



Board of Supervisors Memorandum

March 4, 2008

Resolution Establishing the Pima County Sports and Tourism Authority

Background

Major League Baseball spring training has a history in Tucson and Pima County that dates back to Cleveland Indians spring training baseball in 1947. In 1993, the Colorado Rockies replaced the Cleveland Indians as the Major League Baseball spring training team at Hi Corbett Field. More recently, in 1998, Pima County opened a two-team Major League Baseball spring training facility at Kino. This facility is the spring training home of the Arizona Diamondbacks and Chicago White Sox. However, the Chicago White Sox recently announced their intent to relocate their spring training activities from Tucson to Glendale, Arizona, on or before the 2013 Spring Training Season. Spring training contracts of the Colorado Rockies with the City of Tucson and the Arizona Diamondbacks and Chicago White Sox with the Pima County Stadium District are all interrelated. If one team leaves, it is possible and likely that all could or would leave the Tucson metropolitan area.

It has been estimated by Arizona's Cactus League Baseball Association through the Cactus League Attendee Tracking Survey conducted in March 2007, that spring training generates more than \$30 million in direct and indirect economic benefits for the region. To lose spring training in Tucson would not only be a significant community economic loss, but also adversely impact the community's overall efforts to attract and retain professional and amateur sporting events.

Legislative History of Stadium District Funding of Spring Training Facilities

With the spring training team substitution of the Colorado Rockies for the Cleveland Indians in 1993, a number of improvements were made to Hi Corbett Field. These improvements totaled \$4.3 million and were financed by the Pima County Stadium District and the City of Tucson. The Pima County Stadium District was authorized by the Pima County Board of Supervisors on October 1, 1991, by Resolution 1991-211, pursuant to A.R.S. §48-4201 enacted in 1991, with its primary purpose being to retain and attract Major League Baseball spring training in Arizona and, in particular, Pima County.

The initial revenues used to support the Stadium District were tied closely to the tourism industry. These revenues, authorized by A.R.S. §42.6108, were 1 percent of a 2 percent bed tax of all hotels, motels and resorts; \$2.50 of each car rented in Pima County as authorized by A.R.S. §48-4234, and \$0.50 per night of recreational vehicles staying less than 30 days throughout Pima County as authorized by A.R.S. §48-4235. It is important to note that the hotel bed tax for the purpose of Stadium District revenues is levied only against resorts, motels, and hotels in the unincorporated area.

To finance the nearly \$38 million in bonds issued to improve and construct the two-team spring training facility at Tucson Electric Park, one percent of the Pima County dedicated bed tax and an additional \$1.00 per rental car (now \$3.50) were contributed for debt service and annual bond repayment. The car rental surcharge was increased to \$3.50 per contract in July 1996, and the bed tax was increased to 2 percent in 1998, with one-half of the monies collected by the bed tax required by state law to be appropriated to the Metropolitan Convention and Visitors Bureau.

These revenues were ultimately insufficient, however, to provide positive economic performance of the Stadium District, even though the team revenue sharing package provided nearly \$1 million in revenues to the County Stadium District during 30-day spring training. On January 1, 2006, the unincorporated hotel bed tax was increased from 2 percent to 6 percent, with the incremental 4-percent increase being divided as an additional 1 percent to the Stadium District, 1 percent for economic development, and 2 percent to the Metropolitan Tucson Convention and Visitors Bureau for the promotion of tourism. Again, importantly, this hotel bed tax is only levied on resorts, hotels and motels in the unincorporated area of Pima County.

Financing of Present Spring Training Facilities and Operations

Presently, the Stadium District receives revenues to finance capital debt service and operating expenses for the two-team spring training facilities located on Ajo Way in the Kino Veterans Memorial Spring Training Center, which includes Tucson Electric Park. The revenues available to the County or Stadium District are as follows in Table 1.

Table 1

Stadium District Revenue for Fiscal Year 2006/07

Hotel Bed Tax ¹	\$2,915,531
Car Rental Surcharge ²	1,689,669
RV Space Surcharge ³	217,530
Rents and Royalties ⁴	
White Sox Spring Training	504,541
Diamondbacks Spring Training	500,946
Sidewinders ⁵	53,000
Other Events	<u>101,990</u>
Total Rents and Royalties	\$1,160,477
Other Miscellaneous Revenue	<u>67,318</u>
Total Stadium District Revenue	\$6,050,525

Footnotes:

1. Two percent of the six percent levy in hotel occupancy in the unincorporated area of Pima County.
2. Car rental tax - \$3.50 per contract on all vehicles rented in Pima County.
3. Recreational vehicle tax - 50 cents per night tax on all recreational vehicle spaces in Pima County.
4. Team shared revenues
5. Triple A Baseball

These revenues are offset by expenses as indicated in Table 2.

Table 2

Stadium District Expenses for Fiscal Year 2006/07

Stadium Operations and Maintenance	\$1,446,691
White Sox Spring Training	473,615
Diamondbacks Spring Training	498,321
Sidewinders	81,559
Events	29,750
Debt Service	<u>3,021,220</u>
	\$5,551,156

Obviously all revenues available to the District are now obligated for paying debt service and operating these existing spring training facilities. No new revenues are available for any expansion, renovation or significant modification of spring training facilities in the County, either at Hi Corbett or at Tucson Electric Park.

Table 3 below lists the remaining debt service payments needed to repay the present Tucson Electric Park debt.

Table 3

**Stadium District Debt
 Summary of Jail Sale/Leaseback Certificates of Participation - June 30, 2007**

<u>Due Date</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Payment</u>	<u>Remaining Balance</u>
01/01/08	\$ 1,870,000	592,705	2,462,705	24,680,000
07/01/08		545,955	545,955	24,680,000
01/01/09	1,965,000	545,955	2,510,955	22,715,000
07/01/09		516,480	516,480	22,715,000
01/01/10	2,025,000	516,480	2,541,480	20,690,000
07/01/10		465,855	465,855	20,690,000
01/01/11	2,125,000	465,855	2,590,855	18,565,000
07/01/11		412,730	412,730	18,565,000
01/01/12	2,230,000	412,730	2,642,730	16,335,000
07/01/12		361,655	361,655	16,335,000
01/01/13	2,780,000	361,655	3,141,655	13,555,000
07/01/13		285,205	285,205	13,555,000
01/01/14	2,485,000	285,205	2,770,205	11,070,000
07/01/14		225,745	225,745	11,070,000
01/01/15	2,605,000	225,745	2,830,745	8,465,000

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<u>Due Date</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Payment</u>	<u>Remaining Balance</u>
07/01/15		173,645	173,645	8,465,000
01/01/16	2,710,000	173,645	2,883,645	5,755,000
07/01/16		119,445	119,445	5,755,000
01/01/17	2,820,000	119,445	2,939,445	2,935,000
07/01/17		61,635	61,635	2,935,000
01/01/18	<u>2,935,000</u>	<u>61,635</u>	<u>2,996,635</u>	0
Totals	\$26,550,000	\$6,929,405	\$33,479,405	

Hotel Bed Taxes

Each municipality has a resort, hotel or motel bed tax. This tax raises approximately \$1,248,600 annually in Oro Valley; \$742,502 annually in Marana; \$14,000 annually in South Tucson; \$75,000 annually in Sahuarita, \$10,964,000 annually in the City of Tucson and \$9,337,444 annually in the unincorporated area of Pima County. The distribution of these revenues in each municipality varies. The City of Tucson, whose bed tax collection is 6 percent, distributes 2.7 percent to the Metropolitan Tucson Convention and Visitors Bureau and the balance goes into the general fund; Oro Valley, whose bed tax collection is 6 percent, distributes 1 percent to the Metropolitan Tucson Convention and Visitors Bureau, 1 percent to the Economic Development Department, 0.5 percent to the Parks and Recreation Department, 2 percent to the Hilton El Conquistador Marketing Fund, and 1.5 percent to the Naranja Town Site Park; the South Tucson 2 percent bed tax goes into their general fund; Sahuarita's 2 percent goes to their general fund; and Marana's 3 percent bed tax goes into the Town's general fund. The County 6 percent is distributed 3 percent to the Metropolitan Tucson Convention and Visitors Bureau, 2 percent to spring training, and 1 percent to economic development.

To assist in financing new, expanded or renovated sports facilities, a new entity designed to promote the economic development benefits of sports and tourism is necessary. Several funding options are currently being explored, including working with the lodging and restaurant industry.

Arizona Sports and Tourism Authority

In 2000, the Arizona Legislature's SB-1220 and Maricopa County voters' approval of Proposition 302 authorized the Arizona Sports and Tourism Authority, primarily for the purpose of raising sufficient revenues to build a new football stadium for the Arizona Cardinals. The revenue stream to the Arizona Sports and Tourism Authority also was authorized to fund tourism promotion through the Arizona Office of Tourism, Cactus Major League Baseball's new stadium construction and existing facility renovation, and youth and amateur sports. The Arizona Sports and Tourism Authority operates within the confines of Maricopa County. They have pledged \$205 million over 30 years for Cactus League Major League Baseball spring training for new facilities and the renovation of existing spring training facilities in cities and towns within Maricopa County.

The Arizona Sports and Tourism Authority is funded through a 1 percent hotel bed tax on all resort, hotel and motel revenues in Maricopa County; a portion of a 3.25 percent surcharge on the car rental tax, which is distributed to the Maricopa County Stadium District; the Arizona State income tax from National Football League players associated with the Arizona Cardinals; and a sales tax recapture, which is essentially a diversion of state and local sales taxes to the Arizona Sports and Tourism Authority from transactions occurring within the University of Phoenix Football Stadium (Cardinals Stadium).

The Arizona Sports and Tourism Authority operates within Maricopa County and is the primary reason the Chicago White Sox are relocating from Pima County and Tucson. It should be remembered that in 1997 the County Stadium District spent nearly \$38 million constructing the two-team Major League Baseball spring training facilities at Tucson Electric Park. Glendale, with significant financial assistance from the Arizona Sports and Tourism Authority (\$53.8 million), was able to offer the Chicago White Sox and Los Angeles Dodgers a new, \$82 million spring training facility in Glendale. In addition, very attractive team revenue sharing and land transaction options were offered to the White Sox and Dodgers. This region does not have a similar revenue option, such as the Arizona Sports and Tourism Authority, nor the revenue sources available to the Arizona Sports and Tourism Authority; therefore, we cannot compete with Maricopa County in the attraction and retention of Major League Baseball spring training teams.

Status of Chicago White Sox Replacement Team

A number of individuals and organizations have been working to develop appropriate options regarding obtaining a replacement team for the Chicago White Sox at Tucson Electric Park. The Governor's Office has been actively involved in discussions among the Colorado Rockies, Arizona Diamondbacks and Chicago White Sox regarding our dilemma if the Chicago White Sox leave without a replacement team.

I have been in direct conversations with the owner of the Chicago White Sox, Mr. Jerry Reinsdorf, who indicates that the present outlook for finding a suitable replacement team is not particularly positive at this point in time. A possible replacement team, the Cincinnati Reds, have entered into a 75-day exclusive negotiation period with the City of Goodyear, which is building a two-team spring training facility where the Cleveland Indians have indicated they will be at least one of the teams practicing at this location. The City of Goodyear has been actively attempting to attract a second team. The Cincinnati Reds, originally thought to be a potential replacement for the Chicago White Sox, now appear to be either headed toward Goodyear or it is possible they will remain in Sarasota, Florida. The ability of Goodyear to construct two-team Major League Baseball spring training facilities has again been made possible by an appropriation of funds from the Arizona Sports and Tourism Authority operating within Maricopa County.

While discussions by all parties continue, including positive assistance from the Governor's Office, there is no information at this time that would lead the County to believe there is a replacement Major League Baseball spring training team available to replace the Chicago White Sox. Fortunately, the owner of the Chicago White Sox has consistently and repeatedly stated to me that unless a replacement team can be found, they will not abandon Pima County as their primary spring training base until their present contract expires after the spring training season of 2012.

Retention of Major League Baseball Spring Training in Tucson and Pima County

The Facilities and Use Agreement between the County Stadium District and the Chicago White Sox essentially requires that in order for the White Sox to depart from Tucson Electric Park before the end of the present contract, they need to replace themselves with another Major League Baseball team acceptable to Pima County.

The Colorado Rockies have indicated a strong desire to stay at Hi Corbett Field. However, they have also indicated a desire to have significant upgrades made to their spring training facilities at Hi Corbett. It is estimated that these upgrades could cost between \$20 and \$30 million. Neither Pima County nor the City of Tucson have any funds available to assist with such renovations.

Presently, the outstanding debt on Tucson Electric Park is \$24,680,000. Therefore, the presently authorized tourism-related revenues from the hotel bed tax and car rental tax, as well as RV tax, are obligated and pledged to retire the Tucson Electric Park debt. Stated simply, there are presently no identified funds to renovate Hi Corbett or make any additional upgrades or modifications to Tucson Electric Park to retain existing Major League Baseball teams and spring training activities within the region, or to allow for the development and construction of additional facilities to expand the number of Major League Baseball spring training teams practicing in Tucson during spring training.

The critical path for retaining three-team spring training is: a) helping the Chicago White Sox find a replacement team, b) funding renovation of Hi Corbett, and c) developing a new model to support professional and amateur sports development in Pima County for economic development purposes.

Creation of an Interim Pima County Sports and Tourism Authority

To offset the unfair advantage of the Arizona Sports and Tourism Authority operating within Maricopa County, a similar organization with similar funding must be created. Such can only occur through an act of the Arizona Legislature, and through general consensus and support of communities within Pima County and regional interest groups, including but not limited to, the various chambers of commerce; the Tucson Metropolitan Convention and Visitors Bureau; the Southern Arizona Lodging and Resort Association; the Southern Arizona Restaurant and

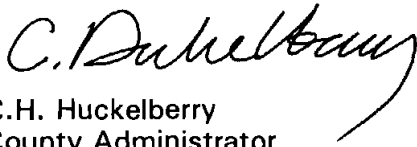
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Hospitality Association; professional, youth and amateur sports interests; and the general business community. For the purpose of retaining and expanding Major League Baseball spring training, and significantly expanding professional and youth sports activities within Pima County, the Board should consider creating a Pima County Sports and Tourism Authority whose purpose and organizational structure is outlined in the attached resolution.

Recommendation

It is recommended the Board of Supervisors set a hearing on the attached Resolution Number 2008-_____ for April 1, 2008, to consider the resolution for adoption, as well as appointment of the individuals listed in the attachment to the Resolution. The listed members of the Authority are those individuals who have been working closely with the Chamber of Commerce and other business interests concerned over the potential loss of Major League Baseball spring training in Pima County. The Authority, once formed, shall report to the Board at least quarterly on their progress in achieving the services described in the adopting resolution.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/jj (February 27, 2008)

Attachment

Resolution No. 2008 – _____

**A Resolution of the Board of Supervisors of Pima County, Arizona
Establishing the Pima County Sports Authority for
Specific Purposes as Identified in this Resolution**

Whereas, Major League Baseball Spring Training has a 60-year history in Tucson, Arizona which began in 1947 with the Cleveland Indians playing at Hi Corbett Field; and

Whereas, in 1993 the Colorado Rockies replaced the Cleveland Indians in Tucson, playing at the Hi Corbett Field and complex with an agreement through 2011; and

Whereas, in 1998 the Chicago White Sox and the Arizona Diamondbacks began to play during Spring Training in the new Tucson Electric Park with an agreement through 2012; and

Whereas, in 2007 an economic study of Arizona's Spring Training was completed by an independent firm on behalf of the Cactus League Baseball Association, which reported that Spring Training in Pima County generates over \$30 million in direct expenditures from out of area visitors; and

Whereas, expanding opportunities for amateur youth sports are an important goal in Pima County and will be facilitated and enhanced by the continuing presence of Spring Training; and

Whereas, in 2007 the Chicago White Sox disclosed to Pima County that they would be relocating their Spring Training operations to Glendale, Arizona to a new \$82 million stadium funded primarily by the Arizona Sports and Tourism Authority, which operates exclusively in and benefits Maricopa County; and

Whereas, because of the actions by the Arizona Sports and Tourism Authority the future of Major League Baseball Spring Training in Tucson and Pima County is in serious jeopardy; and

Whereas, Pima County desires to establish a sports and tourism authority comparable to that operating in Maricopa County in order to retain Major League Baseball Spring Training in Tucson and Pima County and to enhance amateur youth sports in Pima County;

Now, Therefore, Be it Resolved That:

1. A Pima County Sports and Tourism Authority is hereby established pursuant to A.R.S. §11-701. The name of the Authority shall be the "Pima County Sports and Tourism Authority";

2. The Board has determined that it is in the public interest to establish an Authority and directs the Authority to provide the following services:
 - A. Develop strategies and take all actions necessary to retain the Colorado Rockies and Arizona Diamondbacks as Major League Baseball Spring Training teams operating at Hi Corbett Field and Tucson Electric Park;
 - B. Assist the Chicago White Sox in obtaining a Major League Baseball team to replace them at the two-team Tucson Electric Park facility;
 - C. Expand opportunities for professional baseball development in Pima County by attracting additional Major League Baseball teams for Spring Training and a minor league baseball team for the regular season in Pima County;
 - D. Increase opportunities for amateur youth sports in Pima County including, without limitation, the development of practice and tournament facilities for competitive amateur youth sports, including but not limited to, soccer, baseball, softball, basketball, and volleyball; and
 - E. Develop and promote amendments to Arizona law to create a sports and tourism authority for Pima County to perform functions and achieve benefits generally comparable to those afforded to Maricopa County by the Arizona Sports and Tourism Authority, and to other jurisdictions where similar sports and tourism authorities exist, including, without limitation, developing appropriate mechanisms for annual and seasonal tourism taxes, such as those imposed by the Arizona Sports and Tourism Authority.
3. The Pima County Sports and Tourism Authority shall be governed by a Board of Directors appointed by the Board of Supervisors, consisting of fifteen (15) members. Directors shall broadly represent the sports and tourism industry, such as without limitation the resort, hotel and motel industry; the restaurant industry; amateur youth sports; sports law; sports financing; sports marketing; Major League Baseball Spring Training; the Southern Arizona Chamber of Commerce Associations; the Metropolitan Tucson Convention and Visitors Bureau; Tucson Regional Economic Opportunities, Inc.; the athletic directors or their designees from the University of Arizona and Pima Community College; and an athletic director or designee representing public high schools within Pima County. More specifically, the Board of Directors shall initially consist of those individuals listed in the attached;
4. Unlike the Arizona Sports and Tourism Authority operating in Maricopa County, where approximately 6 percent of total revenues are dedicated to youth and amateur sports, not less than 25 percent of any legislatively authorized revenues of the Authority shall be dedicated to the advancement of opportunities in amateur youth sports in Pima County;
5. The Authority and its operation under this resolution shall be considered an interim activity, and shall be sunsetted when legislation is enacted by the Arizona Legislature to create an authority similar to the Arizona Sports and Tourism Authority operating within Maricopa County;

6. The Authority shall establish a standard meeting time and day, and post the notice and agenda of said meeting and its location in accordance with the open meeting laws of Arizona. All proceedings and records of the Authority shall be open for public inspection and review. The public is invited to attend, observe and participate under "Call to the Audience" in said meetings. Finally, the Authority will receive administrative support from the City of Tucson and Pima County. Other jurisdictions and municipalities of Pima County are encouraged to provide similar support if they so desire; and
7. The Authority shall report to the Board of Supervisors at least quarterly regarding progress in achieving the services desired of the Authority in this adopting resolution.

Passed and adopted this _____ day of _____, 2008.

Pima County Board of Supervisors

Richard Elías, Chairman

Attest:

Lori Godoshian
Clerk of the Board

Approved as to Form:

Deputy County Attorney

PIMA COUNTY SPORTS AND TOURISM AUTHORITY BOARD OF DIRECTORS

Jim Arnold	KOLD Channel 13 (Community Media)
Tom Tracy	Southern Arizona Lodging and Resort Association
Jack Camper	Tucson Chamber/Southern Arizona Chamber Alliance
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Mike Feder	Former Minor League Baseball GM-Tucson Toros / Sidewinders
Rocky LaRose	University of Arizona Assistant Athletic Director
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Rick Vaughan	Metropolitan Tucson Convention and Visitors Bureau
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