the Mosaic Quarter Stadium and Parking Garage in March 2027. The timeline associated with the Parking Garage could be potentially accelerated based on coordination with the Stadium District and its schedule load within the Kino Sports & Entertainment Complex.

Community Engagement – Regional Organization Outreach.
As in previous reporting periods, we continue to actively engage with, and support, community groups, school districts, nonprofit organizations and local businesses and developers to emmesh Mosaic Quarter within all aspects of the Pima County community. In furtherance of this effort and based on the tourism-associated aspects of Mosaic Quarter, Knott Development held an initial meeting with Tucson Airport Authority leadership. In addition to providing a detailed review of the Mosaic Quarter facilities, we reviewed projected travel tournament volumes and schedules and committed to providing updated tournament metrics as our operational plans progress. Our goal is to foster a collaborative relationship with the Airport Authority in order to provide Mosaic Quarter tournament visitors with a seamless travel experience as well as enabling periodic Airport Authority updates and expansion planning based on travel volumes associated and expected as a part of Mosaic Quarter’s hosted tournaments.

Community Engagement – Local Organizational Outreach.
Recently, we had the pleasure of presenting Mosaic Quarter at the Market Expo portion of the Hispanic Market Outlook & Expo. The event provided the opportunity to interact with a large volume of residents and business owners to explain, update and seek feedback regarding Mosaic Quarter and the Mosaic Foundation. In addition, I had the personal pleasure of interacting with students from local high schools who had expressed an interest in business, marketing and the development industry. This opportunity was a rewarding experience, and I look forward to developing additional opportunities to engage with local students, particularly those from challenged and development sector-underrepresented communities.

In September, Knott Development met with the Pima Area Labor Federation and engaged in a broad discussion related to labor opportunities within Mosaic Quarter’s development process. During the meeting, we reiterated our commitment to treating all construction workers on an equal basis, regardless of organizational status. To reinforce this commitment, we asked PALF and the local union representatives in attendance to confirm for us each of the local unionized firms in each construction trade. As disclosed to PALF and its labor representatives, we will engage local building and construction organizations to obtain the same information regarding non-union firms. Based on these confirmed local subcontracting firms, along with our own internal list of potential subcontractors, bid packages will be provided to the entire local market. Our purpose in doing so, as noted during the meeting, is to ensure that all trades resident within Pima County have an equal opportunity to participate in the bidding process for Mosaic Quarter construction opportunities, whether union-affiliated or not. Our goal remains, as it should be in this public private partnership, to seek the employment of as many Pima County construction workers as possible while obtaining the best possible contractual and construction result.

During October, we had the opportunity to present Mosaic Quarter and the Mosaic Foundation to leadership of the Tucson Jewish Community Center. As is our customary mindset, we sought to identify specific, individualized organizational facility needs, engage in a discussion on how those needs could be addressed, share our thoughts on the implementation of Mosaic Quarter-based solutions, and identify ways in which Mosaic Quarter and Mosaic Foundation can support the JCC’s mission even outside of Mosaic Quarter facility use. In a manner similar to our meetings with local school district leadership, we identified several paths of collaboration and will continue to collaborate with JCC leadership to formulate mutually beneficial solutions and programming.
Community Engagement – Private Sector Business Outreach.
In September, we had the pleasure of meeting with members of Diamond Ventures’ executive management team to provide an overview of Mosaic Quarter. In addition to a comprehensive discussion regarding on-site development aspects, we likewise reviewed the widespread economic development benefits associated with Mosaic Quarter and its ability to partner with other developments. We look forward to continuing our engagement with Diamond Ventures and to discovering ways in which our firms can collaborate within the greater Tucson region.

More recently, Knott Development has initiated contact with local residential real estate firms. This effort is designed to not only provide an overview of Mosaic Quarter, but to provide information to a portion of the local business sector representing families who are relocating to Southern Arizona and who may find Mosaic Quarter an enticing amenity when considering relocating a family to the area. Our goal is to provide resources and information that assists all segments of the business community in achieving regional growth.

Community Engagement – Educational Outreach.
During September and October, we met with the school district leadership of Marana and Vail as well as Pima Community College and held additional discussions with Pima Joint Technical Education District. Much like our discussions with the Flowing Wells and Sahuarita Unified School Districts, our meeting with Vail leadership immediately identified opportunities where Mosaic Quarter could assist and support after school athletics and enrichment programs. Based on the scope of our initial meeting, we are scheduled to engage in additional planning sessions with administrative and athletic department staff to identify specific methods of collaboration. During the upcoming reporting period, we are scheduled to meet with the Educational Enrichment Foundation associated with Tucson Unified School District as well as TUSD’s Director of Interscholastics.

With respect to Pima Community College, our discussion identified a natural intersection between Mosaic Quarter anchor elements and PCC’s programming, including in one example, Mosaic Quarter serving as a “working lab” to support the region’s training and workforce development. We are scheduled to hold additional meetings with PCC’s leadership team to further identify collaborative opportunities across their operational landscape. Our discussion with Pima Community College and the working lab aspects of a potential relationship highlighted an overlapping opportunity with Pima Joint Technical Education District. We are currently scheduled to present Mosaic Quarter, our thoughts on facilities and opportunities for collaboration with JTED’s governing board in the coming months.

Thank you for the opportunity to detail our Mosaic Quarter development plans, facility composition progress and community outreach efforts. As always, I welcome the occasion to discuss these efforts in more detail with you, County staff or the Board of Supervisors as the County desires.

Regards,

[Signature]

Frank Knott