

Ward 6 Staff



Steve Kozachik
Council Member



Ann Charles



Donovan Durband



Teresa Smith



Christal Ferree



Barbara Jacob



Ward 6 —Update

OCTOBER 22, 2010

A Message From Steve

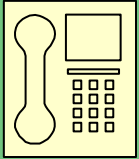
The Tucson Convention Center renovation and expansion, headquarters hotel, and associated parking garage collectively comprise what may be the largest public works project the City undertakes in our lifetimes. Because the Rio Nuevo District Board is unable to financially carry the project and no private entity has decided to assume the risk, city taxpayers will be asked (through City-backed bonds) to backstop nearly \$260 million in debt.

I have never taken this decision lightly, and even before my election I questioned the risks of this proposal. Now after months of review and negotiating, the Tucson City Council will decide how to proceed. The Council has scheduled a discussion and public hearing on **Tuesday, October 26th at 5:30 pm** at the Tucson Convention Center. I encourage you to attend and to email the Mayor and Council about your opinion of this proposed development.

Over the last several months I have asked the hard questions about this project. Those have been questions that I feel represent what you as the taxpayers need to know. This is your money and any risk of failure is a risk that will fall on your shoulders. With that in mind, my opinion is that the City should not proceed with financing this hotel project. To proceed in these economic times is risky at best, and could be catastrophic. I will not vote to risk your money; I will not vote to increase this City's addiction to debt.

Here are a few of the reasons why I will not vote to support this project:

1. The City of Tucson does not need a monolithic Convention Center Hotel that stands as a monument to the egos of elected officials, lining the pockets of developers who have no financial risk in the transaction. If there are private sector funded projects that involve branded hotels at a smaller scale that fit more appropriately contextually with area, we should consider those first, stepping towards the larger hotel when and if the market demand calls for it.
2. The risks of negative consequences of building this Convention Center Hotel are too great. Other communities have gone down the public
3. subsidy path, only to find their General Fund at risk and being placed in the position of having to take on further debt to cover losses. Given our current budgetary condition, we cannot place ourselves in that position.
4. The process has produced questionable results. These include developers, architects, builders and people who put together the feasibility studies



**Important
Phone Numbers**

Tucson Police
Department
911 or 791-4444
nonemergency
Mayor & Council
Comment Line
791-4700
Neighborhood
Resources
791-4605
Park Wise
791-5071
Water Issues
791-3242
Pima County Animal
Control
243-5900
Street Maintenance
791-3154
Development
Services
791-4505
Southwest Gas
889-1888
Gas Emergency/
Gas Leaks
889-1888
West Nile Virus
Hotline
243-7999
Environment
Service
791-3171
Graffiti Removal
792-2489

Continued: A Message From Steve

and financial projections that appear to justify the project all working on a commission basis. They are paid more as the project becomes more expensive. There is no incentive for any of our “partners” in this project to reduce the cost to taxpayers.

5. Important tasks such as the Intergovernmental Agreement with the District have been ignored. As we continue to be sidetracked with consideration of this project, our efforts to put in place an operations Intergovernmental Agreement with the new Rio Nuevo Board are going nowhere. Without that Agreement in place, the City is subsidizing projects that the Board has put on hold, paying invoices that the Board has approved, and we have no way to recoup those costs short of litigation. We need the IGA, and we need to work on it now.
6. **But the most important reason is:
THE RISK IS ALL ON THE TAXPAYERS AND NO ONE ELSE.**

TEAM MEMBER	GUARANTEE PROVIDED	RISK
GARFIELD TRAUB (DEVELOPER)	NONE	ZERO
DLR ARCHITECTS	NONE	ZERO
TURNER/SUNDT CONTRACTORS	GMP STILL BEING NEGOTIATED	ZERO
STARWOOD HOTELS – OPERATOR	ONLY ACCESSABLE IN LIMITED CIRCUMSTANCES	\$10 MILLION – TERMS OF REPAYMENT STILL TBD
PIPER JAFFRAY	NONE	ZERO
CS&L	NONE	ZERO
HVS	NONE	ZERO
RIO NUEVO	NONE	ZERO
CITY OF TUCSON TAXPAYERS	\$258 MILLION IN BACK-STOP OF BONDS	VIRTUALLY 100% OF ALL RISK

The simple fact is that there is no private sector money in this project, and any potential downside financially will be taxpayer subsidized. Rio Nuevo is broke and cannot assume any risk, the out-of-town developers will take their profit and assume no risk, the companies that have projected great success will take their money and move on. I understand risk-taking, and that it takes money to make money. And yet, the City is asking taxpayers to vote to self-impose a sales tax to help balance our budget and protect core services. The City is not in a position to absorb this significant debt and the risk that comes with it. If the financial projections are not met, it is only the City that could face bankruptcy, not our “partners” in the project.

In the days ahead you will hear from the proponents of the hotel project. Hear them out, and then ask yourself how much risk they have in the project. Ask yourself whether you would risk your own personal money on the project. That is exactly what the proponents are putting at risk.

Consider the following:

Steven Malanga described it in *The City Journal*:

“Across America, states and cities have heaped on the debt to build facilities aimed at luring tourists and conventioners away from *other* states and cities ... The result: a market with perhaps 40 percent more space than demand warrants, underperforming facilities, operating deficits, and little economic payoff. Washington, D.C., spent \$850 million to triple the size of its convention center; its business has since eroded. Indianapolis is in the middle of a \$275 million expansion of its convention facility; the center is struggling even to hold on to its current business. Chicago has shelled out \$1.5 billion to expand McCormick Place; business there has fallen by a third since 2000, from 3 million visitors a year to 2.1 million. The Orange County Convention Center in Orlando, Florida, which officials expanded at a cost of \$748 million in 2003, suffered a record \$18 million operating deficit last year.”

I have given you 5 simple reasons to support me in rejecting this project. I can think of 260 million reasons, and each of them began on your kitchen table. Rio Nuevo is broke and cannot assume any risk, the out-of-town developers will take their profit and assume no risk. Only you and I will face the music if this project fails. Only this City will face bankruptcy, not any of them.

Please step up and tell us what you think. Here are the Mayor and Council emails and I encourage you to come to the Public Hearing this coming Tuesday evening and speak out.

Sincerely,



Steve Kozachik
Council Member, Ward 6
<http://cms3.tucsonaz.gov/ward6>

Mayor Bob Walkup: mayor1@tucsonaz.gov
Council Member Regina Romero: ward1@tucsonaz.gov
Council Member Paul Cunningham: ward2@tucsonaz.gov
Council Member Karin Uhlich: ward3@tucsonaz.gov
Vice Mayor Shirley Scott: ward4@tucsonaz.gov
Council Member Richard Fimbres: Richard.Fimbres@tucsonaz.gov