



MEMORANDUM

Date: October 5, 2023

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.

Re: **September 2023 Update on Mosaic Quarter Project**

Attached is the September 2023 update on Mosaic Quarter (MQ). It has been realized that a July 2023 update was inadvertently not provided, so this update covers the period since the [May 24, 2023](#) transmittal.

As indicated in the attached report, all building and construction site plans have been completed and have proceeded through iterative review with Pima County departments. The MQ Iceplex and MQ Fieldhouse have completed building plan review and are awaiting permit issuance subject to lease approval consideration by the Board of Supervisors later this calendar year. The site construction plans are nearing this point as well.

Additional project related documentation required under the development agreement, such as the updated business plan and information to supplement already submitted cash flow and economic development impact data, continue to be refined based on interactions between Pima County and Knott Development. Pima County staff and our third-party consultants, Rider Levett Bucknall (RLB) and Rounds Consulting, have met several times to review submitted project materials and their progressing evaluation. A final evaluation report from these consultants related to construction cost estimating and economic impacts is expected in October.

Pima County Administration and the Finance Department Director have met with the County's financial advisor Kurt Freund with RBC Capital Markets. A meeting also occurred with Pima County, RBC Capital and Frank Knott in preparation for the upcoming credit rating agencies review related to the County's credit ratings. Draft lease documents including the Master Ground Lease, Phase I Ground Lease, Phase I Lease and Phase I Sublease are undergoing iterative review by Pima County staff, the County Attorney's Office, outside legal counsel Osborn Maledon representing Pima County, and Knott Development.

The near-final leases will be included as part of the credit agency review prior to being presented to the Board of Supervisors for consideration. The current targeted time frame for Board of Supervisors review is December 2023. As noted in the May 2023 transmittal, it is important to take the time necessary to perform a complete and thorough review of all documents and project aspects prior to lease consideration. As such, a specific date for Board

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of Supervisors consideration of the leases will be set as we are closer to receiving the credit rating agencies determination.

The September 2023 update also outlines a new travel sports marketing initiative called *Visit With Us!* and an *MQ App* that will incorporate participation of local businesses, retailers, restaurateurs and attractions to serve Mosaic Quarter travel guests and the local community. Additionally, the update summarizes sustainable aspects of electric power generation for the project through the use on an on-site central utility plant that utilizes environmentally-friendly technology's to efficiently produce energy and chilled water while lowering operating costs.

JKL/anc

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Francisco Garcia, MD, MPH, Deputy County Administrator and Chief Medical Officer
Steve Holmes, Deputy County Administrator
Nancy Cole, ERP Executive Project Manager
Diane Frisch, Director, Attractions & Tourism
Sheila Holben, Interim Director, Project Design & Construction
Ellen Moulton, Director, Finance and Risk Management
Reenie Ochoa, Director, Stadium District and Kino Sports Complex
Terri Spencer, Director, Procurement Department
Heath Vescovi-Chiordi, Director, Economic Development



September 22, 2023

Jan Leshner
County Administrator
115 North Church Street, Suite 231
Tucson, Arizona 85701

Re: Development Report

Ms. Leshner:

This letter serves as our periodic update on Mosaic Quarter. In this update, we highlight the progress of Mosaic Quarter's development review by County staff and related governmental agencies. In addition, we detail an aspect of our operations model that utilizes sustainability to enhance Mosaic Quarter's business wherewithal. Finally, we're pleased to announce a collaborative effort benefitting local attractions as well as small business retailers and restaurants.

Development Review and Update.

As noted in our last update, Mosaic Quarter Development has completed all building and site construction plans required for Phase I, which includes MQ Iceplex, MQ Field House and the development's site and infrastructure backbone. These materials have been undergoing an iterative review process with Pima County Development Services and project design consultants for several months. At this time, both MQ Iceplex and MQ Field House have completed their building reviews and the overall Mosaic Quarter site and development plans have completed their review, subject to final permit issuance with the lease approval consideration by the Board of Supervisors and subsequent closing of Mosaic Quarter's construction financing. During the plan review process, Mosaic Quarter's business and development review packages, including economic development and community impact analyses have been progressing and phased reviews of submitted packages have been occurring by County staff and the County's independent advisors with an opinion from applicable credit rating agencies upcoming. Shortly, Mosaic Quarter will release its updated business plan, as required by the Master Development Agreement. Formulated as a Development and Operations Plan, the compendium includes a review of planned Phase I operations and amenities, financial projections and a complete community impact analysis showcasing the benefits Mosaic Quarter will provide to the entire community.



An inefficiency exists within the travel sports market on which Mosaic Quarter and the local community can capitalize. It has to do with the difference between WHAT and WHY.



Any site can offer “X” number of courts, fields and games along with single elimination, double elimination, round robin, guaranteed number of games and other tournament formats – those are WHAT a site offers. It’s standard fare without differentiating a site. More importantly, event configuration metrics don’t impart value to an event sponsor or participating families. People don’t buy WHAT you do, they buy WHY you do it.

Instead, we adopt a more emotive message - “Mosaic Quarter believes in providing athletes world-class facilities and the entire family with specialized access to the unique cultures, attractions, cuisine and retailers of Southern Arizona. With purposeful and meaningful access to community discovery opportunities, Mosaic Quarter’s focus on an overall coordinated family experience delivers the WHY event sponsors and their participants seek.

Although only 12% of Mosaic Quarter’s gross revenue emanates from travel sports tourism, the community impact opportunities resulting from delivery of the WHY to travel guests and event sponsors are substantial. Delivering this impact, however, requires a method of expanding the guest experience footprint. Visit With Us! provides that mechanism. As a collaborative campaign, Visit With Us! is designed to promote and support the diversity and quality of Southern Arizona’s restaurants, merchants and attractions.

Under the Visit with US! campaign, attractions, restaurants and merchants can enroll as a rotating selection of unique local community exploration options providing discounts to Mosaic Quarter event participants. Mosaic Quarter travel guests will search, as all event-captive sports families do, for something other than the routine and the mundane. Visit With Us! makes the discovery process efficient while providing an incentive.

Upon their arrival in Tucson, Mosaic Quarter event participants are provided, via the MQ App, with QR codes and/or coupons for each weekend’s available attractions, retailers and restauranters. The MQ App likewise provides access to directions, reservations, transportation options and all other information needed for a guest to discover the experience that awaits.

To participate, local businesses and attractions simply opt to be included with no participation fees. Participating businesses can provide pictures, menus, unique offerings and other information to be included in the MQ App as powered by the Southern Arizona Attractions Alliance. Mosaic Quarter will collaborate with Visit Tucson, Pima County Attractions and Tourism, the Greater Vail Area Chamber of Commerce, the Tucson Hispanic Chamber of Commerce, the Marana Chamber of Commerce, the Tucson Metro Chamber of Commerce, the Downtown Partnership and other local chambers and restaurant/retail organizations to ensure even distribution of travel guest attention. Visit With Us! promotes the Tucson metropolitan area experience and will drive guest traffic to stores, restaurants and attractions where they might otherwise not be discovered. Visit With Us! extends the community impact of Mosaic Quarter while enhancing the travel sports family experience.

Economic Sustainability through Conservation Technologies.

In a site with the building footprint of Mosaic Quarter, particularly with large-volume and high-traffic facilities such as MQ Iceplex, MQ Field House, MQ Sportsplex and MQ Stadium, the general use of electricity is substantial. Cooling needs associated with the Southern Arizona climate plus the inclusion of an ice plant to maintain MQ Iceplex only exacerbate that demand. While the prospect of significant power consumption and the attendant energy costs to operate Mosaic Quarter require thoughtful energy and economic planning, it likewise presents environmental sustainability opportunities.



To provide economic and operational sustainability, Mosaic Quarter uses environmentally friendly technologies to enhance our environmental sustainability footprint. How? Through the implementation of a cogeneration central utility plant – MQ Central Utility Plant.

MQ Central Utility Plant is a 1.5MW (scalable to 6MW) natural gas-fed, electrical generation facility tied to a 1MW (scalable to 3.5MW) solar farm that employs the concepts of cogeneration to produce chilled water for cooling use throughout the Mosaic Quarter campus. By employing cogeneration, Mosaic Quarter reduces certain power production and economic risks faced by developments with similar power consumption and cooling demands.

According to the United States Environmental Protection Agency, the average efficiency of fossil-fueled power plants in the United States is 36%, with 64% of energy used to produce electricity wasted in the form of heat discharged to the atmosphere. Cogeneration facilities driven by reciprocating engine turbines such as MQ Central Utility Plant, however, are 75-80% efficient in their production of power. The end result – MQ Central Utility Plant reduces the amount of fossil fuels used to produce its electricity.

Moreover, by producing electricity on-site, Mosaic Quarter increases the efficiency of power available by avoiding transmission and distribution loss. As reported by the EPA, the national average for transmission and distribution loss as electricity travels over power lines is 5.3%. But those losses are even higher in grid-strained areas and those geographic regions that experience typically high temperatures – Southern Arizona, as an example. With on-site production and an underground distribution network, MQ Central Utility Plant avoids these transmission and distribution losses, accentuating its efficiency.

While Mosaic Quarter is not an off-the-grid development, the use of MQ Central Utility Plant drives meaningful economic stability in several respects. Mosaic Quarter reduces grid-produced power during peak rate and supply periods to mollify our overall cost of power and our demand impact on other grid-based customers such as local businesses and residential homes. Long-term, Mosaic Quarter reduces capital costs by eliminating building-specific equipment required to condition MQ Iceplex, MQ Field House, MQ Sportsplex and MQ Stadium. And in the case of any disaster causing grid-based power interruption, MQ Central Utility Plant provides resiliency by maintaining power and cooling supply to essential aspects of the Mosaic Quarter campus.

The sustainability benefits, however, do not stop with Mosaic Quarter athletic facilities. Each of our three hotels and fourteen restaurants will be provided with MQ Central Utility Plant-produced power and chilled water. By providing these supplemental facilities (large power consumers themselves) with on-site energy and chilled water production, lower operating costs are achieved in addition to reliability and resiliency. With the incorporation of MQ Central Utility Plant, economic and environmental sustainability are complementary, not incompatible.

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