



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION
Rio Nuevo Tax Increment Financing

Background

Laws 1990, Chapter 390, authorized Maricopa County to form a county stadium district and impose a transaction privilege tax (TPT) upon the award of a Major League Baseball franchise within the district. Voters approved the Maricopa County Stadium District on February 17, 1994, contingent upon a Major League Baseball franchise being awarded. The rate of tax that could be levied was limited to five percent of the state TPT rate and could be pledged to secure district bond obligations. The Arizona Diamondbacks franchise was officially awarded on March 9, 1995, and the TPT levy took effect on April 1, 1995.

Laws 1991, Chapter 285, expanded the authorization to form county stadium districts to any county in which a Major League Baseball organization establishes or seeks to establish a spring training operation.

Laws 1997, Chapter 297, further expanded the county stadium district concept to multipurpose facilities defined as facilities located in the district designed to accommodate sporting and entertainment, cultural, civic, meeting or convention events. This legislation also expanded the ability to form a district between two or more municipalities located within a county and authorized the diversion of 50 percent of state TPT collections generated at the multipurpose facility site or in the construction of the facility that costs at least \$200 million for a ten-year period.

Laws 1999, Chapter 172, limited the formation of the expanded county stadium districts for multipurpose facilities and required that in order for a district to qualify to receive state TPT revenues, the municipality in which the multipurpose facility is located pay an equal match by the end of the ten-year period. Laws 1999, Chapter 162, increased the payment of TPT revenue to stadium districts by allowing the diversion of taxes from businesses adjacent to a multipurpose facility site. TPT payments are limited to net new revenues compared to revenues received prior to the year of the election authorizing the district.

Voters approved the Rio Nuevo Multipurpose Facilities District (District), located in the City of Tucson, on November 2, 1999. Although the District was formed in 1999, state TPT revenues did not begin until 2003 when the District met the statutory requirements for acquisition and the commencement of the construction of improvements to a qualifying multipurpose facility. The Tucson Convention Center is the qualifying multipurpose facility in the District, which meets the qualifications of the expanded county stadium district. The District is a downtown redevelopment project, which includes the Tucson Convention Center and proposes new hotels, residential housing, shops and parking.

Laws 2006, Chapter 376, extended the diversion of state TPT revenues to the District for an additional 12 years, until July 1, 2025.

Fiscal Information

With 1999 established as the base year, the Arizona Department of Revenue began tracking the TPT revenue collected within the District, compared it to base year collections and refunded the difference. The FY 2007-2008 actual payment of TPT revenue was \$13.8 million.

Committee Activity

The Senate Finance Committee (Committee) held public hearings on the District on February 11, 2009. The Committee heard a presentation on the District by Joint Legislative Budget Committee (JLBC) staff. The Committee also heard testimony from representatives of the District and members of the public. Committee discussion, questions and testimony focused on the following topics:

- The original intent of the legislation and ballot language, and how they are currently being implemented.
- The District's boundaries.
- The transparency of the District's use of funds.
- The amount that the District has spent on planning.
- The ability of tax increment financing monies to help secure private investment and the sale of bonds in the District.
- The need for clarification on which projects on the list [see attachments] are District projects and which are private projects.
- The use of diverted state monies for a local project as a policy issue and the impact on state finances.

Attachments

- JLBC PowerPoint presentation from February 11, 2009.
- "ATRA Responds to Daily Star Editorial," Arizona Tax Research Association Newsletter, May 1998. Provided to the Committee by Kevin McCarthy, Arizona Tax Research Association.
- *Rio Nuevo Public Sector Development Snapshot* (handout). Provided to the Committee by representatives of the District.