

DATE ISSUED: March 4, 2009

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Council President and City Council  
Docket of March 10, 2009

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Second Amendment to Ballpark Cooperation Agreement – East Village  
Redevelopment District of the Expansion Sub Area of the Centre City  
Redevelopment Project – **JOINT PUBLIC HEARING**

COUNCIL DISTRICTS: Districts 2 & 8

REFERENCE: None

STAFF CONTACT: Frank Alessi, Vice President and Chief Financial Officer (619-533-7130)

REQUESTED ACTION: That the Redevelopment Agency (“Agency”) and the City Council approve a Second Amendment to Ballpark Cooperation Agreement (“Second Amendment”) and make certain findings relating to additional payments by the Agency to the City associated with debt service on bonds used to finance Petco Park.

STAFF RECOMMENDATION: That the Agency and the City Council approve a Second Amendment to Ballpark Cooperation Agreement (“Second Amendment”) and make certain findings that:

- The Baseball Park and Related Improvements are of benefit to the Centre City Redevelopment Project area and the immediate neighborhood in which the Project area is located;
- No other reasonable means of financing the additional payment for debt service on the financing of the Baseball Park and Related Improvements are available to the community;
- The additional payment of funds for debt service on financing the cost of the Baseball Park and Related Improvements will assist in the elimination of one or more blighting conditions inside the Project area; and
- The additional payment for debt service on financing the cost of the Baseball Park and Related Improvements is consistent with the Implementation Plan for the Project area adopted pursuant to Section 33490 of the California Community Redevelopment Law.

SUMMARY: On February 22, 2000 the Agency entered into a Ballpark Cooperation Agreement (“Agreement”) between the Redevelopment Agency and the City of San Diego which authorized the

Agency to pay for and implement certain activities for the development of the Baseball Park and Related Improvements. In May 2001, a First Amendment to the Agreement was entered into increasing the Agency's investment in the Ballpark.

The development of the \$454 million Baseball Park was financed with \$95 million of downtown redevelopment tax increment funds, \$206 million from the City of San Diego and private funding by the Padres of \$153 million. Today, the City has approximately \$153 million outstanding in Lease Revenue Refunding Bonds, Series 2007A ("Ballpark Bonds") relating to financing the Ballpark. The Ballpark Bonds have an annual debt service of approximately \$11.3 million.

The City experienced declining revenues in Fiscal Year 2008 and, with the continuation of slow economic growth, a further reduction of City revenues is expected in Fiscal Year 2009. To mitigate the City's financial constraints a Second Amendment is proposed that provides payments from the Agency to the City for a portion of the debt service on the Ballpark Bonds. In addition, another item for action to be docketed at a later date is a Repayment Agreement that will provide a long-term schedule for the repayment of CDBG funds to the City from the Agency.

FISCAL CONSIDERATIONS: The payment proposed in the Second Amendment totals \$56.6 million from the Agency to the City over a five year period during Fiscal Years 2009-2013 to cover debt service in the Ballpark Bonds of approximately \$11.3 million annually. Due to the tax-exempt nature of the bonds, the source of funds for the payments made by the Agency to the City associated with debt service on the bonds will be tax increment.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION:

On January 21, 2009, the Centre City Development Corporation Board voted unanimously on for approval of staff recommendations.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On January 14, 2009, Centre City Advisory Committee voted unanimously for approval of staff recommendations.

BACKGROUND: On February 22, 2000 the Agency entered into a Ballpark Cooperation Agreement ("Agreement") between the Redevelopment Agency and the City of San Diego which authorized the Agency to pay for and implement certain activities for the development of the Baseball Park and Related Improvements. In May 2001, a First Amendment to the Agreement was entered into increasing the Agency's investment for additional land assembly and to convey to the City the Ballpark Site. The development of the \$454 million Baseball Park was financed with \$95 million of downtown redevelopment tax increment funds, \$206 million from the City of San Diego and private funding by the Padres of \$153 million. Today, the City has approximately \$153 million outstanding in Ballpark Bonds relating to financing the Ballpark. The Ballpark Bonds have an annual debt service of \$11.3 million.

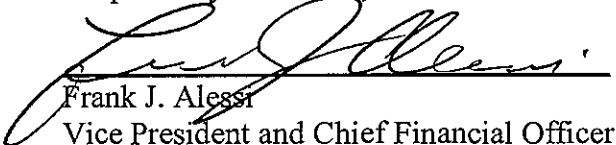
DISCUSSION: The proposed Second Amendment (Attachment A) provides for the Agency to increase its investment in the Ballpark and Related Improvements by making payments to the City to pay for debt service on the Ballpark Bonds.

The Summary Pertaining to the Additional Payments by the Agency for the Baseball Park and Related Improvements (Attachment B) describes the costs to be paid by the Agency under the Second Amendment and facts supporting certain findings of benefit including that the Baseball Park and Related Improvements are of benefit to the Centre City Redevelopment Project area and the immediate neighborhood in which the Project area is located; that no other reasonable means of financing the additional payment for debt service on the financing of the Baseball Park and Related Improvements are available to the community; that the additional payment of funds for debt service on financing the cost of the Baseball Park and Related Improvements will assist in the elimination of one or more blighting conditions inside the Project area; and that the additional payment for debt service on the financing of the cost of the Baseball Park and Related Improvements is consistent with the Implementation Plan for the Project area adopted pursuant to Section 33490 of the California Community Redevelopment Law.

ENVIRONMENTAL IMPACT: This activity is covered under (EIR SCH No. 98121003, dated September 13, 1999 Adopted October 26, 1999 by Council Resolution No. R-292363). The activity is adequately addressed in the environmental document and there is no change in circumstance, additional information, or project changes to warrant additional environmental review. Therefore, the activity is not a separate project for purposes of CEQA review pursuant to State CEQA Guidelines Section §15060(c)(3).

CONCLUSION: The City experienced declining revenues in Fiscal Year 2008 and, with the continuation of slow economic growth; a further reduction of City revenues is expected. To mitigate the City's financial constraints a Second Amendment is proposed that provides payments from the Agency to the City for a portion of the debt service on the Ballpark Bonds.

Respectfully submitted,

  
Frank J. Alessi  
Vice President and Chief Financial Officer

Attachments: Attachment A – Second Amendment to Ballpark Cooperation Agreement  
Attachment B – Summary Pertaining to the Additional Payment by the Agency for the  
Baseball Park and Related Improvements