

Preliminary Conclusions
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Citizens' Task Force on Chargers Issues
February 8, 2003

1. After more than six months of presentations, document review, information gathering and analysis, I have reached preliminary conclusions on possible recommendations regarding a possible new stadium for the San Diego Chargers. My conclusions are based on the evidence presented and my personal knowledge and experience.
2. We are engaged in this process because the Chargers say they need a new stadium to be competitive financially. The Chargers have provided absolutely no evidence for this. Several years ago, however, the Padres did provide financial evidence they needed a new ballpark. Ballpark Task Force I had full financial disclosure from the Padres. Half of the Ballpark Task Force I report discusses the most intricate details of the Padres' finances. This gave the first Ballpark Task Force a solid foundation for concluding the Padres needed a ballpark and left its members free to support that need. We have received no such cooperation and information from the Chargers. There is absolutely no foundation for us to support a new stadium. For that reason alone, all discussion about a new stadium should end and we should support the status quo.
3. However, we were given a Mission Statement, so I will continue my analysis on that basis.
4. The first question of our Mission Statement is: Are the Chargers and NFL important assets to the life and economy of San Diego? We have testimony from several experts (Rosentraub, Baim, and Utt) that the contributions are small; an NFL team's economic importance rises as size and stature of the city decreases. An NFL team is more important to a smaller city than a larger city.
5. Testimony from Convis indicated the Chargers' impacts on tourism are de minimis, if any. The San Diego Taxpayers Association study of tourism in 1998--a year with both a World Series and a Super Bowl--did not even mention professional sports. The recent update of that study did not change that.
6. Analysts say an NFL team's financial impacts range from \$100 million to \$250 million. Our consultant says the Chargers' impact on San Diego's economy is about \$150 million. Analysts say Super Bowls generate \$220 million to \$320 million for the host city economy.
7. Those numbers seem high, but they pale in comparison to the city's top two tourist attractions which collectively generate about \$2 billion every year.

8. The Chargers may be somewhat important economically, but their contribution is relatively small.
9. Analyzing the Chargers as a public amenity also results in an interesting comparison. Balboa Park has about 13 million visitors every year. Mission Bay Park probably has a comparable number. But if you sell out every Chargers game, perhaps 700,000 people have that experience.
10. Mission Bay Park has a master plan to fully develop Fiesta Island and South Shores for better public use. Mission Bay Park needs about \$300 million to \$400 million to fully implement its master plan. Balboa Park probably needs about \$500 million in capital improvements and maintenance. To serve the greatest number of people, where should public funds be spent?
11. In fact, returning briefly to economics, because the tenants and institutions of those two parks probably generate a combined economic value of \$2.5 billion to \$3 billion, where is the greater return on investment for the benefit of the most people? I think the answer is obvious.
12. We also are asked to look at the ticket guarantee, rent and operations and maintenance costs. When comparing only the ticket guarantee to the Chargers rent payments, the city comes out ahead. When you add in the bond payments, the city is behind. When you add the operations and maintenance costs, this creates a substantial drain on the general fund of several million dollars each year.
13. Based on all of the above, my financial conclusion is that the Chargers have a comparably small economic benefit and are a net loss on the city budget.
14. We are next asked what can be done to keep the Chargers in San Diego in a fiscally responsible way that the public will support.
15. The Chargers and the International Sports Council proposals had great similarities. They both significantly over developed the site with high intensity proposals that create enormous negative impacts on the surrounding community. They both left out tremendously high expenses for traffic improvements, environmental mitigation, parking, bond costs and public services costs. Both completely miscalculated the tax revenues. At first, the Chargers committed a fundamental error assuming the city would receive 100% of any new property tax revenues generated by the project. Now, even their adjusted calculations don't work under any scenario. (Attacking the credibility of Kayser Marston, which identified the enormous scope of the flaws, is probably not a successful strategy.)
16. The Chargers really did not offer \$200 million for a new stadium. A large portion of that is from the NFL and the Chargers want to keep the naming rights. And as Mr. Saathoff pointed out last Thursday, it's possible the Chargers would have no

out-of-pocket expenses for their proposal. That does not seem appropriate if the city is left covering the difference.

17. My conclusion is that under any scenario using the concepts put forth by the Chargers and the Sports Council, the city would have to contribute hundreds of millions of dollars in public assets and public funds to make it work. Regardless of whether the site was in or outside a redevelopment area, the city would be required to identify future revenues and current assets and divert them from other uses to implement these proposals.
18. Because I have concluded the Chargers' economic and public amenity contribution is comparatively low, I see no basis whatsoever to support providing any public assets or funds for their proposal.
19. That leaves the question—how do we keep the Chargers in San Diego in a fiscally responsible, public acceptable way? I have two suggestions.
20. Business Model Scenario. My first suggestion is what I call the Business Model. In this scenario the city leases the entire 166 acres to the Chargers at a rent based on market rate, reduced by the value of the amenities, services and assets they ultimately provide. The Chargers would bear the risk and cost of obtaining the entitlements for any redevelopment of the site. The Chargers pay all costs of construction, maintenance, and operation of a stadium. The Chargers also would be required to construct a riverfront park at their expense and donate it to the city. The Chargers would have to accept all of the other users currently in place at the stadium (i.e. Aztecs, Holiday Bowl, Gold Coast Classic, etc.) and any other users the city may direct, provided they don't interfere with the Chargers' operations. The Chargers keep all revenue from the other users.
21. I believe the Business Model Scenario is appropriate because the Chargers can afford it, they won't prove they really need a new stadium, and the city has more pressing issues requiring public funding.
22. Public Amenities Scenario. My second suggestion is what I call the Public Amenities Scenario. This proposal would implement the Mission Valley Community Plan, which calls for an active recreation park around the stadium. I would add a riverfront park as well. The Chargers would contribute \$200 million, on top of an NFL contribution. The city would keep the naming rights to further defray costs. The remainder of the financing could come from revenues generated from a relatively small temporary sales tax increase approved by two-thirds vote of countywide residents. The city and county would form a joint powers authority to own and operate the stadium, issue the bonds and pay them with the sales tax revenue.
23. I know a two-thirds vote is difficult, but only 42% of Chargers season ticketholders reside in the city. And a well crafted, park based, environmentally

sensitive regional park and stadium proposal could attract a coalition of support from the environmental community, the business community, sports boosters and neighborhoods. This is doable. Especially if the NFL guaranteed a regular Super Bowl rotation.

24. If either of these two options is rejected, then my fallback position is to enforce the existing contract in the manner described in the Contracts Committee report. I won't repeat that here.
25. Basically, we are here today because of threats by the Chargers. I have tried to address what the Chargers want, while rising above their threats and trying to devise methods of serving the public interest. I think both of the options I've described do that in different ways.
26. Some people say that trying to enforce the contract or impose an unwelcome option on the Chargers would lead to the trigger, litigation and loss of millions more city funds because the controversy would further depress tickets sales and inflate the ticket guarantee. I reject that argument because it's just another form of extortion. And the Chargers still must use "best efforts" to ensure maximum occupancy of the stadium, regardless of any controversy. The city should enforce that provision of the lease.
27. Finally, in any negotiation you must be prepared to accept that the deal might fail and the parties will walk away. It's hard to bargain from strength if you're so afraid of losing the deal that you capitulate on too many issues and the end result is one-sided. That's what happened in 1995 and 1997. Therefore, we must be prepared to lose the Chargers. Based on my previous conclusions about their value to the city, I can accept that. Would it be unfortunate if the Chargers left? Yes. Would it be that big of a deal? No.