Measure C: Downtown Stadium Initiative

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.