Meeting Date: 06/05/07

AGENDA REPORT

City of Santa Clara, California

Agenda Item # 5C-1

Santa Clara All-America City 2001

DATE: June 1, 2007

TO: City Manager/Executive Director for Council/Redevelopment Agency Information

FROM: Assistant City Manager

SUBJECT: Council/Agency Questions Pertaining to the 49ers Economic Impact Report

After the April 10, 2007 presentation of the 49ers Economic and Fiscal Benefits Study pertaining to a proposed stadium in Santa Clara, Council directed various questions to staff concerning the report as presented, including additional fiscal/economic issues associated with the stadium project. Staff accumulated the Council/Agency questions and referred them to the 49ers for response. Attached is a letter from the 49ers responding to the questions staff sent them.

APPROVED:

Ronald E. Garratt
Assistant City Manager

for Ronald E. Garratt
Jennifer Sparacino
City Manager/Executive Director,
Redevelopment Agency

Documents Related to this Report:
1)Letter from the San Francisco 49ers addressing various Council/Agency questions pertaining to their CS&L Economic Impact Report

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June 1, 2007

Mr. Ronald E. Garratt
Assistant City Manager
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Mr. Garratt:

Pursuant to your request, we have compiled the attached responses to the various questions that were raised by City Council with respect to the Economic Impact Report prepared by CSL. Most of the questions related to directly to the CSL analysis, and we had Bill Rhoda of CSL prepare the answers. There were two questions that were better answered by the 49ers, so we included our answers in the same document. For your reference, we indicated in the attachment who prepared the response to each question.

Please let us know if there are any further questions.

Very truly yours,

Lisa Lang /BR

Lisa Lang
Vice President of Communications

SUPER BOWL CHAMPIONS XVI, XIX, XXIII, XXIV, XXIX

QUESTIONS ON CSL ECONOMIC IMPACT REPORT

1. How was the $72 million calculated? How much was due to players' salaries? How much was 49ers games vs. non-49ers events? Since players may already be based here because of Training Camp, was that not factored in?

CSL Response: We projected $72M in adjusted direct revenue to the City of Santa Clara. Player salaries are estimated at $16M. We did not present data that separates out the Training Camp factors, as it would be incorrect to assume that these jobs and income will stay in the county if the new stadium is not built in Santa Clara. Depending on where a new stadium is built, one could expect that the headquarters and training facility could be relocated. This is common when NFL teams build new stadiums since much of their operations and marketing staffing are tied to the new building. Therefore in our analysis, we made the assumption that a new stadium in Santa Clara would insure that the team would keep their headquarters and practice facility in its current location.

2. How was Net Present Value Calculated?

   CSL Response: A discount factor of 6% was used in our analysis to compute NPV's. Inflation rates on various revenue streams were in the 2% to 4% range.

3. Several questions regarding the 310-person survey:

   a. Is that a statistically significant number?

      Response: Yes. With 310 surveys there is 90% certainty that the average reported spending of those surveyed is within a +/-5% range of the actual average for all game attendees. The error range accounts for sampling error (i.e. risk that the people randomly selected would not be representative of game attendees). The error calculation does not account for reporting error (i.e. inaccuracies in the information provided by survey respondents about their spending). Potential inaccuracies in reported information were addressed by comparing the data to other surveys completed in other major markets at similar sporting events to check the reasonableness of the averages. In fact, the numbers were actually higher that in most other markets and is likely representative of a higher than average percentage of fans coming in from outside the market. In addition, we "cleansed" the data to remove any "outliers" that we did not believe were accurate. For example, if an individual who was not from outside the local marketplace indicated they typically spend $500 before and after home games, the estimate was removed from our database due to the outlier nature of the response.

   b. Can the actual surveys be made available to Council?

      CSL Response: The actual surveys were collected electronically at the games and are confidential proprietary data, but we would be happy to discuss the results in further detail with City staff.

c. Who completed the surveys? One representative per family? For example, for a family of four, did one individual complete the survey? (Father buys gasoline to drive to game – cost spread over 4-member family?)

CSL Response: The surveys were completed with one person per party. We confirmed whether the person was part of a party or was responded to the survey as an individual. As such, the spending was then computed into a per person average.

d. What section of the stadium were the surveys taken? (Season ticket holders?)

CSL Response: The surveys were conducted primarily before the game in the parking lots and the upper and lower level concourses. The goal was to get a broad representative sample of fans throughout the stadium.

4. For the City, how was T.O.T. calculated? How many hotel stays in City? How was sales tax calculated?

CSL Response: The first step of the T.O.T. calculation was to estimate the percent of stadium patrons staying at a hotel in conjunction with their visit to the stadium. For the 49ers, this percentage was assumed to be 12.5 percent, based on survey results that indicated that 85 percent of 49ers attendees are not from the local area, of which 21 percent stay overnight, of which 70 percent stay in a hotel. An average of two attendees per room was assumed, with a $150 average daily rate and a one night average stay. Further, it was assumed that 20 percent of stadium related hotel spending would occur within the City of Santa Clara. Similar calculations were used to estimate hotel spending by attendees of non-49ers events, with a $125 average daily rate assumed for these events. In total, it was estimated that the stadium would generate approximately 110,000 annual room nights, of which approximately 23,000 are estimated to take place within the City of Santa Clara.

Sales taxes were calculated by estimating the percent of total direct spending that would be subject to sales tax for each of several direct spending categories. It was assumed that 20 percent of taxable out of stadium spending would take place within the City, while all taxable spending taking place within the stadium would be subject to City sales tax. The sales tax estimate also includes taxes on indirect spending. Indirect spending was calculated as the difference between direct spending and total output within the City. It was assumed that approximately 27 percent of indirect spending would be taxable, based on historical spending and tax collection data.

5. In the spending categories, was there double counting? For example, how was "tailgating supplies" distinguished from "shopping"?

   CSL Response: The out of stadium spending categories we tested in the surveys were tailgating supplies, food and beverage outside of stadium, lodging, transportation, shopping, entertainment and miscellaneous.

   The out of facility spending categories included in the model were…

   - Restaurant (which included the survey category F&B outside of stadium)
   - Retail (Tailgating supplies & shopping)
   - Local Transit (Transportation)
   - Entertainment (Entertainment)
   - Other (Miscellaneous)

   So the only categories from the survey that we combined were Tailgating Supplies and Shopping, which were both included in the "Retail" spending component of the model.

6. Regarding demographics of games attendees, would some not travel to a game in Santa Clara, due to added travel time (CSL stated no impact)?

   CSL Response: The 49ers season ticket holders live throughout the Bay Area. The geographic make up of the fan base changes slightly each year but over the last few years the trend has been an increase in fans in the South Bay. If the stadium were located in Santa Clara, it is possible that the team could lose attendeesfrom the extreme North Bay, but this would be made up by additional fans in the South Bay who will now find the game more convenient to attend. Because of the unique appeal of the NFL, fans traditionally travel from a 70 to 90 mile radius for games. It is not uncommon for NFL fans to travel twice that distance for games (in fact approx 10% of the team's fans are from the Sacramento area). The new stadium location in the Santa Clara also opens greater opportunity for new fans because of location and transportation access from the "extended" East Bay (Livermore, Pleasanton, Tracey, etc) and "extended" South Bay (Gilmore, Santa Cruz, Monterey, etc).

7. What are the current corporate sponsors for 49ers? How many are there now in San Francisco? Will they continue as corporate sponsors? What would be the commitment of new corporate sponsors?

   49ers Response: The 49ers have a wide range of corporate sponsors from many different industries, including Coca Cola, Visa, Wells Fargo Bank, General Motors, Sprint. The majority of our top tier partners are parties to multi year sponsorship agreements with the team and are enthusiastic about the prospect of a new stadium in Santa Clara. Based on discussions we have had with our current partners we fully expect them to continue their partnership with the 49ers. Furthermore, we expect many will want to expand their partnership with the team driven by the new opportunities that exist with a new venue that aren't currently available for our partners (such as, brand integration with sponsored and themed areas of the stadium). In addition, we have discussed this project with many potential partners and industry experts and based on that research we believe that the Santa Clara stadium will help the 49ers attract new and non-traditional partners from the significant number of corporations based in the South Bay. The potential for attracting

new partners will be driven by the desire for local based businesses to showcase their brands and gain greater exposure in the Silicon Valley while using the regional and national exposure generated by the 49ers.

a. Will the Stadium amortize over 30 years?

49ers Response: The financing proposal presented by the 49ers includes the repayment of all construction debt by the 25th year.

b. What is the breakdown of jobs? (Page 14) How many jobs under $50,000 salaries?

CSL Response: Due to the constraints of the IMPLAN economic model, it is not possible to provide a detailed stratification of the salaries. Based on our analysis the 920 jobs in the City of Santa Clara would have total earnings of approximately $44 million annually, which on a simple average would be $47,826 per job ($44M/920).

8. Were comparatives used similar to Santa Clara County and Bay Area? (Cities with limited competition for entertainment as opposed to our area with many venues; and much competition for entertainment dollar in South Bay

CSL Response: Both the survey results and the overall underlying economic impact assumptions were developed based on the unique nature of the Santa Clara marketplace and the position of the NFL. The assumptions were compared to actual operating data for a number of other teams playing in new NFL stadiums to provide confirmation that the underlying assumptions were reasonable.

9. CSL said construction jobs would be 30%. Neil Struthers said 80%. How much can be controlled?

CSL Response: Our estimates were developed in conjunction with Turner/Devcon (the 49ers preconstruction managers). We did a detailed analysis of the stadium construction cost, breaking it down into material and labor, and further breaking it down into a variety of subcontractor categories (e.g. electrical, steel, mechanical, HVAC, etc). We then evaluated the supply of contractors in the marketplace (by zip code) and used fairly conservative estimates on where the stadium construction work would come from. As a result, we have assumed that the majority of the employment and materials come from outside the county. We believe the construction job estimates are extremely conservative and would expect there to be a higher percentage of activity coming from the county.

10. On page 8 – the survey was discussed with 150,000 fans over 2 games, and over 310 surveyed.

a. Is that statistically valid?

CSL Response: With 310 surveys there is 90% certainty that the average reported spending of those surveyed is within a +/-5% range of the actual average for all game attendees. The error range accounts for sampling error (i.e. risk that the people randomly selected would not be representative of game attendees). The error

calculation does not account for reporting error (i.e. inaccuracies in the information provided by survey respondents about their spending). Potential inaccuracies in reported information were addressed by comparing the data to other surveys completed in other major markets at similar sporting events to check the reasonableness of the averages. In fact, the numbers were actually higher that in most other markets and is likely representative of a higher than average percentage of fans coming in from outside the market. In addition, we "cleansed" the data to remove any "outliers" that we did not believe were accurate. For example, if an individual who was not from outside the local marketplace indicated they typically spend $500 before and after home games, the estimate was removed from our database due to the outlier nature of the response. Finally, most season ticket holders go to multiple games so that the actual universe of unique individuals would be less than 150,000.

b. Were those surveyed season ticket holders? If so, would they continue to be ticket holders if the stadium was in Santa Clara?

CSL Response: The purpose of the intercepts was to capture data from a variety of fans including both season ticket holders and game day ticket purchasers. It is possible that the mix of season ticket holders could change as the stadium location changes. However, as with most NFL teams, the demand for tickets typically outpaces the supply and we would not expect to see a significant number of season ticket holders give up their ticket rights as it becomes difficult to ever get their seats back due to the demand for 49ers tickets.