

**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292  
FAX (415) 252-0461

December 13, 2010

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst

**SUBJECT:** December 13, 2010 Recessed Budget and Finance Committee Meeting

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<b>Item 3</b> <b>File 10-1259</b>	<b>Department:</b> Port of San Francisco
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**Note:**

This report is based on the proposed subject Host City and Venue Agreement (Agreement), referred to as the Northern Waterfront Alternative, dated December 8, 2010. The Budget and Legislative Analyst previously reported on the first version of the Host City and Venue Agreement, as submitted to the Board of Supervisors, and the non-binding Term Sheet, which was the foundation for the original Host City and Venue Agreement.

**EXECUTIVE SUMMARY****Legislative Objective**

- Resolution (a) approving the execution of the 34<sup>th</sup> America's Cup Host City and Venue Agreement, Northern Waterfront Alternative, between the City, the Event Authority, and the America's Cup Organizing Committee, and (b) finding that hosting the 34<sup>th</sup> America's Cup in San Francisco is fiscally feasible under Chapter 29 of the City's Administrative Code.

**Obligations**

The proposed Agreement obligates the City to provide the America's Cup Event Authority (the "Event Authority") with use of several Port piers and facilities, as specified in the Background section of this report, for varying amounts of time between 2011 and 2014 for various America's Cup exhibition and pre-match races and the final match in September 2013. The core period of use and spectator activity is assumed to be in the months proceeding and up to September, 2013.

The Port would be obligated to prepare and deliver some or all of its piers and other facilities, as listed in the Background section of this report, to the Event Authority for America's Cup Events<sup>1</sup> for varying amounts of time starting in 2011 and ending six months after the final match in September 2013. The Event Authority and the City would be obligated to provide: a) other Event planning services including coordination with various governmental jurisdictions; b) preparation of transportation, spectator movement and security plans for the Event; c) police services; d) transportation services; and e) various other services.

The Event Authority's obligations include producing a minimum of 43 racing days and making various infrastructure improvements to Port piers and facilities. As detailed in the Background section of this report, the Event Authority would be required to make infrastructure improvements to Piers 30-32, 27, and 29 and all other facilities as deemed appropriate by the Event Authority.

The estimated cost to the Event Authority for making such infrastructure improvements is \$55 million. In exchange for making such infrastructure improvements, the Port would transfer: a) long term development rights of 66 years to the Event Authority for Pier 30-32; and, b) long term development rights of 75 years to the Event Authority for Seawall Lot 330.

<sup>1</sup> Event" is defined in this report as all of the races that take place in San Francisco as part of the 34<sup>th</sup> America's Cup.

### **Benefits to Businesses Located in San Francisco**

The Budget and Legislative Analyst estimates that the Event would generate \$1.2 billion in expenditures which would benefit businesses located in San Francisco and would support 8,160 labor years<sup>2</sup>.

These estimated benefits to San Francisco businesses rely on key assumptions including the number of syndicates, or teams, participating in the America's Cup race, the number of race days and the number of spectators. The Budget and Legislative Analyst has reviewed economic impact assessments prepared for the proposed hosting of the 34<sup>th</sup> America's Cup in San Francisco and the actual hosting of the 32<sup>nd</sup> America's Cup in Valencia, Spain in 2007 and independently developed ranges of possible impacts for San Francisco. The estimated benefits of \$1.2 billion represent the base case, or most likely scenario, of those estimated ranges.

### **Benefits and Costs to the City and County of San Francisco**

As shown in Table A below, the Budget and Legislative Analyst estimates that hosting the 34<sup>th</sup> America's Cup in San Francisco would have a direct fiscal benefit to the City and County of San Francisco of \$19.5 million in additional tax revenues, including Hotel, Payroll, Parking and Sales Tax revenues, which would accrue directly to the City's treasury.

Also, as shown in Table A below, as a result of hosting the Event, the City would be obligated to perform certain functions under the terms of the proposed Agreement that will result in additional costs to the City and lost lease revenues to the Port of \$31.4 million. This estimate includes: a) lost Port rent revenues and tenant relocation costs; b) a funding shortfall for Port development of a cruise ship terminal project at Pier 27 that will be constructed jointly by the Port and the Event Authority under this proposed Agreement; and, c) costs to the City for police and transit services, environmental review, planning, permitting and inspection costs, and various other City services. The estimated costs to be incurred by the City do not include the costs for existing City staff time that would be expended on various administrative and management tasks required under the Agreement.

As shown in Table A below, the estimated net loss to the City to host the 34<sup>th</sup> America's Cup in San Francisco under the terms of the proposed Host City and Venue Agreement for the Northern Waterfront Alternative would be \$11.9 million. The Budget and Legislative Analyst previously estimated a net loss to the City of \$57.8 million under the prior agreement. The primary reason for a reduction in the net loss to the City is that different Port piers and facilities would be used under the proposed Northern Waterfront Alternative Agreement that require fewer improvements and a reduction in related City costs. In addition, the costs of any dredging needed to prepare for the Event was previously proposed as a Port cost under the prior agreement and is now an Event Authority cost under the proposed Northern Waterfront Alternative Agreement.

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<sup>2</sup> A labor year is defined as one worker's labor for one year.

**Table A: Estimated Net Gain to Be Incurred Directly By the City and County of San Francisco Associated with Hosting the 34<sup>th</sup> America's Cup**

	<b>Additional City Tax Revenues</b>	<b>Additional City Costs &amp; Lost Port Lease Revenues</b>	<b>Estimated Net Loss to the City (Additional City Costs and Lost Port Lease Revenues less Additional City Tax Revenues)</b>
The America's Cup Events	\$19.5 million	\$31.4 million	(\$11.9 million)

### **Long Term Development**

The Event Authority would be required to make infrastructure improvements to Piers 30-32, 27, and 29 and all other facilities as deemed appropriate by the Event Authority. The estimated cost to the Event Authority for making such infrastructure improvements is \$55 million. In exchange for making such infrastructure improvements, the Port would transfer: a) long term development rights of 66 years to the Event Authority for Pier 30-32; and b) long term development rights of 75 years for Seawall Lot 330. The required improvements to be made by the Event Authority are shown in the Event Authority Requirements and Obligations section of this report.

According to the proposed Agreement, the Event Authority would be reimbursed for its \$55 million investment through a combination of rent credits on its long term leases and/or from incremental Property Taxes generated by the Port properties after such Port properties have been developed by the Event Authority.

In addition, the Event Authority would also have the option of making infrastructure improvements to Piers 26 and 28 and to the area adjacent to Pier 36 and the water area either between Piers 14 and 22½ or between Piers 30-32 and 38. According to the proposed Agreement, the improvements to Piers 26 and 28 are estimated to cost the Event Authority \$25 million, but would only be incurred if the Event Authority determines those piers are needed for the Event and elects to make the improvements.

Therefore, if the Event Authority exercises its options under the proposed new Agreement, the Event Authority would invest an estimated total of \$80 million (\$55 million plus \$25 million) and, in return, the Port would transfer long term development rights of 66 to 75 years to the Event Authority related to Pier 30-32, Seawall Lot 330, Pier 26 and Pier 28.

There are no estimates in the Agreement of the costs for improvements to either the area adjacent to Pier 36 or the water areas between Piers 14 and 22½ or between Piers 30-32 and 38.

If the Event Authority chooses to make these optional improvements, then the Port would also transfer to the Event Authority long term development rights of 66 years for Piers 26 and 28, as

well as an unspecified amount of time for a to be determined Port property that is acceptable to the City and the Event Authority for super yacht berthage. The optional improvements are shown in the Event Authority Requirements and Obligations section of this report.

Port staff and their consultants have prepared analyses of the value and revenue potential of the subject Port properties. The Budget and Legislative Analyst has reviewed those analyses and prepared a comparison of: a) the value of two of the subject Port properties, Pier 30-32 and Seawall Lot 330, if such properties were to be transferred by the Port to the Event Authority; to b) the value of the two same subject Port properties, remaining under the control of the Port.

This comparison was prepared by the Budget and Legislative Analyst for the long term development rights proposed under the original Host City and Venue Agreement, which consisted of a transfer by the Port to the Event Authority of 66 to 75 year long term development rights for Piers 30-32 and 50 and Seawall Lot 330. That comparative analysis by the Budget and Legislative Analyst showed that the estimated net opportunity loss to the City, by transferring such Port properties to the Event Authority, would be \$43.6 million. Under the original agreement, no rent was to be paid by the Event Authority to the Port for the long term development rights.

Now, under the proposed new Northern Waterfront Alternative Agreement, with Pier 50 removed from the proposed long term development rights to be transferred to the Event Authority, and with a new provision under the proposed new Northern Waterfront Alternative Agreement to charge rent to the Event Authority for the Port properties to be transferred to the Event Authority, the Budget and Legislative Analyst prepared a similar comparison of value to the City with and without the Port transferring development rights of 66 to 75 years for Pier 30-32 and Seawall Lot 330 to the Event Authority.

Based on the latest comparative analysis by the Budget and Legislative Analyst, under the proposed Northern Waterfront Alternative Agreement, as shown in Table B below, the City would realize an estimated net gain of \$12.3 million, as compared to the previously estimated net loss to the City of \$43.6 million under the prior agreement.

Compared to the estimated net loss to the City of \$43.6 million under the originally proposed Host City and Venue Agreement, as previously estimated by the Budget and Legislative Analyst, as shown in Table B below, the estimated net gain of \$12.3 million under the Northern Waterfront Alternative version of the Agreement is due to removal of Pier 50 from the Port properties that would be transferred to the Event Authority and is due to a smaller infrastructure improvement cost requirement of the Event Authority from \$150 million to \$55 million, meaning that the City would capture more incremental Property Taxes, rather than having to use a larger amount of the incremental Property Taxes to reimburse the Event Authority for its initial infrastructure improvement costs.

In addition, unlike the prior agreement, under which the Event Authority was to pay no rent to the Port, under the proposed Northern Waterfront Alternative Agreement, the Port would receive "commercially reasonable" rent payments from the Event Authority, although the value of these rent payments to the Port would be at least partially offset by rent credits to provide reimbursement to the Event Authority for the Event Authority's infrastructure improvement costs.

As shown in Table B below, the estimated increased tax and lease revenues to the City for

transferring long term development rights for Pier 30-32 and Seawall Lot 330 for 66 to 75 years to the Event Authority is \$68.9 million, as compared to the estimated \$56.6 million in estimated taxes and lease revenues that the City would forego to host the America's Cup.

Therefore, in addition to the estimated net cost of \$11.9 million to be incurred directly by the City's treasury, as shown in Table A above, the transfer of long term development rights of 66 to 75 years by the Port to the Event Authority, including the charging of rent to the Event Authority by the Port, as provided for in the proposed Host City and Venue Agreement, Northern Waterfront Alternative, would result in an estimated net gain to the City of \$12.3 million, as shown in Table B below (\$68.9 million less \$56.6 million), assuming development by the Event Authority as described below in the Long Term Development section of this report.

It should be noted that this estimated net gain to the City of \$12.3 million, as shown in Table B below, does not include the value of all Port properties for which long term development rights could, under an option, be granted by the Port to the Event Authority. If the Event Authority determines that it needs Piers 26 and 28 for America's Cup Events and exercises its options to pay for improvements to those piers, as allowed in the proposed Agreement, the comparative values of the Port's properties with and without Event Authority control would be changed.

A comparison of the value of the properties with and without the Event Authority exercising its options of improving Piers 26 and 28, and thereby receiving long term development rights for those piers, cannot be presented by the Budget and Legislative Analyst at this time because an analysis of the potential rent payments to the Port, if Piers 26 and 28 are developed by the Event Authority, have not been prepared by the Port.

**Table B: Estimated Net Gain to the City and County of San Francisco by Transferring Development Rights for 66 to 75 Years to the Event Authority for Pier 30-32 and Seawall Lot 330 Only**

	<b>Estimated Increased Tax and Lease Revenues to the City</b>	<b>Estimated Taxes and Lease Revenues that the City Would Forego to Host the America's Cup</b>	<b>Estimated Net Gain to the City (Increased Tax and Lease Revenues to the City less Foregone Tax and Lease Revenues to the City)</b>
Long Term Development	\$68.9 million	\$56.6 million	\$12.3 million

**\$32 Million Commitment by America's Cup Organizing Committee**

Based on the commitment by the America's Cup Organizing Committee to raise \$32 million in private funds to defray the City's costs for hosting the 34th America's Cup, such commitment

should be formalized in the proposed Host City and Venue Agreement.

**Final Leases between the Port and Event Authority  
for Long Term Development Rights would be subject to approval by the Board of  
Supervisors**

Although not specified in the proposed Agreement, any leases which the Port would enter into with the Event Authority, covering all of the specific provisions and requirements of both parties, would be subject to approval by the Board of Supervisors. However, the term sheets developed by the Port, prior to the submission of the final leases to the Board of Supervisors, are not required to be approved by the Board of Supervisors.

**Policy Recommendations**

The Budget and Legislative Analyst make the following policy recommendations for consideration by the Board of Supervisors in order to reduce the City's costs for hosting the 34<sup>th</sup> America's Cup:

1. Amend the proposed Agreement to require that the America's Cup Organizing Committee pay the City and County of San Francisco \$32 million, or final estimated City costs, as determined after environmental review for Event projects is completed by December 31, 2012. The President of the Board of Supervisors has previously submitted a similar amendment to the Budget and Finance Committee.
2. Amend the proposed Agreement to require that any term sheets and disposition and development agreements, related to the leases between the Port and the Event Authority, including the long term development rights to be transferred to the Event Authority under the proposed 34<sup>th</sup> America's Cup, be subject to approval by the Board of Supervisors.
3. Amend the proposed Agreement so that the City and County of San Francisco could require that the Golden Gate Yacht Club, if successful in the 34<sup>th</sup> America's Cup and thereby empowered to select the venue for the 35<sup>th</sup> America's Cup, host the 35<sup>th</sup> America's Cup in San Francisco.
4. Amend the proposed Agreement to require that the Event Authority pay the Port "fair market rent" for all of the Port properties for which the Event Authority would receive 66 to 75 year long term development rights, instead of the Event Authority paying the Port rents that are "commercially reasonable compared to other long-term leases entered into by the Port within the previous ten years" and "the Port's parameter rental rates for comparable space", as is currently stated in the proposed Agreement.
5. Consider creating a temporary assessment district in the immediate vicinity of the America's Cup venues in order to receive additional revenues from those businesses that will directly benefit from San Francisco hosting the America's Cup.
6. Structure a joint powers agreement or similar mechanism to enable joint funding from

surrounding jurisdictions, such as Oakland, Berkeley, Richmond and Sausalito, which would receive significant economic benefits from having the 34<sup>th</sup> America's Cup held in the Bay Area though such jurisdictions would not incur any costs, as Event costs are envisioned to be paid under the proposed Host City and Venue Agreement, Northern Waterfront Alternative. Similar regional financing was used in hosting the 32<sup>nd</sup> America's Cup in Valencia, Spain.

### **Recommendations**

- Based on the review of the Host City and Venue Agreement, Northern Waterfront Alternative, the Budget and Legislative Analyst concludes that hosting the America's Cup in San Francisco is fiscally feasible. However, the Budget and Legislative Analyst emphasizes that such fiscal feasibility is predicated on the City having to use General Fund and other City monies to pay for the costs to be incurred directly by the City's treasury in hosting the 34<sup>th</sup> America's Cup
- Approval of the proposed resolution is a policy matter for the Board of Supervisors.

**MANDATE STATEMENT**

Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility<sup>3</sup> prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including the (1) direct and indirect financial benefits to the City, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review:

"A determination by the Board that the plan for implementing and undertaking the project is fiscally feasible and responsible shall not include a determination as to whether the Project Sponsor or other unit of the government of the City and County should approve the project and it is the intent of the Board of Supervisors in requiring the determination to decide only whether the proposed project merits further evaluation and environmental review."

Section 9.118 of the San Francisco Charter requires Board of Supervisors approval for entering into any agreement which exceeds an estimated cost of \$10,000,000 or a term of ten years.

The Mayor and the Port are now requesting the Board of Supervisors (a) approve a binding Agreement between the City, the America's Cup Event Authority and the San Francisco America's Cup Organizing Committee<sup>4</sup>, which sets forth the requirements for the City if it is selected as the venue for the 34<sup>th</sup> America's Cup, and (b) find that hosting the 34<sup>th</sup> America's Cup is fiscally feasible.

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<sup>3</sup> Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) projects approved by the voters of San Francisco.

<sup>4</sup> This committee consists of 35 members including members of California's Congressional delegation, the current Governor and others. A working committee has been established.

## BACKGROUND

The Budget and Legislative Analyst previously reported on the proposed Host City and Venue Agreement to host the 34<sup>th</sup> America's Cup in San Francisco, as originally submitted to the Board of Supervisors. That proposed agreement was amended by the Board of Supervisors to incorporate the Northern Waterfront Alternative agreement, as forwarded by the Port Commission November 30, 2010, and other amendments introduced at the Budget and Finance Committee meeting on December 8, 2010. This report addresses some of the key fiscal matters also addressed in the Budget and Legislative Analyst's previous reports related to hosting the 34<sup>th</sup> America's Cup in San Francisco.

Key elements of the Host City and Venue Agreement Northern Waterfront Alternative are as follows. The Agreement provides the Event Authority with the right to use the following Port piers and facilities:

- Short-term venues (to be used for shorter or intermittent periods closer to the final match in 2013): Piers 19, 23, 27 and 29, the Brannan Street Wharf, and the water area between Piers 14 and 22½ or between Pier 30 and 38.
- Long term venues (used for variable periods including the two years leading up to the final match and up to six months thereafter): Piers 26, 28, 30-32, and 80 and Seawall Lot 330.

Piers 27 and 29, which were not included in the original agreement, would likely serve as the race viewing platform and media center, respectively, replacing the uses of Pier 30-32 and Seawall Lot 330 for these purposes. Pier 30-32 and Seawall Lot 330 would still be used, but for other purposes under the amended Agreement.

Uses would include spectator viewing venues, a media center, team offices and storage, hospitality venues, parking, team industrial bases, and a super-yacht center and mooring. A temporary heliport, berthage of the USA 17, the yacht that won the 33<sup>rd</sup> America's Cup, and pre-regatta activities, are anticipated for Pier 80 in the Agreement.

### Event Authority Requirements and Obligations

In preparation for the America's Cup events, the Agreement states that the City expects the Event Authority to expend \$55 million, or more, for infrastructure repairs and improvements, identified in the Agreement as follows:

1. Pile replacements and strengthening on Pier 30-32, as required by applicable law and to make them ready for the Event
2. Demolition of portions of Piers 27 and 29.
3. Other repairs and improvements that the Event Authority deems necessary.

The Event Authority would be given the option to perform the following work, if it determines that it needs these piers for Event purposes:

4. Dredging and pile removal in the water between Piers 14 and 22½, or, alternatively, improvement work in the area adjacent to Pier 36, and dredging the water between Piers 30-32 and 38, if agreed to by the City and the Event Authority
5. Pile replacements, substructure strengthening and deck repairs required by law, if the Authority uses Pier 26 as one of their optional venues
6. Pile replacements, substructure strengthening and deck repairs required by law, if the Authority uses Pier 28 as one of their optional venues

The estimated costs for work on Piers 26 and 28, according to the Agreement, is \$15 million and \$10 million, respectively. The Agreement does not include a requirement that these amounts be spent; it only states that they are the estimated costs. Estimated costs are not included for dredging and pile removal between Piers 14 and 22½ or between Piers 30-32 and 38, or for improvement work in the area adjacent to Pier 36.

Under the terms of the Host City and Venue Agreement, Northern Waterfront Alternative, if the actual costs of the improvements numbered 1-3 above turn out to be less than the \$55 million, the Event Authority would be obligated to still spend that amount on other, related improvements or would receive lower rent credits in their long terms leases. If the Event Authority's actual infrastructure improvements costs for the items numbered 1-3 above turn out to be more than \$55 million, the Event Authority would have the options of either reducing the scope of its infrastructure improvement work or, with the City's concurrence, increase the rent credit amounts in their long term leases. The same provisions apply to the optional infrastructure improvement work for Piers 26 and 28, with the dollar amount set at \$15 million and \$10 million, respectively, for a total estimated cost of \$25 million.

For the actual America's Cup Events, the Event Authority would be responsible for security (other than emergency and rescue services) within areas requiring special authorization, ticketing or other non-public access.

The proposed Agreement states that the America's Cup Organizing Committee, with the assistance of the City and the Event Authority, will raise not less than \$270 million in sponsorship revenues on behalf of the Event Authority to cover Event costs. The Event Authority will have the right to enter into sponsorship agreements with Event Sponsors. The proposed Agreement does not specify whether such funds would be available for the required infrastructure improvements or if it is to be used entirely for other purposes. To the extent the Committee fails to raise the full \$270 million, the Event Authority is allowed to scale back the Event and/or call upon a \$32 million bond that the Committee is required to obtain to cover costs incurred by the Event Authority if the Committee or City fails to meet all of its obligations.

After the America's Cup final match and any optional post-match races, the City will grant the Event Authority, or its designee, a number of "Legacy Leases" for long term development rights on two Port properties that will be used for America's Cup events: Pier 30-32, for 66 years, and a portion of Seawall Lot 330, for 75 years. The Event Authority would be responsible for all costs

related to post-race development of these properties, including the costs of building inspections and related permits, development review for any zoning permits, and environmental review. The Event Authority would be obligated to pay “commercially reasonable” rent at, “the Port’s parameter rental rents for comparable space”, according to wording in the proposed Agreement. Rent credits would be given to reimburse the Event Authority for its infrastructure improvement expenditures.

The Agreement also calls for creation of an infrastructure financing district and issuance of debt to be secured by the City’s incremental property tax revenue generated by the developed properties. In addition to being reimbursed through rent credits, the proceeds of this debt issuance would be made available to also reimburse the Event Authority for its infrastructure investment costs. Any City costs incurred for infrastructure work could also be reimbursed from this source, though as the Agreement is presently structured, currently only construction of the Brannan Street Wharf might qualify as City infrastructure work for the America’s Cup.

### **City Requirements and Obligations**

The City’s obligations outlined in the Agreement include staff time and costs related to venue preparation and security and movement of participants and spectators during the various Event races. The City would be obligated to deliver a number of Port properties to the Event Authority, free of tenants, for varying periods of time between 2011 through six months after the final match, or approximately March, 2014.

The City will provide the Authority with exclusive and rent-free possession and control of Piers 26, 28 and 30-32, Seawall Lot 330, and land, pier and water space at or around Pier 80 as “long term” venues for the duration of the Event. Additionally the City is obligated to make the following piers and facilities available as short term venues for intermittent periods of exclusive use or non exclusive use: Piers 19, 23, 27, and 29, the Brannan Street Wharf, portions of on-shore and on-water spectator areas, and the water area between Pier 14 and Pier 22½ or, alternatively, between Piers 30 and 38.

The City’s obligations regarding venue preparation and improvements are as follows.

#### Port Facilities delivery and/or preparation:

- By January 1, 2013: demolition of Pier 36 (by the Army Corps of Engineers).
- Completion of the Brannan Street Wharf by no later than June 30, 2013.

#### Other City department services:

- City review and approval of development projects related to the repair and construction of Event venues are to be provided at no cost to the Event Authority, including the costs of all project reviews, inspections and permit issuances for Event Venue construction by the Department of Building Inspection and the Planning Department, which includes the costs of environmental review (the CEQA process) would be borne by the City.
- Preparation and implementation of a “People Plan” to facilitate movement of up to 200,000 people on any one day to and from the Event, including access to the on-water and on-land spectator areas, sign posting, etc.

- Police and related services to ensure security and safety of persons and property in areas not under the Event Authority's control.
- Closures and control of streets and access points to Event venues.
- Consideration of removal of the common law public trust from Seawall Lot 330 either through an exchange with another City owned property or by agreement with the State Lands Commission or State legislative action.
- Collaboration with the Event Authority to develop a security plan to address safety and security for competitors, officials, sponsors, property, media, and the public.
- Berthage on the City's waterfront for special purpose America's Cup ships.

#### Best Efforts Requirements:

The Host City and Venue Agreement obligates the City to make best efforts in collaboration with the America's Cup Organizing Committee to either obtain approvals for, or to implement, the following:

- Exclusive water and air space within the course areas on race days and for training
- Use of certain radio frequencies
- Coordination with the Convention & Visitor's Bureau to secure and enter into option agreements for between 800 to 5,000 rooms at convention discounted rates in 4 or 5 star hotels for specified periods before and after all races. The rooms would be allocated among competitors, Event sponsors, and others by the Event Authority
- Authorization for international high definition broadcast of events
- Preparation of a waste management plan for the venues
- Meteorological support
- Facilitation of customs and immigration procedures for competitors, officials, media etc.
- Tax treatments no less favorable than that created for the 32<sup>nd</sup> America's Cup in Spain
- Protection from ambush marketing
- Protection from noise and debris generating activities near Event venues
- Access to outdoor advertising sites for use by the Event Authority
- Coordination of relocation services for syndicate and Event personnel relocating to San Francisco
- Coordination of registration and licensing for Event vessels with the Coast Guard
- Development of a Bay Area volunteer program to help the Event
- Secure adequate facilities for Pre regattas including Pier 80
- Approval for use of onshore spectator areas

#### Advertising:

The Agreement requires the City to develop an Advertising Plan in consultation with the Authority to promote the Event using advertising space in San Francisco. The Agreement does not clearly specify whether the Event Authority will pay for use of this advertising space, whether it is to be made available free of charge, or how much space is to be made available. Office of Economic and Workforce Development representatives report that only advertising space reserved for unpaid public service announcements would be used for this purpose so there would be no effect on City revenues from this provision.

### **Costs and Benefits to the City**

New costs or revenue losses that the City will incur related to preparing for and hosting the America's Cup are itemized in Table 1, below.

<b>Table 1: Estimated New City Costs due to Hosting the 34<sup>th</sup> America's Cup</b>	
<b>Port costs and lost revenue</b>	
Pier 27 Cruise Terminal Shortfall	\$6,500,000
Litigation and Settlement, Tenant Evictions	1,500,000
Additional Staffing	290,072
Loss of rent from Port properties used for Event	7,862,195
<b>Total Port Costs &amp; Lost Rent if Piers 26 &amp; 28 used</b>	<b>\$16,152,267</b>
<b>Other City Departments</b>	
San Francisco Municipal Transportation Agency	6,430,228
Environmental Review (Planning)	3,115,000
Department of Building Inspection (permits, inspections)	1,723,984
Police	4,000,000
<b>Subtotal: Other City Costs</b>	<b>\$15,269,212</b>
<b>Grand Total</b>	<b>\$31,421,479</b>

Sources: City departments

The \$6.5 million in costs shown in Table 1 for Pier 27 Cruise Terminal Shortfall relates to the provision in the proposed Agreement that allows the City to work on construction of a new cruise terminal on Pier 27 from 2011 through January 1, 2013. The Event Authority would have the right to make Event-related improvements on Pier 27 starting in September 2012 and through December 31, 2012, then use Pier 27 exclusively through October 1, 2013 for race viewing and team hospitality berths, then return it to the City. The improvements made by the Event Authority on Pier 27 would also benefit the Port in preparing the pier for construction of its planned cruise ship terminal.

The Budget and Legislative Analyst estimates that the tax benefits to the City resulting from hosting the 34<sup>th</sup> America's Cup in San Francisco, after incorporating some adjustments recommended by the Controller's Office of Economic Analysis (OEA), would be \$19,461,633, including (a) \$10,855,633 in hotel tax, (b) \$4,332,960 in payroll tax, (c) \$2,783,930 in sales tax, and (d) \$1,489,110 in parking tax, adjusting the \$1,703,000 imputed from the Beacon Report for the Budget and Legislative Analyst's assumed level of Event-generated economic impact. Combined with the estimated costs in Table 1, above, estimated net costs would be \$11,959,846.

### Long Term Development

In exchange for the Event Authority providing for the infrastructure improvements described above, estimated by the Port to cost \$55 million and reported as necessary to host the 34<sup>th</sup>

America's Cup at the venues identified in the Agreement, the following requirements are proposed for the City:

1. The City would be obligated to enter in to leases with the Event Authority for 66 years for Pier 30-32 and 75 years for Seawall Lot 330. If the Event Authority has performed the optional infrastructure improvements described in the Event Authority Requirements and Obligations section above, the City would be required to enter in to 66 year leases with the Event Authority for Piers 26 and 28.
2. Terms and conditions for these long term leases are to be comparable to other long-term leases that the Port has entered in to, referred to in the proposed Agreement as "commercially reasonable compared to other long-term leases entered into by the Port within the previous ten years" and "the Port's parameter rental rates for comparable space". However, rent credits would be provided to reimburse the Event Authority for their up to \$80 million in costs for infrastructure improvements (\$55 million required and \$25 million in optional improvement costs = \$80 million).
3. The City and Event Authority must jointly explore permanent removal of all the Tidelands Trust restrictions on Seawall Lot 330. Currently, the Tideland Trust restrictions, which requires development on Port property to either increase visitors to the property or provide a maritime function, have been temporarily removed through 2094 (through California Senate Bill 815). In exchange for permanently removing the restrictions on Seawall Lot 330, State law requires that the City place another property of equal or greater value under Tidelands Trust restrictions.
4. The City must create an infrastructure financing district (IFD) comprised of the long-term development properties. The district would issue bonds secured by incremental property tax generated by the developed properties, the proceeds of which would be provided to the Event Authority and/or the City for reimbursement for their costs for infrastructure improvements required by the Agreement. This reimbursement plan would cover the \$55 million required expenditure and the optional \$25 million Event Authority expenditures for Piers 26 and 28, if they are improved by the Event Authority. The amount of bonds issued would be limited to the Port's bonding capacity on the properties and may not be sufficient to cover all infrastructure improvement costs. However, rent credits on the Event Authority's long term leases, as allowed for in the proposed Agreement, would likely make up any difference in the reimbursement amount that could not be covered by incremental property taxes.

The obligations described above do not impose any direct costs on the City and County of San Francisco. However, the Port of San Francisco typically undergoes a competitive Request for Proposal process to award development rights of Port property to a developer. Such development rights transactions typically result in: (a) the Port leasing the underlying Port property to the developer in exchange for a minimum annual rent amount plus a percentage rent based on revenues from the property (e.g., percentage of retail sales); and, (b) the City receiving increased payroll, property, sales, and/or hotel tax revenue as the result of such development.

Although the obligations described above do not impose any direct costs on the City, such obligations could result in lost tax and lease revenue opportunities for the City which would have otherwise been received if the Event Authority was not provided with long term development rights, or if the Agreement were structured differently. Such opportunity costs can be calculated as: (a) the increased estimated tax and lease revenue to be received by the City and County as a result of leasing Port property to the Event Authority and allowing the Event Authority to develop such Port property; less, (b) the increased estimated tax and lease revenue which could have been received by the Port and the City if such Port property was not leased to the Event Authority.

### **Increased Tax and Lease Revenue Resulting From Development by the Event Authority**

According to a study produced for the Port by the consulting firm Bay Area Economics (the BAE Report), the most profitable developments to the Event Authority on the two Port properties for which long-term development rights would definitely be transferred under the proposed Agreement<sup>5</sup> are: (a) a 250 unit condominium project on Seawall Lot 330; and (b) leasing out Pier 30 - 32 as developed and used for the America's Cup Events to other businesses such as restaurants and retail operations for ten years, then developing a mixed use complex consisting of an office, retail uses and a cruise ship terminal.

#### Seawall Lot 330

Seawall Lot 330 is a 2.8 acre lot across the Embarcadero from Pier 30-32, of which 0.5 acres were previously sold for the Watermark condominium project, which resulted in the construction of a 137 unit condominium development, for a density of 274 units per acre, such that 2.3 acres remain. Unlike Pier 30-32 which requires some infrastructure improvements prior to development, Seawall Lot 330 is on land and is ready for development without any significant investment.

The BAE Report estimates that a second condominium project constructed over the remaining 2.3 acres consisting of 250 units (109 units per acre) would be most economically beneficial to the Event Authority, with the benefit value estimated at \$33,050,413<sup>6</sup>. However, the Budget and Legislative Analyst notes that the actual economic benefit could be higher because the density of condominiums which the BAE report<sup>7</sup> assumed for Seawall Lot 330 (at 109 units per acre) is less than what could potentially be developed on the parcel under its current zoning designation. The BAE reports that the condominium development would be half the density of the Watermark building even though the parcel to be transferred to the Event Authority is approximately 4.5 times larger than that of the Watermark condominium development.

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<sup>5</sup> Transferring long term development rights for Piers 26 and 28 are options under the proposed Agreement, subject to determination by the Event Authority after the Agreement is executed that it will make and pay for infrastructure improvements to those piers needed for their use in America's Cup Events.

<sup>6</sup> The \$33,050,413 in estimated value is a net present value calculation as provided by BAE. All references to value in this section are net present value figures.

<sup>7</sup> Appendix B of the BAE report states that density for Seawall Lot 330 is currently not limited, and the assumed density was provided by the Office of Economic and Workforce Development. Port staff report that density on the property is limited, but not to the extent assumed in the BAE report.

Such a development would require permanent removal of the Tidelands Trust restrictions on Seawall Lot 330,<sup>8</sup> as required by the Host City and Venue Agreement. According to the BAE Report, removing Tidelands Trust restrictions<sup>9</sup> from any Port property requires placing another property of at least equal value under the restrictions.

Assuming the Event Authority causes development of a 250 unit condominium building on Seawall Lot 330, additional property tax revenue would be generated for the City. However, under the Host City and Venue Agreement, the City is obligated to use at least a portion of such increased property tax revenue for 30 years to support a Tax Increment Bond issuance, a portion of which would be provided to the Event Authority for reimbursement of their infrastructure improvement costs. The portion of the increased property tax revenues that would not be used to pay debt service on the Tax Increment Bonds issued to provide funds to reimburse the Event Authority for their infrastructure improvement costs would accrue to the City. The Port estimates the net present value of such property taxes accruing to the City would be \$31,989,607.

### Pier 30-32

Pier 30-32 is 900 feet long and measures approximately 12.5 acres. The pier is currently used for surface parking. According to the Port, Pier 30-32 requires approximately \$47 million in structural repairs in order to accommodate construction.

BAE estimates that the highest and best use of Pier 30-32, once it has been improved by the Event Authority as required in the Host City and Venue Agreement would be to re-lease the facilities the Event Authority intends to build on the piers for the America's Cup after the Event is over. BAE estimates that such facilities would include 160,000 square feet of retail, food and beverage, and exhibit space. The value to the Event Authority of renting out such Event facilities over the 66 year lease is estimated by BAE at \$44,715,817. As stated above, the Event Authority would be required to pay base or percentage rent to the Port, but this would be at least partially offset by rent credits to reimburse the Event Authority for costs incurred for infrastructure improvements prior to the Event, therefore the leasing out of such facilities would not generate market rate additional lease revenue to the Port. Furthermore, the Port does not anticipate that any incremental property or Possessory Interest Taxes would be generated by re-leasing out the America's Cup event facilities to tenants because such leases would likely be

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<sup>8</sup> The Tideland Trust restrictions require all Port property developments to be of maritime use or bring increase visitors to Port property, therefore office or residential uses are not allowed. California Senate Bill 815 temporarily removed the Tidelands Trust restrictions on Seawall Lot 330 through 2094, however in order to build and sell condominiums, the Tidelands Trust restriction would have to be fully and permanently removed because condominiums cannot be sold on leased land.

<sup>9</sup> According to Port staff, another property on which Tideland Trust restrictions would be imposed has not yet been identified. Placing such new restrictions may reduce the value of such other property, depending on the existing restrictions on such property. Therefore, any such potential reduction in value is not known. However, such a value is not necessary to calculate the opportunity cost to the City. As discussed below, for the development which is anticipated to occur without the Event Authority, the Budget and Legislative Analyst assumes that the Port could develop the same 250 unit condominium building as the Event Authority would develop, requiring the same removal of Tidelands Trust restrictions, such that any value reduction would occur on both sides of the equation used to calculate opportunity costs, and, therefore, would not impact our analysis.

short term leases, which generate negligible amounts of Possessory Interest Tax, according to Port representatives.

The Agreement requires that the Event Authority construct development within 10 years after the completion of the America's Cup. The BAE report estimates the most profitable development (other than simply re-leasing America's Cup event facilities) to be the construction of a mixed use project, including (a) 375,000 square feet of office space, (b) 195,000 square feet of retail/entertainment space, and (c) a 100,000 square foot cruise ship terminal. According to the BAE report, although office space does not conform to Tidelands Trust restrictions, such a use is currently permitted if the cruise ship terminal is included in the mixed use project.

The Port estimates that (a) leasing out the America's Cup event facilities for 10 years, then (b) developing the mixed use project described above, would generate new retail and payroll taxes (from the jobs occupying the office building) over the life of the 66 year lease valued at \$30,245,694. Such tax revenues would not be used to pay off the Tax Increment Bond issuance because only Property and Possessory Interest Taxes can be used for that purpose.

The Port estimates residual rent payments, after rent credits, of \$6,724,431 from the Event Authority for development on Pier 30-32 and Seawall Lot 330.

### **Tax and Lease Revenue Without the Event Authority**

If the Port was not required to enter into long term development leases with the Event Authority and the America's Cup did not occur using the properties as planned, the Port could pursue the most financially beneficial development options on the subject properties, as identified in the BAE report: (a) cause the development of a 250 unit condominium development by leasing or selling the land to a developer for that purpose, and (b) continue leasing Pier 30-32 for its current uses through the current estimated life of that pier. Any foregone land sale and/or lease revenue resulting from this scenario represents an opportunity cost to the City.

#### Seawall Lot 330

Because Seawall Lot 330 does not require any infrastructure investment for development, the Port, in the absence of the America's Cup, could identify through competitive bidding a different developer to construct the same 250 unit condominium building the Event Authority could develop. In such a scenario, the economic benefit of \$33,050,413 would accrue to the Port. The Budget and Legislative Analyst notes that such a foregone value would likely be higher because, as discussed above, the density of condominiums which the BAE report assumed for Seawall Lot 330 (at 109 units per acre) is less than what is allowed for the parcel, according to its zoning designation. The net present value of increased property taxes to the City under the assumed development scenario is \$17,891,805 for the lease term, according to the Port.

#### Pier 30-32

BAE estimates that the net present value of continued lease payments under the current uses of Pier 30-32 is \$5,662,387. The continued use of such facilities under their current uses is not

anticipated to create any increase in taxes payable to the City. Notably, the BAE estimates only anticipate that, due to significant infrastructure improvements needed for Pier 30-32, continued use of Pier 30-32 could only continue for 10 years before the useful life of the pier is exhausted. After the 10 year life is expired, according to Port staff, the Port would have to either (a) include removal of the piers in a development project at a separate pier which would require increasing the size of such other pier;<sup>10</sup> (b) identify a developer to renovate the pier; or, (c) remove the pier (with the costs of such removal possibly eligible for State or federal grants)<sup>11</sup>.

**Summary: Long-term Development Rights**

As shown in Table 2 below, the net cost to the City of providing long term development rights to the Event Authority is estimated at \$12,355,127.

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<sup>10</sup> According to Port staff, development which requires increasing the number of pilings (pier supports) in the San Francisco Bay often require an offsetting decrease of the same number of pilings (as is the case in the Exploratorium Project). Therefore, removal of Pier 30-32 at the end of its useful life can add expansion value to developments on other Piers.

<sup>11</sup> Should such Federal or State Grant monies not be available, the Pier 30-32 removal costs are estimated to reduce the value of the lease revenues to the Pier by approximately \$700,000 (calculated as the present value of demolishing Pier 30-32 in 20 years, or 10 years after the useful life expires). Future demolition costs are not included in this analysis as they would not necessarily be a Port cost (they could be covered as part of a separate development deal, by grants, etc.).

**Table 2: Opportunity Cost of Development****If Developed By The Event Authority**

Seawall Lot 330: Condominium Building Immediately After Event	
Increased Property Taxes (net of tax increment directed to Event Authority)	\$31,989,607
Pier 30-32: Lease Event Facilities for 10 years, then Construct Mixed Use Project	
Payroll and Retail Taxes	30,245,694
Residual Rent to Port	<u>6,724,431</u>
	<b>\$68,959,732</b>

**If Developed Without the Event Authority**

Seawall Lot 330: Condominium Building Immediately After Event	
Land Sale Revenue to Port	\$33,050,413
Increased Property Taxes to City	17,891,805
<u>Subtotal</u>	<u>\$50,942,218</u>
Pier 30-32: Continued Use as Parking Lot until End of Pier's Useful Life (10 Years)	
Lease Payments to Port	5,662,387
<b>Total Benefits to City</b>	<b>\$56,604,605</b>
<b>Net Benefit (Net Opportunity Cost)</b>	<b>\$12,355,127</b>

The benefits above do not include the investment in Port property to be made by the Event Authority. Such investments are estimated to be valued at minimum at \$55 million<sup>12</sup> in infrastructure investment for Pier 30-32 and Seawall Lot 330, the two Port properties included in the analysis presented in Table 2. These amounts are not counted as fiscal benefits by the Budget and Legislative Analyst because, while increasing the value of Port assets, the Event Authority would be reimbursed for these expenses from a combination of rent credits from the Port and repayment from incremental property taxes generated by the properties.

The most significant variable in this long term development impact analysis is what development actually occurs on the sites. As discussed above, the Bay Area Economic report suggests that the Event Authority would construct no improvements on Pier 30-32 for 10 years, then construct a mixed use project including a hotel and cruise ship terminal. To the extent such assumptions are incorrect and other potential development scenarios result, the actual benefits to the City could vary significantly.

A comparison of the value of the properties with and without the Event Authority, assuming that optional Piers 26 and 28 are included in the long term development rights transfer, cannot be presented at this time because an analysis of the potential rent payments to the Port if the piers are developed by the Event Authority have not been prepared.

<sup>12</sup> The Host City and Venue Agreement estimates the total value of improvements to be provided by the Event Authority at \$150 million. However, some of those improvements are strictly related to the race (specifically the breakwaters), such that only the improvements to Pier 30-32 at \$47 million and Pier 50 at \$58 million are considered to be related to the long term development rights.

## FISCAL FEASIBILITY ANALYSIS

As discussed in the Mandate Statement Section above, Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review if: (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA); and, (b) total project costs are estimated to exceed \$25,000,000; and, (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including: (1) direct and indirect financial benefits to the City; (2) construction costs; (3) available funding; (4) long term operating and maintenance costs; and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review.

### 1) Direct and Indirect Benefits to the City

Hosting the 34<sup>th</sup> America's Cup in San Francisco would provide: (a) direct benefits to the City through increased tax revenues; and, (b) indirect benefits including economic stimulus for the businesses of San Francisco.

The Budget and Legislative Analyst reviewed and analyzed the economic impact study produced by Beacon Economics for the Bay Area Council Economic Institute in 2010, entitled, "The America's Cup: Economic Impacts of a Match on San Francisco Bay" (the Beacon Report). This report is, to our knowledge, the only comprehensive analysis of the economic impact of the Event published and publically available at this time.

The Budget and Legislative Analyst performed an independent analysis of the Beacon Report analysis and applied the results to the terms of the Host City and Venue Agreement (which was not available at the time the Beacon Report was published). Our analysis found the Beacon Report to present reasonable estimates for the direct and indirect benefits of hosting the 34<sup>th</sup> America's Cup based on a set of assumptions regarding the number of race-days, number of spectators and visitors per day, number of participating syndicates and other factors. Significant changes in any of these variables, such as a major reduction in the number of syndicates participating, would affect the estimated benefits of hosting the Event.

#### Direct Benefits

As discussed above, the Budget and Legislative Analyst estimates that the direct benefits to the City and County of San Francisco treasury resulting from hosting the 34<sup>th</sup> America's Cup in San Francisco, after incorporating some adjustments recommended by the Controller's Office of Economic Analysis (OEA), would be \$19,461,633, comprised of: (a) \$10,855,633 in hotel tax, (b) \$4,332,960 in payroll tax, (c) \$2,783,930 in sales tax, and (d) \$1,489,110 in parking tax.

### Indirect Benefits

The Budget and Legislative Analyst's independent analysis of the Beacon Report estimates that the America's Cup would generate between an estimated \$950 million and \$1.6 billion in economic impact to businesses located in San Francisco. For the purposes of this report, the most probable economic impact estimated by the Budget and Legislative Analyst is \$1,200,044,775. The Beacon Report estimated total economic impact to the businesses located in San Francisco at \$1.3 billion.

Based on the estimated economic impact of \$1.3 billion, the Beacon Report also estimates that hosting the America's Cup would generate 8,840 "jobs" or labor-years. Adjusting such an estimate proportionally to adjust for the lower economic impact of \$1.2 billion estimated by the Budget and Legislative Analyst, the America's Cup would generate 8,160 labor years ( $8,840 \div \$1.3 \text{ billion} \times \$1.2 \text{ billion}$ ).

It is important to note that all labor-years, or "jobs" predicted in the Beacon Report would not be new permanent full time jobs, and therefore would not result in the hiring of 8,160 workers. Rather, one labor-year, or "job", under the Beacon Report, is equal to one year's worth of work which would be performed by: (a) already employed workers in the normal course of performing their jobs; (b) already employed workers performing their jobs more productively (e.g., a restaurant server serving more customers per hour); (c) already employed workers working extra hours for overtime pay; and, (d) workers hired in full- or part-time temporary and permanent new jobs to meet the increase in demand. Such additional work-years would likely be mostly required in the period immediately preceding and during the America's Cup. It is unlikely that any significant labor benefits would remain after the America's Cup event is completed.

### **2) Construction Costs to the City**

There would be no new construction costs to the City from hosting the 34<sup>th</sup> America's Cup. All such costs are proposed for the Event Authority under the terms of the proposed Agreement.

### **3) Available Funding**

As discussed above, the total cost of hosting the 34<sup>th</sup> America's Cup is estimated at approximately \$31.4 million including: (a) \$16.1 million in Port costs and lost revenue; and, (b) \$15.3 million in other City department costs. With expected revenues of \$19.5 million, Citywide net costs would be \$11.9 million. As Port resources to cover these costs are limited, options include: a transfer from the General Fund, or, debt issuance such as Certificates of Participation. General Fund transfers are allowed under Charter Section B7.320, subject to Board of Supervisors approval. To the extent funds are privately raised by the America's Cup Organizing Committee, those funds are another potential source of funding.

Without a plan to transfer General Fund revenues to the Port or issue debt such as COPs to cover Port costs, the projects in the Host City and Venue Agreement would not be fiscally feasible for the Port.

#### **4) Ongoing Maintenance and Operating Costs**

Hosting the 34<sup>th</sup> America's Cup would not result in the construction of any City facilities that require maintenance or operating costs. The Budget and Legislative Analyst notes that the cruise ship terminal, which is anticipated by the Port to be developed on Pier 27 as part of the development rights to be granted to the Event Authority, would require maintenance costs. However, according to the Port, such costs are anticipated to be incurred by an independent cruise ship terminal operating firm rather than the Port or any other City agency.

#### **5) Debt Load**

New debt could be added to the City's debt load as a result of hosting the 34<sup>th</sup> America's Cup in San Francisco in two ways. First, debt could be issued through Certificates of Participation to cover the Port's uncovered costs. The Port reports that it is qualified to issue up to \$25 million in Certificates of Participation, more than the amount needed to cover new Port costs associated with hosting the 34<sup>th</sup> America's Cup. Debt would also be issued, under the terms of the proposed Agreement, through an infrastructure financing district (IFD) to reimburse the Event Authority and the City for infrastructure improvement costs incurred in preparing Port properties for America's Cup Events. The Port estimates that its bonding capacity for the subject properties is \$26 million. Such debt issuance would be supported by incremental property tax revenue generated by the subject properties after they are developed.

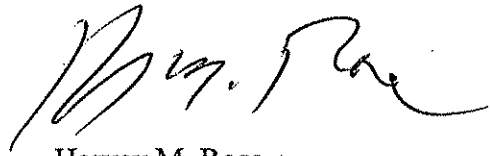
#### **Conclusion**

Hosting the 34<sup>th</sup> America's Cup would produce the following fiscal impacts: (1) \$19.5 million in increased tax revenues to the City and \$31.4 million in new costs, resulting in a net cost for the City of \$11.9 million; (2) no new construction costs to be paid for by the City; (3) funding available to support the City's net costs for hosting the 34<sup>th</sup> America's Cup has not been identified but options include: a) use of the General Fund monies, including a transfer to the Port to cover the Port's net costs; b) issuing debt such as Certificates of Participation; and c) use of funds privately raised by the America's Cup Organizing Committee; (4) no new ongoing maintenance costs for the Port or other departments have been identified; and, (5) a possible increase in debt load through: a) the potential use of Certificates of Participation, the proceeds of which could cover a portion of the Port's costs; and, b) debt issued through creation of an infrastructure financing district to reimburse the Event Authority and the City for costs incurred for infrastructure improvement districts.

Without a plan to cover most of the Port's costs through debt issuance and/or transfer of General Fund monies to the Port, the projects in the Host City and Venue Agreement Northern Waterfront Alternative would not be fiscally feasible for the Port. Assuming such a plan is established, the project is fiscally feasible.

**POLICY CONSIDERATIONS AND ALTERNATIVES**

Other options to reduce the fiscal impact of the proposed Host City and Venue Agreement and report recommendations are presented in the Executive Summary.



Harvey M. Rose

cc: Supervisor Avalos  
Supervisor Mirkarimi  
Supervisor Elsbernd  
President Chiu  
Supervisor Alioto-Pier  
Supervisor Campos  
Supervisor Chu  
Supervisor Daly  
Supervisor Duffy  
Supervisor Mar  
Supervisor Maxwell  
Clerk of the Board  
Cheryl Adams  
Controller  
Greg Wagner