REMARKS TO THE MAYOR'S STADIUM TASK FORCE

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We appreciate the enormous difficulty of the challenge before you.

We are now in the midst of our 14th year of work on this issue – an effort that has cost the Spanos family more than $15 million, has explored sites all over San Diego County, and has resulted in nine different proposals – all unsuccessful so far.

So the Chargers understand firsthand how difficult your job will be over the coming months. And at the outset of your work, we would like to thank you all for volunteering your time to trying to find a solution to this long-running San Diego stadium dilemma.

Based on this 14 years worth of experience, we would like to suggest four principles we hope will help guide your work:

- *First, you should resist the political pressure you will feel to make a proposal simply for the sake of making a proposal.*
    - We appreciate the pressure that you will feel to find a solution. We at the Chargers have felt this pressure for every one of the last 13 years. And now, in our 14th year of work, the pressure has intensified even more as the result of events in Los Angeles.
    - But after all of these years of work, we also understand this: It might be that -- despite the great effort that has been expended -- there is at least at this time no publicly acceptable solution to the stadium issue in San Diego.
    - If the facts lead you to this conclusion, we hope you will say so, even though you will be under tremendous political pressure to propose something – anything – just to show that the politicians are trying.
- *The second guiding principle is this: The Chargers have no intention of quietly participating in any effort to provide political cover for elected officials.*
    - Former elected officials have tried to exploit the Chargers and the stadium issue for their own political advantage.
    - It might be worth checking with Dick Murphy and Mike Aguirre to see how that worked out for them.

- We have already heard the talk around City Hall that the November 2016 ballot is going to be a graveyard for ballot measures involving revenue increases – so much of a graveyard, in fact, that the Convention Center expansion proponents have decided already that they do not want their next financing scheme to appear on that ballot. And yet, that is the very same ballot that the Chargers are being urged to try for.

- Simply put, we have no intention of allowing the Chargers franchise to be manipulated for political cover – and we will call out any elected official who tries to do so.

➢ *The third principle: Any proposal that emerges from the work of your Task Force should be subjected <u>to serious, real world stress tests</u>.* In particular, any Task Force proposal should pass each of the following *three real world tests*:

- *First, is the proposal one that has a strong chance of being approved by two-thirds of the voters?*

  - As you commence your work, you will find yourselves again and again running squarely into the California Constitution's two-thirds vote requirement.

  - The City of San Diego has just wasted five years and many millions of taxpayer dollars trying to circumvent the two-thirds vote requirement with an illegal Convention Center expansion tax.

  - The Chargers have no interest in participating in another half-baked scheme to attempt to get around the two-thirds rule.

  - If the funding mechanisms that this Task Force considers cannot win two-thirds approval, when such approval is required by the California Constitution, then they should not be part of your final recommendations.

- *The second real world stress test should be this: Are the Mayor and a strong majority of the City Council prepared to support the recommendations of your Task Force?*

  - Too many times over the last 14 years we have heard the following statement from elected officials: The Chargers should gather signatures, qualify a measure for the ballot, and then campaign for approval. We've also heard this variation of the same idea: If the Chargers had a real proposal, they would put it on the ballot themselves.

- Of course, this is not a realistic solution. It is just not possible to obtain voter approval for a stadium measure of this type without the strong support of the Mayor and the City Council. This is especially true in our situation, where a two-thirds approval will likely be required.

- Therefore, any proposal that emerges from this Task Force should be one that the Mayor and City Council majority would be willing to place on the ballot themselves, and then campaign wholeheartedly to pass.

- *The third real world stress test for any proposal should be this: Does the proposal recognize the economic realities of our local marketplace and of the NFL?*

    - The City has already wasted hundreds of thousands of dollars on two separate out-of-state consultants who made recommendations that were ultimately useless -- useless because they ignored the realities of our local marketplace.

    - For example, some expect the Chargers to match the financial contributions made by the Cowboys' owner in Dallas, or the 49ers owner in Santa Clara.

        - These owners were able to make such contributions because of their ability to sell hundreds and hundreds of millions of dollars of Preferred Seat Licenses (PSLs).

        - Our studies – and the real world experience of the Padres – demonstrate that we cannot sell PSLs in any significant numbers here in San Diego. A Task Force recommendation that ignores this reality will be worthless.

    - In addition, some consultants have suggested that the stadium should be financed using revenue streams that, throughout the rest of the NFL, go to the teams. These revenue streams include naming rights, sponsorships, and the like. Of course, if the Chargers were to forego all of these revenues, then the team would be fall even further behind the rest of the NFL than we are right now.

    - And yet another example of a real world stress test that is often ignored is the true cost of the stadium.

- We have heard commentators say that the stadium could be built for $700 million, or even less. (This low-cost stadium was a key assumption made by the Lazard consultants hired by the City several years ago.)

- These off-the-cuff estimates ignore the real world costs of stadiums now being built all around the country – from San Francisco to Minnesota to Atlanta. Looking around the country, new stadium costs are coming in at $1.2 to $1.5 billion.

- And, of course, by the time we would be ready to start building here in San Diego, today's cost estimates are likely to have escalated even more. This is a real world fact that simply cannot be ignored when putting together a truly workable plan.

▪ In short, any proposal that you make must be workable in the real world. If the proposal doesn't meet these real world tests, it will fall flat with the NFL, the Chargers, the voters, and the financial markets that must provide financing.

➢ *The fourth and final guiding principle is this: It should not be enough to suggest a plan that might succeed under perfectly controlled laboratory conditions – but that is unlikely to succeed in the real world of San Diego politics.*

- Instead, any plan that the Task Force recommends should be one that can actually be implemented by the people now in elected office in the City of San Diego.

- The owners of the Chargers – like any rational business owners – should be looking at the capability of current elected officials to carry out a plan that, at least on paper, may look just fine.

- Our examination of any plan must include an assessment of whether the capability exists to implement that plan.

- For years we were all told that the Convention Center expansion was a done deal – and we were told this by the people who are still in charge at City Hall.

- Now, years later, after millions of wasted tax dollars, the whole project is back to square one – with no realistic solution in site.

- With regard to a new stadium project, we are hearing rumblings of another ill-conceived scheme to avoid the two-thirds vote requirement: Two ballot measures, one that would raise a tax for a general purpose, and one that would be non-binding and would advise the City to spend some of the new money on a stadium. To be clear, we will not support any such effort to circumvent the State Constitution. The City tried a similar scheme already on the Convention Center, of course, and was decisively defeated in court.

- The Chargers do not intend to waste years of time and millions of dollars on a proposal that City leaders simply do not have the capacity to actually implement. In short, a proposal that looks good on paper should not be sufficient. What we all need is a proposal that our city government has the capacity to actually implement.

These, then, are the four basic principles, and three real world tests, that we believe should be applied by the Task Force.

In addition, we would like to take a moment to describe the situation now facing the Chargers franchise.

- The Los Angeles and Orange County market has been without an NFL team for 20 years.

- Over those two decades the Chargers have worked diligently to win fans and business partners in the LA/Orange County market.

- And the Chargers have succeeded. Now, fully 25 percent of the Chargers' season ticket base comes from the LA/Orange County market (along with the Inland Empire).

- If another team – or two other teams – enters the LA/Orange County markets, most of that Chargers' business there will disappear.

- This will put the Chargers at a significant competitive economic disadvantage.

- Simply put, it would not be fair to the Chargers – a team that has worked for 14 years to find a stadium solution in San Diego County – to allow other teams that themselves abandoned the LA market to now return and gut the Chargers' local revenue stream.

- The Chargers are continuing to work hard to find a solution in San Diego.

- But we also want to be clear with this Task Force right at the outset: We are keeping a close eye on developments in LA. We do not have a choice but to also monitor and evaluate our options there. Simply put, it would be irresponsible for the Chargers not to be taking every possible step to protect the future of the franchise.

Moving forward with your Task Force, we are ready to cooperate with your efforts and, in particular, to assist you now in at least two specific ways:

- First, we have created a website for Task Force members. We have populated that website with electronic copies of original documents and other materials on the different proposals we have made over the course of our 14 years of work on this project.

- Second, we will work with the Task Force to arrange the participation of National Football League executives at a future meeting of the Task Force, so that you can speak directly with NFL officials.

We would now be happy to answer any questions you might have about the work we have done over the past 14 years and the various proposals we have made over than span of time. And, once again, thank you for the time and effort you will be devoting to this project.