



# MEMORANDUM

Date: July 11, 2024

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: Jan Leshar *Jan Leshar*  
County Administrator

Re: **Additional Information for July 16, 2024, Agenda Items 28, 29, 30, 31 Related to Mosaic Quarter Leases and Development Agreement Amendments**

## Introduction

The July 16, 2024, agenda of the Board of Supervisors includes amendments to three leases and the development agreement related to Mosaic Quarter and closing of financing for the project. On March 5, 2024, the Board of Supervisors unanimously (4-0) approved entering into a 40-year master ground lease and other related leases for Phase I with Mosaic Quarter Development LLC (MQD) to develop the Mosaic Quarter (MQ), a mixed-use sports complex project. With that approval, MQD has proceeded with finalizing financing for construction of Phase I including the following facilities and associated site improvements:

- MQ Iceplex – A 175,000 square foot facility including three ice rinks, one with a seating capacity programmed for use by the University of Arizona Ice Hockey program and the other two rinks dedicated to a community focus.
- MQ Fieldhouse – A 131,000 square foot facility with interchangeable flooring systems built to accommodate sports including basketball, volleyball, pickleball, indoor soccer, badminton, judo, wrestling and others.
- MQ Central Utility Plant – A power plant that will produce 1.5 megawatts of cogenerated power (electricity and heat/steam to produce chilled water,) and 1 megawatt of solar power for the Phase I development. The full capacity will expand in Phases II and III to 6 megawatts of cogenerated power and 3.5 megawatts of solar.

The March 5, 2024, approval of the Phase I leases also authorized the County Administrator or the County Administrator's designee to make any necessary adjustments to the Master Ground Lease, Phase I Lease, and Phase I Sublease necessary to facilitate MQD's securing of financing, and to effectuate any documents needed to fulfill the County's obligations under the same.

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While this authorization was provided, the referenced July 16, 2024, agenda items are being presented to the Board for transparency and to secure the Board's approval of the changes to the various lease and development agreements that are the basis for the financing. Subsequent phases of the project are planned to include the MQ Sportsplex (smaller version of the Fieldhouse), the MQ Stadium and MQ Parking Garage, along with up to 14 restaurants, three hotels, and outdoor entertainment spaces. The Board will be updated on the Phase II and III facilities when detailed plans are developed and the leases relevant to those phases are prepared for your future consideration.

## **Background**

Pima County has had a decades long commitment to the development of the Kino Sports Complex, investing over \$100 million. As part of this effort, Pima County acquired property south of Interstate 10 for the purpose of expanding the sports and entertainment offerings of the Kino Sports Complex. Pima County opened new lighted rectangular sports fields and pickleball courts on a portion of this site in 2020. Also in 2020, Pima County published a Request for Qualifications and a Request for Proposals seeking a development partner for the remaining undeveloped approximate 88 acres. Following a public competitive procurement process, in 2021 the Board approved a Master Developer Partnership Agreement (MDPA) with Knott Development.

In October 2022, Knott Development assigned the MQ project to its project-specific entity, Mosaic Quarter Development, LLC (MQD). Since that time the County and MQD have engaged in significant public outreach, cost and economic development analyses, credit rating reviews, substantial pre-development activities and lease preparation to advance this project. In its March 2024 vote, the Board approved the MQ lease agreements in support of the valuable synergies and economic development potential of tying new sports-related development on the MQ site with the existing Kino Sports Complex investments the County has made.

## **Phase I Lease Structure and Amendments**

As a refresher, the Phase I lease structure approved by the Board in March 2024 includes the Master Ground Lease, Phase I Ground Lease (this lease is between MQD and MQD Phase I LLC), Phase I Lease and Phase I Sublease for the Phase I portion of the development. The full memorandum related to the Board's March 5, 2024 approval of the lease can be viewed [here](#).

Since March 2024, Deputy County Administrator Carmine DeBonis Jr. and Pima County staff, the County's outside financial advisor, and the County's outside legal counsel have been working with Frank Knott and the MQD team to complete actions and documents necessary to close on financing for construction of Phase I.

The resulting lease amendments presented for Board consideration reflect the following key changes:

- Revisions to the project footprint. An additional 3.39 acres of county land was added to the project legal description to reflect the abandonment of a County sewer easement, realigning The Chuck Huckelberry Loop bike path and accommodating anchor facility site needs. Prior to this change, the lease rate was \$565,500 annually. With the additional acreage added to the project site the lease cost will increase to \$587,064 annually.
- The increase of Mosaic Quarter's financing from \$411 million to \$425 million due to an increase in Mosaic Quarter's required debt service reserve of \$6.3 million; an increase in construction-period interest of \$6.632 million; and additional financing-related costs of \$1.068 million.
- Change from the use of a Securitization Trustee to a Cash Management Agreement for disbursement of project funds consistent with the obligations contained in the lease agreements. The role remains the same, which is to assure that cash flows into the proper accounts, that payments occur on time and that the respective parties' interests are protected as outlined in the leases.
- Inclusion of a contingent lease term extension in Phase I Lease for up to two additional 10-year terms, only applicable if there is either an event of default or the lender forecloses the lien and assumes all rights and obligations under the lease.
- Updates to Exhibits and Schedules associated with the leases with current information relevant to each.

Complete redline comparisons for the amended documents are available here: [Master Ground Lease](#), [Phase I Lease](#) and [Phase I Sublease](#).

### **Development Agreement Amendment**

Like the lease amendments, the Master Developer Partnership and Development Agreement (MDPA) is being presented for amendments to align the project with current intended development schedule and activities. Key changes to the MDPA include:

- Updates to Exhibits and Schedules associated with the MDPA with current information relevant to each.
- Update to the restricted contractor work hours to allow contractor workers to begin work at or after 6:00 AM.
- Revision to the Phase I substantial completion dates from May 31<sup>st</sup>, 2025, and final completion for the Phase I anchor facilities by July 31<sup>st</sup>, 2025, to Phase I substantial

completion date of March 31, 2027, and final completion on May 31, 2027. Adjustment to the Phase II and III dates accordingly.

- Adjustment to the Development Committee beginning date to be within fifteen (15) days after the new Effective Date.
- Adjustment to the Community Engagement Committee beginning date to be within thirty (30) days of the new Effective Date and quarterly meetings thereafter. Expansion of the list of participants to include representatives of regional school districts, higher education, vocational and technical education, the Tohono O'odham and Pascua Yaqui Nations, Social Venture Partners, and representatives of the anchor elements of the project.

A complete redline comparison for the amended document is available here: [Master Development and Partnership Agreement](#).

#### **Authorization for Execution of Documents for Securing Financing**

Subject to Board of Supervisors approval of the leases and development agreement amendments, MQD shall have 20 business days to complete execution of financing documents and close on financing. If not completed by August 14, 2024, the County has the right to terminate the agreement.

As per the Board of Supervisors, March 5, 2024, approval of the MQ leases, the County Administrator or the County Administrator's designee again requests authorization by the Board as part of any action to approve the presented leases and development agreement amendments to make any necessary adjustments to the Master Ground Lease, Phase I Lease, and Phase I Sublease, and effectuate any subsequent documents necessary to fulfill the County's obligations under same including but not limited to financial agreements and documents associated with the developer entities securing the loan relating to any agreement, memorandum of leases and any internal MQ required ingress/egress easements.

Similarly, the Board is requested to reaffirm their March 5, 2024, approval of the allocation of \$10 million, which was already budgeted within the contingency fund for these agreements in Fiscal Year 2024, to be designated as a reserve.

#### **Recommendation**

I recommend that the Board of Supervisors approve the leases and development agreement amendments related to closing of financing for the Mosaic Quarter project and authorize the County Administrator or County Administrator's designee to make any further necessary adjustments and effectuate documents necessary to fulfill the County's obligations and reaffirm designated reserve funds, as noted in the preceding section of this memorandum.

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Additional Information for July 16, 2024 Agenda Items 28, 29, 30, 31 Related to Mosaic  
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With approval of these amendments and closing of financing, permits can be issued and construction begin.

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c: Carmine DeBonis, Jr., Deputy County Administrator  
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer  
Steve Holmes, Deputy County Administrator  
Diane Frisch, Director, Attraction & Tourism Departments  
Sarah Horvath, Director, Kino Sports Complex and Stadium District  
Ellen Moulton, Director, Finance and Risk Management Department  
Terri Spencer, Director, Procurement Department  
Jeff Teplitsky, Director, Real Property Services Department  
Steve Kozachik, Public Works Project Manager