



NEWS RELEASE

Arizona House of Representatives

Representative Mark Finchem (R-11)

1700 West Washington • Phoenix, Arizona • 85007-2844

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FOR IMMEDIATE RELEASE

Rio Nuevo Provides Pathway to Transfer of Ownership

STATE CAPITOL, PHOENIX – Representative Mark Finchem (R-11) last week explained why he took up the case of Rio Nuevo in remarks to constituents visiting the Capitol, **“After nearly 10-years of state control, Rio Nuevo has become one of the biggest comeback stories of Southern Arizona. The biggest Gem and Mineral show serving both wholesale and retail customers is committed to staying, new businesses have come in, and old businesses are choosing to stay.”**

A small, vocal group has criticized him for the proposed extension. **“I am disappointed at the distribution of misinformation and disinformation regarding HB 2456 and its amendments. Many of the so-called ‘facts’ are incorrect, hearsay, and, frankly, inflammatory hyperbole,”** said Rep. Finchem.

Representative Finchem also released the following op-ed making the case for the reauthorization of Rio Nuevo:

Administration versus Operation

An effort to revitalize urban blight and a general state of decline in the downtown confines of the City of Tucson, including a dilapidated convention center, was launched in 1999 under the control of the City of Tucson. The threat of losing the Gem and Mineral Show to Las Vegas loomed large over the city. Over the span of 10 years, the city spent \$250 million dollars with nothing more than very expensive plans and drawings to show for it. The city administered the program into deep debt.

In 2009 the Arizona Legislature stepped in and put a stop to the irresponsible administrative practices. Retaining the name Rio Nuevo, a board consisting of experienced private sector real estate development, business financing, and property management individuals was appointed by the Governor, the President of the Senate, and the Speaker of the House. The body was

constructed to be autonomous from the City of Tucson and Pima County. Each member of the board serves at the pleasure of the Governor, the President, and the Speaker and can be dismissed for unacceptable behavior with a phone call.

Since the board's appointment, the finances of Rio Nuevo have been moved to an online environment for the public to inspect in as close to real time as possible. Rio Nuevo has been audited a number of times and has been found to have solid accounting practices and controls in place. One of the tasks that the Rio Nuevo Board has is to generate tax revenue to pay off the \$250 million that was misspent by the city. The investment of over \$300 million in private capital has generated payments of \$800,000 per month applied to the outstanding debt to the taxpayers of Arizona that would not have been generated without the introduction of privately capitalized projects, projects which the City of Tucson was unable to produce over the 10-year timespan it had control. The board is operating the development plan as a private sector entity would.

Crony Capitalism

A cliché that has been thrown around with vigor is that the Rio Nuevo Board has demonstrated favoritism toward the city and the Pima County manager. I can see how one might think this without digging a little deeper into the development plans and opportunities. What I found missing in the plan was the exit strategy. Most, if not all, of the angst thrown at Rio Nuevo is the parcel of land that was at one time a dump on the west side of the city. Much work had to be done to mitigate the dump site in order to make it a viable building site. Pima County was incapable of doing anything with the site, so it was given to the Rio Nuevo district to make a project happen. We now see the new Caterpillar world headquarters rising from what was once undesirable property. The development is already paying dividends with other companies making the decision to co-locate with Caterpillar in Tucson.

The Extension and the Exit Strategy

As a private sector businessman and realtor with decades of experience, I learned long ago that every good business plan must include a good exit strategy. The Rio Nuevo Board sought help to fix an exit strategy problem that impacts financing commitments for the projects already in their pipeline. The simple explanation is that when a business wants to build a very expensive structure, they need to have a 10-year window of tenancy for commercial lenders to approve their projects. Without extension, there would no longer be that window for projects that are midway through negotiation. This is what HB 2456 locks down for those businesses that have already committed to building but have not yet secured their financing.

Now for the exit plan, Rio Nuevo will go away once the state is paid back the \$250 million and the projects that are in the pipeline are completed. How that will happen is the subject of an amendment to HB 2456. The amendment will specify that the tenant or tenants of the structures will have the first right of refusal to purchase the land and the improvements at appraised value at some time before the planned end of life of Rio Nuevo.

The amendment also specifies that if the properties are not sold at appraised value they will escheat to the State Land Trust, and the proceeds from continued operation will be specifically allocated to K-12 education. Also in an amendment to the bill, proceeds from the sale of land and improvements to the tenants will be specifically allocated to the unfunded pension liabilities that the state is obliged to pay.

Broadway Expansion

I was recently asked why Rio Nuevo was taking property through eminent domain away from business owners along the Broadway corridor. What I found out is that Rio Nuevo has actually been the advocate for business and has stepped in to stop the city from evicting business owners. As one constituent has put it, “The City of Tucson has been evicting merchants to make way to widen Broadway. Rio Nuevo, in contrast, is working with existing businesses, most of which are small and locally owned, and very frequently minority or woman-owned, to keep them in place during and after the construction. Rio Nuevo has consistently taken a much more progressive approach to the Broadway project and other development projects in Tucson than that of either the city or Pima County.” Several of these business owners have contacted me personally to express their appreciation for the intervention that Rio Nuevo made on their behalf.

It is true that some property owners were offered fair market value for the property before the Rio Nuevo Board stepped in. However, many more have opted to work with Rio Nuevo to preserve their place along the historic Broadway corridor. So, contrary to the allegations that Rio Nuevo is kicking businesses out of the area, I have learned the opposite is true.

Passage of HB 2456, and the exit strategy amendments that go with it, begin the process of expectation-setting for business owners, tenants, and even the City of Tucson, that the Rio Nuevo District will be sunset by 2035. It also creates a transparent pathway to dispose of assets in a manner that benefits the taxpayers in the greatest possible manner. This will give the tenants time to demonstrate stability and longevity necessary to obtain bankable documentation for commercial property financing, to arrange for such financing, and, to enter into purchase contracts so they can own what they have worked hard to build.

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CONTACT:

Matthew Specht
Director of Communications
House Republican Caucus
602-926-5518
mspecht@azleg.gov