

**MINUTES**

June 15, 2009

Lawrence Family Jewish Community Center  
9-11 a.m.

**Present:**

Co-chairs: Stephen Cushman, Cheryl Kendrick

Task Force Members: Mark Steele, Susie Baumann, Pete Garcia, Lorena Gonzalez, Bob Nelson, Bill Evans, Vincent Mudd, Bill Sauls, Diane Takvorian, Lani Lutar, Fred Maas, Mike McDowell, Richard Bartell

**Absent:**

Task Force Members: Gordon Boerner, Patrick Duffy

**MCTF Staff Present:** Cynthia Olmstead

1. **Call to Order:** Co-chair Kendrick, 9:02 a.m.

2. **Non-agenda Public Comment:**

- None

3. **Action Item: Approval of June 2<sup>nd</sup> Minutes**

- Approval by all Task Force members present at June 2 meeting

4. **Co-chair Remarks:**

- Unanswered questions will be answered through upcoming presentation
- Suggestion to move July 6<sup>th</sup> meeting to a more central location
- Ten minute break will follow Piper Jaffray presentation
- *Context Question: How do we capture direct public benefit from the expansion in order to finance it?*

5. **Presentation: Piper Jaffray: San Diego Convention Center Convention Center Expansion and Hotel Projects**

Jim Sult, Piper Jaffray Co.; John Kaatz, Convention, Sports, and Leisure Intl.

- **Overviews of hypothetical scenarios for a Convention Center expansion and hotel project:**
  - Convention Center Expansion overview consisted of a gross square footage of 1,386,122, total cost of \$821.9 million, annual retail revenue estimate of \$6.05 million and a construction start date of January 2012.



- Hotel project overview consisting of 500 rooms, 37,900 square feet of meeting space, a total cost of \$199.9 million and an opening year of 2014.
- **Potential Funding Sources:**
  1. Broad base funding options:
    - City or countywide increase in TOT
    - City or countywide increase in sales tax
    - Assessment of special sales tax on food & beverage sales
  2. Targeted Funding Options:
    - Create tourism improvement district- additional TOT tax based on proximity to Convention Center
    - Food & beverage tax on restaurants near Convention Center
    - Extension/ increase in TMD assessment
  3. Additional Tourist Specific Charges:
    - Rental car surcharge
    - Ticket tax on certain tourist activities
    - Ticket tax on sports and concert events
    - Charge on taxi airport drops/pickups
  4. Property Based and Other Options:
    - Citywide or countywide parcel assessment
    - Tax increment financing
    - State or County financial assistance
    - Surplus government revenues
- **Basic Financing Structures:**
  - Private Ownership: Conventional & Public/Private
  - Publicly Owned- Tax- Exempt: 2-tiered structure, single tier structure
- **Convention Center Funding Requirements:**
  - Construction cost estimate total= \$821,918
  - Sources and uses of funds total = \$838,564
  - Annual debt service cost = \$62,240
  - Projected annual retail revenues = (\$6,045)
  - Net annual funding requirement= \$56,195
- **Hotel Funding Requirements:**
  - Construction cost estimate total= \$199,994
  - Sources and uses of funds total= \$281,415
  - Projected hotel ROI (stabilized year)= \$21,420
  - Site specific tax revenues (stabilized year)= \$5,702
  - Annual net debt services cost= \$17,256
  - Subordinate expenses= \$2,621
  - Reserve fund deposits= \$3,691
- **Total Funding Requirement** =\$53,504
- **Hypothetical Funding Scenario 1 (Citywide Funding):**



- Increase citywide TOT or TMD by 1%= \$14.7 million
- Citywide tax on food & beverage sales by 1%= \$30.7 million
- Rental car surcharge of \$5/rental = \$5.8 million
- Ticket surcharge (\$2 @ Sea World & Zoo) = \$28 million
- *Total = \$79.2 million*
- **Hypothetical Funding Scenario 2 (Citywide and Downtown):**
  - Increase downtown hotel TOT/TMD by 2.5%= \$12.9 million
  - Increase non-downtown hotel TOT/TMD by 1%= \$9.5 million
  - Citywide tax on food and beverage sales by 1%= \$30.7 million
  - Ground rent abatement= \$3.6 million
  - Rental car surcharge of \$7/rental= \$8 million
  - Ticket surcharge (\$1 @ Sea World & Zoo) = \$14 million
  - *Total= \$78.7 million*
- **Hypothetical Funding Scenario 3 (Downtown Focus):**
  - Increase downtown hotel TOT/TMD by 5%= \$25.6 million
  - Taxi cab drop off charge (\$2)= \$3 million
  - Tax on downtown food and beverage sales (3%)= \$7.2 million
  - Ground rent abatement (Port) = \$3.6 million
  - Rental car surcharge of \$10/rental= \$11.5 million
  - Ticket surcharge (\$2 @ Sea World & Zoo)= \$28 million
  - *Total= \$78.9 million*
- **Sult and Kaatz asked the task force to provide guidance on:**
  - What fundamental assumptions must be made?
  - What sources need to remain or be removed?
  - What are non-convention sources that should be considered?

## 5. Questions requiring further information:

### a. Questions for Piper Jaffray to be answered today:

- What are the negative impacts of a citywide food and beverage tax?
- Does 1.5 still allow us to have Double-A rate bonds?
- How many convention centers have sold naming rights to those Piper Jaffray advised?
- Hotel question: could the revenue number be replaced with a lease revenue number?
- How much money comes from other sources (e.g. Port leases, tax increments)?
- Provide a menu of items that show different ways to pay for the expansion. Provide an entire list that compares direct public benefit with funding sources to be able to evaluate if they take away from the public benefit: how do they all match up?
- Provide a worst case scenario regarding the credit situation; address sensitivity issues.

- What will the tax impact be to visitors (e.g. car rental tax, hotel tax, food & beverage tax)?
- Will high add-on taxes hamper the tourist trade long term?
- Have hotel credits been factored in?

**b. Questions regarding legality to be answered in future:**

- Can there be an alcohol tax only?
- Who imposes the tax? Does it have to be the voters?
- Does the city have the authority to impose taxes on Sea World and San Diego Zoo?
- How many of the examples in presentation were approved by voter support? What were the tax implications?
- Are the tax surcharges legally feasible, do we have the authority to impose the tax?

**c. General Task Force questions to be answered in future:**

- If assume hypothetical situation #2: \$78 million, is that good use of public trust?
- What is the Mayor's charge of the task force?
- Need a simple cost/ benefit analysis: how does this measure in comparison to other cities/ venues? Provide cost/benefit comparisons, ratios and analyses.
- Can we afford it?
- Is this the right time for an expansion?
- What are the risks if we delay?
- What are the opportunity costs?

**Adjournment: 11:05 a.m.**