

Gaylord resort vision for Mesa to be in the hands of voters

Resort's backers foresee economic boom, but critics oppose millions in incentives

by **Gary Nelson** - Mar. 9, 2009 12:00 AM

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The vision is so audacious as to be otherworldly.

Rising from a flat piece of ground in far southeast Mesa, a towering and dazzling resort hotel - the largest in Arizona - looms over the landscape, offering guests a championship golf course and an unbroken view of the Superstition Mountains. To the south, there is another big, luxurious hotel.

According to the vision, which projects beyond the economic problems of today, the hotels draw conventions, business executives and well-heeled tourists to Mesa's Gateway area. They fall in love with it, relocate, and in time build what amounts to a brand-new city, the epitome of 21st-century urban development with tens of thousands of high-tech, high-paying jobs that spread across the southeast Valley.

On Tuesday, Mesa voters will decide whether to buy into the vision, approving tax incentives to help finance the project, whose centerpiece would be a Gaylord hotel and convention center. Along with the second resort and other amenities, the initial private investment is estimated at about \$1 billion.

If voters say yes, and the vision pans out, proponents say it will transform Arizona's third-largest city into an international business and tourism destination.

Critics, meanwhile, question whether tax incentives should be used to fuel a private enterprise, no matter how grand.

Struggling city

Mayor Scott Smith, in office less than a year, already has had to deal with the most wrenching budget crisis in Mesa history. It was the latest blow to a city that has been struggling for years with iffy revenues, a milquetoast image and a retail-centric economy with relatively few big-dollar employers.

Gaylord, Smith believes, will help change that.

"When you have the opportunity to jump-start development in a way that can ripple through not only Mesa but the entire East Valley, and in many ways the state of Arizona, it's significant," Smith said.

This is hardly the first time Mesa has touted a spectacular development opportunity as a way of lifting the city out of its doldrums.

Voters in 1999 turned down a \$1.8 billion plan to build a stadium for the Arizona Cardinals in west Mesa. Several years later they approved a big tax subsidy for a retail development on the same piece of land, now known as Mesa Riverview, but critics say Riverview has failed to live up to its promise.

A downtown water-themed project failed to materialize after the city spent millions to acquire land for it about a decade ago, and a more recent proposal for the Waveyard resort not far from Riverview has been stalled by the economy.

So with a history of grandiose proposals in Mesa, what makes anyone think this is the one that will work?

Unique model

Gaylord Entertainment Co.'s roots are deep in Nashville, extending back to the earliest days of the Grand Ole Opry, which the company owns.

Its resort business centers on four mammoth properties that offer everything a conventioner needs under one roof, from vast meeting facilities to an array of restaurants and entertainment.

Its Mesa hotel would fit that model, offering at least 1,200 rooms and 225,000 square feet of indoor meeting space. By way of comparison, the newly expanded Phoenix Convention Center offers 900,000 square feet in three buildings.

Gaylord believes it can fill the hotel almost immediately with conventions and groups that like to rotate among its properties year by year. The second resort would handle spillover from the Gaylord and serve as a destination in its own right.

The entire project is being coordinated by Scottsdale-based DMB Associates, which in late 2006 bought the northern 5 square miles of the General Motors Desert Proving Ground. GM is moving its operations to Yuma this year.

DMB believes its development, which it calls Mesa Proving Grounds, eventually will include high-rise urban centers directly across from Phoenix-Mesa Gateway Airport, as well as a wide array of housing and business uses.

But will it work?

DMB and Gaylord say Gaylord resorts are magnets for other nearby developments, and the experience of other cities seems to bear that out.

When Gaylord's newest property, National Harbor on the Potomac River near Washington, D.C., opened last spring, it already had a million room-nights booked, according to Colin Reed, Gaylord president.

Even as the Gaylord was being built, five other hotels were springing up alongside it, along with shopping and dining destinations and condos.

Grapevine, Texas, home of the Gaylord Texan, has seen similar results in the Dallas-Fort Worth area.

In addition to a beefed-up hospitality industry, Grapevine's economy has diversified since the Gaylord opened in 2004, said Paul W. McCallum, president of Grapevine's convention and visitors bureau.

"We have a number of corporate campuses that are under construction right now," McCallum said, stressing that the resort "most assuredly" had an influence.

Grapevine Mayor William D. Tate said Gaylord has helped his city become a net importer of jobs.

While about 50,000 people actually live there, Tate said, about 135,000 people work in Grapevine during the day.

Grapevine offered Gaylord incentives worth more than \$50 million to build the original hotel, which has 1,511 rooms.

The Texan is now adding 500 rooms with the help of an additional \$35 million in sales-tax rebates and grants.

Tate believes the incentives are worth it.

Grapevine was the only city in the Dallas area able to cut its property-tax rates last year, he said, and revenue from the Gaylord was largely responsible.

George Kakos, assistant executive director of the convention and visitors bureau, said at least five other hotels came to Grapevine after Gaylord announced it would settle there. One of them, a 402-room Great Wolf Lodge, sits virtually across the street from Gaylord.

"People thought other hotels were going to be boarding up and closing down, and (Gaylord) has had the opposite effect," Kakos said.

Backers optimistic

Mesa called the election because its charter requires voters to approve any cultural or sports amenity, including a convention center, costing \$1.5 million or more.

Mesa will actually own the Gaylord convention center, and that is what triggered the election.

Voters would need to approve rebates on hotel-bed taxes for the two resorts totaling \$51 million over 30 years.

Gaylord, DMB and Mesa marshaled an impressive list of business, political and civic leaders to provide ballot arguments for the election, and not one of them urged a "no" vote.

Lodged among the arguments was one from Deanna Becker, a sophomore at Desert Ridge High School. The school lies in southeast Mesa, although it is part of the Gilbert Public Schools. That district includes DMB's property.

"Today I'm a high school student," Becker said in her argument. "But in a few short years I will be entering the workforce and we will need the jobs that Mesa Proving Grounds will bring."

Last year Becker also spoke in favor of the project as the City Council took public comment.

Gaylord and DMB have poured more than \$500,000 into the campaign, which is being managed by the public affairs firm High Ground. Paul Bentz, a High Ground account executive, would not comment on whether the firm has done any polling.

But, he said, the project seems to have "an overwhelming amount of support," based on feedback the company has received at numerous community forums. "People see this billion-dollar private investment and they're looking for something to provide a little bit of hope," Bentz said. "Some people are calling it Mesa's economic-stimulus package."

Voices of dissent

State Sen. Chuck Gray, R-Mesa, used a regional Chamber of Commerce meeting in December to attack the project.

Gray's main objection is the tax incentives - \$51 million in bed-tax rebates as well as the lease arrangement that would allow the resorts to save an estimated \$85 million in property taxes.

"I guarantee that the businesses that move next to that hotel won't be getting a tax break," Gray said.

His concerns are echoed by Clint Bolick, a lawyer for the libertarian Goldwater Institute.

Bolick is fresh off a December court victory involving Phoenix and its CityNorth mixed-use development. Bolick argued that Phoenix's \$97.4 million subsidy to CityNorth violated the Arizona Constitution, which prohibits giving public money to private enterprise. The state Court of Appeals agreed.

Bolick thinks Mesa's Gaylord deal is similarly questionable, but he will not challenge it until the state Supreme Court rules on an appeal of the CityNorth ruling.

Smith said the two cases are not comparable because bed taxes are used only to promote tourism, and the rebate arrangement requires the two resorts to continue to use the rebates for that purpose.

Mesa officials have stressed that unlike CityNorth, no general-fund tax revenues will be rebated.

Economic worries

Regardless of how Mesa votes, the economy may determine the final result.

Geoffrey Woodward, Gaylord's vice president for development, said the Mesa Gaylord is not immune, "and in order to finance a project of this scale we're going to have to see the credit markets come back."

Still, Woodward said, Gaylord is proceeding with legal work and design.

Development agreements among Mesa, DMB and Gaylord call for both resorts and the convention center to be ready by Dec. 31, 2014.

Smith longs for the gleaming vision to become reality.

With the Cardinals' stunning 2009 playoff run evoking memories of the stadium that got away, Smith said, "I'm hoping that five years from now we don't sit back and read another column that says 'what if,' and talks about the opportunity that we missed."

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