Meeting Date: 06/05/07

AGENDA REPORT

Agenda Item # 5C

Santa Clara

City of Santa Clara, California

DATE: June 1, 2007

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

FROM: Assistant City Manager

SUBJECT: Evaluation of 49ers Economic and Fiscal Benefits Study

EXECUTIVE SUMMARY:

Overview

At the April 10, 2007 Council/Agency meeting, representatives from the San Francisco 49ers and their economic consulting firm, CS&L International, presented their study on the economic and fiscal benefits of a new stadium in Santa Clara. The Council/Agency directed staff to return to the June 5, 2007 meeting with an evaluation of the CS&L study. The Council/Agency chose to limit the focus of staff review to those economic/fiscal impacts occurring in the City of Santa Clara, given that to date, Santa Clara is the only regional governmental agency participating in the funding proposal for a new stadium. The report does not comment in any depth on County or regional benefits addressed in the CS&L Study. Keyser Marston Associates (KMA) conducted the evaluation at the City's/Agency's request.

Keyser Marston's Evaluation Approach

KMA's evaluation is based on:

- A review of the CS&L study, dated April 4, 2007;
- A follow up meeting and discussions with CS&L and the 49ers;
- Review of additional confidential materials and calculations provided by CS&L;
- Review of State sales tax regulations; and
- Consultation of various sports economics literature.

Keyser Marston's Summary Findings

KMA's findings are outlined as follows:

- While CS&L evaluated the economic benefits related to both a new stadium and the existing 49ers Training Center, KMA chose to separate the economic benefits of the Training Center from the economic benefits of the stadium as the Training Center lease between the City and the 49ers allows the 49ers, as the Lessee, to consider other forms of allowable development on the Training Center property.
- KMA estimated annual benefits based on a single year and construction benefits for the period of construction activity. KMA believes that while expressing these benefits over a longer period of time would result in larger estimates of benefit, the ratio of benefit to existing economic activity might not change.
- CS&L findings were restated to 2007 dollars in the KMA study. CS&L findings are based on 2012 dollars.
- KMA generally concurs with CS&L's estimate of $85 million of annual direct, indirect and induced economic activity in the City of Santa Clara, however KMA attributes approximately one half of that economic benefit to the existing 49er Training Center facility.
- KMA generally concurs with CS&L's estimate of 830 full-time equivalent jobs. KMA estimates

60% of these jobs are attributable to the stadium with the remaining 40% of the jobs attributable to the existing Training Center. KMA notes that residents of the City hold approximately 13% of jobs located in the City of Santa Clara.

- KMA concurs that CS&L's estimate of $38 million annually in generated personal earnings is generally reasonable with $17 million attributable to a new stadium and $21 million attributable to the existing Training Center.
- KMA generally concurs with CS&L's estimate of $700,000 per year in General Fund Revenue provided that all municipal costs associated with the stadium's ongoing operations will be reimbursed by the Stadium Authority to the City as proposed by the 49ers.
- KMA concurs that CS&L's estimate of City of Santa Clara annual economic activity ($9 million), employment (80 full-time equivalent employees) and personal earnings ($4 million) are generally reasonable.
- KMA believes that CS&L's estimate that the stadium construction period will generate $70,000 in General Fund sales tax revenue is probably conservative. KMA concludes that additional net sales tax revenue to the City may be generated from the construction of a stadium, as long as the sales tax revenue benefit is not used to finance the cost of the stadium.
- Keyser Marston's report includes an addendum addressing an issue that was not addressed in the CS&L study. KMA has provided an opportunity cost option for the Theme Park parking lot area. The existing Theme Park parking lot lease allows for the possibility of redeveloping the parking lot area, provided the Agency's obligation to the Theme Park for necessary parking is met. If the Council/Agency desires to redevelop a portion of the parking lot, a stadium project is not the only development opportunity. In KMA's addendum, they compare the economic benefits of a stadium project to those of a Class A office building project, ground leased by the Redevelopment Agency on approximately the same acreage footprint as the proposed 49ers stadium. KMA estimates the total annual fiscal benefits of a 15 acre office project to be $3.3 million per year. KMA, using CS&L's data, estimates the annual fiscal benefits for a stadium at $700,000. This type of analysis does not take into account the economic synergy that may be desired in what is generally an entertainment/tourist area. There are major office campuses in close proximity to the Theme Park parking lots. In addition to considering the proposed stadium use, the Council/Agency may wish to seek an entertainment/tourist use, which could be more compatible with the nearby Convention Center and Great America Theme Park.

ADVANTAGES AND DISADVANTAGES OF ISSUE:

Keyser Marston's focused evaluation of the 49ers/CS&L economic and fiscal benefits study provides the Council/Agency and community an independent economic/fiscal evaluation pertaining to a major project proposal, the construction and operation of a 49ers' stadium in the City of Santa Clara. As pointed out in KMA's addendum, there may be higher valued projects from a fiscal perspective that could be considered for the Theme Park parking lots if redevelopment of the parking lots were to occur. Additionally, in any potential redevelopment scenario contemplated for the Theme Park parking lots, existing contractual obligations with Cedar Fair for the provision of parking must be met.

ECONOMIC/FISCAL IMPACT:

Keyser Marston Associates has been retained as a member of the City/Agency's Stadium Feasibility Study team. Funding for KMA's focused economic/fiscal study was previously appropriated by the Council/Agency from Redevelopment Agency tax increment revenue.

RECOMMENDATION:

It is recommended that the Council/Redevelopment Agency accept Keyser Marston Associates' Evaluation of the 49er/CS&L Economic and Fiscal Benefits Study and direct staff to include the Keyser Marston Evaluation in the accumulated body of materials and information being used in the Stadium Feasibilty Analysis.

Ronald E. Garratt
Assistant City Manager

APPROVED:

for Jennifer Sparacino
City Manager/Executive Director,
Redevelopment Agency

Documents Related to this Report:
1)Keyser Marston Associates' Report-"49er's Stadium-Evaluation of CS&L Economic & Fiscal Benefits Study"

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MEMORANDUM

To: Ron Garratt, Assistant City Manager
City of Santa Clara

From: Keyser Marston Associates, Inc.

Date: June 1, 2007

Subject: 49ers Stadium - Evaluation of CS&L Economic & Fiscal Benefits Study

Keyser Marston Associates (KMA) has completed an evaluation of the economic and fiscal benefits study prepared by Conventions Sports and Leisure (CS&L) of the proposed San Francisco 49ers Stadium in Santa Clara that they prepared at the request of the team. Our review is limited to benefits identified in the study that would accrue to the City. The analysis does not take into account the cost of the proposed public investment in the stadium.

KMA's evaluation is based on:

- Review of the CS&L study dated April 4, 2007 and presented to the City Council on April 10, 2007;
- Follow up meeting and discussions with CS&L and the San Francisco 49ers (49ers);
- Review of additional confidential backup materials and calculations from CS&L;
- Review of sales tax regulations; and
- Consultation of the Sports Economics literature.

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Summary

The findings of KMA's review, as discussed in the following text, are summarized below:

- Economic benefits of the proposed stadium project to the City of Santa Clara have been estimated by CS&L for: (1) annual benefits derived from operation of the completed facility, and (2) one-time benefits derived from construction activity.

- For both categories of benefit, CS&L has provided benefits related to economic activity, employment, personal earnings, and fiscal benefit to the City of Santa Clara. In their analysis, the economic benefits of both the existing training facility and the stadium have been taken into account; since there are several potential scenarios for deployment of the training facility, we have chosen to separate these functions in our analysis.

- All the estimates of annual benefits are for a single year and the estimates related to construction impacts are for the construction period. Expressing these amounts over a long period of time would, of course, result in larger estimates of benefit, though ratios of benefit to existing economic activity might not change.

- CS&L findings were restated in 2007 dollars for purposes of this summary by KMA. Findings are presented in 2012 dollars in the CS&L report.

Annual Benefits

- CS&L has indicated that the project (stadium and existing training facility) will generate $85 million in economic activity in the City of Santa Clara. *We generally concur with this estimate; however, of the total, we estimate that about 50% would be attributable to the stadium and the balance to the existing training facility. The amount attributable to the stadium equates to about 0.1% of economic activity in the City of Santa Clara (0.2% including the training facility).*

- CS&L has indicated that the project will generate 830 jobs (full-time equivalent). *We generally concur with this estimate; of the total, we estimate that about 60% would be attributable to the stadium. This would equate to 0.4% of jobs located in the City of Santa Clara (0.7% including the training facility). Approximately 13% of jobs located in the City of Santa Clara are held by residents of the City.*

- CS&L has indicated that the project will generate $38 million in personal earnings. *This estimate also appears generally reasonable; of the total (stadium and training facility), we estimate that $17 million is attributable to the stadium. This equates to 0.1% of personal incomes earned in the City of Santa Clara (0.3% including the training facility).*

- CS&L has indicated that the project will generate $700,000 in $2007 (total) per year in general fund revenue (excludes training facility). *Our adjusted estimate is nearly identical ($650,000 per year), with the assumption that all municipal costs associated with the stadium will be reimbursed by the Stadium Authority to the City as is proposed by the team. The City's General Fund Budget (FY 2006-07) is $135 million.*

One Time Benefits From Construction

- CS&L has provided the following metrics for the City of Santa Clara: (1) economic activity – $9 million; (2) employment – 80 employees (full-time equivalent); (3) personal earnings – $4 million. *Our analysis indicates that these estimates are reasonable; only benefits associated with contractors and suppliers located in the City are included.*

- CS&L has indicated that construction will generate $70,000 (total) in general fund sales tax revenue. *Our analysis indicates that this estimate is probably conservative; only off-site taxable sales in the City of Santa Clara are included. Additional net sales tax revenue to the City may be generated from the construction site (as long as not utilized to finance the cost of the stadium).*

Key Terminology

Economic activity – equivalent to the gross revenues of a firm. Economic activity is also referred to as economic output. For the City, in this analysis, economic activity consists of the gross receipts of businesses located in the City and is after deduction of receipts which are projected to immediately leave the City economy.

Personal earnings – gross wages and salary income including bonuses and before taxes.

Employment – full and part time jobs.

Direct Impacts – economic activity, earnings, and employment derived from the team, stadium, concessionaires, hotels and retailers directly serving those attending events at the stadium.

Indirect Impacts – economic activity, earnings, and employment for industries down the supply chain from those experiencing the direct impact. Food wholesale establishments that supply the stadium concessions are an example.

Induced Impacts – generated by the household expenditures of direct and indirect employees, for example, groceries purchased by stadium staff.

Recap of CS&L Findings – Benefits to the City of Santa Clara

The following is a summary of CS&L's findings presented in their April 4, 2007 report regarding benefits that would accrue to the City of Santa Clara with the proposed stadium:

A. Annual City of Santa Clara Benefits from On-Going Operations ($2012s)

Economic Benefits*	
Economic Activity	$98 Million
Employment	920 Employees
Personal Earnings	$44 Million
Fiscal Benefits	
Sales Tax (1% City share) *	$500,000
Transient Occupancy Tax	$300,000
Total City GF Revenues	$800,000

Includes direct, indirect, and induced benefits
Source: CS&L

B. One-Time City of Santa Clara Benefits from Construction ($2012s)

Economic Benefits*	
Economic Activity	$10 Million
Employment	90 Employees
Personal Earnings	$5 Million
Fiscal Benefits	
Sales Tax (1% City share) *	$79,000

Includes direct, indirect, and induced benefits
Source: CS&L

The findings of the study include both existing benefits derived from current 49ers operations in Santa Clara and new benefits of the proposed stadium operations.

The CS&L study is presented in 2012 dollars and uses inflation rates applied to the inputs to the analysis which range from 2% to 4% and vary by item. Detailed calculations showing the application of these inflators were not provided. Where CS&L's estimates have been converted to 2007 dollars, an average deflator of 3% has been applied.

Estimates of earnings and employment relate to jobs located in Santa Clara but are not necessarily held by City residents. Based on Census 2000 data compiled by the Metropolitan Transportation Commission, 13% of jobs located in the City of Santa Clara are held by residents of the City.

CS&L Findings Compared to City Economy and General Fund Budget

To provide context to evaluate the magnitude of benefits identified by CS&L, we have identified statistics regarding the City economy and City General Fund for comparison as summarized in the table below:

City of Santa Clara Benefits	Current City Economy / Budget	On-Going Operations Benefits Per CS&L	Benefits as % of Comparison Statistic
	($2007s)	*($2007s)*	
Economic Activity	$36,200 M	$85 M	0.2%
Employment (FT & PT)	127,000	920	0.7%
Personal Earnings	$12,100 M	$38 M	0.3%
Sales Tax	$40.0 M	$0.4 M	1.1%
Transient Occupancy Tax	$9.5 M	$0.3 M	2.7%
Total General Fund Revenue	$135.0 M	$0.7 M	0.5%

Sources: CS&L, Minnesota IMPLAN Group, City of Santa Clara, Claritas. 3% inflation assumption

Economics Literature – Findings and Relevance to Projected City Benefits

The economics literature is generally critical of economic benefits studies prepared by stadium proponents. KMA reviewed journal articles which identify logical and methodological flaws prevalent in such studies and test whether economic benefits are borne out in terms of measurable regional economic growth and income. CS&L is responsive in addressing some of the criticisms presented in the literature. Other findings / criticisms apply primarily at the metropolitan or regional scale and are less relevant to the localized benefits to the City of Santa Clara which are the subject of this

focused evaluation. The following table summarizes some of the key findings and criticisms found in the literature and their relevance to CS&L's analysis of benefits accruing to the City of Santa Clara:

	Economics Literature Key Findings / Critiques	**Discussion**	**Relevance to City of Santa Clara Benefits**
1.	Team revenues immediately leak from the local economy. The majority of team revenues go to compensation of players, managers, coaches, and owners many of whom do not reside locally all year round. Many save a significant portion of their income, and as high income individuals, a large share of their income may be taxed away at the highest marginal rates.	CS&L appropriately makes a large downward adjustment to team revenues included in the analysis to account for these factors. CS&L's assumption that players spend 50% of gross income is not as conservative as it appears. Implies a savings rate of about 10% after accounting for state and federal taxes of approximately 40%.	Relevant and addressed by CS&L
2.	Rather than evaluate total economic benefits derived from stadiums and stadium construction, studies should include only the net benefits which exceed benefits achievable with alternative uses of public resources.	Policy makers have not identified an alternative use of funds for comparison. However, a Class A office Building is a plausible alternative use for the Stadium site. It is not likely that public financing would be required with this use.	See addendum to this analysis comparing projected benefits to those achievable with an office building.
3.	Construction earnings and employment are not a benefit if the economy is already operating at full employment for construction workers. Stadium construction simply crowds out other construction projects.	CS&L analysis assumes that the construction industry is not at full employment and stadium construction would not crowd out other projects.	CS&L assumes does not apply; cannot be verified due to timing a few years out.

	Economics Literature Key Findings / Critiques	Discussion	Relevance to City of Santa Clara Benefits
4.	Statistically insignificant or negative relationship between sports stadiums and personal income and employment at the metropolitan / regional level.	Applies at the regional scale but is not applicable to City benefits	Not relevant at City level.
5.	Sports teams add to spending in a metropolitan area only to the limited extent to which the team draws from outside the area. Only those traveling from out of the area solely for purposes of attending the game should be counted. Spending by those whose attendance at the game is an incidental component of their overall trip (i.e. to visit family, business, vacation, etc.) should not be included because it would have occurred anyway.	The vast majority of people attending events at the stadium will travel from outside the City of Santa Clara. In addition, spending by City of Santa Clara residents who currently attend games in San Francisco would be re-captured within the City of Santa Clara.	Not relevant

Annual Operations - Economic Benefits

The economic benefits to the City from on-going operations of the team and in-stadium spending projected by CS&L generally appear reasonable. However, benefits from out-of-stadium expenditures are more speculative and are dependant upon capturing expenditures by attendees within the City. CS&L's findings include both existing and new benefits; a break out between new and existing benefits is provided below. The IMPLAN model used to estimate economic benefits is less accurate for an economy like the City of Santa Clara which has many interactions with a larger regional economy.

Breakout of CS&Ls Findings

The CS&L analysis combines estimated benefits of the new stadium with that of the existing 49ers training and headquarters facilities located in Santa Clara. The rationale provided by the 49ers for including existing benefits is that the existing facilities could potentially be re-located if the stadium is not built in Santa Clara; therefore, both existing and new economic benefits are relevant for consideration by policy makers.

If the 49ers do not reach an agreement to develop a new stadium in Santa Clara or elsewhere in the Bay Area, the team and the training facility may leave the region. However, the training facility could potentially be re-located even if a new stadium is built in Santa Clara. Reaching an agreement for construction of a stadium would not necessarily result in retention of the training facility and not reaching an agreement would not necessarily result in relocation. Therefore, in our view, the analysis is more useful with new and existing benefits separately identified.

At the City's request, CS&L has provided backup detail sufficient to separate total projected benefits into existing and net new benefits. These backup materials also permitted KMA to separate CS&L's estimates by source (49er team & games, non-49er events, and out-of-stadium spending). CS&L has reviewed and indicated general concurrence with the approach used by KMA in breaking out their projections into the categories shown in the table below:

City of Santa Clara	Existing Benefits Training Facility & Headquarters	New Benefits of Stadium	Total Benefits Per CS&L
Economic Activity			
49er Team & 49er Games	$51 M	$11 M	$62 M
Non-49er Events	$0 M	$19 M	$19 M
Out-of-Stadium Spending	$0 M	$17 M	$17 M
Total $2012s	$51 M	$47 M	$98 M
Total $2007s	$44 M	$41 M	$85 M
Employment (FT & PT)*			
49er Team & 49er Games	348	72	420
Non-49er Events	0	279	279
Out-of-Stadium Spending	0	222	222
Total (FT & PT)	348	572	920
Total FTEs*	313	515	828
Personal Earnings			
49er Team & 49er Games	$25 M	$5 M	$30 M
Non-49er Events	$0 M	$8 M	$8 M
Out-of-Stadium Spending	$0 M	$6 M	$6 M
Total $2012s	$25 M	$19 M	$44 M
Total $2007s	$21 M	$17 M	$38 M

*FT & PT = Full Time and Part Time, FTE = Full Time Equivalent. Per CS&L, FTEs = 90% of FT & PT
Source: KMA, concurrence on methodology by CS&L. Conversion to 2007 dollars based on 3% deflator.

Analysis of Benefits from Team and In-Stadium Spending

Benefits generated by team and in-stadium spending represent approximately two thirds of the projected new benefits. These benefits are a subset of total benefits from the table on the previous page and are excerpted below.

City of Santa Clara	New Benefits of Team & In-Stadium Spending
Economic Activity	
49er Team & 49er Games	$11 M
Non-49er Events	$19 M
Total $2012s	$30 M
Employment (FT & PT)	
49er Team & 49er Games	72
Non-49er Events	279
Total (FT & PT)	351
Personal Earnings	
49er Team & 49er Games	$5 M
Non-49er Events	$8 M
Total $2012s	$13 M

To test the reasonableness of this portion of the projected benefits, KMA compared employment estimates per CS&L to direct on-site employment at the stadium calculated based on the preliminary staffing estimates provided separately by the 49ers. All figures have been converted to full time equivalents (FTEs) for comparison purposes.

City of Santa Clara	CS&L Direct, Indirect, Induced Employment	Stadium Staffing Estimates (Direct Employment)*
Stadium Employment	*FTEs*	*FTEs*
49ers games	65	107
Non-49er events	251	95
Total	316	202

* Based on 49ers preliminary staffing estimates. Permanent employees allocated among 49er and non-49er events based on attendance. FTEs for temporary employees calculated based on 8 hour work day per event. Temporary employees at non-49er events estimated based on 49er events proportional to attendance.

It is expected that CS&Ls estimates would exceed actual direct stadium employment by approximately 50% due to inclusion of:

a) Direct employment associated with incremental increases in team revenue, profit, and player salaries; and

b) Indirect and induced employment.

CS&L's projection of total employment associated with in-stadium spending is consistent with this expectation; therefore, this component of the employment estimate appears reasonable. However, we do not concur with the allocation of employment estimates between 49er games and non-49er events. Total annual attendance for non-49er events is approximately 11% less than 49er games, yet non-49er events are projected by CS&L to generate nearly four times the employment. The difference is driven by the special treatment in the analysis given to 49er team operations and stadium events. Inputs into the analysis for the 49ers are heavily discounted as described in the CS&L report to account for direct leakage from the local economy. This approach appears to understate in-stadium employment impacts associated with 49er events. Projections for non-49er events were not subject to discounting for direct leakage from the local economy to the same extent and appear high in comparison to direct employment at the stadium. However, the sum of these two components provides an estimate that appears reasonable.

The above findings regarding CS&L's estimates of employment generated by the stadium can be extended to estimates of economic activity and payroll since all of these measures are tied to the same IMPLAN model inputs and are related mathematically. The model appears to reflect reasonable relationships between estimated employment, payroll, and economic activity based on relevant metrics. Since the employment estimates appear reasonable in the aggregate, we can conclude the other in-stadium economic benefits are also reasonable.

Analysis of Benefits from Out-of-Stadium Spending

Out-of-stadium spending represents approximately one third of the projected new benefits. The CS&L estimate of benefits from out-of-stadium spending is driven by attendee spending assumptions developed from survey data (spending per person of $56 for 49er events, $40 for college football bowl games, and $20 for other events) and an assumed capture rate of 20% within the City.

- Survey data is a reasonable tool to estimate out-of-stadium spending (in the context of benefits accruing the City). Surveys are subject to both sampling error and error on the part of survey respondents in reporting expenditures. CS&L calculated the sampling error of their 49ers game survey to be +/- 5% with a confidence or power of 90%; KMA concurs with this calculation. CS&L has indicated that error in reporting expenditures by survey respondents is mitigated by excluding responses which greatly exceed the normal range. KMA reviewed

the questions used by CS&L for the survey of 49ers attendees; the questions appeared to be presented in a reasonable and un-biased manner. Surveys were conducted in the parking lot and concourses of the stadium including both game day and season ticket holders. Spending at non-49er events was estimated by CS&L based on surveys conducted at other stadiums.

- CS&L did not provide analysis supporting the assumption that 20% of expenditures could be captured within the City. This assumption may be reasonable for some expenditure categories (hotel), but may overstate others (retail / tailgating supplies, transportation) given the limited existing retail in the vicinity of the proposed stadium.

Since the economic benefits associated with out-of-stadium spending are contingent upon achieving a 20% capture rate, they may be viewed as less certain than the in-stadium benefits. No comparative measure is available to test the reasonableness of the 20% capture rate and we have no basis to suggest an alternative assumption.

Analysis of Benefits from the Training and Headquarters Facility

The methodology used in estimating existing benefits of the training facility and headquarters appears reasonable. Benefits are estimated using the IMPLAN model based on the direct revenues of the team. Team revenues are discounted by approximately 88% to account for direct leakage from the City economy. Discounting for direct leakage is necessary for a valid economic impact study as described in the Sports Economics literature.[1] Adjustments to player salaries account for players who do not live in Santa Clara for all or part of the year, taxes, and savings. The percentage of players residing in the City is based on data provided to CS&L by the 49ers for current players. Player residential location is not anticipated to be affected by construction of a new stadium in Santa Clara.

IMPLAN Model – Limitations

IMPLAN is the economic modeling software used by CS&L to generate estimates of employment, payroll, and indirect / induced economic output. It is a widely used economic analysis tool. Data files for the IMPLAN model are generally available at the county level; however for this analysis, CS&L purchased a data file specially created to cover the City of Santa Clara. Use of a special IMPLAN data file created for the City

[1] Noll, Roger and Andrew Zimpalist. 1997. "The Economic Impact of Sports Teams and Facilities," in Sports, Jobs and Taxes. Washington: Brookings Institution.

enables analysis of benefits at the City level; without it, indirect and induced City benefits might have been estimated using a less desirable approach such as an allocation of County-wide results. However, the IMPLAN model is designed for analysis of functional economic regions which do not experience significant commuting in or out. For local economies situated within larger regional economies such as the City of Santa Clara, IMPLAN is less accurate. A key factor is that stadium operations, public safety/security, concessions, and out-of-stadium retail / service employees may not reside in the City. Therefore there is potential for the projected household expenditures by these workers (induced effects) to be overstated. CS&L has indicated that their approach to this issue was to be conservative in discounting direct expenditures that would actually occur in the City thus mitigating potential overstatement of induced effects.

Annual Operations - Fiscal Benefits

CS&L has estimated the fiscal benefits generated by the stadium. The projected fiscal benefits are new benefits associated with the stadium and do not include the training / headquarters facility.

The cost of providing municipal services to the stadium has not been included in the CS&L analysis. This may be an appropriate assumption given that City service costs are currently anticipated to be reimbursed by the proposed Stadium Authority.

Projected City General Fund revenue is in the range of $650,000 annually ($2007s) after making adjustments and corrections to CS&L's estimates and including $85,000 of property tax in-lieu of VLF (per 2004 legislation) as described below. This amount includes out-of-stadium and indirect sales tax of $140,000 per year ($2007s) which is more speculative than sales tax estimates for inside the stadium.

<u>Sales Tax</u>

CS&L Findings: Annual sales tax revenue of approximately $500,000 to the City's General Fund (2012 dollars). Estimate includes sales inside the stadium, outside the stadium within the City of Santa Clara, and a portion of indirect and induced expenditures allocable to the City of Santa Clara.

KMA Evaluation: CS&L's estimate is approximately $335,000 per year expressed in 2007 dollars and excluding non-taxable items. Approximately 40% ($140,000) of this amount consists of out-of-stadium and indirect sales within the City which are less certain to materialize.

- CS&L's estimate includes $125,000 in sales tax revenue from parking and hotel expenditures which are not subject to sales tax in California. In addition, out-of stadium retail expenditures are assumed to be 100% taxable even though a portion of these expenditures are for non-taxable food items.

- CS&L's assumption that 20% of all out-of-stadium expenditures on hotels, restaurants, tailgating supplies, retail, entertainment, transportation, and other items within the City of Santa Clara is optimistic. An analysis supporting this assumption was not provided. Expenditures for certain items such as tailgating supplies and transportation (rental cars, gas) within the City are likely to be minimal. In addition, limited restaurant and retail options adjacent to the proposed stadium will constrain the ability to capture out-of-stadium expenditures within the City.

- Sales taxes generated by indirect and induced expenditures are speculative. KMA's practice in preparing fiscal analyses is to exclude revenues which are not directly linked to the project being analyzed.

Annual Sales Tax	
CS&L Estimate ($2012s)	$510,000
(Less) Non-Taxable Items	($125,000)
Adjusted CS&L Estimate ($2012)	$385,000
Adjusted CS&L Estimate ($2007)	$335,000

Transient Occupancy Tax (TOT)

CS&L Findings: Annual transient occupancy (hotel) tax revenue of approximately $300,000 to the City's General Fund (2012 dollars). Estimate includes a portion of hotel stays associated with attendees of 49er and non-49er events, press, and the visiting team projected to occur within the City of Santa Clara.

KMA Evaluation: Estimated TOT revenue to the City is in the range of $230,000 per year ($2007s) after making a downward adjustment to optimistic estimates for non-49er events. This adjusted estimate is approximately 10% less than the CS&L estimate of $260,000 ($2007s).

- The projected room rates of $150 per night for 49er events and $125 for non-49er events ($2012s) are within the current range for weekday rates at nearby hotels (in 2007 dollars). Nearby hotels could likely achieve higher rates during

49er games and other major events at the stadium; therefore, these rates are conservative.

- Projected hotel stays in relation to 49er events appear reasonable. There are approximately 2,300 hotel rooms in the City of Santa Clara within two miles of the proposed stadium. These hotel rooms have available capacity on weekends and would appeal to visitors who travel to the area to attend events at the stadium. CS&L projections equate to utilization of 930 rooms (40% of rooms within 2 miles) 10 nights a year.

- Projected hotel stays at non-49er events appear reasonable for some events and optimistic for others. Approximately half of the non-49er TOT revenue is generated by a single event – an assumed college football bowl game (i.e. "Orange Bowl," "Fiesta Bowl," "Rose Bowl"). The projection optimistically assumes 3,400 hotel rooms in the City of Santa Clara would be occupied for two nights during this event. This equates to approximately 100% of the rooms in the City. Even if a college bowl game did occur every year and fill every room in the City for two days, a portion of the projected hotel stays would necessarily displace other visitors. Using a the more conservative assumption that non-49er events generate approximately the same number of hotel stays per attendee as 49er events reduces the total projected TOT revenue by approximately $30,000 annually to $230,000 ($2007s).

Other City/Agency Revenues Not Included in the Analysis

CS&L has not included every potential revenue source in their projection. Other sources of revenue include:

- Property tax in-lieu of motor vehicle license fees (per 2004 legislation which modified allocation formulas governing vehicle license fees) – The stadium would generate approximately $85,000 per year to the City's General Fund based on the 49er's preliminary estimate of assessed value.

- Property tax increment (Redevelopment Agency) – CS&L has excluded property tax increment to the Redevelopment Agency based on the assumption that these revenues would be used to finance construction of the stadium.

- Business Tax – Not included by CS&L; KMA anticipates to be minimal.

- Utility Service Excise Tax – Not included by CS&L; KMA anticipates to be minimal.

Number of Events / Attendance Assumptions

The projected fiscal and economic benefits are driven by CS&L's attendance assumptions. Attendance at 49er events is estimated at 96% of capacity, or 650,000 annually. Attendance at 17 projected non-49er events is estimated at 578,000 annually. If the actual number of events or attendance were less, the projected fiscal and economic benefits would be negatively impacted.

Construction - Economic Benefits

CS&L Findings: The direct, indirect and induced economic impacts of construction are:

- $10 Million in economic activity ($2012s)
- 90 full and part time employees
- $5 million in personal earnings ($2012s)

KMA Evaluation: The projected economic benefits from construction appear reasonable, with the assumption that only benefits associated with contractors and suppliers located in the City are included.

CS&L's analysis includes only those benefits associated with construction expenditures likely to accrue to contractors and suppliers located in the City of Santa Clara. The analysis takes the conservative point of view that employment at the construction site is not a benefit to the City unless it is associated with a contractor or supplier based in the City of Santa Clara. An approach which counts all employment at the construction site regardless of where a contractor is based is, in our experience, often used for an economic benefits analysis and would have yielded higher results.

The location of contractors and suppliers likely to be involved in the construction was identified by CS&L with the assistance of Turner construction. Data and analysis with respect to contractor and supplier location were not reviewed by KMA.

Construction - Fiscal Benefits

Sales Tax

CS&L Findings: Sales tax revenue to the City General Fund of $79,000 during the construction period ($2012s)

KMA Evaluation: Estimate is equivalent to $70,000 in $2007 dollars. This is probably a conservative estimate of construction sales tax revenue. Only off-site taxable sales for firms located in Santa Clara are included in the estimate. The estimate may be low if the construction site is established as the point of sale for a portion of materials used in construction (as permitted by the California State Board of Equalization, subject to certain conditions). Additional sales tax generated on the construction site may accrue to the City to the extent it is not utilized to finance the cost of constructing the stadium.

Limiting Conditions

1. This evaluation is based on information provided by Convention Sports & Leisure, the San Francisco 49ers, the City of Santa Clara, and other secondary sources such as state and federal agencies, peer-reviewed journals, and other third parties. While Keyser Marston Associates, Inc. (KMA) believes that these sources are reliable; we cannot guarantee their accuracy.

2. KMA has evaluated only benefits cited in the April 4, 2007 CS&L report which would accrue to the City of Santa Clara. We have not evaluated projected benefits that might accrue to other jurisdictions.

3. While KMA believes CS&L has provided sufficient backup materials and information for purposes of this review, not all backup materials used in preparing CS&L's analysis were made available. Confidential details regarding team revenue and detailed calculations of the economic benefits findings were not provided. This review is based solely on the materials provided to KMA.

4. A projection of economic and fiscal impacts is inherently based on judgment. Actual impacts will vary from the CS&L projections and from any modified, redistributed, or adjusted estimates described herein.

5. KMA does not authorize abstracting, excerpting, or summarization of this report without first obtaining prior written consent from KMA.

Addendum: CS&L Stadium Findings Compared to Class A Office Building

As noted by KMA in our evaluation of CS&L findings, some of the Sports Economics Literature argues that evaluation of economic benefits achievable with a stadium should be compared to benefits achievable with alternative uses of public resources.

A plausible alternative use for the 15 acre City property, which has been identified by City staff, is a Class A office building. Investment of public funds would not likely be required to develop an office building, although the contemplated public parking garage may be required.

For comparison purposes, KMA has prepared a rough but conservative estimate of the annual economic and fiscal benefits to the City of Santa Clara achievable with a Class A office project. The estimated benefits are summarized in the table below.

City of Santa Clara ($2007s)	Total Team / Stadium Benefits Per CS&L	Class A Office Building on Stadium Site	Stadium Benefits as % of Office Benefits
	Direct, Indirect & Induced Benefits	*Direct Benefits Only*	
Economic Activity	$85 M	$360 M	24%
Employment (FT & PT)	920	2,600	35%
Personnel Earnings	$38 M	$160 M	24%
Total Annual Fiscal Benefits (1)	$0.7 M	$3.3 M	21%

Sources: CS&L, City of Santa Clara, KMA, 2002 Economic Census.

(1) Municipal service costs assumed to be paid for by the Stadium Authority in the case of the stadium. Estimated municipal service costs have been deducted from gross revenues in the case of the office building.

For the office building, only direct economic and fiscal benefits are included; however, for the stadium, total direct, indirect and induced benefits per CS&L are reflected. Estimated General Fund municipal service costs associated with the office building have been deducted, resulting in the net General Fund revenue shown above. Benefits of the office building would be greater if indirect and induced benefits were included. On the other hand, it should also be noted that the construction dollars of the stadium would be several times that of an office building and therefore the construction benefits of the stadium would be several times greater as well.