

City of Santa Clara



Stadium Project Feasibility Study: Financing

December 18, 2007

Assignment:

Analyze the Financial Feasibility of
the 49ers Stadium Proposal

Agenda Tonight

- A. City Summary of 49er's Request to the City of Santa Clara (Request per April Presentation with Updates)

- B. Feasibility Study and Findings
 - 1. Potential Funding Sources/Capacity
 - 2. Affordable Housing
 - 3. Return on Dollar Investment
 - 4. Economic Benefits
 - 5. Redevelopment Considerations
 - 6. Feasibility Study Findings
 - 7. Negotiation Issues IF PROCEED

City Summary of 49er Request to the City of Santa Clara

City Summary of 49ers Request

Key Players

- 49ers
- Stadium Authority (SA)
- Redevelopment Agency (site in existing redevelopment area)
- City General Fund (adopted Principles Guidelines)

Key Terms

- Net Present Value (NPV) – Way to measure in a single year a stream of multi-year income
- Nominal Dollars – Dollars that occur in given years – not adjusted for inflation or other factors

Stadium Authority (SA)

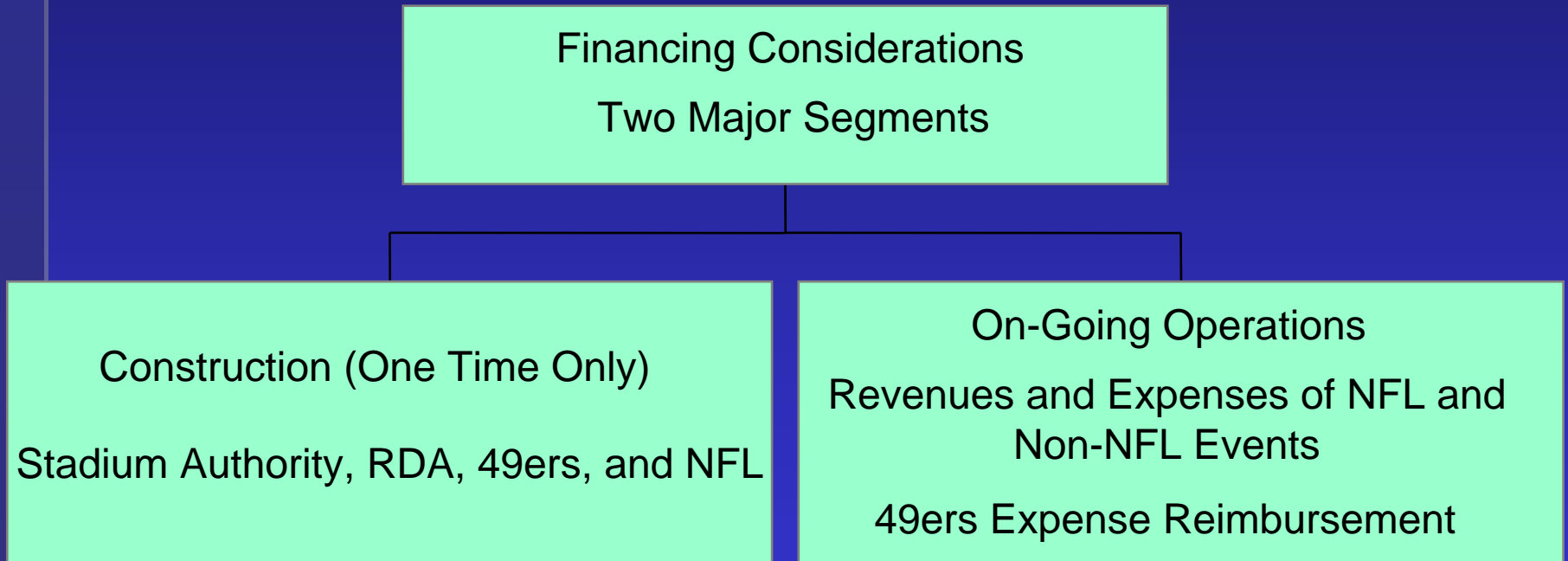
- Public agency formed by the City and Redevelopment Agency to construct, own, and operate the Stadium
- SA Would Lease Stadium to Team for 30 Years
- City and Redevelopment Agency will not be liable for Stadium Authority obligations or debts
- Key Reasons for Team's request for Stadium Authority
 1. Public financing requires public ownership
 2. Tax efficiencies, including use of tax-exempt financing

City Summary of 49ers Request

Summary of 49ers Financial Request to the City of Santa Clara on April 24, 2007

1. Fund \$160 Million in stadium construction costs
2. Provide parking garage and relocate utility substation (City estimates cost of at least \$62 million)
3. Provide stadium site (15 +/- acres) at no cost to 49ers

Team Proposal to Finance the Stadium

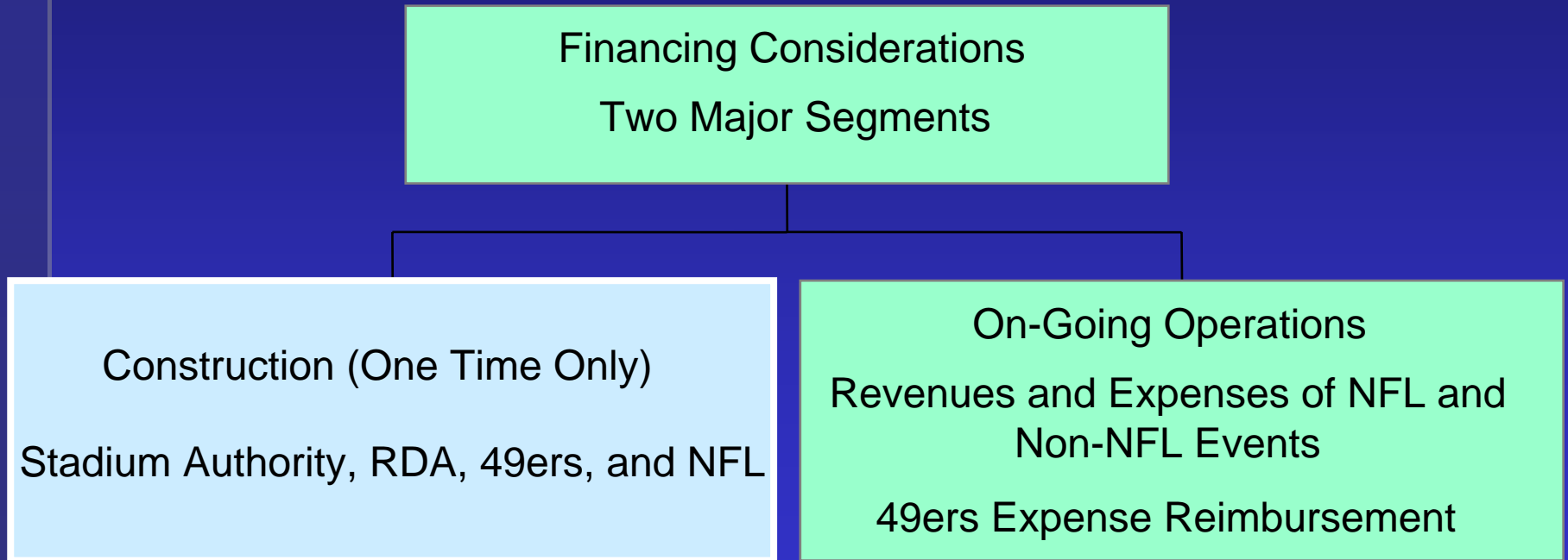


City Summary of 49ers Request

Financing Sources and "Waterfall"

	<u>Stadium Construction</u>	<u>Stadium Operations</u>	<u>49ers (Team ops, debt, profit)</u>	<u>City</u>
Ticket Tax (bonds & operations)	SA	SA		
Naming Rights (bonds & operations)	SA	SA		
Corporate Founding Partners	SA	SA		
Pouring Rights	SA	SA		
Concessions (upfront & operations)	SA	SA		
<u>Stadium Builders Licenses (upfront)</u>	SA			
49ers (upfront, capital, Rent, Exp Reimb)	49ers	49ers		
<u>NFL</u>	NFL			
<u>Requested City Funding</u>	RDA			
Parking Operations		SA		
<u>Game Day Parking Tax</u>		SA		
Annual NFL Ticket Sales incl. Suites & Clubs			49ers	
Media Rights			49ers	
<u>Advertising, etc.</u>			49ers	
<u>Non-NFL Event revenue</u>		SA		City
"Waterfall" Share of net Income (if any)		X	X	X

Team Proposal to Finance the Stadium



City Summary of 49ers Request

Total Estimated Cost of Project

	<u>Estimate as of April 24</u>	<u>Considerations</u>
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	<hr/> \$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

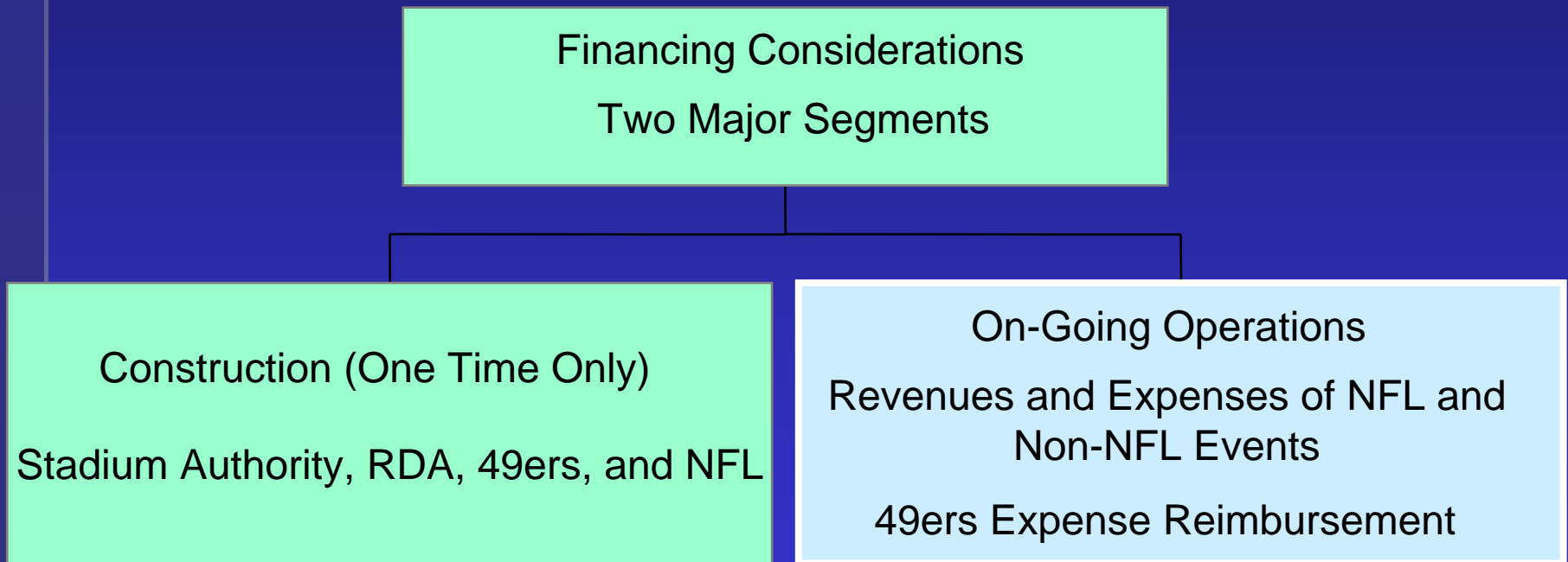
49ers and NFL	\$363 Million
Stadium Authority	\$330 Million
City / RDA	
- For Stadium	\$160 Million
- For Parking Garage & Substation	<u>\$62 Million</u>
	\$222 Million
Total	<hr/> \$916 Million*

*Totals do not add due to rounding

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

Team Proposal to Finance the Stadium



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

Feasibility Study Analysis of 49er Financial Request

Guiding Principles for Feasibility Study Analysis Adopted January 2, 2007

1. No use or obligation of General Fund monies of the City of Santa Clara
2. Maintain the integrity of all City Funds per the City Charter [no use of utility or other enterprise funds for stadium]
3. No tax increase put on Santa Clara residents, businesses or ratepayers to fund a Stadium Project

Note: Only the finance-related Guiding Principles are shown.

Feasibility Study Analysis: Finance

City/RDA Financial Capacity for Parking Garage & Substation

Costs

Parking Garage	\$42 M
Utility Substation Relocation	<u>\$20 M</u>
Total	\$62 M

Funding Sources

RDA Bond Issue in 1999	\$42 M
Utility Fund for Substation Relocation	<u>\$20 M</u>
	\$62 M

Feasibility Study Analysis: Finance

City/RDA Financial Capacity for Stadium Construction Consistent with Guiding Principles

RDA New Bonds	\$ 65 M
RDA Cash	\$ 15 M
Team Advance (repaid by RDA over time)	<u>\$ 19 M</u>
Subtotal	\$ 99 M
(Less) Project Commitments	<u>(\$ 25 M)</u>
*RDA Capacity to Fund Stadium	\$ 74 M

*City has no capacity consistent with Guiding Principles other than Substation Relocation

Additional Potential Funding from Hotels Benefiting from Stadium

- Hotels near Stadium would be prime beneficiaries (per CS&L economic benefits analysis as agreed to by KMA)
- Eight hotels near Stadium could be asked to vote on a "Hotel Mello-Roos" facilities assessment which would apply only to those hotels
- "Hotel Mello-Roos" would use a portion of hotel revenue generated by stadium to finance construction of Stadium
- Estimated to generate approximately \$35 M

Funding Capacity vs. 49er Request

Parking Garage/Substation Relocation	\$62 M
RDA Capacity for Stadium	\$74 M
Potential Hotel Mello-Roos	<u>\$35 M</u>
Total Funding Capacity	\$171 M
49er Request for Stadium	<u>\$222 M</u>
Gap / 49er Request	(\$51 M)

Feasibility Study Analysis: Affordable Housing

Projected Impact on Affordable Housing Funds

\$Nominal Dollars	No Stadium	With Stadium (to achieve \$171M)
Affordable Housing Set-Aside Policy	30% target set-aside*	30% target set-aside*
Projected Set-Aside Percentage to 2016	30%	26%
Projected 20% set-aside excluding stadium	\$167 M	\$167 M
Projected 20% set-aside from stadium	N/A	\$8 M
Projected additional 10% set-aside *	\$36 M (10% of 10% target)	\$23 M (6% of 10% target)
Total Housing Funds	\$203 M	\$198 M
Net Impact	N/A	(\$5 M)

*Through the 2016 plan limit

Note: All figures are rounded to the nearest \$1 Million.

Feasibility Study Analysis: Return on Investment

City / Agency Return on Investment (NPV/2007)*

	<u>City</u>	<u>Agency</u>
Property Taxes / Tax Increment	\$2 M	\$10 M
Stadium Authority Distributions to GF	\$24 M	N/A
Sales Tax, VLF, TOT	<u>\$12 M</u>	<u>N/A</u>
Total Revenue / Return	\$38 M	\$10 M
Investment – <i>Feasibility Study Funding Sources</i>	<u>\$19 M</u>	<u>\$100 M</u>
Net Return on Investment	\$19 M	(\$ 90 M)

*Presented in terms of Net Present Value in 2007 based on a 6% discount rate

Feasibility Study Analysis: Economic Benefits

Economic Benefits within City of Santa Clara

Per CS&L as Evaluated & Confirmed by KMA (\$2007s)

	<u>Total Per CS&L</u>	<u>Training Facility (Existing)</u>	<u>Stadium (New)</u>	
Economic Activity	\$85	\$44	\$41	Million/Yr
Employment (FT)	830	315	515	Employees
Personal Earnings	\$38	\$21	\$17	Million/Yr

Note: includes direct, indirect, and induced benefits.

Issues: SB 211 Amendment

- Redevelopment Plan may be amended under SB 211 to extend ability to incur debt to 2016 (vs. 2004)
 - Required with Stadium project
 - Required with another significant redevelopment project
- Triggers payments to other jurisdictions totaling \$104 Million*

Feasibility Study Analysis: Other Considerations for City/Agency

Issues: Total Pass Through Payments - SB 211 Net Present Value (NPV) of Cumulative Payments

Payments Required With SB 211 (\$Millions)	Statutory	Basic Aid	Total
County	\$16.0	-	\$16.0
City of Santa Clara	\$4.5	-	\$4.5
Santa Clara Unified Schools	\$19.3	\$49.2	\$68.6
West Valley Mission Community College	\$5.6	-	\$5.6
County Office of Education	\$2.0	\$5.6	\$7.6
SCV Water Districts	\$1.2	-	\$1.2
Other Agencies	\$0.1	-	\$0.1
Total (\$Millions) – Net Present Value	\$48.8	\$54.8	\$103.6

Note: amounts are the net present value of projected payments through the tax increment receipt limit of the project area using a discount rate of 6% per year. Payments are projected to start in 2008-09 and continue through the 2026 tax increment receipt limit.

Totals do not add due to rounding.

Issues: Cooperation Agreement

Agreement between RDA and City

- Agency Purchase of \$101 M in land from City
- Agency to re-pay the City with funds “not reasonably needed for other redevelopment purposes” including lease revenue and tax increment
- Purpose is to maximize ability to repay the City for land purchased

Repayment of RDA Debt Under Cooperation Agreement

With Major Project - Stadium or Other

1. Obligation to City not projected to be fully repaid by 2026
2. Consistent with intent of agreement to provide choices regarding use of tax increment for redevelopment projects versus payments to City
3. Lease payments continue to flow to General Fund and repay debt after 2026

No Major Project

1. Full repayment of debt prior to 2026 from tax increment and lease revenue.
2. Agency not projected to collect all available tax increment
3. Lease payments continue to flow to General Fund

Findings: Construction Request vs. Capacity

1. City has identified funding for \$171 Million of \$222 Million Requested (77% of total) for Stadium Construction, Garage Construction, Utility Relocation
2. City cannot fully fund the \$222 million request within the constraints of existing City policy and the Guiding Principles adopted by City Council

Findings: Construction Request vs. Capacity

3. Stadium will use remaining Redevelopment Agency Bayshore North financial capacity.
4. If Negotiations proceed, it is a basic strong condition that no additional funds would be provided by the City or RDA

Findings: Operation Deficit Issues

1. Team proposal is generally feasible and consistent with Guiding Principles given protections to the City from operating deficits.
2. Satisfactory protections from unprofitable non-NFL events could likely be achieved in a negotiation.
3. Preliminary commitments by 49ers in feasibility study would need to be preserved or enhanced if negotiations are authorized.

Outstanding Items if Stadium Project Proceeds

- Timing of City / Agency Investment & Related Issues
- Land Lease Payment to City's General Fund
- Return on Investment to City / Agency
- Responsibility for un-profitable Non-NFL events
- Responsibility for parking garage cost increases
- Capital Reserve Adequacy
- Protections to City

City Staff Recommendations – Financial Feasibility

- That Council/Redevelopment Agency accept the staff report and the materials provided by the San Francisco 49ers and direct the City Manager to include these reports in the accumulated body of materials and information being used in the Stadium Feasibility Analysis