

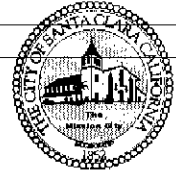
Meeting Date: 1-9-07

AGENDA REPORT

Agenda Item # 5D.1

Santa Clara

City of Santa Clara, California



DATE: January 2, 2007

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

FROM: Assistant City Manager

SUBJECT: Guiding Principles for Use in the Evaluation of the Feasibility of a Proposed San Francisco 49ers Stadium in the City of Santa Clara

EXECUTIVE SUMMARY:

On November 9, 2006, the San Francisco 49ers announced that they would be focusing their efforts in the City of Santa Clara, seeking a new location for a stadium adjacent to Paramount's Great America Theme Park in the City's North Bayshore Redevelopment Area. In order to study the feasibility of a stadium project in the City, the 49ers have indicated they would like to move to more formal discussions with City staff with the approval of the City Council, also sitting as the Redevelopment Agency Board.

San Francisco 49ers Letter

To further this effort, the 49ers have submitted to the Council/Agency a letter indicating some basic tenets necessary for the team to proceed in a discussion/feasibility testing process for a stadium with the City. At the request of the 49ers, the letter has been placed on the January 9, 2007 agenda for Council/Agency consideration. Staff has not had an opportunity to evaluate or discuss the contents of this letter in any detail as yet with the 49ers.

City of Santa Clara Guiding Principles

The City has had the opportunity to evaluate the feasibility of a number of professional sports stadium proposals over the past twenty years: a San Francisco Giants baseball stadium originally proposed in 1987, an Oakland A's baseball stadium proposal in 2001 and a San Jose Earthquakes soccer stadium proposal in 2004. Through these various efforts staff developed guiding principles to provide additional clarity to a stadium feasibility discussion/analysis with the intent of protecting the City/Agency from the less desirable financial and operational effects experienced by some other public agencies in stadium projects built around the country. The proposed Guiding Principles are contained in the **Discussion** section of this report for Council/Agency consideration.

Cedar Fair Agreement Necessary to Proceed with a Stadium Feasibility Study

Prior to entering into any type of feasibility analysis/formal discussions with the 49ers, the City and Redevelopment Agency also should ensure that Cedar Fair, LP (Cedar Fair), the owner of the Theme Park, acknowledges and concurs with the study/discussions with the 49ers. Cedar Fair holds a long-term ground lease agreement with the Agency for the parking lot proposed as the stadium location. This type of agreement was not requested in 2001 with the Oakland A's stadium feasibility study, nor in 2004 with the cursory study of a proposed Earthquakes stadium, as these proposals were never formal discussions/negotiations with the team/ownership entity. Rather, in both cases, interested citizens groups brought proposals forward for the City and Agency's consideration. It would be prudent for the City and

Agency to ensure that the Theme Park owner does not later assert liability, among other things, from the possibility of interference with on-going business concerns. A stadium feasibility study and any required CEQA review could encompass many months and even years of effort with no certain outcome until all the public and legal processes have been completed.

ADVANTAGES / DISADVANTAGES OF ISSUE:

Receiving the 49ers letter pertaining to a stadium feasibility study informs the Santa Clara community of the issues and concerns most important to the team and allows for their evaluation by the City. Adopting the proposed City/Agency Guiding Principles reduces the possibility of misunderstanding between the involved parties going forward or a perception of not working in good faith. Additionally, if the Council/Agency chooses to proceed with a stadium feasibility study, the City/Agency should first obtain Cedar Fair's recognition and approval that discussions are occurring that may effect their long-term leasehold interest to the parking lot.

ECONOMIC/FISCAL IMPACT:

There is no immediate fiscal impact by adopting the proposed City/Agency Guiding Principles to study the feasibility of a proposed 49ers stadium in the City of Santa Clara. Staff would be concerned that without entering into an agreement with Cedar Fair to proceed with a stadium feasibility study in the leased parking lot the City/Agency could be open to future problems.

Two of the more critical proposed Guiding Principles speak to the protection of the City's General Fund from any type of diminishment or threat due to a stadium proposal/project and the need to maintain the North Bayshore Redevelopment Area as a key business/commercial/entertainment location in the City, free from residential development that would produce a drain on General Fund resources with no offsetting property tax revenue. Additionally, residential development in the RDA area is not compatible with the future growth needs of the vibrant business environment encompassed in the North Bayshore RDA boundaries. Council addressed this latter issue in August 2004, through the adoption of the Policy Statement and Principles pertaining to Industrial to Residential Conversion. The City Council directed that the core industrial areas between the railroad tracks and Highway 101 and in the Bayshore North Redevelopment Area would not be appropriate for residential use.

There will be, however, a fiscal impact to proceeding with a feasibility study and/or land use negotiations on a proposed stadium project, as staff requires the services of specialized consultants in the areas of Bond Counsel, Redevelopment Agency Counsel, possibly environmental and land use consultants and specialized professional sports stadium consultants and advisors. It is premature, at this time, to estimate what these additional costs may be. Staff would return at the appropriate time to request additional appropriations for this project, as necessary.

OPTIONS:

The Council/Agency can take any of the following actions:

1. Note and file the 49ers letter addressing a feasibility study for a proposed stadium in the City of Santa Clara;
2. Take no further action until a complete written proposal is received from the San Francisco 49ers;
3. If Council chooses to proceed with a stadium feasibility study at this time:
 - a. Direct the City Manager to evaluate and report back to the Council/Agency on the letter submitted by the San Francisco 49ers;
 - b. Approve the proposed City/Agency Guiding Principles to facilitate a stadium feasibility study;
 - c. Authorize the City Manager to obtain an agreement from Cedar Fair, LP to proceed with a feasibility study and possible stadium site opportunity with the San Francisco 49ers in what is currently the Great America Theme Park parking lot; and
 - d. Direct the City Manager to return to Council with a proposed process to guide discussions and possible negotiations of a proposed stadium in the City of Santa Clara at the February 6, 2007 Council meeting.

RECOMMENDATIONS:


That the Council/Agency approve to proceed with a stadium feasibility study at this time:

- a. Direct the City Manager to evaluate and report back to the Council/Agency on the letter submitted by the San Francisco 49ers;
- b. Approve the proposed City/Agency Guiding Principles to facilitate a stadium feasibility study;
- c. Authorize the City Manager to obtain an agreement from Cedar Fair, LP to proceed with a feasibility study and possible stadium site opportunity with the San Francisco 49ers in what is currently the Great America Theme Park parking lot; and
- d. Direct the City Manager to return to Council with a proposed process to guide discussions and possible negotiations of a proposed stadium in the City of Santa Clara at the February 6, 2007 Council meeting.

APPROVED:



Ronald E. Garratt
Assistant City Manager


Jennifer Sparacino
City Manager/Executive Director

DISCUSSION

Staff proposes the following guidelines to be used by all parties involved in a stadium proposal discussion. These guidelines are not intended to be all-inclusive, but rather they should be used in framing any discussion, negotiations or issues pertaining to a stadium project proposed on City-owned lands:

1. **No use or obligation of General Fund monies of the City of Santa Clara.** This principle includes no reduction or negative modifications to any outstanding, contractual long-term lease agreements that benefit the City's General Fund. Additionally, any vacant City-owned lands should receive market rent under any long-term land use proposal. Per the North Bayshore Redevelopment Agency Cooperation Agreement between the City and the Redevelopment Agency, all benefits (ground lease revenues being the primary benefit) from City-owned property in the North Bayshore RDA area accrue to the City's General Fund.
2. **Maintain the integrity of all City funds per the City Charter.**
3. **Maintain the existing Council Industrial to Residential Conversion policy.** This policy, adopted by Council in 2004, clarifies that the core industrial areas between the railroad right-of-way and the Bayshore Highway (101) and in the Bayshore North Redevelopment Area would not be appropriate for residential use.
4. **No tax increase put on Santa Clara residents, businesses or ratepayers to fund a stadium project.** Excluded from this principle would be the consideration of any tax or surcharge implemented specifically on attendees for the use of the facility for an event, such as a parking tax or event ticket tax.
5. **The City Manager is responsible for negotiations under the policy direction of the City Council.**
6. **Team owners/team employees must be involved directly in the discussions/negotiations on a proposed stadium project.**
7. **Great America Theme Park/Cedar Fair must agree to and cooperate with any proposed stadium project sited on existing City-owned lands leased or committed to them.** The City/Agency requires a written acknowledgment from Cedar Fair stating that they will not assert business interference or negative effects by ongoing feasibility studies/discussions between the City/Agency and the San Francisco 49ers pertaining to a proposed stadium to be located in their leased parking lot. This agreement must be obtained prior to pursuing discussions with the 49ers.
8. **If Cedar Fair agrees to cooperate on a proposed stadium project, there should be no financial loss to the City/RDA from diminished land lease payments from the existing Theme Park ground lease.** This guideline relates directly to # 1 above.
9. **Any proposed or approved stadium project in the City of Santa Clara will be the result of a visible, public process, open to the community.** City Council meetings are open to the public, cablecast on Channel 15, agendas are available in the City Clerk's Office, the City library and posted on the City's web site.
10. **Any project proposal would be subject to City-approved zoning and entitlements and the CEQA review process.** These City actions include circulation to affected neighboring jurisdictions.
11. **The siting of a particular use on City/Agency property should ensure a synergistic relationship with surrounding development.**