

City of Santa Clara



Stadium Project Term Sheet

June 2, 2009

Council Direction from Feasibility Study:

Negotiate a “Term Sheet,” subject to the EIR process, to outline key understandings, obligations, responsibilities and financial arrangements between the City, Agency and the 49ers.

Purpose of Meeting

To Provide:

A. Overview & Key Elements of Deal

B. Term Sheet Details

1. Deal Structure

2. Economics

C. Staff Recommendation for
Council Consideration

D. Next Steps

Key Dates

- ❖ April 2007: Stadium economic proposal presented by 49ers
- ❖ December 2007: City proposal for stadium financing
- ❖ January 2008: Feasibility study concluded
- ❖ June 2009: Term Sheet negotiations concluded
- ❖ 29 public meetings held during this time

Overview and Key Elements

- 1 - Proposed Stadium Site
- 2 - Great America Theme Park
- 3 - Santa Clara Convention Center



North Bayshore Redevelopment Project Area

- City Limits
- Redevelopment Project Area

Map of Stadium Project Area



City's Guiding Principles

- ❖ No use or obligation of General Fund monies
- ❖ Maintain integrity of all City Funds
- ❖ Maintain Industrial to Residential Conversion policy
- ❖ No tax increase on residents, businesses, ratepayers
- ❖ Address Theme Park issues

City's Guiding Principles

- ❖ No loss of ground lease payments from Theme Park
- ❖ Open, visible process
- ❖ Project subject to zoning, entitlements, CEQA review
- ❖ Synergy with surrounding development
- ❖ Code of Ethics & Values: fiscal responsibility

Key Deal Points

- ❖ City principles maintained
- ❖ No General Fund or Enterprise Fund monies used or pledged to project, except substation
- ❖ Fair market value return for stadium site
- ❖ Economic benefit to City and community
- ❖ New Senior & Youth Program Fund, funded with 35 cent surcharge on NFL tickets
- ❖ Theme Park options available

Key Deal Points

- ❖ Agency investment capped at \$42 million
- ❖ No floor on Agency contribution
- ❖ No new or increased taxes (hotel CFD only by vote of eight affected hotels)
- ❖ 49ers responsible for construction cost overruns
- ❖ Charter Review Committee
- ❖ 49ers to pay reasonable operating costs for stadium

Key Deal Points

- ❖ \$2 ticket fee on non-NFL events to fund Discretionary Fund
- ❖ Dispute resolution process for disputed expenses
- ❖ 49ers to cover losses from non-NFL events
- ❖ Profit from non-NFL events shared 50/50, subject to some credits
- ❖ 49ers responsible for demolition of stadium at end of lease term
- ❖ Agency investment repaid in the event of 2nd team

Structure of Deal

Structure of Deal

Stadium

- ❖ Publically owned building and operated by Stadium Authority

Stadium Authority (SA)

- ❖ Joint powers authority formed by the City of Santa Clara and the Redevelopment Agency of the City of Santa Clara
- ❖ Separate legal entity authorized under Government Code

Stadium Authority (SA) (cont.)

- ❖ Governing board will be seven member City Council
- ❖ City Manager will be Executive Director and City Attorney will be General Counsel
- ❖ Neither City nor Agency will be liable for the debts or obligations of the Stadium Authority
- ❖ SA may contract with professional, major venue management company to oversee day-to-day operations

Structure of Deal

Leases

- ❖ City will ground lease Stadium site to SA for an initial period of 40 years
- ❖ SA will lease Stadium to 49er Stadium Company, LLC
- ❖ 49er Stadium Company will sublease Stadium to 49er's NFL Franchise (the "Team")
- ❖ Team will sign agreement to play its home games at Stadium for the 40 year term of sublease

Terms of City Ground Lease

- ❖ Initial term of 40 years with 5 options of 4 years each
- ❖ City to receive annual fixed rent payment of \$180,000 in first year escalating to \$1 million in year 11 up to \$1.5 million in year 36
- ❖ City will receive 50% of Net Income from Non-NFL Events, subject to certain credits
- ❖ In addition to Ground Rent, the City will receive City of Santa Clara Senior & Youth Program Fee of up to \$250,000 per year

Design and Construction of Stadium

- ❖ SA will construct Stadium
- ❖ SA will enter into project mgmt. agreement with 49er Stadium Company to manage design and construction of Stadium
- ❖ Council to consider forming Charter Review Committee to consider amending Charter to allow design-build process for development of Stadium
- ❖ Agency and 49er Stadium Company will share certain development fee costs payable to City's Enterprise Funds

Stadium Construction Financing

- ❖ Stadium Development costs estimated to be \$900 million
- ❖ SA must approve Finance Plan prior to commencement of construction
- ❖ The Stadium will be financed from four sources
 - Stadium Authority
 - Redevelopment Agency - \$42 million cap
 - Mello-Roos CFD - \$35 million construction cap
 - 49er Company/NFL investment

Stadium Construction Financing (cont.)

- ❖ Stadium Authority
 - Stadium Builders Licenses
 - Naming Rights Revenue (Bonds)
 - Ticket Surcharge (Bonds)
 - Upfront vendor payments

Stadium Construction Financing (cont.)

- ❖ Redevelopment Agency - \$42 million cap
 - Unallocated cash on-hand, est. at \$7 million
 - Agency Bonds paid by Net Tax Increment, estimated at \$21 million
 - 49er Agency Advance, estimated at \$12 million, paid with Net Tax Increment after paying Bonds and making add'l Housing Fund deposits
 - Unpaid 49er Agency Advance at the end of Project Area will be forgiven
 - \$2 million Agency share of development fees

Stadium Construction Financing (cont.)

- ❖ Mello-Roos CFD - \$35 million construction cap
 - CFD formed by vote of hotels near Stadium
 - 40 year term
 - Mello Roos Bonds paid with special tax from CFD, estimated at \$15 million
 - 49er Advance, estimated at \$20 million, to be repaid with Mello-Roos funds
 - Remaining Mello-Roos funds after repayment of bonds & 49er Advance may be used by SA for expenses

Stadium Operations

- ❖ SA to operate Stadium
- ❖ SA may contract with a professional, major venue management company to oversee day-to-day operation
- ❖ SA will contract with an experienced, private parking operator to provide game-day parking
- ❖ SA will pay the City for Stadium related Public Safety Costs

Stadium Budgeting

- ❖ SA to adopt annual budget
- ❖ Stadium expenses will be composed of Reimbursable Expenses and SA Discretionary Expenses
- ❖ 49er Company pays Reimbursable Expenses if the SA does not receive enough revenue to pay them

Stadium Budgeting (cont.)

- ❖ Examples of Reimbursable Expenses
 - Day-to-day Stadium expenses
 - Cost of utilities
 - Insurance
 - Deposits in capital expenditure reserves
 - Public Safety Costs

Stadium Budgeting (cont.)

- ❖ Expenses not considered Reimbursable Expenses will be considered SA Discretionary Expenses and paid by other sources such as the SA Discretionary Fund, or not incurred
- ❖ Meet and confer process if SA and 49ers disagree on Reimbursable Expenses

Structure of Deal

Non-NFL Events

- ❖ SA and 49er Company will agree on an annual plan for non-NFL events
- ❖ City will receive 50% of Net Income from non-NFL events, subject to certain credits
- ❖ SA/49ers to cover losses from non-NFL events
- ❖ SA to receive \$2 per ticket on non-NFL events to fund SA Discretionary Fund

Civic Events

- ❖ Events scheduled by SA that are not included in annual plan for non-NFL Events
- ❖ Any profits from Civic Events may be transferred to the City
- ❖ Any losses from Civic Events may be paid from SA Discretionary Fund or other sources

Second Team

- ❖ 49er Company may sublease to a Second Team
- ❖ If a Second Teams comes, 49er Company repays Agency's cash investment and Agency bond proceeds
- ❖ 49er Company repays principal amount paid on 49er Agency Advance & forgives unpaid balance, but not interest

Second Team (cont.)

- ❖ 49er Company repays development fees funded by Agency
- ❖ Fixed Ground Rent increases by \$1 million per year and escalates every 5 years
- ❖ Additional \$1 million per year for capital expenditure reserves

Terms of Public Safety Agreement

- ❖ Definition of Public Safety Cost:
 - ◆ Costs agreed to by City and the 49er Company (or determined by an arbitrator) as reasonable and Stadium-related public safety costs
- ❖ The SA will pay the City all Public Safety Costs (costs will be subject to reimbursement by the 49er Company)

Terms of Public Safety Agreement (cont.)

- ❖ 49er Company receives credit against Performance-Based Rent for Public Safety Costs which exceed annual cap
 - ◆ Annual cap equals \$170,000 x number of home games played in the season (ex. \$1.7 million for a 10-game season)
 - ◆ \$170,000 escalates over time
- ❖ Alternative dispute resolution process to resolve disagreement over Public Safety Costs

Economics

Economics

Stadium Construction Financing

<u>Stadium</u>	<u>Total</u>	<u>Percent</u>
Stadium Authority (SBLs, Ticket Surcharge, Naming/Concession Revenue)	\$330 Million	37%
Team / NFL	\$493 Million	55%
Redevelopment Agency Maximum	\$42 Million	5%
CFD (Hotel Mello Roos)	<u>\$35 Million</u>	<u>4%</u>
Total for Stadium	\$900 Million	100% (Rounded)
 <u>Related Costs</u>		
City: Substation Relocation	\$20 Million	
RDA: Parking Garage for Stadium	<u>\$17 Million</u>	
Total for Related Costs	\$37 Million	
Stadium + Related Costs	\$937 Million	

Public Contribution & CFD

Public Contribution:

Redevelopment Agency Maximum \$42 Million

Substation Relocation \$20 Million

Parking Garage for Stadium \$17 Million

Total Public Contribution \$79 Million

CFD (Hotel Mello Roos) \$35 Million

Total Public Contribution & CFD \$114 Million

Economics

Payment To Stadium Authority By 49ers

	(\$Millions)	
	2014	2024
Stadium Operating Revenue		
49er Base Payment to SA	\$5.0	\$5.0
Concessions & Merchandise and Parking Operations / Tax	7.2	9.8
Admiss. Surcharge & Naming Rights Avail for Operations	6.8	8.8
Non-NFL Events Profit	5.0	6.7
Total Revenues	24.0	30.3
Stadium Reimbursable Operating Expenses		
Game Day Pub Safety	2.5	2.9
Other SA Operating Expenses Incl. 49ers Possessory Interest Taxes	21.0	30.8
Ground Rent to City From 49ers / Non NFL Profit	2.8	4.1
Total Expense	26.3	37.8
Net SA Expense Funded by 49ers	2.3	7.5
Payment to SA by 49ers	7.3	12.5

Economics

Ground Rent to City (One Team)

(\$Thousands)

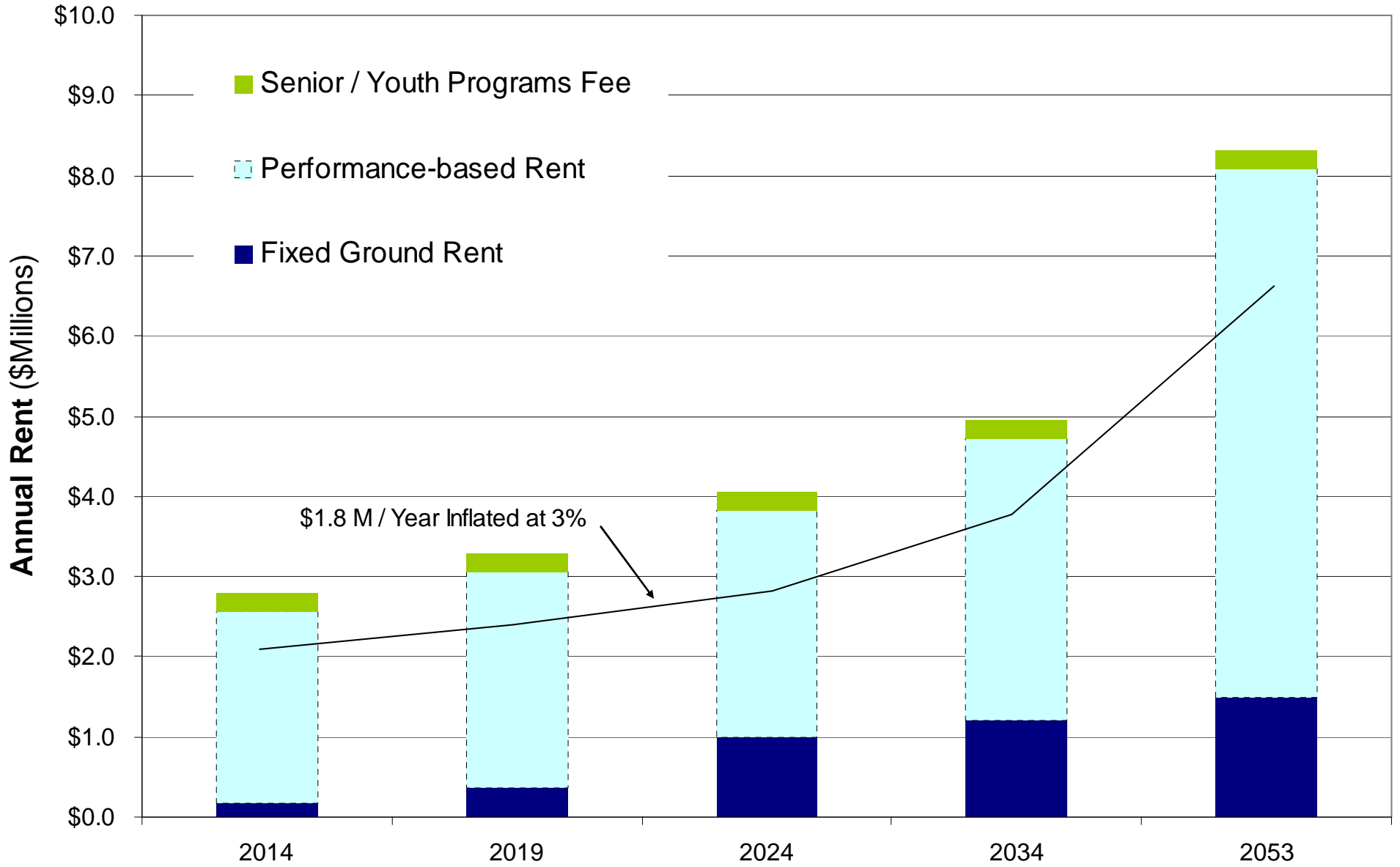
	2014	2019	2024	2034	2053
Fixed Rent	\$180	355	1,000	1,200	1,500
Performance Rent	2,390	2,697	2,833	3,520	6,581
Senior/Youth Fee	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>
Total	2,798	3,280	4,060	4,947	8,308

Fair Market Rent

Unencumbered Site	2,087	2,419	2,804	3,769	6,609
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\$1.8 M / yr inflated at 3%

Ground Rent Projection with One Team



Economics

Ground Rent to City (Two Teams)

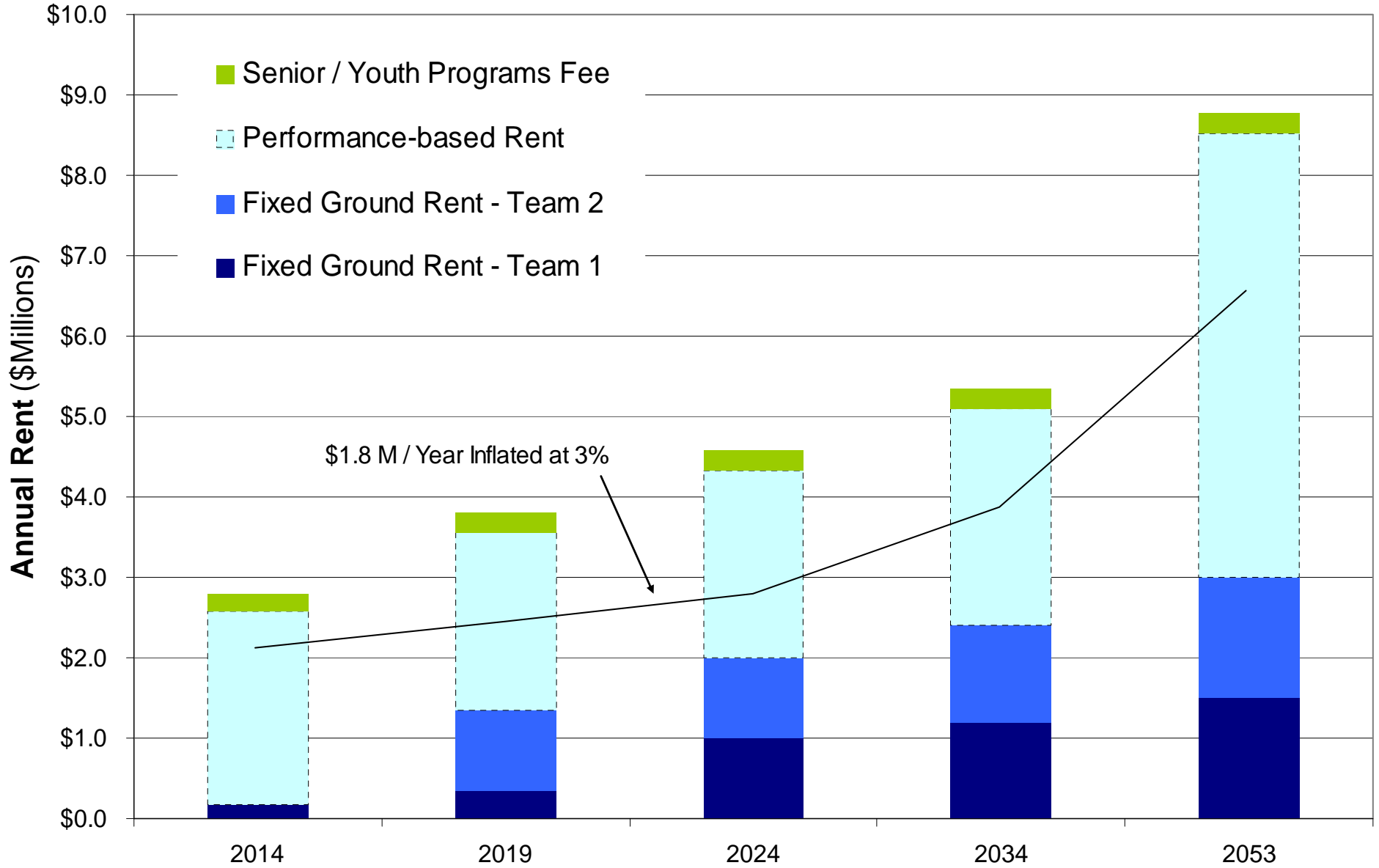
(\$Thousands)

2nd Team->

	2014	2019	2024	2034	2053
Fixed Rent	\$180	1,355	2,000	2,400	3,000
Performance Rent	2,390	2,197	2,333	2,704	5,517
Senior/Youth Fee	<u>228</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Total	2,798	3,802	4,583	5,354	8,767
Fair Market Rent Unencumbered Site	2,087	2,419	2,804	3,769	6,609

\$1.8 M / yr inflated at 3%

Ground Rent Projection With Two Teams



Performance-Based Rent

- ❖ High Probability of Achieving Performance-Based Rent
 - ◆ 49ers participate in 50% of profits from non-NFL events
 - ◆ Projections consistent with other large outdoor mild-climate venues
 - ◆ Thorough research

Sources of Information for Performance Projections

- ❖ Anschutz Entertainment Group
- ❖ Other Venue Operators
- ❖ INVESCO (Denver Broncos)
- ❖ Gillette (New England Patriots)
- ❖ University of Phoenix (Arizona Cardinals)
- ❖ Convention, Sports and Leisure International
- ❖ Glen Mon – Venue Consultant / Formerly SVP of Major Venue Operator

Rent Credit Structure at Projection

Performance Rent Calculation: 2034 Example

Fixed Rent	} <u>One Team</u>	\$1,200,000
Senior / Youth Fee		\$230,000
50% Non-NFL Revenue (before credits)		\$4,480,000
Credit for Fixed Rent: 50%		(\$600,000)
Credit for City Share of property taxes		(\$360,000)
Credit for Public Safety Cost		Assume \$0
Performance Rent After Credits		<u>\$3,520,000</u>
Total Rent		\$4,950,000

Rent Credit Structure if Under Perform

Performance Rent Calculation: 2034 Example

Fixed Rent	} <u>One Team</u>	\$1,200,000
Senior / Youth Fee		\$230,000
50% Non-NFL Revenue (Before Credits)		\$800,000
Credit for Fixed Rent: 50%		(\$600,000)
Credit for City Share of property taxes		(\$360,000)
Credit for Public Safety Cost		Assume \$0
Performance Rent After Credits		<u>\$0</u>
Total Rent		\$1,430,000

Economics

Return to Agency (NPV/2008-09)*

	<u>One Team</u>	<u>Two Teams</u>
Return to Agency		
Tax Increment From Stadium (including housing TI)	\$6 M	\$8 M
Investment (Excluding Garage): <i>\$42 M but NPV is \$36 M</i>	\$36 M	\$36 M
Net Return to Agency (Before Garage)	(\$30 M)	(\$28 M)
Garage Expense (40% allocation) <i>\$17 M but NPV is \$15 M</i>	\$15 M	\$15 M
Net Return to Agency (After Garage)	(\$45 M)	(\$43 M)

*Presented in terms of Net Present Value in 2008-09 based on a 6% discount rate

Economics

Projected Impact on Affordable Housing 30% Policy Target (Nominal Dollars)

	<i>No Stadium</i>	<i>With Stadium</i>
Projected 20% set-aside not including stadium (to 2026 Agency end date)	\$160 Million	\$160 Million
Projected 20% set-aside added by stadium	N/A	\$6 Million
Projected additional 10% set-aside (to 2016 legal limit)	\$29 Million	\$17 Million
Total Housing Funds	\$189 Million (Achieves 30%)	\$183 Million (Achieves 26%)
Net Impact	N/A	(\$6 Million)

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

Economics

Return to City (NPV/2008-09)*

Return to City	<u>One Team</u>	<u>Two Teams</u>
Fixed Ground Rent	\$8 M	\$18 M
Performance-Based Rent	\$18 M	\$15 M
Senior / Youth Program Fee	<u>\$3 M</u>	<u>\$3 M</u>
Subtotal	\$29 M	\$36 M
Property Taxes	\$2 M	\$4 M
Sales Tax, VLF, TOT Incl. Convention Center Synergy	\$20 M	\$26 M
Repay Investment w / 2nd Team	N/A	\$21 M
Total Return	\$51 M	\$87 M
Investment	\$20 M	\$20 M
Net Return to City	\$31 M	\$67 M

*Presented in terms of Net Present Value in 2008-09 based on a 6% discount rate
Not including RDA

Economics

City General Fund Considerations

\$NPVs 2008-09

	One Team	Two Teams
<u>MAX.</u> General Fund Potential – No Stadium		
Cooperation Agreement repayment from TI	\$67 M	\$67 M
General Fund Property tax – if no SB 211	\$8 M	\$8 M
City land for stadium site	<u>\$23 M</u>	<u>\$23 M</u>
Total	\$98 M	\$98 M
General Fund Return After Investment with Stadium	\$31 M	\$67 M
As Percent of Estimated Maximum General Fund Potential Without Stadium	32%	68%

Economics

Economic Benefits within City of Santa Clara

Per CS&L as Evaluated & Confirmed by KMA (\$2007s and Not Including Additional Benefits From Convention Center Synergy)

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

Note: includes direct, indirect, and induced benefits.

Additional Items

- ❖ Letter from Santa Clara Unified School District
- ❖ Cedar Fair Letter

Staff Recommendation

Staff Recommendation

Staff Recommends Option 3:

- ❖ Approve the Term Sheet between City, Agency and 49ers
- ❖ Direct the City Manager to return to Council on June 23 with:
 - ◆ Request for Council to create Charter Review Committee
 - ◆ Information on ballot measure timing

Staff Recommends Option 3 (cont.):

- ❖ Direct the City Manager to return to Council on July 14 with:
 - ◆ Presentation by 49ers on stadium design
 - ◆ Negotiating agreement amendment
 - ◆ Proposed consultant budget for next phase of negotiations

Next Steps

- ❖ EIR
- ❖ Ballot measure
- ❖ Approve DDA
- ❖ 2011: Secure financing
- ❖ 2012: Begin construction
- ❖ 2014: Stadium opening

Questions?