

# CITY OF SAN DIEGO

(This Measure will appear on the ballot in the following form.)

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## MEASURE C

**DOWNTOWN STADIUM INITIATIVE.** Should the measure be adopted to: increase San Diego's hotel occupancy tax by 6% to build a City-owned downtown professional football stadium and convention center project, and fund tourism marketing; effect the project financing, design, construction, use, management, and maintenance, including a \$650,000,000 contribution and 30-year commitment by a professional football entity; end Tourism Marketing District assessments; adopt a development ordinance, and related land use, sign, and zoning laws?

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This measure's approval threshold could be affected by legal issues currently before the California Supreme Court.

**Due to the size of the full text of this measure you will be mailed a separate, SUPPLEMENTAL pamphlet which will contain the full text of Measure C (and D), also including the Ballot Question, Official Title and Summary, Impartial Analysis, Fiscal Impact Statement, Argument In Favor, and Argument Against, which are also printed below.**

You may also view the full text of the measure at [www.sdvote.com/en/measure-c.pdf](http://www.sdvote.com/en/measure-c.pdf). (NOTE: Web address is in all lower case letters.)

## OFFICIAL TITLE AND SUMMARY

### BALLOT TITLE

Tax and Downtown Stadium/Convention Center Initiative: Transient Occupancy Tax Increase for Combined Downtown Stadium and Convention Center Project and Tourism Marketing, and Related Land Use and Development Regulations

### BALLOT SUMMARY

This measure would obligate the City of San Diego to acquire the land for, and build, a downtown convention center and professional football stadium. The project would be financed through a 6% rate increase in the transient occupancy tax, and a \$650,000,000 contribution by a professional football entity. The City would be authorized to issue bonds to finance the project, supported by the new tax revenue. The measure contemplates the City's use of a joint powers authority or a City corporation to own, finance, develop, and construct the project.

If approved, the measure would change the City's Downtown Community Plan and land development regulations to exempt the project from existing regulations, provide new regulations, and accommodate a wide range of commercial, sports and entertainment uses. The measure would allow outward-facing advertising signs and billboards, large electronic message boards, and other signs, lighting and noise levels not currently permitted by the City's regulations.

## BALLOT SUMMARY (CONTINUED)

The football stadium would have 65,000 seats, expandable to 75,000. The convention center would have 385,000 square feet of meeting space.

The measure would end Tourism Marketing District assessments, and allow new tax revenues to be used for tourism marketing and promotion.

The tax increase provisions can be summarized as follows: If adopted, this measure would increase the City's transient occupancy tax rate by 6% for hotels, recreational vehicle parks and campgrounds, for a total tax rate of 16.5%, effective January 1, 2017. The new revenue would be paid into special funds in the City's treasury: 5/6 of the new revenue would be paid into a new convention center and stadium fund; 1/6 of the new revenue would be paid into the existing San Diego Tourism and Marketing Fund. The tax rate would be reduced by 3% if the proposed stadium is not complete within two years after home games for professional football end at Qualcomm Stadium, or if all City-issued bonds and other financings are repaid, or after 50 years, or if the professional football entity has not, by January 1, 2027, paid its contribution and entered into an agreement not to relocate and a lease. In that event, two-thirds of the revenue, based on the reduced 3% rate, would be dedicated to tourism and convention center marketing.

This measure was placed on the ballot by the City Council after voter signatures qualified the initiative measure for the ballot.

### CITY ATTORNEY'S IMPARTIAL ANALYSIS

This citizens' initiative measure would amend the City's Downtown Community Plan and the San Diego Municipal Code to provide for the development, financing, management, and use of a downtown convention center and professional football stadium project (the Project) on a 10-block area east of Petco Park (the Site), and require the City to:

- Create a Planned District on the Site and set City policies, criteria, permitting procedures, and regulations that apply only to the Project, including:
  - Working proactively for removal of bus yards from the Site;
  - Developing the Project as part of a commercial, sports, and entertainment district with a wide range of permitted uses, including live entertainment, alcohol sales, broadcasting, and special events for day and night-time use;
  - Allowing uninterrupted development across the Site, and routing vehicle, bicycle, and pedestrian traffic around the Site;
  - Favoring off-site and shared parking and mass transit use;
  - Exempting the Project from existing development procedures and regulations including, for example, parking, noise, and lighting;
  - Establishing new design regulations including, for example, for setbacks, height, light, noise standards, green building, parking, and including sign regulations to allow large outward-facing, lighted advertising and electronic message signs; and
  - Requiring the City to issue a development permit, or phased permits, without a public hearing, based solely on whether the application complies with the new regulations.

## CITY ATTORNEY'S IMPARTIAL ANALYSIS (CONTINUED)

- Increase the City's Transient Occupancy Tax (TOT). This tax is paid by guests at hotels, recreational vehicle parks and campgrounds. This tax is itemized on guests' bills, collected from guests by the operator and turned over to the City. The current tax is 10.5%. This measure would increase TOT to 16.5%, and end Tourism Marketing District assessments. New tax revenue would be deposited in special trust funds for:
  - Financing costs, including debt service on bonds issued by the City;
  - Pre-construction costs incurred by the City, including land acquisition, architecture and engineering, project management, and legal costs;
  - All costs of developing and constructing a convention center building designed and sized to house a professional football stadium, including land acquisition and infrastructure;
  - Development and construction of the stadium as a joint facility (\$350 million);
  - Tourism and convention center marketing;
  - Operating and maintenance reserves; and
  - Project operations, maintenance, capital improvements and repairs.

The measure also would:

- Condition use of construction funds on:
  - Contributions by a professional football entity for stadium construction and infrastructure costs up to \$650,000,000. This funding can be paid in cash, using revenue from seat license sales, sponsorships or other future revenues, from construction loan proceeds, or as pre-development expenses incurred by the entity.
  - A 30-year commitment by a professional football entity to not relocate and to use the stadium on set terms.
- Authorize the City to create a non-profit corporation or joint powers authority to own and assist the City in financing, developing, constructing, and operating the Project.
- Under current law, exempt the Project from environmental review under the California Environmental Quality Act.

## FISCAL IMPACT STATEMENT

This measure increases the City's transient occupancy tax (TOT) from 10.5% to 16.5%. The measure eliminates the existing 2% assessment hotels charge customers to a fund a tourism marketing district (TMD).

Based on current TOT revenue projections, a 6% increase would initially generate \$120 million annually. 5% of the 6% increase generates \$100 million annually, and would fund construction and operations/maintenance (O&M) of a convention center/stadium facility (Facility) in the East Village. The remaining 1% generates \$20 million annually for tourism marketing.

Depending on the combination of cash and TOT-supported revenue bonds used, the 5% TOT increase could provide between \$1.3 and \$1.6 billion for land acquisition and Facility construction. The Chargers must provide an additional \$650 million for the stadium-only portion of the Facility, and enter into a lease to play at the stadium for at least 30 years.

While not stated in the measure, the Chargers have estimated Facility costs at \$1.8 billion:

- \$200 million – land acquisition (TOT funded)
- \$600 million – construction of convention center (TOT funded)
- \$350 million – construction of integrated joint use portion (TOT funded)
- \$650 million – construction of stadium (privately funded)

Project expenses may be understated. Land costs could increase with needs such as retaining 1,300 parking spaces near Petco Park as required by the City's contract with the Padres. Costs for capital infrastructure (e.g. road improvements); MTS bus yard relocation; environmental remediation; and trolley enhancements are not identified. In January 2018, funding commitments to the Facility would adjust annually by a construction cost index. Bond financing costs may also be higher than anticipated given the possibility of rising interest rates.

Following construction, remaining TOT must fund \$29 million annually in O&M and capital renewal, and a \$25 million reserve. Up to 1% of TOT revenue would augment the 1% already dedicated to tourism marketing. TOT funds remaining after funding all Facility and tourism marketing costs would go to the City's General Fund. Actual project costs, financing costs, and TOT revenue growth will significantly impact when, how much and whether any revenue would flow to the City's General Fund. If TOT revenues cannot cover stipulated requirements in a given year, General Fund support may be necessary, reducing funding available for other public purposes.

San Diego's current effective TOT rate (the combined TOT and TMD) is 12.5% - below the average of other comparable cities. A 16.5% TOT rate would put San Diego among cities with the highest TOT rates, potentially impacting hotel occupancy.

The 16.5% TOT rate would be reduced to 13.5% upon any of the following:

- The earlier of 50 years or full repayment of Facility bonds;
- The Chargers stop playing home games in Qualcomm Stadium for two consecutive years prior to Facility construction; or
- Specified project requirements cannot be satisfied within 10 years.

Once the TOT increase is reduced from 16.5% to 13.5%, 2/3rds of the remaining 3% TOT increase would be allocated to tourism marketing, and 1/3rd to provide ongoing support for the Facility.

## ARGUMENT IN FAVOR OF MEASURE C

### **It will be more than a football stadium.**

It will be a multi-use facility that will serve as an expanded convention center, a stadium for the Chargers and a world-class events center.

It will be a home for international soccer, collegiate basketball championships, extreme sports competitions, concerts and political conventions.

The ground level will be filled with coffee shops, retail spaces, a museum and an incubator for start-up businesses.

And it will also be a spectacular site for America's national holiday: The Super Bowl.

### **No new or increased taxes will be imposed on San Diego residents.**

The Chargers and the NFL will be contributing \$650 million in private investment.

The rest will be paid through an increase in the hotel tax paid by visitors to San Diego.

Residents of the City of San Diego who don't stay in a hotel room in the City will not pay for the development or operation of this facility.

### **The City will oversee the design, construction and operation of the facility, not the Chargers.**

The measure plans for a new public governing structure or Joint Powers Authority to oversee the design, construction, operation and maintenance of the new facility and manage the hotel taxes and the bonds to complete the development.

Again, no general fund dollars are designated to finance or operate any part of the project.

Even more, the initiative would relieve existing obligations at Qualcomm Stadium that are currently paid out of the general fund totaling \$15 million per year.

### **The facility will create new local jobs.**

The facility will create 17,000 jobs during its construction.

In addition, between the Chargers' operations and other events at the facility 3,000 permanent jobs will be created in San Diego.

JERRY SANDERS  
President & CEO, San Diego Regional  
Chamber of Commerce

CAROL KIM  
Boardmember, Middle Class Taxpayers  
Association

JUAN VARGAS  
Member of Congress

NICHOLAS SEGURA  
San Diego Building & Construction Trades  
Council

JOHN THOMSON  
Retired Deputy Fire Chief

# ARGUMENT AGAINST MEASURE C

Vote No on a Downtown Stadium - Jobs and Streets First!

*Dean Spanos's Measure C is a **Bad Deal for San Diego***

## Raises Taxes by More Than \$1 Billion

It is a massive tax increase that should be spent on repairing streets, hiring 911 dispatchers and fully funding after-school programs. Instead of paying for those services, we would be raising taxes to help fund a rent-free stadium for Dean Spanos and his billion-dollar corporation. Measure C would be one of the largest tax increases in city history and the largest bond offering.

## Does Not Require Any New Parking or Traffic Improvements

Getting in and out of Downtown San Diego is already difficult. So is finding parking. Dean Spanos's stadium would make a bad situation worse. His tax measure exempts him from providing parking spaces required under the law. So if Measure C passes Dean Spanos would receive a special benefit. It means San Diego taxpayers would be forced to pay for parking and infrastructure to reduce traffic.

## Does Not Protect San Diego Taxpayers

An independent analysis commissioned by the City found the public contribution could be \$2.3 billion over 30 years. Four independent analyses all reached the same conclusion – the proposed hotel tax increase might not cover costs. The City's Independent Budget Analyst said low hotel tax revenues could prompt the City to cover stadium costs with money normally used for public safety and other core services.

## Measure C Threatens San Diego's Tourism Economy and Jobs

Comic-Con and other large conventions are opposed to the measure. When we lose conventions, tourism declines. When tourism declines, we lose jobs, our economy suffers and tax revenues the city relies on for street repairs and other services fall.

The City has more important priorities. **Vote no on a bad deal!**

HANEY HONG  
**San Diego County  
Taxpayers Association  
President and CEO**

JULIE MEIER WRIGHT  
**Former California Secretary  
of Trade & Commerce and  
Retired CEO of San Diego  
Regional Economic  
Development Corporation**

VICE ADMIRAL PETER HEKMAN  
**US Navy (RET.)**

DAVID ALVAREZ  
**Councilmember**

CHRIS CATE  
**Councilmember**