Meeting Date: 1/15/08

AGENDA REPORT

City of Santa Clara, California

Agenda Item # 4A

Santa Clara All-America City 2001

DATE: January 11, 2008

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

FROM: Assistant City Manager

SUBJECT: Findings from the Feasibility Study for a Proposed San Francisco 49ers Stadium

EXECUTIVE SUMMARY:

Overview

On January 4, 2007, the City Council received a letter from the San Francisco 49ers requesting a cooperative effort towards conducting a feasibility study evaluating a possible National Football League (NFL) stadium to be located in the Great America Theme Park parking lot in the City's North Bayshore Redevelopment Area (site map-Exhibit 1). At their January 9, 2007 meeting the Council unanimously adopted a set of Guiding Principles to be used in a stadium feasibility study (Exhibit 2) and, on April 3, 2007, Council set the initial calendar for "Committee of the Whole" public meetings to review issues resulting from the feasibility study.

The 49ers presented their economic analysis for a Santa Clara stadium on April 10, 2007 and brought forward their stadium proposal on April 24, 2007. A summary of the proposal is attached (Exhibit 3). For the past eight months, the 49ers and City staff and consultants have been meeting to understand, question and comment on the 49ers proposal. In this period of time, staff has returned to Council to provide updates to the community on a variety of stadium-related issues: possible parking structure locations and costs; electric substation relocation; an independent evaluation of the 49ers economic consultant's report on the fiscal benefits of a stadium in Santa Clara; the valuation of City-owned land in the vicinity of the stadium project; the review of a possible governance structure for a publicly owned stadium; a tax increment study of the North Bayshore Redevelopment Area (RDA); an overview of the ballot process and ballot timing for a proposed stadium; an overview of the environmental review process for a stadium project; the management of game-day parking and stadium-area public safety needs; a detailed analysis of possible public funding sources for a stadium; and an evaluation of economic return based on the proposed funding. In this period of time there have been more than a dozen Council meetings where the stadium project has been discussed, with ten of those meetings being "Committee of the Whole" meetings, where staff and the 49ers have shared information on various aspects of the project. All agenda materials can be found online, on the City's website. All Council meetings have been cablecast on channel 15, rebroadcast, and tapes and DVD's made available in City libraries for checkout.

Feasibility Study Process

The 49ers' April 24, 2007 stadium proposal has served as the foundation document for the feasibility study process. While financing and Cedar Fair issues have always been key components of the study, many other legal, financial, infrastructure and stadium location issues have been addressed. The project is made more complex by the fact that the desired stadium site is in the parking lot of Cedar Fair's Great America Theme Park. Cedar Fair has a long-term ground lease with the City that delineates both the City's and Cedar Fair's rights and obligations. It has always been City policy to act as a "partner" with our lessees and support them in creating a healthy business environment. To date, issues with Cedar Fair pertaining to stadium location, replacement parking, and the effects of a stadium on Theme Park operations and economics remain to be

resolved. All parties are continuing in the discussion, with the goal that issues of concern can be resolved.

All forms of stadium project-related issues have been discussed by the City and the 49ers in a positive, productive, and cooperative manner. Cedar Fair, the City and the 49ers have also participated in discussions as appropriate. After eight months, however, it is apparent that most iterations and options of the various issues discussed have been analyzed and the tenor of the meetings needs to move from a "study" mode to more of a "negotiations" mode. It is therefore appropriate to conclude the feasibility study with the best information available to date and allow Council to determine the next appropriate action(s) they may wish to take.

NEXT STEPS

Possible Options

The Council should consider the feasibility study materials submitted for review over the past few months and proceed on one of the following possible paths:

1. Determine that the feasibility study does not support a stadium project in the City of Santa Clara and cease continued exploration of the project.

2. Determine that while much has been learned over the course of the feasibility study, there remain critical issues open to resolution, foremost being the requirements recently submitted by Cedar Fair to make a stadium project acceptable to them. Council could hold a final determination of the feasibility study in abeyance while Cedar Fair's issues are explored and resolved, including any other issues Council may wish to identify as a result of the Feasibility Study to date. These issues could be further researched, analyzed and reported back on by staff, in a reasonable period of time.

3. Determine that the feasibility study is completed and indicates a potential entertainment/economic opportunity for the City's North Bayshore Area and enter into an Exclusive Negotiating Rights Agreement (ENRA). Staff concluded although the Feasibility Study is complete, there are significant outstanding issues. Proceeding with a ENRA would provide the opportunity to resolve remaining issues. The ENRA would state that the City and the 49ers are entering into preliminary negotiations for a stadium project for a set period of time, and that at the end of this period a "Term Sheet" will be developed for Council review and approval. The term sheet is a non-binding agreement that outlines the deal structure for a stadium project. It would clarify in writing certain guarantees and understandings that have resulted from discussions to date. Significant issues, such as those included in Cedar Fair's recent letter to the City pertaining to their requirements for a stadium project, and the issue of seeking an increased revenue return to the City through ground lease payments, would be dealt with in the process of creating the term sheet.

   At the end of the ENRA period, possibly six months, the Council could consider approving the term sheet, directing the City Manager to move forward in the negotiation of a stadium lease agreement with the 49ers; or alternatively, the Council could determine that the deal structure is not appropriate and cease any further efforts towards a stadium project. Staff would strongly advise, if Council chooses this option, a key parameter of any further discussions be that there would be no further City/RDA funding contributions beyond $136 million, and no additional City-owned property to be used as a resource for stadium project funding beyond the City-owned property for the stadium itself. A synopsis of the contents of the proposed ENRA document can be found in the DISCUSSION section of this report.

Proposed Ballot Measure

Early in the Feasibility Study process requests were made to the Council to place the issue of a 49ers stadium in Santa Clara on the ballot. Staff responded that until the feasibility study had been completed and a determination made by Council to proceed or not with the stadium proposal, there was no need to address the ballot question. If Council chooses to move beyond the Feasibility Study, staff will return to the January 22, 2008 meeting of the Council with information on a possible ballot process.

49ers CEQA Scheduling

In an attempt to meet their desired stadium opening date of 2012, the 49ers must commence the California Environmental Quality Act (CEQA) process immediately. Given the City is landowner of the property, the City Manager must sign the EIR application form to commence the study. Per standard practice for a development, the developer (49ers) is responsible to pay all costs of the CEQA/EIR review, with the City of Santa Clara acting as the lead agency. It would not be prudent, however, to proceed with CEQA unless the Council desires to move forward, in some form, with the stadium project. If Council chooses to conclude the exploration of a stadium project, CEQA review is not necessary.

FEASIBILITY STUDY

Staff has summarized key feasibility study issues in a matrix format – Summary of Feasibility Study Issues (Exhibit 4). The matrix lists the issue under study, whether it is feasible or not, how the issue conforms to the City's guiding principles, and a comment section that applies context to the issue. With a project as large and complex as an NFL stadium, there are many issues where discussion and resolution will need to continue, where new or unexpected issues have and will evolve, and where guarantees and commitments made to date will need to be documented.

The feasibility matrix evaluates issues using the following definitions:

- Feasible–Yes

  Issues in this category are felt to be understood by both parties, and appear achievable either from experience or information learned to date from the Feasibility Study process.

- Feasible-Yes with Conditions

  Issues in this category have had verbal commitments made that need to be documented and agreed to by the parties, still require additional research and discussion for clarity and understanding, or have challenges to them that may be resolved if the project moves forward to preliminary negotiations.

- Feasible-No

  In all cases where an issue has been evaluated as "no," a significant or long-held City policy or contractual obligation may be at risk, or the City/RDA financial position is extended beyond prudent levels.

- Open

  This evaluation criteria applies primarily to Cedar Fair related issues including stadium and garage location issues and construction scheduling. In addition, a portion of the financing requires the acceptance of the Mello Roos assessment concept by the affected hotels, and the City's effort to seek a higher return on its investment.

ADVANTAGES / DISADVANTAGES OF ISSUE:
Not surprising for a project as large and complex as an NFL stadium, the Feasibility Study conclusions do not indicate a "clear road" through to a completed 49ers stadium project. Rather, it indicates that there may be an opportunity to enhance the North Bayshore entertainment district area with a successful NFL stadium project, but the City needs to proceed in a considered, prudent manner and ensure that the community's interests remain protected in the process. Should the Council wish to move forward, many stadium issues need to be explored and negotiated in greater detail. The City Manager would lead this staff effort in her role as chief negotiator on behalf of the City. Major issues requiring resolution with Cedar Fair must be pursued. Additional information pertaining to Cedar Fair's Great America Theme Park is contained in the DISCUSSION section of this report.

ECONOMIC/FISCAL IMPACT:
The fiscal/economic impacts of the stadium project are outlined in the attached Summary of Feasibility Study Issues (Exhibit 4). The City/RDA's absolute limit of ability in stadium financing is $136 million, inclusive of the parking garage and electric substation relocation. The proposed financing, combined with existing RDA obligations, would consume all available tax increment as projected in the planning scenario for the remaining life of the RDA. Staff is recommending the hold-back of $25 million of RDA monies from projected tax increment to deal with support for existing facilities, such as the Santa Clara Convention Center; the possibility of additional funding for existing, budgeted projects in the North Bayshore RDA; and to meet possible infrastructure obligations contained in the Hyatt Regency lease. These tax increments monies are not part of the $136 million stadium financing proposal.

Keyser Marston Associates-Economic Studies
The 49ers economic study, conducted by CS&L, determined a stadium in Santa Clara would have a significant regional economic benefit. The City's economic consultant, Keyser Marston Associates (KMA), was tasked with studying only those economic benefits accruing to the City of Santa Clara, as the City is the only public agency being asked to participate in stadium financing and commitment of land. KMA reported on their findings to Council on June 5, 2007. KMA generally concurred with CS&L's findings on the economic impact to Santa Clara, but determined that approximately one half of those benefits already exist in the City due to the location of the 49er Training Center in the City. KMA determined that the stadium could produce a direct benefit to the General Fund of approximately $650,000 per year. Additionally, KMA analyzed alternate development scenarios for a 15-acre site comparable to the proposed stadium land footprint. This economic analysis contained in the DISCUSSION section of this report.

Return on Investment
The return on investment for a stadium project is a positive $19 million (net present value-NPV) for the City's General Fund over the 30-year life of the stadium lease for a project sited on +15-acres of City-owned land. The return on investment for the Redevelopment Agency is calculated as a negative $90 million (NPV) over a 30-year period. It should be noted that Redevelopment Agencies are established to invest tax increment monies in infrastructure, off-site improvements and projects that enhance the ability and opportunity for businesses to site in a particular geographic area of a community. The City's Convention Center was financed with RDA monies as well as the Youth Soccer Park and the Santa Clara Banquet facility. The stadium is proposed as a publicly owned and operated facility, therefore it would be appropriate to consider tax increment as a financing source. This would be one of the largest investments made by the City's RDA for a public project. There is additional information on project return on investment in the DISCUSSION section of this report.

The proposed 49ers financing request does not follow the City's traditional ground leasing methodology of bidding a City-owned parcel to interested developers, accepting the highest offered land lease payment and having the lessee build and own all improvements on the property. If Council chooses to proceed beyond the feasibility study, the City should seek a ground lease payment directly to the General Fund for the stadium to produce a higher return on its financial investment and land.

Housing Set-Aside Funds

RDA bond financing requires modifying the Council's current 30% housing set-aside policy for low-and-moderate income housing to 26% on average over the next nine years. This results in a $5 million net reduction in housing funds, from a total of $203 million to $198 million through the remaining life of the RDA (2026). This equates to a reduction of approximately 53 to 74 low-and-moderate income units. It should be noted that Council adopted the discretionary additional 10% housing program in fiscal 2002/2003 and it remains today as one of the most aggressively funded housing programs in the county. Few cities choose to fund their low-and-moderate housing programs beyond the 20% statutory requirement. There is additional information on the low-and-moderate income housing program in the DISCUSSION section of this report.

SB 211 Pass-Through

Redevelopment Agency bond financing will require an SB 211 amendment to the RDA plan, which triggers the pass-through of tax increment (property tax) to school districts and other participating taxing agencies. A stadium project, or any other new project the Council might choose to pursue in the North Bayshore RDA, would accelerate the payment of tax increment to other agencies, and for basic aid school districts such as the Santa Clara Unified School District and the County Office of Education, it would increase the amount of tax increment they might otherwise receive. If there were no stadium project, or any other new RDA project, there would still be an amount of tax increment returned to these taxing agencies, primarily in the last few years of the RDA's life (2020 through 2026). The net present value of the RDA tax increment to all tax receiving agencies would be approximately 23% higher without a project than with a project. Additional information on SB 211 Pass-Through is contained in the DISCUSSION section of this report.

Cooperation Agreement

A Cooperation Agreement was created between the City and RDA in 2000 to repay the City for 41-acres of City-owned property purchased by the Redevelopment Agency. The RDA uses lease revenue from existing North Bayshore Area ground leases to make payments to the City for the land. When tax increment is available it can also be used to accelerate payment of the Agreement. To date, all available tax increment has been committed to the housing fund and outstanding RDA debt obligations. It was projected that over the next approximately 12 years there would be sufficient tax increment to accelerate Cooperation Agreement payments to the City. Using tax increment instead, for stadium financing or any other major project, will take away the ability for accelerated payments to the General Fund under the Cooperation Agreement (an opportunity cost), but the General Fund will be fully reimbursed for the Cooperation Agreement over an extended period of time from long-term lease revenues. There is additional comment on the Cooperation Agreement contained in the DISCUSSION section of this report.

Cost Overruns

The stadium proposal as presented by the 49ers includes an aggressive schedule to meet a 2012 NFL season. Construction cost estimates are based on a 2012 end-of-construction date. The 49ers have stated that they will assume any cost overruns for a project delayed one year, to 2013. The responsibility for cost increases beyond 2013 remains an unresolved issue. Additionally, there is the possibility that the $42 million, 1,800

space, publicly funded parking garage will need to be enlarged to a higher parking count, dependent on shared parking ability between the Theme Park and the stadium. The $42 million garage cost estimate was completed in 1998 and may not be sufficient to deliver needed parking with current cost of construction. These two potential issues, and any other project cost overruns that may arise from such a complex project, cannot look to the City or the Redevelopment Agency as a source of funding. The 49ers must be responsible for any and all costs beyond the City/RDA proposed investment of $136 million.

Additional Consultant Funding

If Council selects either Option 2 (continue the Feasibility Study to resolve Cedar Fair issues) or Option 3 (move to preliminary negotiations to create a non-binding term sheet agreement while continuing to resolve Cedar Fair and other issues), it will be necessary to provide additional consultant funding to proceed. If Council selects one of these two options, staff would return to Council with a proposed budget. To date, $500,000 from RDA funds have been spent for consultants supporting City staff in the feasibility analysis.

RECOMMENDATION:

Staff recommends that Council/Redevelopment Agency:

1. Determine that the Feasibility Study is completed and indicates the proposed 49ers stadium project to be feasible, but with many outstanding issues requiring resolution in the next phase of negotiations.
2. Determine that the project is feasible only if the City, including its Utility Funds, and the Redevelopment Agency do not exceed $136 million in City/Redevelopment Agency funds and resources.
3. Refer to the City Manager to proceed to negotiate an Exclusive Negotiating Rights Agreement with the San Francisco 49ers to enter into preliminary negotiations for a determined period of time resulting in a Term Sheet Agreement that would memorialize key understandings, obligations, responsibilities and financial commitments between the City and the 49ers. The Term Sheet Agreement would be a non-binding Agreement that will allow the Council to determine if they wish to proceed further to negotiating a lease that would address stadium construction and operations issues. The Exclusive Negotiating Rights Agreement would return to Council for approval.
4. Refer to the City Manager to continue discussions with Cedar Fair and the San Francisco 49ers to resolve issues pertaining to the proposed siting of the stadium and other Cedar Fair concerns.
5. Refer to the City Manager to return to the January 22, 2008 Council meeting with a recommendation on the type and timing of a ballot measure for a San Francisco 49ers stadium in the City of Santa Clara.
6. Refer to the City Manager to develop a proposed consultant budget for continuing staff support for the next phase of the stadium project and return to Council/Redevelopment Agency.

APPROVED:

Ronald E. Garratt
Assistant City Manager

Jennifer Sparacino
City Manager/Executive Director
Redevelopment Agency

Documents Related to this Report:
1) Exhibit 1-Aerial Map of the North Bayshore Redevelopment Area
2) Exhibit 2-Guiding Principles Adopted by Council to Direct the Feasibility Study
3) Exhibit 3-Summary of the 49ers Stadium Proposal to the City of Santa Clara
4) Exhibit 4-Summary of Feasibility Study Issues
5) Exhibit 5-Cedar Fair Letter to City Manager dated January 10, 2008
6) Exhibit 6-City Manager's Letter to Cedar Fair dated January 11, 2007
7) Exhibit 7-Summary of Projected Economic Benefits within the City
8) Exhibit 8-Estimated Timeline for Stadium Construction and Financing (only referenced in Exhibit 4)

DISCUSSION

Exclusive Negotiating Rights Agreement

If the Council chooses to go forward with the staff recommendation to commence preliminary negotiations, it is the recommendation of staff that those negotiations be carried out pursuant to an Exclusive Negotiation Rights Agreement or ENRA. It would be the intent of the staff to present a proposed ENRA to the City Council and Redevelopment Agency for consideration at a future City Council meeting.

The ENRA will provide for a period of exclusive negotiations with the 49ers for possible development on a portion of the Cedar Fair parking lot area. The first tasks or milestones to be undertaken under the ENRA will be:

- Negotiation of Term Sheet. The term sheet would set out in writing all of the key financial and policy points regarding the construction and operation of the stadium. The term sheet would also serve as a road map for preparation and negotiation of the transaction agreements. For example, the term sheet would describe the expected 49ers commitment to various terms such as covering construction cost overruns and operating costs for the stadium. Likewise, the term sheet would describe the expected City, Redevelopment Agency and Stadium Authority commitment to various terms such as relocation of the substation and expenditure of the $42 million proposed for a parking structure.

- Resolution of Cedar Fair Issues. The City, Redevelopment Agency and the 49ers would work cooperatively to resolve the issues raised by Cedar Fair's December 14, 2007 letter.

- Initiation of EIR Process. The City would begin the work to prepare the EIR for the stadium project. The 49ers will cooperate in the EIR work, and pay all of the City's costs for preparation, review and processing of the EIR.

The ENRA will also have an "off ramp" that allows the City or the 49ers to terminate the negotiations after 6 months if there is no agreement on key points of a term sheet or unforeseen insurmountable obstacles to accomplishing the project prevent agreement on a term sheet.

If there is agreement on the term sheet, then the parties would move forward with preparation and negotiation of the agreements for financing, construction and operation of the stadium. The parties would also go forward with various other tasks described in the next paragraph that will need to be accomplished prior to or at the same time as the agreements are approved. The period for these tasks would extend for an additional 6 months.

The ENRA will contemplate a number of other tasks necessary for the project including preparation and processing of planning applications for the stadium, preliminary planning for the substation relocation and the

parking structure construction, formation of the Stadium Authority, and further work on financing for the stadium including the formation of the hotel Mello Roos district.

Lastly, the ENRA will make clear that the City and the Redevelopment Agency have not legally committed to going forward with the stadium project or to any particular terms for the stadium project. That legal commitment can only come after issues with Cedar Fair have been resolved and the agreements for financing, construction and operation of the stadium have been prepared and approved by the City Council, Redevelopment Agency and the Stadium Authority after public hearings and meetings to consider those agreements.

Great America Theme Park

The concept of a theme park came about in the early 1970's. The City Council at that time was interested in developing a tourist/visitor amenity in what was then an agricultural area of the City. The Marriott Corporation broke ground for a park in 1973 and owned and operated the park through the early 1980's. By the 1980's business park development was taking off in Silicon Valley and Marriott indicated its interest in redeveloping the land from a Theme Park to some form of office/commercial/industrial development. In order to maintain the amenities offered by the Theme Park, the City's Redevelopment Agency purchased the park land and all of its assets in 1985 and contracted with Kings Entertainment Company to operate it. Kings Entertainment was given an option to ground lease the land and purchase the improvements and they did so in 1989. In 1992, Paramount Parks acquired Kings and the ground lease was assigned to Paramount. In July 2006, Cedar Fair Entertainment Company acquired the assets of Paramount Parks and was assigned the ground lease.

Cedar Fair operates the Park under a 50-year ground lease (commenced in 1989) with a base term expiration in December 2009 and 3 option extensions of an additional 10 years each, for a total term to 2039. The base rent under the ground lease is $5.3 million annually, plus 5% of gross revenues in excess of $56 million up to $100 million and 7.5% of gross revenues in excess of $100 million. The debt assumed by the RDA to purchase the Park was retired in December 2005 and all ground lease revenue goes directly to the General Fund. In addition to ground lease payments, the Theme Park contributes significant economic vitality and diversity to the North Bayshore Area, bringing visitors to area hotels and restaurants and creating a synergistic business opportunity with the City's Convention Center located just north of the park. The direct economic benefits of the Theme Park are listed as follows. These numbers do not include overall economic benefits to the Santa Clara community:

Annual Base Ground Lease Rent (to General Fund)	$5,300,000
Percentage Rent – average of past 3 years (to General Fund)	180,000
Sales Tax – in excess of (to General Fund)	200,000
Transient Occupancy (Hotel) Tax - fiscal 2006/2007 (to General Fund)	120,000
Subtotal – General Fund Annual Economic Benefit	5,800,000
Property Tax – fiscal 2006/2007 (to Redevelopment Agency)	1,100,000
Total – Annual Economic Benefit	$6,900,000

The City received a letter from Cedar Fair on December 14, 2007, expressing their commitment to the continued operation of Great America in Santa Clara. Cedar Fair expressed their concerns over the negative impacts the 49ers stadium may have on the Park and expressed an offer to continue in discussions with the City and the 49ers in considering an alternate stadium location on the overflow parking lot. A letter was received from Cedar Fair on January 10, 2008 (Exhibit 5) expressing their disappointment at not having heard

from the City or the 49ers since their December 14th letter was sent. Cedar Fair wants to make clear their position for the January 15, 2008 Council deliberation:

- Cedar Fair is completely opposed to locating the proposed stadium in the main parking lot.
- Cedar Fair would consider agreeing to locating the stadium in the overflow parking lot (alternative site), but only subject to the conditions stated in their December 14th letter.

Staff has responded to Cedar Fair by letter (Exhibit 6). It was staff's perspective that a discussion with Cedar Fair on the conditions in their December 14th letter should wait until after the Council's January 15th deliberation on the stadium Feasibility Study. If Council chooses not to proceed further with the stadium project on January 15th, there would be no need for further discussions with Cedar Fair on the stadium project. Certainly, if Council chooses to go forward into preliminary negotiations with the 49ers, Staff will proceed to arrange a meeting schedule with Cedar Fair and the 49ers.

Economic Analysis of Alternative Development Proposals

At the June 5, 2007 "Committee of the Whole" meeting, Keyser Marston & Associates (KMA), the City's fiscal and economic consultant, presented a hypothetical comparison of the proposed stadium project's direct, indirect and induced economic benefits against a Class A office building project's direct, indirect and induced economic benefits, sited on an approximate 15-acre footprint (the land area the stadium will require). Given the entertainment/retail/tourist theme in the general area of the Convention Center and Theme Park, KMA expanded their analysis to include the direct, indirect and induced economic benefits of a hypothetical retail center on 15-acres.

The June 2007 evaluation of the 49ers economic consultant, Convention Sports and Leisure (CS&L) economic benefits study by KMA included a comparison of the benefits generated by the stadium to benefits achievable with a Class A office project on the same 15-acre City property. The comparison addressed one of the key findings identified in the sports economics literature: that stadium economic benefits should be evaluated in comparison to benefits achievable with alternative uses of public resources. The comparison was also designed to provide context to evaluate the magnitude of the stadium benefits against those of a more familiar land use. An office project was selected for comparison because it is likely the highest and best alternative use for the site from a real estate perspective.

In reviewing the comparative analysis, Council expressed interest in a project type more consistent with the general area's tourism/entertainment designation. A second alternative for comparison has been analyzed by KMA: an entertainment-themed retail center consistent with the vision for the area. The concept is a retail center designed to capitalize on the presence of the theme park, convention center, hotels, and office workers in the area. The comparison to the retail / entertainment use and previous office / highest and best use alternative is summarized below. There is no specific proposal for either the retail or office alternatives and no feasibility analysis has been completed; therefore, both comparisons are hypothetical. These alternatives would likely only occur with the initiation and / or cooperation of Cedar Fair.

City of Santa Clara Benefits (2007 dollars)	Stadium	Retail/ Entertainment Use on Stadium Site	Previous "Highest and Best Use" Comparison: Class A Office on Stadium Site
Building Area	Stadium	150,000 SF	650,000 SF
Economic Activity	$41 M	$56 M	$360 M
Employment (FT)	515	710	2,340
Personal Earnings	$17 M	$23 M	$160 M

Including direct, indirect, and induced benefits except for the "highest and best use" comparison based on direct benefits only.
Stadium benefits were separated from training facility benefits per KMA memo dated June 1, 2007.
See Exhibit 7.

Direct benefits include the gross revenues, employment and payroll of the business. Indirect impacts are associated with businesses down the supply chain from the business experiencing the direct impact. Office tenants, as an example, might also employ contracted services like accounting and legal or other suppliers. Induced benefits are the household expenditure impacts of direct and indirect employees, when the employees and contracted service support employees spend their earnings in the local economy.

Economic benefits generated by a retail / entertainment project on the stadium site are approximately 35% to 40% greater than the stadium and are 15% to 30% of the office alternative due to factors including lower development intensity and lower average economic activity and earnings per employee with retail in comparison to office.

The alternatives are assumed to be constructed on the same 15 acres as the proposed stadium. As with the stadium, it is anticipated that the contemplated parking garage would be required with both alternatives in order to provide replacement parking for Cedar Fair. Parking for the uses is assumed to be on-site. Unlike the stadium, public infrastructure costs beyond replacement parking are anticipated to be minimal with the alternatives. Both alternatives would be anticipated to pay ground rent to the City in consideration for a long term lease of the site consistent with City practice.

Benefits associated with the retail / entertainment use were estimated using a similar methodology and the same IMPLAN (a proprietary econometric model) multipliers as applied by CS&L for the visitor retail spending component of their analysis. For the office building, applicable IMPLAN multipliers were not provided by CS&L, so direct benefits were estimated using a rough but conservative alternative approach. Direct employment was estimated based on employment densities typical of office buildings. Estimated office employment has been converted to full time for comparison purposes (from full and part time as previously presented) using the same 90% full time equivalent factor recommended by CS&L. Personal earnings were estimated based on an assumed average annual compensation. Economic activity was estimated based on ratio of payroll to gross receipts derived from the 2002 Economic Census.

Compensation of employment generated by the stadium and retail / entertainment uses is estimated at $33,000 and $32,000 per year respectively (average annualized full time compensation). Amounts were computed from projected personal earnings and the number of full time employees. For the office project,

average compensation was assumed to be approximately $60,000 per year on average (the average includes some part time workers and is equivalent to approximately $68,000 on an annualized full time basis). Economic benefits of the stadium expressed annually and in terms of net present value over the proposed 30 year lease term are shown in Exhibit 7.

Return on Investment

An analysis of return on investment from the stadium to both the City and Agency was completed by KMA and described in the agenda report for the December 18, 2007 meeting of the "Committee of the Whole". The analysis compares projected revenues generated by the stadium over the proposed 30-year lease term to the cost of investing 100% of the City and Agency resources identified in the feasibility study. The results of the return on investment analysis are summarized in the table below. For comparison purposes, all amounts are expressed in terms of net present value.

Projected City / Agency Return on Investment Net Present Value in FY 2007-08	City of Santa Clara	Redevelopment Agency
Revenue Generated by Stadium	$38 Million	$10 Million
Investment of Feasibility Study Funding Sources	$19 Million	$100 Million
Return on Investment	$19 Million	($90 Million)

As shown in the above table, the projected return on the City's investment is $19 million over a 30-year period. Revenue to the City is projected to total $38 million and includes projected property taxes, Stadium Authority distribution of net profit from non-NFL events, sales tax, property tax in-lieu of vehicle license fees, and transient occupancy taxes. The City investment is the cost to relocate the utility substation of $19 million ($20 million cost in FY 2008-09 converted to net present value in FY 2007-08).

The projected return on the Agency's investment is a negative $90 million. Revenue to the Agency is projected to total $10 million and consists of tax increment generated by the stadium. The Agency investment includes the $116 million in resources identified in the feasibility study discounted to $100 million in present value terms (investment occurs over a 5 year period).

City's Housing Program

Since the establishment of the Housing Programs Fund in 1990, the Redevelopment Agency has appropriated over $109 million in funding assistance for programs and projects that increase, improve and preserve affordable housing for low-and-moderate income households. These funds have assisted or will assist in the development of over 2,171 new housing units and the acquisition/rehabilitation of over 707 units of existing housing for low-and-moderate income households. These assisted units have provided affordable housing opportunities to over 2,403 low-income households and over 492 moderate-income households. These housing programs include funding for mortgage financing for first-time homebuyers, housing rehabilitation loans for homeowners, development of affordable senior apartments and funding to assist the Santa Clara Unified School District in the development of affordable teacher housing.

In addition to the above programs, in 1999 the City became a founding contributor to the Housing Trust of Santa Clara County. The Housing Trust is an investment pool in which private corporations and public agencies participate, assisting in the creation of a revolving loan fund and grant program for the development of affordable housing within Santa Clara County. The City, through its Redevelopment Agency, contributed $250,000 initially to the Housing Trust, and in fiscal 2000/2001, contributed an additional $250,000. The

City's contributions were specifically focused in creating housing opportunities for low-and-moderate income households in the City of Santa Clara. More recently, in fiscal 2005/2006 through 2007/2008, the City has participated in the Housing Trust's Phase III Capital Campaign, contributing $250,000 in each of three consecutive fiscal years to support the Housing trust's programs for first-time homebuyer loans, multi-family rental housing projects, and homeless and special needs projects. Overall, the City, through its Redevelopment Agency has contributed $1,250,000 to the Housing Trust since the endowment fund's inception.

SB 211 Amendment – Statutory Pass Through of Tax Increment

An SB 211 amendment to extend the RDA's ability to incur debt through 2016 is required to move forward with a stadium or any other new project requiring an infusion of tax increment. The requirement to adopt an SB 211 amendment has been addressed previously including in the staff report for the December 18, 2007 Committee of the Whole. Adopting an SB 211 amendment triggers payments to other taxing agencies including the schools, County, City, and others. The amount and distribution of these payments has been previously presented. However, previous presentations did not include an analysis of required payments in comparison to tax increment projected to revert to the taxing agencies if no SB 211 amendment were adopted.

The Agency can only collect tax increment to the extent required to repay outstanding indebtedness and without an SB 211 amendment, no new debt can be incurred. The Bayshore North Redevelopment area is not projected to require all available tax increment to repay currently outstanding debt. Therefore, $128 million (NPV) in tax increment otherwise available to the Agency is projected to revert to the taxing agencies. Reversion of tax increment is projected to begin in fiscal year 2019-20 and continue through the 2026 tax increment limit. This estimate is based on the previously presented "planning scenario" projection and assumes interest on the Agency's debt to the City under the Cooperation Agreement will continue to be calculated consistent with current City / Agency practice. The table below shows payments to the taxing agencies after an SB 211 amendment compared to reverted or non-collected tax increment without an SB 211 amendment.

Projection of Pass Through Payments / Reverted Tax Increment ($Millions) - Net Present Value	**A. With SB 211** *Payments*	**B. No SB 211** *Reverted TI*	**C. Difference**
Local Agencies			
County	$16.0	$22.0	($6.0)
City	$4.5	$12.3	($7.8)
Santa Clara Unified School District	$68.6	$46.9	$21.7
County Office of Education	$7.6	$4.9	$2.7
West Valley Mission Community College	$2.9	$0.0	$2.9
SCV Water District	$1.2	$2.7	($1.5)
Other Agencies	$0.1	$0.3	($0.2)
Voter Approved Over-rides	$0.0	$5.5	($5.5)
Subtotal – local agencies	$101.0	$94.6	$6.4
State			
ERAF and offsets to State funding for schools	$2.7	$33.0	($30.3)
Total	**$103.6**	**$127.6**	**($23.9)**

Note: The community college district does not effectively retain all revenues allocated based on State funding formulas and CRL 33607.5. The community college district is not currently "basic aid". Amounts not retained by the college district are included under ERAF and offsets to State funding for schools. Voter approved over-rides include County retirement and SCV water district levies in excess of the 1% tax rate approved prior to 1989. All figures are discounted to FY 2007-08 using a 6% discount rate. Amounts do not add due to rounding.

The Agency is projected to collect $24 million more tax increment with an SB 211 amendment than without. Property tax revenue to the City is projected to be $8 million lower with SB 211. Considering both City and Agency, the net financial benefit of an SB 211 amendment is estimated to be $16 million.

The projected net impact to the County, schools, and other jurisdictions is also shown. Amounts reflected under "ERAF and offsets to State funding for schools" offset funding which would otherwise have been provided by the State pursuant to school funding formulas established under State law.

Cooperation Agreement

Agency debt to the City under the Cooperation Agreement is repaid with Agency revenues not reasonably needed for redevelopment purposes; therefore, Agency payments to the City would be affected by the decision to move forward with the stadium or another project requiring an infusion of tax increment:

- Without a new project requiring tax increment, the Agency is projected to have approximately $75 million (NPV) in tax increment which will not be needed for other redevelopment purposes and would therefore be available for repayment to the General Fund.

- With the stadium or other major new project(s) which maximizes the use of Agency tax increment for redevelopment purposes, tax increment is not available for repayment to the General Fund.

The opportunity cost to the General Fund of using all available tax increment for redevelopment purposes is approximately $75 Million (NPV). Lease revenues continue to flow to the General Fund and the Cooperation Agreement debt is projected to be fully repaid in either case. With no new projects the debt is projected to be repaid in FY 2019-20. With a new project(s), the debt is projected to be repaid at a slower rate (preliminary estimate of 7-10 years) after the expiration of the RDA in 2026.

The language in the Cooperation Agreement reads:

"Section 2. Consideration

a. Agency agrees to make payment(s) toward the Property Value to the City for Agency's purchase of Property from City from any Agency source of funds when and as available to the Agency and not reasonably needed for other redevelopment purposes. Said sources(s) of funds include, but is not limited to, land sale proceeds, ground rent payment, Bayshore North Redevelopment Project tax increment funds and any other funds of the Agency legally available for such purpose, in a principle amount of money equal to $101,000,000. Said $101,000,000 amount shall bear interest at the highest rate of interest allowable by law from the date of the City's conveyance of the Property to the Agency until paid. The indebtedness of the Agency to the City created by this Section 2.a. is explicitly subordinate to any pledge of tax increments to the bond holders of any tax increment bonds which have been or may be issued by the Agency."

The land value was determined by a licensed real estate appraiser in 2000. The Cooperation Agreement contemplated the opportunity for a future project in the North Bayshore Redevelopment Area. The Agreement was not intended to foreclose consideration of a new project(s). Without the proposed stadium project, the City would receive payment for the land sooner, if tax increment in any year is available after all superior obligations (debt service) have been met. Under either scenario, land lease payments from North Bayshore ground leases will eventually satisfy the Agreement, however, under all scenarios, land lease payments continue to be paid regardless.

Site Map
North Bayshore Redevelopment Area

Exhibit 1

Exhibit 2

CITY'S GUIDING PRINCIPLES
49ERS STADIUM IN THE CITY OF SANTA CLARA

1. No use or obligation of General Fund monies.
2. Maintain integrity of all City funds per Charter.
3. Maintain Council's existing Industrial to Residential Conversion Policy.
4. No tax increase effecting residents, businesses or ratepayers to fund a stadium.
5. City Manager responsible for negotiations under policy direction of Council.
6. Team owners/employees must be directly involved in negotiations.
7. Cedar Fair must agree to and cooperate with any stadium proposal on their leasehold property.
8. The stadium should cause no financial loss from existing Cedar Fair lease payments.
9. Stadium proposal must undergo a visible, public process.
10. Stadium project would be subject to City-approved zoning and entitlements and CEQA review process.
11. The stadium should ensure a synergistic relationship with surrounding development.

Adopted January 9, 2007
Santa Clara City Council

Exhibit 3

City Summary of 49ers Request

Team Proposal to Finance the Stadium

City Summary of 49ers Request

Total Estimated Cost of Project

	Estimate as of April 24	Considerations
Stadium	$854 Million*	excludes finance costs
Parking Garage	$42 Million or more	City has obligation to Cedar Fair under existing Theme Park lease to provide parking. Cost estimate 7 years old; location & size TBD; may be increased to meet obligations to Theme Park and Convention Center Complex.
Utility Substation Relocation	$20 Million	Proximity to stadium creates safety, security, and system reliability concerns.
Total	$916 Million	

*Includes design, project management, legal, and other costs incurred by the Team prior to considering a site in Santa Clara.

City Summary of 49ers Request

Proposed Funding of Construction Costs

49ers and NFL	$363 Million
Stadium Authority	$330 Million
City / RDA	
- For Stadium	$160 Million
- For Parking Garage & Substation	$62 Million
	$222 Million
Total	$916 Million*

*Totals do not add due to rounding

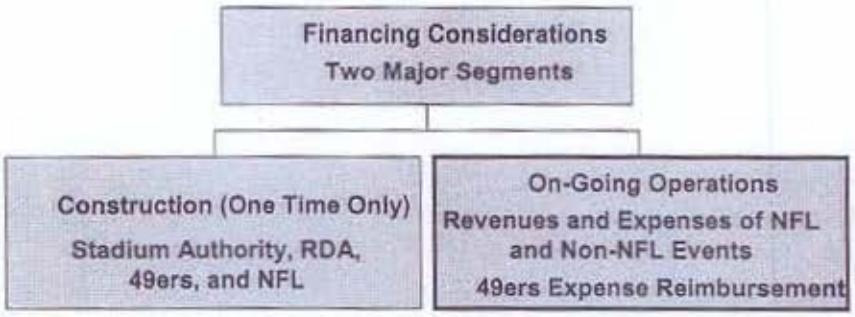
City Summary of 49ers Request

Responsibility for Construction Cost Increases

- Team responsible for Stadium Authority construction cost increases
- Request City / Agency be responsible for cost increases on parking garage and substation

City Summary of 49ers Request

Team Proposal to Finance the Stadium



City Summary of 49ers Request

Funding of Stadium Operations

- Self Funded by Revenues Dedicated to SA (rent payable to SA, concessions, parking, admissions tax, naming rights, non-NFL events, expense reimbursement from Team)
- Operating deficits (if expenses exceed revenues) are funded by the Team
  - One exception: City to fund net loss from unprofitable non-NFL events if occur; projected funding source is profitable events.

City Participation / Revenue Sharing

NFL Events

- Potential sharing of excess cash flow to City through proposed "waterfall" formula
- Projections show no excess cash flow to City of any significance

Non-NFL events

- 50% of profit to City from profitable events
- Minus 100% of losses to City if unprofitable events occur
- $24 Million* to City projected

* Net present value discounted at 6% per year to 2007-08

SUMMARY OF FEASIBILITY STUDY ISSUES

Exhibit 4

NO.	FEASIBILITY STUDY ISSUES	FEASIBLE Yes / Yes w/Conditions / No	CONFORMS TO CITY GUIDELINES (Exhibit 2)	COMMENTS / CONDITIONS / UNRESOLVED ISSUES
1	**Potential City Financing (Enterprise Fund):**			
	A. Tasman Substation relocation $20M	Yes	Yes-2	While the substation would not have been scheduled for replacement for some period of time, it would typically have been renovated on the current site. The site has potential for a future development opportunity and it might be relocated.
2	**Potential Redevelopment Agency Financing:**			
	A. Parking garage $42M	Yes w/Cond.	Yes-1	Proposed garage funded from Redevelopment Agency (RDA). Initial garage financing intended to supplement Convention Center parking needs. The new purpose of the garage includes Theme Park replacement parking needs. Size and location of garage need to be determined and the budget for the garage may be more than the $42M available. RDA contribution is capped at $42M. Garage design costs incurred by the City for a south-of-Tasman garage should be reimbursed by the 49ers if a stadium project does not go forward.
	B. Use of future tax increment $74M identified but not committed/ $160M requested in the 49ers stadium proposal	Yes w/Cond.	Yes-1	Tax increment (TI) cannot be used for general city services-it is directed to development opportunities in the geographic boundaries of the North Bayshore Redevelopment Area. A future bond issuance from TI creates a pass-through obligation to other agencies. The scheduling of the publicly funded portion of the stadium construction financing remains an open issue for resolution. Additionally, the repayment schedule for the Cooperation Agreement is impacted.
	C. Use of Optional 10% housing set-aside funds (Included in B. above)	Yes w/Cond.	see comment	While there is no Guideline that addresses Housing Set-Aside funds specifically, the use of these funds for stadium construction does not conform to existing Council policy (renewed annually) of setting aside an optional 10% in addition to the mandated 20% requirement. On average, the annual set-aside would be reduced from 30% to 26% through 2016, resulting in an aggregate $5M reduction in low-to-moderate housing funds. This produces a total of $198M in housing set-aside through the end of the Agency in 2026, rather than the $203M the full 30% set-aside would have produced.
3	**Potential Private Sector Financing:**			
	A. Mello Roos Facilities Tax District $35M	Open	Yes-4	A Mello Roos (MR) District could be established by a 2/3rds vote of the eight (8) participating hotels in the vicinity of the stadium. Voting is based on the land acreage of each hotel - one acre equals one vote. A room rate surcharge is equivalent to a 2% transient occupancy tax increase. All hotel guests would pay the Mello Roos surcharge on a year-round basis. The 8 hotels have not yet voted on this issue.
4	**Additional Financing Sources Considered But Not Recommended by Staff:**			
	A. General Fund or additional Enterprise Funding beyond $20M included in 1A above	No	No-1,2	Tasman Substation relocation would have been an Electric Utility responsibility, if and when a development opportunity required its relocation.
	B. Redevelopment Agency financing beyond $116M included in 2A, B and C above	No	No-2	The possible use of $116M of RDA funding is the limit of the North Bayshore Redevelopment Area. This limit was developed from a conservative, prudent tax increment study conducted as a part of the stadium feasibility study.
	C. Ground leasing of available City-owned parcels to provide a stadium funding source	No	No-1	City-owned land is an endowment to the community and should be leased at its highest market value. Ground lease revenue comprises 10% of General Fund annual monies, and is one of the few City revenue sources completely under the control of the Council, with no possibility of State intervention. Available City land that is developed should return market rate ground lease rent to the City and the General Fund.
5	**Effects of Redevelopment Bonding for Stadium:**			
	A. SB 211 Pass Through	Yes	not addressed in Guidelines	Re-establishing the capability of the RDA to issue bonds will require a portion of the annual tax increment to be shared with other taxing jurisdictions. All existing and proposed RDA obligations can be met with the residual tax increment. RDA revenues are projected to be $24M (net present value-NPV) greater if an SB 211 amendment is adopted because the RDA is not otherwise projected to collect all available tax increment. City property taxes are projected to be $8M (NPV) less with SB 211.

NO.	FEASIBILITY STUDY ISSUES	FEASIBLE Yes / Yes w/Conditions / No	CONFORMS TO CITY GUIDELINES (Exhibit 2)	COMMENTS / CONDITIONS / UNRESOLVED ISSUES
5	**Effects of Redevelopment Bonding for Stadium (Cont'd.):**			
	B. Cooperation Agreement (CA)	Yes w/Cond.	see comment	The Cooperation Agreement was subordinated to all other RDA obligations to allow the City Council to pursue additional development in the North Bayshore RDA if an opportunity arose. The Cooperation Agreement will be fully paid by lease revenues from the RDA, but at a much slower rate than without a project. There is an estimated $75M (NPV) opportunity cost to the City in using RDA tax increment for a stadium rather than for repayment to the City. This opportunity cost can be offset, in part, by lease revenue to the General Fund from the 49ers for the stadium land.
6	**Construction Financing ($864M):**			
	A. Stadium Authority (Public Agency) Financing ($330M):			
	1. Admissions Fee Bonds	Yes w/Cond.	Yes-4	Fee only applied to event attendees, not the general public. 49ers want to keep full ticket revenue after bonds are retired (25 years). City's return could be improved by particpating in post-bond retirement revenue.
	2. Naming Rights Bonds	Yes w/Cond.	not addressed in Guidelines	Unresolved as to disposition of naming rights after bonds are retired (20 years). Potential to improve City's return on investment by participating in post-bond retirement revenue from naming rights.
	3. Concessions, Corporate Founding Partners, Stadium Builders Licenses, Pouring Rights	Yes	not addressed in Guidelines	Formal negotiations would be required to determine optimal allocation of available revenue streams between the Stadium Authority and the 49ers.
	4. Construction Cost Overruns and/or Timing Delays	Yes w/Cond.	Yes-1,2	The 49ers have committed to guaranteeing any construction cost overrun from a one-year delay only. This issue remains unresolved beyond a one-year construction delay. There can be no construction cost overruns that become an obligation of the City or the Redevelopment Agency. City/RDA proposed financing has a ceiling of $136M (Exhibit 8).
	5. Financing Schedule	Yes w/Cond.	not addressed in Guidelines	As mentioned in 2.B. above, the current financing schedule has a greater proportion of public monies going to construction financing early, with the Team/NFL monies coming later. A more equitable distribution of the finance timing should be determined (Exhibit 8).
	6. Reimbursement of historic costs to 49ers	Yes w/Cond.	not addressed in Guidelines	The 49ers are requesting reimbursement through Stadium Authority financing for costs incurred in the development of the stadium proposal and design work from 2005 forward. This concept can be considered in formal negotiations, but only for documented expenses related to a Santa Clara stadium.
	B. Team and NFL Financing ($363M):			
	1. 49ers Financing	Yes w/Cond.	not addressed in Guidelines	Team proposes to form a limited liability company (LLC) as the financing/participating interest in the stadium project. The City must be assured there is a stronger backstop beyond the LLC to ensure cost overruns or other significant issues that may arise in the negotiations process and/or during the term of the agreement.
	2. NFL Contribution	Yes w/Cond.	not addressed in Guidelines	The previous NFL "G-3" program for contributing to publically subsidized stadiums has expired. The City has received verbal guarantees from the 49ers that an equivalent "G-3" program will be created to assist a Santa Clara stadium financing. That program is not yet in existence.
	C. City Contribution to Financing ($136M)			Refer to 1A. and 2A.,B.,C. above
	D. Private Sector Financing-Hotel Mello Roos ($35M)			Refer to 3A. above.
7	**Construction Schedule:**			
	A. Construction Timing	Open	Open-7,8	Attachment A is a proposed timeline developed by the 49ers that results in a stadium completion for the 2012 NFL season. This schedule requires, among other issues, that stadium construction commence prior to the completion of the garage which may impact replacement parking. This is an issue that needs further discussion with Cedar Fair and therefore the schedule remains open to modification.
	B. Garage Design Costs	Open	Open-1,2	If a stadium project does not go forward, any garage project design in the Great America parking lot would be abandoned and the original Convention Center garage north of Tasman would be pursued. The City should be reimbursed for design costs if the garage is not needed in the Great America parking lot. The location of the garage has not as yet been determined.

NO.	FEASIBILITY STUDY ISSUES	FEASIBLE Yes Yes w/Conditions No	CONFORMS TO CITY GUIDELINES (Exhibit 2)	COMMENTS / CONDITIONS / UNRESOLVED ISSUES
7	**Construction Schedule (Cont'd):**			
	C. Construction Cost Overruns For Any Reason	Yes	Yes-1,2,4	Refer to 6A.4. above.
8	**Construction Bid Process:**			
	A. Contract to Lowest Responsible Bidder	Yes	see comment	Staff recommends this approach as it conforms to existing City Charter provisions. Pre-qualification of bidders is an option and retains the competitive process that follows City Charter requirements.
	B. 49ers prefer their selected General Contractor to build stadium	Yes w/Cond.	not addressed in Guidelines	A ballot measure would be required to modify the City Charter to allow the 49ers' desired contractor to be selected for the project. The 49ers propose to limit the Charter modification to just the stadium project.
9	**Cedar Fair Lease Compliance:**			
	A. Stadium Constructed in Main Parking Lot	No	No-7,8	Cedar Fair has expressed their opposition to a stadium in their main parking lot, but have submitted a letter to the City stating that they are willing to continue with discussions focused on an alternate stadium location away from their main lot. The location of the replacement parking structure remains an open question as there are three possible locations, in the main Theme Park lot near Tasman, in the original concept plan from the 49ers or north of Tasman on Stars and Stripes Drive.
	B. Stadium Constructed in Overflow Parking Lot	Open	Open-7,8	Cedar Fair has indicated a willingness to continue conversation on the possibility of siting the stadium in the overflow parking lot along Centennial Boulevard.
	C. Location of Replacement Parking Garage	Open	Open-7,8	Cedar Fair's lease allows development of parking lots subject to use criteria for replacement parking.
	D. Stadium/Parking Garage Construction Schedules	Open	Open-7,8	Cedar Fair has reasonable approval rights over the timing of construction as defined in the lease.
	E. Stadium Location Consistent With Entertainment Theme in This Area of the North Bayshore	Yes	Yes-11	A major sports venue in the vicinity of the Convention Center, Theme Park and area hotels should enhance the synergistic relationship in the immediate area.
10	**Alternate Stadium Site in Overflow Lot:**			
	A. Use of City Property Available for Land Lease	Open	No-1	Three acres of the proposed 16-acre overflow parking lot is not committed to Theme Park parking and remains unencumbered for future development and lease revenue return to the General Fund. It would be appropriate to seek an annual lease revenue return from the 49ers for the use of this property.
	B. Modification of 49ers Training Center Lease	Open	Open-1	A portion of the existing Training Center may be needed to make room for a stadium. The revenue return from the existing lease should remain intact for the remainder of the training center property. The existing lease may need to be amended to meet the site modification.
	C. Creation of Access Roads/Infrastructure to Proposed Stadium Site	Open	Open-1,2	Stadium financing must pay for any infrastructure modifications in vicinity of stadium, not the General Fund nor the Utility Funds. As noted in 4B. above, the Redevelopment Agency has no additional capacity to finance infrastructure modifications.
11	**Stadium Authority and Stadium Operations**			
	A. Stadium Authority Created to Own and Operate the Stadium	Yes w/Cond.	Yes-1,2	Stadium Authority (SA) would be created by a Joint Powers Agreement between the City and the Redevelopment Agency. It would build, own and operate the stadium under a legal structure whereby only the Stadium Authority, not the City or the Redevelopment Agency, is responsible for all debt and financing obligations. The City-owned land the stadium would be sited on would not be subordinated to any financing, nor would any other City resources be subordinated to financing or used as a backstop to financing.
	B. Stadium Authority Governance to Conform to Long-Held City Practices	Yes	Yes-5	The SA would be composed of City Council members with the City Manager as Executive Director and the City Attorney as legal counsel.
	C. Day-to-Day Operations Managed by Experienced, Large Venue (Stadium, Arena) Management Company	Yes	not addressed in Guidelines	The SA must competitively bid the day-to-day operations of the proposed stadium with the management agreement seeking to share risk appropriate to the responsibilities assumed. There should be an opportunity for profit-making non-NFL events in the stadium.

NO.	FEASIBILITY STUDY ISSUES	FEASIBLE Yes Yes w/Conditions No	CONFORMS TO CITY GUIDELINES (Exhibit 2)	COMMENTS / CONDITIONS / UNRESOLVED ISSUES
12	**Unresolved Construction Cost Issue:**			
	A. Parking Garage	Open	Open	The original $42M garage was proposed for the Convention Center and scaled to provide approximately 1,800 parking spaces. The 49ers stadium proposal calls for the garage to be used for replacement parking in one of two possible locations, north of Tasman in front of the Tennis Club and south of Tasman in the Theme Park's main lot, as contemplated in the existing lease with the Theme Park. It has been determined that more than the initial 1,800 parking spaces are required for replacement parking. This creates a need for approximately 600 additional spaces on the north lot (estimated at $12.2M) and approximately 1,300 additional spaces on the south lot (estimated at $25.9M). As emphasized a number of times in this document, there is no additional available public funding. The parking shortfall could be alleviated by stadium design, creating additional parking opportunities, or shared parking. Further discussion is required.
13	**Stadium Operating Costs**			
	A. 49ers Guarantee All Stadium Operating Costs Except Those Costs Associated With Non-NFL Events	Yes w/Cond.	Yes-1,2,4	This is a significant issue that must be documented to ensure that the City and the 49ers are very clear as to how the SA will be protected from any cost issues not covered by NFL-game related revenue streams.
	B. City Requirement to Cover Losses for Non-NFL Events	No	No-1,2,4	As noted in 4A and B above, there is no additional funding capacity to meet losses from a stadium venue hosting non-NFL events. This stadium is primarily for NFL events, and as such the 49ers should accept the possibility of a reasonable deficit produced by a community event. There is also the possibility of sharing risk with the stadium operator by management contract and/or provide for the possiblity that the management company would provide a certain number of community events.
	C. Existence of Sufficient Reserves to Deal With Future Stadium Capital Expenditure Requirements	Yes	Open-1,2,4	The 49ers estimate of ongoing capital maintenance appears generally reasonable, but more detailed analysis is required, particularly for later year projected expenditures.
	D. Cost of Stadium Demolition	Open	Open-1,2,4	There is no allowance in the 49ers proposal to take the stadium down at the end of the lease period. It is assumed the cost of demolition will be a cost factor for the succeeding project. Staff believes a cost allowance must be created for this item as demolition may be in the tens of millions of dollars at lease-end.
	E. Cedar Fair Letter Re: Control of Parking Operations on Theme Park Lots	Open	Open	Cedar Fair's December 14, 2007 letter to the City emphasizes that all parking spaces located on their contracted lots be under their control and operation. If this condition were met, it has the potential to reduce revenue from event-day parking from 19,000 spaces to 11,000 spaces. This would leave a parking availability gap in the parking revenue projections provided by the 49ers in their April 24, 2007 proposal. The 49ers have guaranteed to cover all operations shortfalls from NFL events. Further discussion with Cedar Fair is necessary.
14	**Event Day Parking Operations**			
	A. Stadium Authority Responsible to Manage Event Day Parking	Yes	Open-10	It is assumed at this point in time that the Stadium Authority would turn-key parking operations to an experienced contractor, responsible for lot set-up, fee collection, lot security and lot clean-up. Parking revenues are a component of stadium financing, requiring a parking district be established to prevent independent parking operators.
	B. Parking to be Created Through Contracts with Private Business Park Owners	Open	not addressed in Guidelines	Details of this contracting process have been explored by the 49ers on a preliminary basis and appears possible, but more research is required.
	C. Cedar Fair Letter Re: Control of Parking Operations on Theme Park Lots	Open	Open	As noted in 13E. above, if Cedar Fair were to control all aspects of parking and revenue collection on their lots, non-NFL events could be particularly impacted as Cedar Fair's parking spaces would be next to the stadium and a prime parking location for attendees. This situation could reduce parking revenue available to the Stadium Authority to offset operating expenses.

NO.	FEASIBILITY STUDY ISSUES	FEASIBLE Yes Yes w/Conditions No	CONFORMS TO CITY GUIDELINES (Exhibit 2)	COMMENTS / CONDITIONS / UNRESOLVED ISSUES
15	**Public Safety Event Day Operations**			
	A. Stadium Authority Cost	Yes	Yes-1	Police, Fire and 9-1-1 Communications will be reimbursed for all costs associated with stadium events, such as traffic control, right-of-way control, stadium security and medical emergencies. Other City departments will also be responsible for traffic and street controls.
	B. Public Safety Joint Powers Authority	Open	Yes-1	A Police joint powers authority (JPA) is being explored by the City between various agencies, the cities of Santa Clara, San Jose and Sunnyvale, the County Sheriff, VTA security, railroad security and the Highway patrol. Similar JPA's have been created in other jurisdictions for similar stadium/arena projects. All costs would be reimbursed by the Stadium Authority.
	C. Fire and Paramedic Services	Yes	Yes-1	Staffing of fire stations and paramedic units would be arranged through existing City resources with existing mutual aid agreements available as necessary. All costs would be reimbursed by the Stadium Authority.
16	**California Environmental Quality Act (CEQA) Review**			
	A. Environmental Impact Report (EIR)	Yes	Yes-10	City must complete the EIR process before commencing stadium construction and garage/substation construction or approving any agreements which mandate proceeding with the project (e.g., lease, disposition and development agreement, etc.)
	B. EIR Completion to Allow for a 2012 Stadium Opening	Open	Yes-10	The current proposed schedule developed by the 49ers for a 2012 stadium opening is very aggressive. The scheduling components need further study.
	C. Scope of EIR	Yes	Yes-10	EIR will examine environmental impacts of a stadium project and related projects such as a parking garage and substation relocation.
17	**City of Santa Clara General Plan**	Yes	Yes-10	The stadium proposal is consistent with the City's General Plan and as noted in 9E. above, the project is consistent with the Entertainment District concept in the North Bayshore Area.
18	**Stadium Ballot Measure**	Yes	Yes-9	It is recommended that the decision on a ballot measure and the timeframe for an election be referred to staff for the upcoming Council meeting.
19	**Feasibility Study Process**			
	A. City Manager Responsible for Negotiations	Yes	Yes-5	The City Manager is responsible as the City's negotiator.
	B. Team Owners Involved in Stadium Negotiations	Yes	Yes-6	The 49ers have had ownership representation and senior management involvement throughout the Feasibility Study. It is staff's recommendation that this continue if Council chooses to move forward with the stadium project.
	C. Maintain Existing Council Policy on Industrial to Residential Conversion in the North Bayshore RDA	Yes	Yes-3	It is Staff's recommendation that Council continue this policy in the North Bayshore RDA Tax increment receipts from the North Bayshore RDA cannot be used in support of City services supplied to our residential communities; therefore if the policy were to change and residential development was allowed in this area, the General Fund would inappropriately be subsidizing residential City services in the North Bayshore Redevelopment Area.
	D. Feasibility Study Conducted as an Open, Public Process	Yes	Yes-9	The City's website, santaclaraca.gov, lists 23 Council meetings over the past year (including the January 15, 2008 meeting) where stadium related issues have been agendized, either as "Committee of the Whole", information only agenda memos, special presentation requests, etc. Although closed sessions were also held throughout the process, information as it coalesced was reported to the community. All Council agenda materials are accessible for public information.

NO.	FEASIBILITY STUDY ISSUES	FEASIBLE Yes Yes w/Conditions No	CONFORMS TO CITY GUIDELINES (Exhibit 2)	COMMENTS / CONDITIONS / UNRESOLVED ISSUES
20	**Alternative Economic Development:**			
	A. Tourist/Retail/Entertainment Themed Alternative Development	Yes w/Cond.	not addressed in Guidelines	At the June 5, 2007 Council meeting Keyser Marston Associates (KMA) presented an evaluation of the 49ers economic study conducted by CSL. KMA limited their analysis to only City of Santa Clara effects, as there is no other public financing participation other than the City. KMA evaluated an office building project on a comparable area as a stadium project. KMA has now compared a 150,000 sq ft retail center sited on an an approximate 15-acre footprint to the stadium project. KMA's determination is that there are viable economic returns from these types of projects encumbering approximately the same land area as a stadium.
21	**Need For Stadium Ground Lease Payment:**	Open	Open-1	The 49ers have been clear from their initial April 24th stadium proposal that a typical long-term ground lease approximating a market-based rent was not how their proposal was structured. However, given the real and opportunity costs associated with the current stadium proposal (refer to 5A and B and 10A above), Staff recommends that a ground lease revenue stream from the 49ers to the General Fund be developed as a part of the stadium proposal.
22	**Return on Investment**	No	not addressed in Guidelines	The General Fund would receive a $19M net present value (NPV) return on investment. There should be a focus on seeking a higher return to the General Fund than currently indicated if negotiations go forward.

Exhibit 5

Peter J. Crage
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Chief Financial Officer
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January 10, 2008

VIA FACSIMILE AND U.S. MAIL

Jennifer Sparacino
City Manager
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Re: ***Proposed 49ers Stadium***

Dear Jennifer:

I am writing first to express Cedar Fair's disappointment at not having heard anything from the City of Santa Clara or the San Francisco 49ers in response to my December 14, 2007 letter or the comments of our representative, Ivor Samson, at the December 18, 2007 City Council meeting.

Second, I want to once again state Cedar Fair's position so that it is clear to all prior to the City Council's January 15, 2008 deliberations:

- We are completely opposed to locating the proposed stadium on our main parking area (original site);

- We would consider agreeing to locate the stadium on the overflow parking lot (alternative site), but only subject to full and complete compliance (subject to Cedar Fair's satisfaction) with each of the requirements as outlined in my December 14, 2007 letter, as well as satisfactory resolution of any additional issues that may arise after more specific information about the location, design and operation of the proposed stadium is provided.

We trust that the City Council will take these requirements – and their as yet unknown but certainly considerable costs – into account during the course of its deliberations.

Very truly yours,

Peter J. Crage
Corporate VP- Finance
and Chief Financial Officer

Canada's Wonderland
Carowinds
Cedar Point
Dorney Park
Geauga Lake
Great America
King's Dominion
King's Island
Knott's Berry Farm
Michigan's Adventure
Valleyfair
Worlds of Fun

Knott's Soak City
Orange County
Chula Vista
Palm Springs
Oceans of Fun
Soak City

Exhibit 6

Jennifer Sparacino
City Manager

SANTA CLARA CALIFORNIA

January 11, 2008

Peter J. Crage
Corporate Vice President, Finance
Chief Financial Officer
Cedar Fair Entertainment Company
1 Cedar Point Drive
Sandusky, Ohio 44879

VIA FACSIMILE AND U.S. MAIL

Re: Great America Theme Park and 49er's Stadium

Dear Peter:

Thank you very much for your January 10, 2008 letter inquiring as to the status of the response to your December 14, 2007 letter concerning the proposal for the 49er's stadium in Santa Clara. When you sent your December 14 letter, the City Council and Redevelopment Agency had scheduled for December 18, 2007 the last of its "committee of the whole" meetings to consider various aspects of the stadium proposal. As you know, at that December 18 meeting the 49er's presented their proposal for an alternative location for the stadium on the overflow parking lot. The presentation that your attorney, Ivor Samson, made at that meeting and his response to questions was helpful in understanding Cedar Fair's view of the 49er's alternative site proposal.

With the completion of the last of the "committee of the whole" meetings, the City Council will now proceed to consider the overall feasibility of the stadium proposal. That consideration is scheduled for the City Council meeting on January 15, 2008. Since the December 18 meeting, the City staff focus has been on preparing the feasibility report for that meeting.

At the January 15 meeting, the staff recommendation will be that the City and Redevelopment Agency proceed with preliminary negotiations for the stadium project. An important element of those negotiations is to meet together with Cedar Fair and the 49er's to resolve the issues presented by your December 14 letter. Assuming the City Council approves the staff recommendation next Tuesday, I expect to be calling you and Dick Kinzel next Wednesday to set up a meeting as soon as possible thereafter. Your letter will be included with the Agenda Report materials for the January 15, 2008 City Council meeting.

Sincerely,

Jennifer Sparacino

Jennifer Sparacino
City Manager

JS:yfg

cc: Dick Kinzel, Chairman of the Board, President & CEO

City Manager's Office
1500 Warburton Avenue
Santa Clara, CA 95050
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FAX (408) 241-6771
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Exhibit 7

Summary of Projected Economic Benefits Within the City of Santa Clara
Existing 4ger Training Facility and Proposed Stadium
Santa Clara, CA

Working Draft January 7, 2008

A. Annual Benefits

	Total Existing and New	Existing Training Facilitl	New Benefits from Stadium
Economic Activity	$85 M	$44 M	$41 M
Employment (FT)	830	315	515
Personal Earnings	$38 M	$21 M	$17 M

B. Net Present Value of Annual Benefits over 30 Year Lease Term 1

	Total Existing and New	Existing Training Facilitl	New Benefits from Stadium
Economic Activity	$1,494 M	$777 M	$717 M
Employment (FT)	830	315	515
Personal Earnings	$671 M	$377 M	$294 M

Notes

1 Discounted to 2007-08 using a 6% discount rate. Economic activity and personal earning inflated at 3% per year. Includes anticipated impact of 17 non-NFL events per year but does not include potential benefits associated with periodic superbowls.

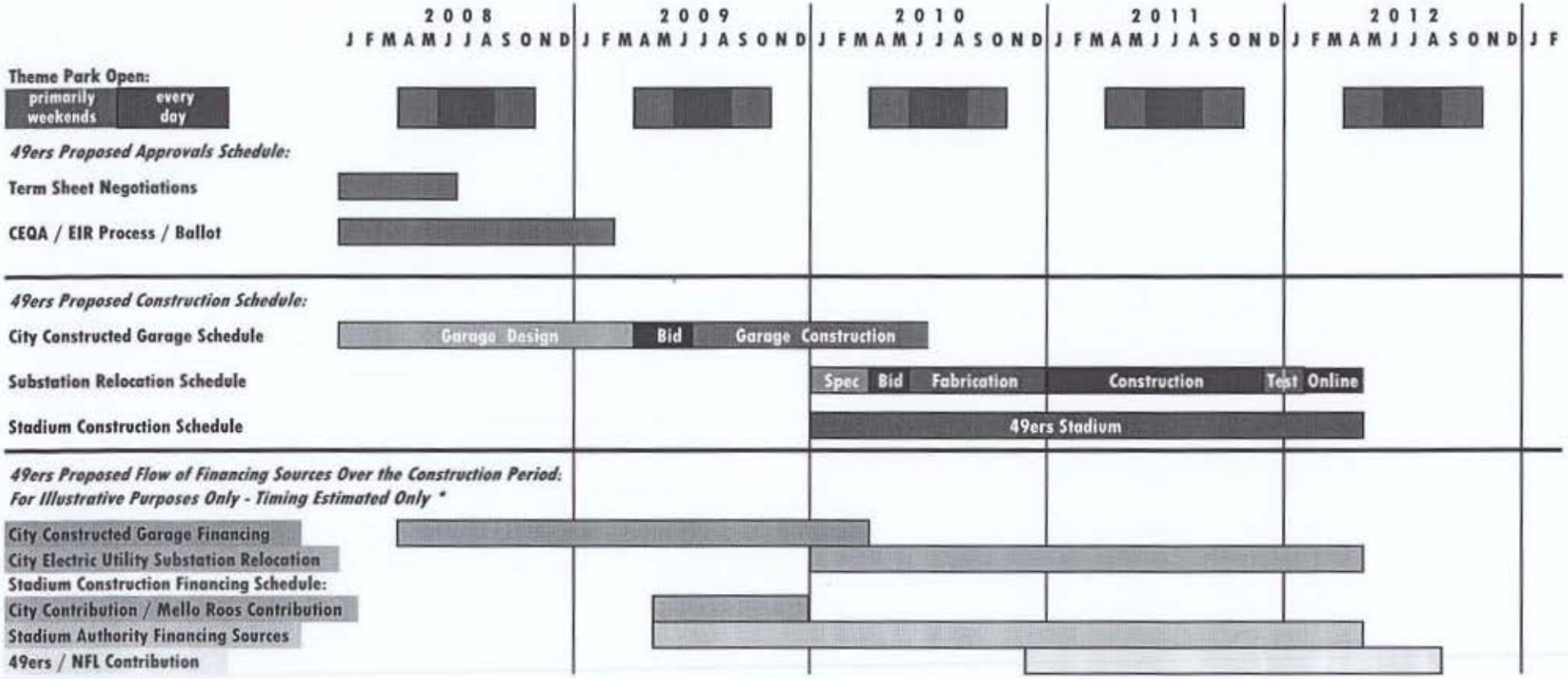
Sources: Convention Sports & Leisure, KMA.

Prepared by Keyser Marston Associates, Inc.
Filename: Economic benefits 30 yrs 1-7-08; summary; 1/7/2008; dd: Page 1 of 1

For Descriptive Purposes Only

Exhibit 8

49ers Proposed Schedule of Approvals, Construction and Flow of Financing



* Colored blocks do not represent amounts of funding, only an estimate of the anticipated flow of funds from the particular funding source.

Prepared by: Assistant City Manager
Last updated: January 3, 2008