

# PHOENIX BUSINESS JOURNAL

## What to look for now that Tempe and the Coyotes are negotiating an arena deal

By [Brandon Brown](#) – Reporter, Phoenix Business Journal  
Jun 6, 2022

Now that Tempe City Council has decided to move the arena project proposed by the Arizona Coyotes forward after [last week's marathon meeting](#), there are still a lot of questions unanswered about what this next phase and the final development will look like.

The project proposed by the National Hockey League franchise is far from approved yet, but the team and the city are now in the “formal negotiation phase.”

The Coyotes want to build an entertainment district that will feature a hockey arena and practice facility, retail space, restaurants, hotels, offices and luxury apartments on 46 acres at the northeast corner of Priest Drive and Rio Salado Parkway in Tempe — property that is currently a landfill. The Coyotes estimate the whole project could cost just under \$2 billion and would happen in two separate phases.

With a vote of 5-2, City Council has expressed an interest in seeing what the project could look like and whether it would be a benefit of the city. Some Council members — including Tempe Mayor [Corey Woods](#) — said they still have a lot of questions.

What is the negotiation phase?

In the summer of 2021, the city of Tempe issued a request for proposals for a sports arena and entertainment district to be built on 46 acres of city-owned land. Only one proposal was received, and the request was clearly meant for the Coyotes.

Emails reviewed by the Phoenix Business Journal show that the Coyotes and Tempe staff and elected officials have been talking about an arena on that site for years. Nine months after the Coyotes submitted their proposal in September, Council voted to enter the negotiation phase of the process. Tempe officials and members of the Coyotes development team said this phase could take months.

The negotiation process is how the city is able to get a clearer vision on what the developer really wants to do with the land and when the city can offer different solutions.

“There are plenty of questions — I have questions myself,” Woods said. “But I do feel that moving to a formal negotiation process is the right way to ensure those questions get answered. Not only for me, but for our staff and more importantly our residents.”



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Arizona Coyote players Clayton Keller, Nick Schmaltz and Christian Fischer appeared at the June 2 Tempe City Council meeting. JIM POULIN | PHOENIX BUSINESS JOURNAL

The timing of the Council vote could make process move a bit slower. At the end of June, two Council members will leave and two new ones will join, meaning the new members will have to catch up with some heavy reading to get on track.

“The council is pretty much gone most of July,” Woods said. “But the staff will continue to work, and I’ll still be in the office and we’ll be in touch with the Coyotes organization trying to hammer out some terms.”

Once the city and the Coyotes finish negotiating, they’ll have to go through the formal development agreement stage, and Woods said he doesn’t know when, or how, that will take shape.

“But I’m hopeful we’ll keep talking and hopeful we’ll reach some sort of agreement,” he said.

On the Coyotes’ side, team president and CEO [Xavier Gutierrez](#) said he felt that the organization clearly laid out its proposal and answered a lot of questions during the eight-hour meeting on June 2. His development team will be reviewing what they heard during the meeting to prepare for negotiations with the city.

“We are going to regroup internally, but this is an opportunity for us to get out into the community and really hear what their interests are and really complement the vision we have put in our proposal,” Gutierrez said.

Will the airport still be an issue?

So far the loudest concerns about the Coyotes proposed project have come from Phoenix Sky Harbor International Airport and others in the aviation community. If built, the Tempe Entertainment District would be located just under two miles directly east of one of the airport’s runways.

While the airport and the Coyotes have bickered over the past nine months, both sides have worked together sharing information and the Coyotes have actually changed the proposed heights of several of its buildings so that they would not cause issues with Sky Harbor operations. Still, the airport does not fully support the project due to one sticking point.

[Chad Makovsky](#), Phoenix’s aviation director, has tried to go out of his way to made it clear that the airport’s opposition now is only about the 1,600 luxury apartments proposed on the site.

An official from the Federal Aviation Administration has said that residential development in that area would be “a noncompatible use.” Makovsky said by allowing apartments to be built within such a close area to the airport, Tempe is violating a 1994 agreement between Phoenix and Tempe where Tempe said it would not allow incompatible uses in the Rio Salado corridor, which the airport claims these residences would be.

The city of Phoenix has said if Tempe goes through with these plans, it could sue Tempe, triggering a potentially lengthy and costly legal battle. Councilwoman [Lauren Kuby](#) has said that is something she fears will happen and could hurt not just this project but other things happening at Tempe’s City Hall.

But not everyone agrees with Phoenix’s and Kuby’s assessment of the 1994 Intergovernmental Agreement. The Coyotes and their attorney don’t think anything in the proposal would violate the contract, as does Tempe’s mayor. Woods said he doesn’t expect the city of Phoenix to file a lawsuit related to this issue, at least for now.

“At this point, the multifamily residential is just conceptual,” Woods said. “To file a lawsuit at this point doesn’t make a ton of sense because we aren’t talking about a concrete project — we’re talking about a concept.”

He said he wants to get the legal teams from both cities, as well as both economic development departments and the Coyotes talking with each other on this issue to work out the disagreements.

“I hope all of us can get in the room together and have rational conversations and see if we can find something that can truly benefit the entire region,” Woods said.

## **Financial questions**

The Coyotes say the project would be privately financed and the taxpayers would face no risk. But some questions were raised surrounding team owner [Alex Meruelo](#) and his ability to pay for such a project.

Ahead of the June 2 meeting, Tempe issued an evaluation of the Coyotes as a developer, which scored the city’s belief on the Coyotes ability to complete the project.

The city gave the lowest score to the category “Demonstrated financial strength/ability.” Out of 200 points, the Coyotes, Meruelo and the development team received a score of 80, or a 40%. Across all its categories, the Coyotes received 890 points out of a total 1,200.

The Coyotes tried to alleviate those worries during its presentation. Gutierrez not only said that Meruelo can get the financing for the project but said that City Council should soon be receiving letters from seven different banks that have worked with Meruelo and are interested in helping finance the proposal.

Councilwoman Kuby shared a report from Dun & Bradstreet Financial Analytics (NYSE: DNB) on seven of Meruelo’s businesses, which showed that four of those businesses — the Coyotes, the minor league hockey team in Tucson, Meruelo Media and Grand Sierra Resort — had “high” delinquency scores. Two other businesses — the Coyotes Foundation and Meruelo Enterprises — had “moderate to high” delinquency scores.

The D&B report conducted for City Council said that the Coyotes are a “high” risk and that the credit recommendation for the team was a max of \$5,000.

The Coyotes' track record of paying bills on time under Meruelo’s ownership has been in the spotlight previously. The team was occasionally late on its rent payment with the city of Glendale for the use of Gila River Arena and in December 2021, it became public that the Coyotes had not paid taxes to Glendale or the state of Arizona for more than a year.

Still, when stories of unpaid rent or taxes made headlines, the Coyotes usually paid up right away.

Gutierrez said during the meeting that the Coyotes' books will be open to City Council and he wants to be transparent with them in this process.

The Coyotes have also showed a willingness to put up plenty of cash when needed. The team will be playing the next few seasons in an arena on Arizona State University's campus in Tempe. The team put up more than \$20 million to upgrade the facilities to meet NHL standards. The Coyotes attorney also said Meruelo would be putting up \$40 million in cash to make sure the cleanup process of the landfill, where the arena is being proposed, could start right away.

Other issues that will come up

For those who sat through the hundreds of in-person, online and written comments during the June 2 meeting, many of the same issues came up repeatedly.

While there were a lot of Coyotes fans who came and said the team deserves a place to play, there are issues residents and Council members brought up that will be part of the negotiation process. Here are some of the more pertinent ones:

- **Building on a dump:** The land the city of Tempe offered up in its initial request for proposals in where a city landfill is located. [Nick Wood](#), an attorney for the Coyotes said the site has more than 1.5 million tons of garbage on it and it goes down 30 feet deep in some places. He said it would cost more than \$130 million just to remediate the land. The Coyotes have proposed a unique funding mechanism that would have the city sell \$200 million worth of bonds to help pay for the remediation and other infrastructure needs and would repay it with a portion of sales tax collected on the site and a user fee from all sales on the property.
- **The use of union laborers:** Tempe is one of the more left-leaning municipal governments in the Valley and there was already a push started from Council members and the mayor to get the Coyotes to agree to hire union workers and agree to specific wage terms for the construction of the project. The Meruelo Group is no a stranger to hiring unionized workforces between its hotels and casinos in Nevada and its own construction businesses.
- **Traffic and public transit:** Concerns over traffic and how a large project of this size could impact Tempe's streets has been brought up since the project was first announced. The Coyotes said at the June 2 meeting that the team wants to work with Valley Metro to extend the Tempe Streetcar line to the arena, as well as create a plan that would make tickets to Coyotes games a ticket for the bus or light rail train.
- **Gambling:** Several citizens and a few Council members brought up sports betting as an issue they might not support related to development on that land. The Coyotes — like all the other major sports teams in the Valley — were granted a license to operate in person and online sportsbooks. Rather than partner with a large third-party operator, the Coyotes and Meruelo have launched their own app for sports betting. The team would most likely build a retail sportsbook in the

arena if the deal were approved. The concern raised about in-person sports betting is that having its presence in Tempe could be a blight on the area, but so far in Arizona, very little business is done at brick-and-mortar sportsbooks. Close to 99% of all bets places in Arizona have been done on mobile apps, which can be accessed by nearly everyone, everywhere.

- **Alternate land use:** Whenever there is a large, high-profile project like the one the Coyotes have proposed, there will be citizens, politicians and some businesses that will say “Couldn’t this land be used for something else?” The Coyotes anticipated this and have already started campaigns to show that they understand the issues of the community and don’t want to appear as blocking those. The Coyotes have said they’ll make donations for affordable housing, to Tempe schools and to create public art and open spaces in the development. In 2019, [Robert Sarver](#), the owner of the Phoenix Suns, ended up personally donating millions of dollars to charities and programs to causes favored by certain members of Phoenix City Council when the Suns were trying to get the city to pay for the renovations of its downtown arena. The situation is different, but Meruelo and Coyotes Charities might be getting more familiar with specific Tempe nonprofits in the next few years.



[Enlarge](#)

Nick Wood, partner at Snell & Wilmer, left, and Xavier Gutierrez, president and CEO of the Arizona Coyotes just before the opening of a special council meeting in Tempe.

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