

**CITY OF SAN DIEGO MEASURE C:**  
**THE CHARGERS' "DOWNTOWN STADIUM INITIATIVE"**  
**SUPPLEMENTAL REPORT**  
*November 7, 2016*

**Introduction and Background**

The San Diego County Taxpayers Association opposes Measure C, the Tax and Downtown Stadium/Convention Center Initiative in the City of San Diego. The initiative proposes a 6% increase in the City's Transient Occupancy Tax (TOT or hotel tax), with revenues from 1% of the increase dedicated to a new San Diego Tourism and Marketing Fund. The remaining 5% increment will go toward backing the sale of municipal revenue bonds that will finance the construction of a new integrated professional football stadium and convention center annex in the East Village neighborhood of Downtown San Diego.

The measure's proponents estimate that land acquisition and construction for the project will cost a total of \$1.8 billion. The National Football League (NFL) and the San Diego Chargers, the primary lessee of the stadium, would be responsible for contributing \$650 million for the construction of the stadium and any cost overruns associated with construction of the stadium. Through the increase in TOT, the City of San Diego would be responsible for funding land acquisition, construction of the convention center annex, and a \$350 million contribution to the component of the facility that will integrate the stadium and annex.

Since the time SDCTA conducted its initial analysis, several studies on the "convadium" proposal have been released publicly that vary in underlying assumptions and reach different conclusions. These include a report by Hunden Strategic Partners (HSP), commissioned by Conventional Wisdom Corp.; a report by economist Alan Gin, Ph.D., urban planner Murtaza Baxamusa, Ph.D., AICP, and research aide Katelyn Allende, commissioned by the Chargers; a report by HVS Convention, Sports & Entertainment Facilities Consulting (HVS), commissioned by the San Diego Tourism Marketing District Corporation; a report by the Public Resources Advisory Group (PRAG), commissioned by the City of San Diego; and a financial impact statement by the Independent Budget Analyst of the City of San Diego (IBA).

**Additional Costs**

It is important to note that the \$1.8 billion cost estimate for the proposed facility does not include interest on bond issuances, which would amount to hundreds of millions of dollars.

Definite project plans are not currently available to the public, so there is a possibility that the cost of construction could be higher than projected. Furthermore, the existing infrastructure (e.g. roads, parking, trolley lines, bus drop-off areas, passenger queuing areas<sup>1</sup>) in the area surrounding the proposed project site is not adequate to support the 61,000-72,000 fans that the stadium would be

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<sup>1</sup> Landers, Karen. *Karen Landers to Dean Spanos and John Kratzer, March 22, 2016*. Letter. *Voice of San Diego*, March 2016. Accessed October 16, 2016. <http://www.voiceofsandiego.org/wp-content/uploads/2016/03/MTS-Spanos-Letter.pdf>

able to seat on game days<sup>2</sup> and the associated traffic they would bring to the Downtown area. This means the project would require construction of various infrastructure enhancements.

The current proposed site for the stadium would require the relocation of the 7.75-acre MTS bus yard, estimated by MTS CEO Paul Jablonski to cost \$150 million.<sup>3</sup> This would likely result in the required alteration of several bus lines, with the entire process taking years to complete. The proposed site would also require the replacement of 1,000 parking spaces in “Tailgate Park,” a parking lot adjacent to Petco Park. Due to a lease agreement between the Redevelopment Agency of the City of San Diego and the Padres in effect until 2034<sup>4</sup>, the City would be obligated to replace these parking spots for the Padres should the lot be needed for the convadium project. Estimates for replacing these parking spots for the Padres range from \$75 million to \$100 million.<sup>5</sup> There would be environmental remediation required for both of these projects at additional and likely significant public expense.

The studies have also not taken into account the remaining \$52 million in public debt on Qualcomm Stadium, the current home of the Chargers, and this debt is not set to expire until 2026.<sup>6</sup> The City currently loses money each year on repairs, operations, maintenance, and public safety resources at Qualcomm Stadium<sup>7</sup> and would continue to do so during the construction of the new stadium. Should Qualcomm Stadium need to be torn down once the new downtown convadium is complete, this could add several million dollars of cost to the City, along with the required environmental remediation that would follow. The demolition of Qualcomm Stadium has been estimated to cost \$15 million, not including environmental remediation.<sup>8</sup>

It is entirely possible that, in addition to the aforementioned costs that have not been accounted for in the stated estimate, cost overruns may arise during the construction process. The figure below demonstrates several recent examples including AT&T Stadium, home of the Dallas Cowboys; Levi’s Stadium, home of the San Francisco 49ers; U.S. Bank Stadium, home of the Minnesota Vikings, and

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<sup>2</sup> Hunden Strategic Partners. “San Diego Convention Center and Stadium Project Meetings Market and Impact Analysis.” Chicago: August 23, 2016.  
[https://kpbs.media.clients.ellingtoncms.com/news/documents/2016/08/24/SD\\_Chargers\\_Report\\_8-23-16\\_v3.compressed.pdf](https://kpbs.media.clients.ellingtoncms.com/news/documents/2016/08/24/SD_Chargers_Report_8-23-16_v3.compressed.pdf)

<sup>3</sup> Showley, Roger. “Is the old Q the new Q?” *San Diego Union-Tribune*, Feb. 28, 2015. Accessed October 16, 2016.  
<http://www.sandiegouniontribune.com/business/growth-development/sdut-chargers-stadium-2015feb28-htmlstory.html>

<sup>4</sup> “The Redevelopment Agency of the City of San Diego Lease to Padres, L.P. of Property Commonly Known as Lots P-5, P-6, B-2 and B-3, Bounded by 12th Street, 14th Street, Imperial Avenue and K Street, San Diego, CA for Thirty (30) Years.” <http://www.voiceofsandiego.org/wp-content/uploads/2015/08/Signed-Lease-Tailgate.pdf>

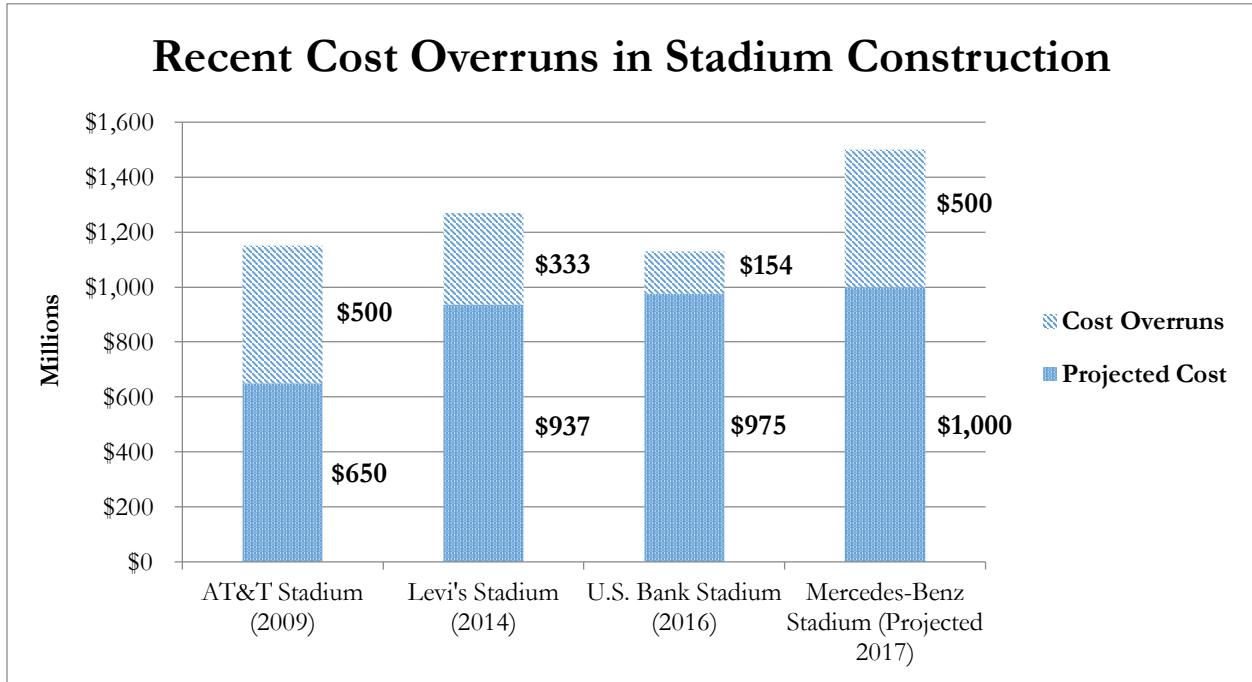
<sup>5</sup> Krasovic, Tom. “Chargers palace could mean paying off Padres.” *San Diego Union-Tribune*, Aug. 3, 2016.  
<http://www.sandiegouniontribune.com/sports/chargers/sdut-chargers-convadium-chris-cate-physical-2016aug03-story.html>

<sup>6</sup> Citizens’ Stadium Advisory Group. “Site Selection and Financing Plan for a New Multi-Use Stadium in San Diego.” San Diego: May 2015. Accessed October 16, 2016. [http://www.voiceofsandiego.org/wp-content/uploads/2015/05/CSAG\\_Report\\_FINALv2\\_web.pdf](http://www.voiceofsandiego.org/wp-content/uploads/2015/05/CSAG_Report_FINALv2_web.pdf)

<sup>7</sup> Dillon, Liam. “How San Diego Loses So Much Money on Qualcomm Stadium.” *Voice of San Diego*, March 11, 2015. Accessed October 16, 2016. <http://www.voiceofsandiego.org/topics/land-use/how-san-diego-loses-so-much-money-on-qualcomm-stadium/>

<sup>8</sup> Populous. “San Diego Chargers: Stadium Concept Design.” San Diego: August 10, 2015.

the under-construction Mercedes-Benz Stadium, home of the Atlanta Falcons.<sup>9 10 11 12</sup> These figures only consider stadium construction costs, and overruns were estimated by subtracting the original projected cost from the final project cost.



### Widely Varying Assumptions and Conclusions of Studies

As noted above, the varying underlying assumptions of each of the studies conducted on the facility to be funded through Measure C result in varying conclusions. To provide clarity to the voter, SDCTA has chosen to list out assumptions and conclusions to highlight the differences in each.<sup>13</sup> Because each of the studies took different approaches, Appendix A of this report provides a tabulation of categories of assumptions and conclusions across all the studies to demonstrate that no pair of studies took the same approach. While the tabulation in Appendix A is extensive, it is not exhaustive because it adequately demonstrates the significant variances.

<sup>9</sup> Cohen, Andrew. "How Stadium Construction Costs Reached the Billions." *Athletic Business*. July 2012. Accessed October 19, 2016.

<sup>10</sup> Pentis, Andrew. "Behind the Building." *49ers Longreads*. July 17, 2014. Accessed October 19, 2016. <http://www.49ers.com/news/behind-the-building.html>

<sup>11</sup> "FAQ | U.S. Bank Stadium." *U.S. Bank Stadium*. Accessed October 19, 2016. <http://www.usbankstadium.com/faq/>

<sup>12</sup> Caldwell, Carla. "Officials: Mercedes-Benz Stadium cost rises to \$1.6 billion." *Atlanta Business Chronical*. July 17, 2016. Accessed October 19, 2016. [http://www.bizjournals.com/atlanta/morning\\_call/2016/06/officials-mercedes-benz-stadium-cost-rises-to-1-6.html](http://www.bizjournals.com/atlanta/morning_call/2016/06/officials-mercedes-benz-stadium-cost-rises-to-1-6.html)

<sup>13</sup> **Assumptions that would lend opposition to Measure C bolded.**

\*Assumptions that would lend support to Measure C noted with asterisk.

In its study entitled “San Diego Convention Center and Stadium Project Meetings Market and Impact Analysis,” HSP conducted twenty interviews with event planners who *do not currently* hold conventions in San Diego, but that expressed interest in doing so.<sup>14</sup>

Hunden Strategic Partners Study	
Assumptions	Conclusions
<ul style="list-style-type: none"> <li>• 6% TOT increase</li> <li>• The Chargers and NFL will reach an agreement for booking more than a year in advance of convention dates <ul style="list-style-type: none"> <li>○ 85% of dates can be booked long term in advance</li> </ul> </li> <li>• 8 NFL game day events</li> <li>• 4 total other sports and entertainment events <ul style="list-style-type: none"> <li>○ 15% of attendees from outside San Diego</li> </ul> </li> <li>• 10-35% spousal attendance for different types of events</li> <li>• 72% hotel occupancy</li> <li>• 42% small exhibit hall occupancy</li> <li>• 51% large exhibit hall occupancy</li> <li>• Convention centers should generate 0.25 to 0.75 room nights per square foot of exhibit space</li> <li>• New facility will operate and be marketed in a manner consistent with or better than existing SD Convention Center</li> <li>• Average daily hotel rate \$161</li> <li>• Four additional sports/ entertainment events, which could be concerts, other major spectacular events, or other sporting events like bowl games</li> </ul>	<ul style="list-style-type: none"> <li>• New hotel room nights: <b>225,000</b></li> <li>• New TOT revenue in the first year: <b>\$7.97 million</b></li> <li>• New TOT revenue over the first 10 years: <b>\$126 million</b></li> <li>• New hotel revenue over the first 10 years: \$767 million</li> <li>• Net new spending over the first 10 years: \$2.9 billion</li> <li>• Full time jobs supported by the project: 4800</li> <li>• New day trip visitors annually after stabilization: 769,494</li> <li>• New overnight days annually after stabilization: 349,853</li> <li>• 86 events in the first year</li> <li>• 134 annual events after stabilization</li> <li>• *Many groups would hold medium-sized conventions in San Diego if dates were made available</li> </ul>

In their report entitled “The Economic Impact of the Downtown ‘Convadium’ Proposal,” Dr. Gin, Dr. Baxamusa, and Ms. Allende analyzed the economic impact of a new stadium and convention center annex in East Village. These researchers used economic multipliers to estimate job creation, output, labor income, and value-added impact, partially using conclusions drawn in the study by Hunden Strategic Partners regarding direct expenditures and job creation from the convention center expansion.<sup>15</sup>

<sup>14</sup> Hunden Strategic Partners

<sup>15</sup> Gin, Alan, Ph.D., Murtaza Baxamusa, Ph.D., AICP, and Katelyn Allende. “The Economic Impact of the Downtown ‘Convadium’ Proposal.” San Diego: September 2016.  
[http://www.chargers.com/sites/chargers.com/files/convadium\\_economic\\_study\\_2016\\_092116.pdf](http://www.chargers.com/sites/chargers.com/files/convadium_economic_study_2016_092116.pdf)

**Dr. Gin, Dr. Baxamusa, & Ms. Allende Study**

Assumptions	Conclusions
<ul style="list-style-type: none"> <li>• Considers \$1.8 billion cost estimate</li> <li>• Uses economic multipliers calculated by the United States Department of Commerce’s Bureau of Economic Analysis</li> <li>• Breaks down economic impact into three components: construction of facility, operations by Chargers, and operations of convention center annex. For the convention center annex, utilizes Hunden Strategic Partners study regional spending estimates as basis for calculations of economic activity.</li> <li>• Land acquisition cost: \$200 million</li> <li>• Soft costs (marketing, fees, etc.): \$250 million</li> <li>• Hard costs (workers, materials): \$1.35 billion</li> <li>• Direct expenditure associated with Chargers operations: \$104 million</li> <li>• Direct expenditure associated with convention center expansion: \$200 million <ul style="list-style-type: none"> <li>○ 4,800 new jobs</li> </ul> </li> <li>• Annual operating budget for the entire facility: \$19.3 million <ul style="list-style-type: none"> <li>○ Based on operating budget of Qualcomm Stadium</li> </ul> </li> </ul>	<p>Total Combined Impact of Operations and Expansion</p> <ul style="list-style-type: none"> <li>• Jobs created during construction: <b>15,000</b> <ul style="list-style-type: none"> <li>○ 12,400 direct</li> <li>○ 2,600 indirect and induced</li> </ul> </li> <li>• Permanent jobs created annually: <b>6,500</b></li> <li>• Increase in regional output: <b>\$2.1 billion</b></li> <li>• Increase in labor income: <b>\$900 million</b></li> <li>• Value added impact: <b>\$1.2 billion</b></li> <li>• Total spending of visiting teams (estimated in Los Angeles Economic Development Corporation study): <b>\$1.8 million</b></li> <li>• *The new facility would bring job growth in professional, scientific, and technical services, and finance and insurance</li> <li>• The biggest economic impact would be on the arts, entertainment, and recreation industries</li> </ul>

In our own analysis, SDCTA analyzed the text of Measure C, historic game attendance and City revenue from football events at Qualcomm, and statements given by the Chargers regarding expected new hotel room nights before the HSP study had been publicly released.<sup>16</sup>

**SDCTA Measure C Analysis**

Assumptions	Conclusions
<ul style="list-style-type: none"> <li>• Qualcomm Stadium no longer available for non-football events after construction of new stadium</li> </ul>	<ul style="list-style-type: none"> <li>• The City of San Diego would earn <b>\$280.6 million</b> from non-football events in the new facility over the next 30 years</li> </ul>

<sup>16</sup> San Diego County Taxpayers Association. “City of San Diego Proposition C: The Chargers’ ‘San Diego Integrated Convention Center Expansion/Stadium and Tourism Initiative.’ San Diego: August 2016. <http://www.sdcta.org/assets/files/Proposition%20C%20-%20Chargers%20Ballot%20Initiative.pdf>

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| <ul style="list-style-type: none"> <li>• New “convadium” will attract non-football events in stadium at double the historical sales rate for Qualcomm Stadium non-football events</li> <li>• Annual inflation rate of 3.22%</li> <li>• 185,000 new hotel room nights each year</li> <li>• Literature noting that football stadiums do not generate a significant increase in economic activity or number of visitors is incorrect</li> <li>• Every open seat above historic average home game attendance is filled by a fan from out of town who will stay two nights in a hotel             <ul style="list-style-type: none"> <li>○ Assumes stadium has 75,000 seats and each seat above historic attendance would be filled during all 8 home games and 2 preseason games</li> </ul> </li> <li>• Demand for hotels is inelastic and unaffected by TOT increase</li> <li>• 25% of those who historically have historically attended home games are from out of town and stay two nights in a hotel for each home game</li> <li>• The Chargers would reimburse the City for costs directly attributable to professional football events</li> <li>• After the City utilizes all revenue from non-football events in the stadium for operations and maintenance, the Chargers will cover the overruns</li> <li>• No cap in operations and maintenance expenditure or provisions for independent oversight</li> <li>• Qualcomm Stadium has \$80 million in deferred maintenance needs, \$50 million in outstanding debt, and approximately \$12.8 million in annual operating costs</li> <li>• The City is authorized to issue bonds with a maturity of 40 years</li> <li>• The Chargers’ lease framework requires the lease to be at least 30 years</li> </ul> | <ul style="list-style-type: none"> <li>• <b>\$70.57 million</b> generated in additional TOT revenue from new hotel room nights generated over 30 years</li> <li>• City would receive <b>\$152.1 million</b> in TOT revenue from home game attendance over 30 years</li> <li>• The project would require relocating the MTS bus yard and lengthening several bus routes</li> <li>• <b>The City is not safeguarded from Qualcomm Stadium debt liability should the Chargers terminate their lease for that stadium early</b></li> <li>• The City would be responsible for a <b>\$259 million</b> for capital improvements, operating costs, and debt for Qualcomm Stadium over the next 20 years, or for finding another solution such as destroying the stadium</li> <li>• <b>The City could issue bonds for stadium construction with a longer maturity than the Chargers’ lease, leaving it liable for continued debt service payments with no marquee tenant for the facility</b></li> </ul> |
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In its study entitled “Report on the Proposed Joint Development of a Chargers Stadium-Convention Center,” HVS conducted eleven interviews with large event planners, most of whose events need at least as much space as is available in the current San Diego Convention Center. HVS also reviewed a

telephone survey of 125 event planners conducted by Convention, Sports & Leisure International in 2015.<sup>17</sup>

HVS Convention, Sports & Entertainment Facilities Consulting Study	
Assumptions	Conclusions
<ul style="list-style-type: none"> <li>• 6% TOT increase, which would result in a net 4.0-point increase in TOT and 32% increase in total lodging tax and Tourism Marketing Assessment</li> <li>• Average of 9 days required, including move-in and move-out, for an event, based on average of SDCC historic events</li> <li>• No impact due to pattern of days available for events</li> <li>• NFL will commit to secure scheduled convention dates up to 10 years in advance</li> <li>• 25% of long term and 50% of short term recoverable lost room nights can be booked</li> <li>• Net loss of 40,000 room nights due to expansion not being contiguous</li> </ul>	<ul style="list-style-type: none"> <li>• New hotel room nights: <b>95,000</b></li> <li>• New TOT revenue annually: <b>\$3 million</b></li> <li>• Present value of new lodging taxes generated over 30 years: <b>\$61.8 million</b></li> <li>• <b>Event planners would have access to the venue 43% of available days during football season</b></li> <li>• <b>Lose an average of 1,111,000 room nights due to lack of available space and availability</b> <ul style="list-style-type: none"> <li>○ <b>398,000 lost room nights are recoverable</b></li> </ul> </li> <li>• <b>Uncertainty around future bookings, reluctance to use stadium floor as exhibit space, limited availability during football season, distance from SDCC, small size, lack of hotel proximity, and lack of available land for developing new hotels will all pose a challenge to booking the new facility for events.</b></li> <li>• <b>Joint use of football stadiums and convention centers has been tried and has largely failed</b></li> </ul>

In its memorandum report to the Chief Financial Officer of the City of San Diego, PRAG used a model cash flow provided by Goldman Sachs & Co. (GS), the financing company for the Chargers, to analyze the ability of future TOT revenue to meet the funding requirements in the measure. It should be noted that PRAG found GS estimates for interest rates, amount of tax exempt bonds, and TOT revenue annual growth to be acceptable, but **not conservative**. As the bonds could carry a size penalty and may include a taxable portion, PRAG recommended using a 5% interest rate.<sup>18</sup>

Public Resources Advisory Group Study	
Assumptions	Conclusions

<sup>17</sup> HVS Convention, Sports & Entertainment Facilities Consulting. “Report on the Proposed Joint Development of a Chargers Stadium-Convention Center.” San Diego: September 22, 2016. <http://www.sdtmd.org/wp-content/uploads/2016/08/HVS-Commentary-on-Proposed-Joint-Development-of-a-Stadium.pdf>

<sup>18</sup> Public Resources Advisory Group to Mary Lewis, Chief Financial Officer of the City of San Diego. “San Diego Integrated Convention Center Expansion/Stadium and Tourism Initiative Important Considerations and Risks to the City.” August, 15, 2016.

<ul style="list-style-type: none"> <li>• Issuance Date: January 2018</li> <li>• Maturity: 30 years</li> <li>• Interest Rate: 4.25%             <ul style="list-style-type: none"> <li>○ Assumes tax-exempt rate on 100% of the bonds</li> </ul> </li> <li>• Annual inflation adjustment: 2%</li> <li>• Assumes \$1.8 billion project cost estimate reasonable</li> <li>• TOT Revenue Annual Growth Rate:             <ul style="list-style-type: none"> <li>○ 2018: 5.5%</li> <li>○ 2019: 5%</li> <li>○ 2020: 5%</li> <li>○ 2021: 4.5%</li> <li>○ 2022: 4%</li> <li>○ Thereafter: 4%</li> </ul> </li> <li>• Debt Service Annual Growth Rate: 1%</li> <li>• Minimum Debt Service Coverage Requirement: 1.5x</li> <li>• Debt Service Reserve Fund: 50% maximum annual debt service</li> <li>• After construction is complete, there will be 28 years of debt service payments</li> </ul>	<ul style="list-style-type: none"> <li>• Total debt service on bonds: <b>\$2.3 billion in TOT revenue</b></li> <li>• <b>The lease with the Chargers should be at least as long as the bond maturity</b></li> <li>• *PRAG was comfortable with these bond structuring assumptions given the nature of TOT revenue bonds and ability to adjust the assumptions closer to the time of issuance</li> <li>• *If the assumptions are accurate, there will be sufficient revenues from TOT to cover debt service, a 1% transfer to the Tourism and Marketing Fund, operations, maintenance, and capital improvement costs, with excess revenues flowing to the General Fund</li> <li>• <b>There also exist several scenarios in which TOT revenue would not be sufficient to fund all intended costs</b></li> <li>• <b>Ability to fund all of these aspects depends on three variables</b> <ul style="list-style-type: none"> <li>○ Project cost</li> <li>○ Interest rate on bonds</li> <li>○ Future TOT revenue growth</li> </ul> </li> <li>• <b>Increasing TOT to fund a stadium could negatively affect the City's ability to increase TOT for other purposes in the future</b></li> <li>• <b>The measure could have a negative impact on the City's credit rating</b> if there are other costs that put pressure on the General Fund, or if rating agencies see TOT as reducing the City's flexibility to raise revenue</li> <li>• <b>Costs for operations, maintenance, and capital expenditures could outpace revenues over time</b></li> <li>• Extending bond terms or delaying financing could address high interest rates or cost overruns, but only at the expense of the public</li> </ul>
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In the Office of the Independent Budget Analyst’s report on Measure C, the Independent Budget Analyst of the City of San Diego analyzed the fiscal impact of the proposed TOT increase and its ability to fund the construction of the stadium/convention-center annex.<sup>19</sup>

Independent Budget Analyst Fiscal Impact Statement	
Assumptions	Conclusions
<ul style="list-style-type: none"> <li>• City of San Diego Five-Year Forecast for annual TOT revenue projections: <b>\$120,000,000</b> from the 6% increase <ul style="list-style-type: none"> <li>○ 5% for land acquisition, construction, operations, and maintenance</li> <li>○ 1% for tourism and marketing</li> </ul> </li> <li>• Chargers lease with the stadium needs to be at least 30 years</li> <li>• TOT-Funded Costs: <ul style="list-style-type: none"> <li>○ <b>\$200 million</b> for land acquisition</li> <li>○ <b>\$600 million</b> for convention center construction</li> <li>○ <b>\$350 million</b> for integrated portion</li> </ul> </li> <li>• Privately-Funded Costs: <ul style="list-style-type: none"> <li>○ <b>\$650 million</b> for stadium construction</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• TOT increase could provide <b>between \$1.3 billion and \$1.6 billion</b> for construction and land acquisition</li> <li>• <b>Project costs may be understated</b> <ul style="list-style-type: none"> <li>○ Replacing parking spaces near Petco Park</li> <li>○ Capital infrastructure, such as road improvements</li> <li>○ Relocation of the MTS bus yard</li> <li>○ Environmental remediation</li> <li>○ Improvements to the trolley</li> <li>○ Bond interest rates</li> <li>○ Construction cost index</li> </ul> </li> <li>• <b>If TOT revenues cannot cover all of the project costs, then support from the General Fund may be necessary</b></li> <li>• <b>San Diego would have one of the highest TOT rates in the nation, which could reduce hotel occupancy</b></li> </ul>

**Potential Opportunity Costs**

If the City were to increase its TOT by 6% as proposed, the new overall TOT rate would be 16.5%. According to the HVS report, Measure C would raise San Diego’s hotel taxes to the 16<sup>th</sup> highest level in the United States.<sup>20</sup> With taxes at this rate, it would be unlikely that San Diego could return to voters and seek approval for a further increase in TOT any time in the near future, a point which was also noted in the PRAG report.<sup>21</sup> Given that tax revenues can act as an important source of financing various projects throughout the City, it would be prudent to note the extensive infrastructure backlog that the City currently faces.

**Summary of Infrastructure Needs, Funding, and Projected Fiscal Funding Gap (FY2017 - FY2021)**

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
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<sup>19</sup> City of San Diego Independent Budget Analyst. “FISCAL IMPACT STATEMENT Measure C: Downtown Stadium Initiative,” 16-20 (San Diego, CA, 2016).  
[https://www.sandiego.gov/sites/default/files/16\\_20\\_fiscal\\_impact\\_statement\\_measure\\_c.pdf](https://www.sandiego.gov/sites/default/files/16_20_fiscal_impact_statement_measure_c.pdf)

<sup>20</sup> HVS Convention, Sports & Entertainment Facilities Consulting, p. 39.

<sup>21</sup> Public Resources Advisory Group, p.19.

<b>Needs</b>	\$780,099,919	\$685,406,145	\$638,867,996	\$912,170,099	\$1,225,416,497	<b>\$4,241,960,655</b>
<b>Funding</b>	633,952,622	457,575,325	398,821,948	522,044,264	835,932,515	2,848,328,673
<b>Gap</b>	<i>\$146,145,297</i>	<i>\$227,830,820</i>	<i>\$240,046,048</i>	<i>\$390,125,835</i>	<i>\$389,483,982</i>	<b>\$1,393,631,982</b>

Source: City of San Diego FY 2017-2021 Consolidated Multi-Year Capital Planning Report

As illustrated above, the City has over \$4.2 billion in infrastructure needs over a five-year period, and is lacking nearly \$1.4 billion of required funds to address those needs.<sup>22</sup> This number would be considerably higher over the entire proposed 30-year maturity of the revenue bonds issued, with storm water needs for the next 20 years alone totaling \$3.2 billion.<sup>23</sup> The following table reflects the five-year needs of various infrastructure asset types throughout the City through fiscal year 2021.

Asset Type	FY 2017 – FY 2021 Total Needs
<b>ADA</b>	\$40,400,000
<b>Airports</b>	\$29,816,667
<b>Bike Paths</b>	\$79,241,468
<b>Bridges</b>	\$187,408,330
<b>Facilities</b>	\$225,326,468
<b>Fire Stations</b>	\$85,491,570
<b>Landfills</b>	\$34,900,000
<b>Libraries</b>	\$82,625,408
<b>Lifeguard Stations</b>	\$10,735,444
<b>Parks</b>	\$213,271,630
<b>Police Stations</b>	\$14,141,536
<b>QUALCOMM Stadium</b>	\$3,750,000
<b>Sidewalks</b>	\$94,130,000
<b>Storm Water</b>	\$416,189,170
<b>Streetlights</b>	\$190,510,000
<b>Streets and Roads Modifications</b>	\$114,716,776
<b>Streets and Roads Pavements</b>	\$415,500,000
<b>Traffic Signals</b>	\$106,990,000
<b>Wastewater</b>	\$618,024,513
<b>Water</b>	\$1,278,791,675

Source: City of San Diego FY 2017-2021 Consolidated Multi-Year Capital Planning Report

*Accessibility - \$52 Million*

At the time this report was issued, the cost to the City of addressing open ADA complaints and completing transition plan projects to achieve accessibility in City-owned buildings was \$52 million.

<sup>22</sup> City of San Diego Public Works Department. “Fiscal Year 2017 Through Fiscal Year 2021 Consolidated Multi-Year Capital Planning Report.” *City of San Diego*, December 7, 2015. [https://www.sandiego.gov/sites/default/files/five-year\\_capital\\_infrastructure\\_planning\\_outlook.pdf](https://www.sandiego.gov/sites/default/files/five-year_capital_infrastructure_planning_outlook.pdf)

<sup>23</sup> Geosyntec Consultants. “City of San Diego Storm Water Fee Study.” *City of San Diego*, September 23, 2016. [https://www.sandiego.gov/sites/default/files/csd\\_stormwaterfeestudy\\_submission.pdf](https://www.sandiego.gov/sites/default/files/csd_stormwaterfeestudy_submission.pdf)

*Landfill Projects – \$34.9 Million*

Funding for landfill projects is aimed to expand capacity and useful life of and construct a resource recovery facility at the Miramar Landfill, as well as construct a Compressed Natural Gas Fueling Station. This new station will enable the City to meet goals in its Climate Action Plan by converting recycling and refuse vehicles to utilize natural gas instead of diesel.

*Parks and Recreation - \$213 Million*

The City has over 41,000 acres of parks and golf courses, which include recreation centers and other valuable community resources. Park needs for FY 2017 to FY 2021 include \$15,000,000 in golf course improvements, \$38,218,968 in Mission Bay Park improvement needs, and \$160,052,662 in other park improvement needs.

*Fire Stations - \$85.5 Million*

Noted in these infrastructure needs is \$85,491,570 to improve response time standards for existing fire stations throughout the City. The City Council recently voted down a proposed ballot measure that would have raised property taxes to fund the construction of 18 new fire stations. The \$205 million in bond issuances backed by the taxes would have provided new stations to help improve emergency response times, but some councilmembers expressed concerns that the City would not be able to fund operations for all 18 stations.<sup>24</sup>

*Qualcomm Stadium – \$3.75 Million*

The Capital Planning Report also illustrates an annual \$750,000 contribution to Qualcomm Stadium. This would be the minimum amount of yearly investment necessary to maintain the facility in its current condition. However, the present value of deferred capital costs for the stadium, estimated in 2011, total nearly \$85 million.

*Streets and Sidewalks - \$921.8 Million*

The City intends to build 330,000 feet of new walkway by 2027, given enough available funding, as well as repair and replace all currently damaged sidewalks throughout the City. The Transportation and Storm Water Department also aims to install 7,500 new street lights in this same period. These actions would address the top ten percent of sidewalk and street light needs over ten years. During this period, the Department also aims to reach an average streets condition index of 70, or “Good,” up from its current average of 54.6.

*Point Loma Wastewater Treatment Plant*

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<sup>24</sup> Garrick, David. “Council nixes San Diego firehouse bond.” *San Diego Union-Tribune*. July 20, 2016. <http://www.sandiegouniontribune.com/news/politics/sdut-firehouse-bond-rejected-ballot-measure-emerald-2016jul20-story.html>

Every several years, the City has to apply for a permit to waive its obligation to meet various Secondary Treatment requirements of the federal Clean Water Act in the operations of the Point Loma Wastewater Treatment Plant. This plant is the last large wastewater treatment facility in the nation that is not up to code, and if the City were to instead invest in the needed upgrades to meet Clean Water Act requirements, costs could reach \$3.5 billion with interest.<sup>25</sup> Even if the City were to implement a sewage recycling system through Pure Water San Diego, upgrades to the treatment plant could still total over \$700 million.

### Lost East Village Revenues

Apart from the City's infrastructure needs, it should be noted that the proposed site for the new facility is an incredibly valuable parcel of land in East Village, for which a proposed focus plan has been drafted by various community volunteers. According to the plan, the land could host millions of square-feet of private development that could raise nearly \$55.2 million in annual taxes for the City and state, as well as support 5,590 permanent jobs, 6,182 new parking spaces, and affordable housing units.<sup>26</sup>

### Other Significant Liabilities

As of June 2015, the San Diego City Employee's Retirement System (SDCERS) had an unfunded actuarial liability of \$2 billion, and the City's annual pension contribution for FY 2017 would be \$261.1 million.<sup>27</sup> However, due to a new actuarial study demonstrating increased lifespans for retired employees, that unfunded liability has risen to nearly \$2.4 billion, and the annual pension contribution for FY 2018 will likely increase to \$311.3 million.<sup>28</sup> These increased annual pension payments would likely persist through 2029, when the City will no longer have inflated payments to recoup investment losses that occurred during the Great Recession.<sup>29</sup>

The passage of Proposition B in 2012 and its effective implementation should reduce the significance of this liability incrementally over the course of one or two generations of civil service employees, but it will take decades to address while other persistent day-to-day General Fund needs continue.

In June 2016, voters approved Measure H (nicknamed "Rebuild San Diego"), an amendment to the City Charter that would commit certain unrestricted revenue in the General Fund to a restricted

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<sup>25</sup> Brennan, Deborah Sullivan. "Time for wastewater turned tap water?" *San Diego Union-Tribune*. September 8, 2013. Accessed October 19, 2016. <http://www.sandiegouniontribune.com/news/environment/sdut-point-loma-wastewater-treatment-plant-waiver-2013sep08-story.html>

<sup>26</sup> Callender, Beth et al. "East Village South Draft Focus Plan." San Diego: July 30, 2016. <http://sandiego.urbdezine.com/2016/08/02/downtown-san-diegos-east-village-south-focus-plan-draft/>

<sup>27</sup> Chieron. "Actuarial Valuation Report as of June 30, 2015." February 2016. *San Diego City Employee's Retirement System*. Accessed October 21, 2016. [https://www.sdcers.org/Forms-Publications/Actuarial-Valuations/Current-Year/2015/SDCERS\\_City\\_2015\\_AVR-20160226vs.aspx](https://www.sdcers.org/Forms-Publications/Actuarial-Valuations/Current-Year/2015/SDCERS_City_2015_AVR-20160226vs.aspx)

<sup>28</sup> Kalwarski, Gene, FSA, David Holland, FSA, and Alice Alsberghe, FSA. "2010-2015 Experience Study." *Chieron*. September 9, 2016. *San Diego City Employee's Retirement System*. Accessed October 21, 2016. <https://board.sdcers.org/sirepub/cache/2/hlaq00iwedyk2wdwe1f2upxa/12745910212016033338426.PDF>

<sup>29</sup> Garrick, David. "Pension costs spiking in San Diego." *San Diego Union-Tribune*. September 9, 2016. Accessed October 21, 2016. <http://www.sandiegouniontribune.com/news/politics/sdut-pension-san-diego-longevity-mortality-arrollado-2016sep08-story.html>

Infrastructure Fund meant to address the many capital improvement needs in San Diego. SDCTA supported this measure on the grounds that it would be an important first step in addressing decades of infrastructure deficits that exist because the City has not set aside an appropriate level of funds to address its infrastructure needs. According to the Independent Budget Analyst, the measure would likely accumulate \$2.3 billion for the Infrastructure Fund over 25 years.<sup>30</sup> As noted above, the funding gap for capital needs over the next five years alone is \$2.8 billion, so more must be done in addition to Rebuild San Diego to address this deficit.

### **Summary**

SDCTA has already concluded that the measure presents too great a risk for taxpayers. This Supplemental Report highlights numerous uncertainties as demonstrated in the wide variances in assumptions and conclusions across multiple studies, thus amplifying that risk to taxpayers.

But even if stated cost estimates for Measure C were accurate and the project could be fully funded with revenue from a TOT increase, which is itself an assumption that cannot be made due to the uncertainties, SDCTA has concerns about the significant opportunity costs of utilizing such TOT revenue for projects other than needs already documented and validated by the City of San Diego. The City has numerous other priorities and deficiencies, and the raising of TOT to 16.5% through Measure C would likely preclude a TOT increment being utilized for those priorities and deficiencies for three decades or longer. If San Diego does not raise the TOT now, it will still have the opportunity to do so in the future to create an additional source of funding to address city obligations.

The most compelling reason to oppose Measure C is that it is incomplete and premature. The assumptions and conclusions of adequacy that have been analyzed in all of the various studies addressed in this paper, including SDCTA's own study, are based on what is—in reality—a guess for the total cost of the facility. There is no publicly available design, no property assessments, no environmental review for the proposed site, no certainty regarding the tax exempt status of the bonds that would be issued, no set interest rate, and no way to determine a definite TOT growth rate. It is thus impossible for any study or entity to say with certainty the degree to which this proposal will cause harm to the General Fund. In other words, no one can accurately quantify the amount of risk to the General Fund with this proposal, including saying that the General Fund is not at risk.

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<sup>30</sup> City of San Diego Independent Budget Analyst. "Additional Information on Rebuild San Diego Ballot Scenarios." January 26, 2016. [https://www.sandiego.gov/sites/default/files/memo160129\\_0.pdf](https://www.sandiego.gov/sites/default/files/memo160129_0.pdf)

## Appendix A: Categories of Assumptions and Conclusions

Because each of the studies took different approaches, this table provides a tabulation of categories of assumptions and conclusions across all the studies to demonstrate that no pair of studies took the same approach. While the tabulation is extensive, it is not exhaustive because it adequately demonstrates the significant variances.

	HSP (commissioned by Conventional Wisdom, Hired by Chargers)	Gin, Baxamusa, Allende (commissioned by Chargers)	SDCTA (not commissioned)	HVS (commissioned by San Diego Tourism Marketing District Corporation)	PRAG (commissioned by the City of San Diego Office of the Chief Financial Officer)	IBA (not commissioned)
<b>Public Cost of Project without Interest</b>	---	\$1.15 billion	\$1.15 billion	\$1.15 billion	\$1.15 billion	\$1.15 billion
<b>Interest</b>	---	---	Not calculated	---	Approximately \$500 million	Not calculated – acknowledged in study
<b>Elasticity of Demand for Downtown Hotel Room Nights</b>	---	---	Inelastic to TOT increase	Elastic to TOT increase	---	Potentially elastic to TOT
<b>Compression Effects Due to Demand</b>	Yes	---	---	---	---	---
<b>New Hotel Room Nights</b>	225,000	---	185,000	90,500	---	---
<b>Additional TOT Revenue from New Hotel Room Rights</b>	\$30.7 million (over 10 years)	---	\$71 million (over 30 years)	\$62 million (over 30 years)	---	---
<b>Expenditure on Qualcomm Stadium</b>	---	---	Assumes away \$240 million net present value of Qualcomm	---	---	---

	HSP (commissioned by Conventional Wisdom, Hired by Chargers)	Gin, Baxamusa, Allende (commissioned by Chargers)	SDCTA (not commissioned)	HVS (commissioned by San Diego Tourism Marketing District Corporation)	PRAG (commissioned by the City of San Diego Office of the Chief Financial Officer)	IBA (not commissioned)
			Stadium operating costs			
<b>New Events Annually in New Facility</b>	134	---	---	---	---	---
<b>City Revenue from Non-Football Events</b>	---	---	\$152 million (over 30 years) – based on assumed 2x FY2015 non-football events in Qualcomm Stadium	---	---	---
<b>Number of Seats in Stadium</b>	72,000	---	75,000	---	---	---
<b>Assumptions on Ticket Sales above historic average of 66,772 tickets per game</b>	---	---	All tickets above average historic sales sold to out-of-town visitors – additional \$50 million of TOT revenue over 30 years	---	---	---
<b>% Game Attendees from Outside San Diego</b>	15%	---	25%	---	---	---
<b>% Dates that Can be Booked Long Term in Advance</b>	86%	---	---	---	---	---
<b>% Dates During NFL Season Available for Booking</b>	---	---	---	43%	---	---

	HSP (commissioned by Conventional Wisdom, Hired by Chargers)	Gin, Baxamusa, Allende (commissioned by Chargers)	SDCTA (not commissioned)	HVS (commissioned by San Diego Tourism Marketing District Corporation)	PRAG (commissioned by the City of San Diego Office of the Chief Financial Officer)	IBA (not commissioned)
Spousal Attendance of Various Events	10-35%	---	---		---	---
Days Needed for a Convention Event & Setup/ Breakdown	---	---	---	9 days	---	---
New Jobs for Project	4,800 (full-time)	15,000 during construction; 6,400 permanent	---	---	---	---
Increase in Regional Spending	\$2.9 billion	---	---	---	---	---
Increase in Regional Output	---	\$2.1 billion				
Increase in Labor Income	---	\$928 million	---	---	---	---
Value Added Impact	---	\$1.2 billion	---	---	---	---
Total Spending of Visiting Teams	---	\$1.8 million	---	---	---	---
Average Inflation Rate	---	---	3.22%	---	2%	---
Issuance Date	---	---	---	---	January 2018	---
Maturity	---	---	---	---	30 Years	---
Interest Rate	---	---	---	---	4.25%	---
Tax Status	---	---	---	---	100% Exempt	---





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	HSP (commissioned by Conventional Wisdom, Hired by Chargers)	Gin, Baxamusa, Allende (commissioned by Chargers)	SDCTA (not commissioned)	HVS (commissioned by San Diego Tourism Marketing District Corporation)	PRAG (commissioned by the City of San Diego Office of the Chief Financial Officer)	IBA (not commissioned)
<b>CPI/CCI Increases</b>	---	---	---	---	2% annually for O&M and capital expenditures	---
<b>TOT Revenue Annual Growth Rate</b>	---	---	---	---	2018-2021 respectively: 5.5%, 5%, 5%, 4.5%, 4% thereafter	---
<b>Debt Service Annual Growth Rate</b>	---	---	---	---	1%	---
<b>Minimum Debt Service Coverage Requirement</b>	---	---	---	---	1.5%	---
<b>Debt Service Reserve Fund</b>	---	---	---	---	50% maximum annual debt service	---
<b>Potential Risk to City's Credit Rating</b>	---	---	Yes	---	Yes	---
<b>Potential Risk to General Fund</b>	---	---	Yes	---	Yes	Yes