

June 2, 2010 for the City Council's
June 16, 2010 Rules, Open Government, and Intergovernmental Relations Committee Meeting

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Subject: **New Chargers Stadium Ballot Language for the November 2, 2010 Election**
K Street to Imperial Avenue, 13th Street to 16th Street
East Village neighborhood of downtown San Diego, California.

Dear Mr. Whitney:

The following is our proposed ballot language for a new Chargers Stadium in downtown San Diego.

"Advisory Vote Only. Shall the City of San Diego create a Joint Powers Authority (JPA) with the rest of the County of San Diego region to discuss financing options for obtaining public funding to build a new Multi-Purpose Stadium capable of hosting a NFL Super Bowl; with the JPA, Stadium Operators and the NFL Chargers financially responsible for the yearly debt service payment for the cost of the stadium structure and operating costs, and limiting City of San Diego CCDC Redevelopment Agency funds to paying the yearly debt service for the costs of preparing the underlying land?"

The County of San Diego Grand Jury report on Qualcomm Stadium dated May 19, 2010 documented that the City of San Diego is subsidizing existing Qualcomm Stadium operations with \$11.8 million dollars of City Transient Occupancy Tax (TOT) revenues in 2010, with a "\$52 million balance remaining on the 1998 stadium Renovation Bonds." The Grand Jury report also recommends that if "public financing is to be employed for the construction of a new downtown stadium for the Chargers," the City should "demand a lease with terms that will protect the City such as long-term lease with fixed rent sufficient to cover any public indebtedness incurred by the City or the City of San Diego Redevelopment Agency, with no credits, no risk of cost overruns and control of the use of the stadium for other City and City contracted events."

Taxable Building America Bonds (BABs) are part of the Federal Recovery Act of 2009, and are a new financial tool for state and local governments which allows a new direct federal payment subsidy of 35 percent of the debt interest payment on public projects, and gives state and local governments access to the convention corporate debt markets. As a result of this federal subsidy payment, state and local governments have lower net borrowing costs and are able to reach more sources of borrowing than with more traditional tax-exempt or tax credit bonds. Federal BABs could provide millions of dollars per year to pay 35 percent of the debt service interest payments on construction of a new multi-purpose Stadium. In 2012, the BABs may not exist because the Federal Stimulus funding may run out. Or BABs interest and debt service paid by the Federal government may be reduce from the existing 35 percent, to 28 percent or lower. Private businesses, like the NFL and Chargers, are not eligible for Federal funding unless an agreement can be reached between the Government Agencies and the NFL, and Chargers.

The Qualcomm Stadium structure in Mission Valley was originally built for the San Diego region using an intergovernmental structure similar to a JPA, on City of San Diego owned land. We are advocating for the same arrangement, where the City of San Diego owns the underlying land, and the Joint Powers Authority, Stadium Operators, and the NFL Chargers own and manage the structure. The Joint Powers

Authority (JPA) would create a regional Public-Private partnership with the Stadium operators, NFL, and the Chargers to pay the Debt Service for construction of the Stadium building on public land and Interior Improvements through user fees, tax savings, and business incentives of operating in an Enterprise Zone.

A financial analysis should be conducted by the regional JPA to find out if a privately operated Stadium building on public land would pay for itself through user fees and not require a public subsidy to operate. A new public multi-purpose Stadium structure should only be built if stadium construction and operations pay for themselves by constant use of the property for differing functions year-round. The costs of the yearly Debt Service for construction of the stadium structure and stadium operations could be paid through user fees, Federal Build America Construction Bonds, Grants, State and Federal Stimulus Funding, rent payments, a \$5 surcharge on every ticket sold, leases from Vendors, Stadium Naming rights, new taxes, business incentives, NFL Club Seat Waivers, and/or NFL Personal Seat Licenses. The San Diego Chargers organization has pledge \$200 million and the NFL has pledge \$100 million for construction of a new NFL Stadium.

Unless an additional public vote is conducted in 2012, City of San Diego CCDC Redevelopment Funds would be limited and capped to paying the debt service payment to prepare the land and build the basement level foundation. Preparing the land for a new multi-purpose Stadium includes the following:

- Preparation of all Environmental and planning documents.
- Acquiring the Metropolitan Transit Service (MTS) Bus Maintenance Yard and offices, and relocation costs to make the MTS whole.
- Removal of all contaminated soils under the publically owned MTS Bus Maintenance Yard and Tailgate Park, and creation of a subterranean basement founded on formational soils.
- Using the Redevelopment Agencies Eminent Domain Powers to acquire privately owned property including the Historically Designated Wonder Bread Building, a print shop, and a liquor store.
- Incorporating adaptive historical re-use of the Wonder Bread Building and preservation of historical artifacts into the design and construction of the new stadium.

If the Advisory Vote Only ballot language is approved by the voters, the lengthy one to two year Environmental review and public design process can commence on November 3, 2010. Construction cannot start until all financing is identified and the MTS Bus Yard is relocated. MTS will not go through the exercise of relocation planning without funding from CCDC. The MTS bus site will not consider moving until a new location is completed and ready for move in, which could be accomplished by relocating to the existing Midway Post Office building with its existing 22,000 square foot Vehicle Maintenance Bays and 8-acre asphalt parking lot.

If full funding and debt service payments for the complete Stadium project is not found by the JPA and the Chargers, or the financial analysis does not work out in the taxpayers' best interests, there would be no need to relocate the MTS Bus Yard, or Eminent Domain and destroy the privately-owned Historic Wonder Bread building, the print shop, and the liquor store.

Respectfully submitted,

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