

**JMIR Chargers Stadium Project**  
**Financing Plan Summary**  
**July 6, 2015**

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JMI Realty (“JMIR”) has requested that Tipping Point Sports, LLC, develop a Financing Plan for a potential new joint use football stadium/convention center in downtown San Diego (the “Project”). The Financing Plan is intended to be used as a blueprint to negotiate with the Chargers (the “Team”) as well as the City, County and other Project constituents.

**Guiding Principles**

The Financing Plan is based on the following Guiding Principles:

1. Link the Team’s overall investment to that of the Vikings’ in their new building, under the theory that the Vikings’ deal is a fair and representative NFL transaction.
2. Adhere to the previously approved bond structure for the proposed Convention Center Phase III Expansion (separate from the legal structure).
3. Limit the number of participating hotels to maximize the likelihood of a defensible legal strategy, through a Business Improvement District (“BID”).
4. Limit the hotelier investment to a level consistent with that approved previously.
5. Limit the City’s funding and financing requirements to amounts consistent with the Convention Center Phase III Expansion.
6. Limit the County’s role to securing bonds funded with incremental property and possessory interest taxes.

**Project Cost**

The Project is estimated to cost \$1.67B, comprised of the following:

Land	\$100M
Convention Center	\$497M
Stadium	\$1,048M
Qualcomm Stadium Bonds	<u>\$29M</u>
Total	\$1,674M

These costs are based on the Cumming Report, with the allocation between Stadium components and Convention Center components based on the standalone Convention Costs. The Cumming Report projected a \$1.42B cost for the joint use project, excluding land costs. As a starting point, the Financing Plan uses that figure and adds 3 years of inflation (at 2% p.a.) to reflect projected 2017 costs, rather than 2014, and also includes an additional 2.5% contingency. This brings the total Project contingency to 10%.

For purposes of constructing the BID financing (\$516M), the Financing Plan assumes that the Convention Center and the associated land (\$597M total) would be considered infrastructure, and thus eligible uses of funds for this financing, subject to Counsel review.

In addition, the outstanding City Bonds for Qualcomm Stadium (“Q Bonds”) are assumed to be redeemed via a Special Mandatory Redemption. As the Q Bonds were previously refinanced as part of a larger City financing, the outstanding amount allocated to the stadium is unclear; however, the amount estimated

herein as of the opening of the new stadium is a reasonable estimate. If it turns out this refinancing cannot be executed due to legal constraints, it would have a negligible impact on the Financing Plan.

Exhibit 4 in the model details Project Costs.

### **Sources of Funds**

The Financing Plan contemplates the following financing mechanisms to pay for Project costs (net of financing costs and accrued interest). Private financing sources comprise roughly 42% of the Project cost.

Team	\$595M	36%
Private Investor/Q Land	\$100M	6%
BID Financing	\$516M	31%
City Bonds	\$172M	10%
County Bonds	\$96M	6%
City Bonds/Q Savings	\$101M	6%
Gap	<u>\$94M</u>	5%
Total	\$1,674M	

However, reallocating these amounts into their underlying funding sources allows us to differentiate funding from financing mechanisms (e.g. while the City net bond proceeds are projected at \$172M, a large percentage of these bonds are repaid through new TOT generated from hoteliers/new convention center). Thus, when viewed through the lens of underlying funding sources, the breakdown is as follows:

Team (Financing and Taxes)	\$636M	38%
Private Partners (Q Land/Vendors)	\$125M	7%
Hoteliers	\$667M	40%
City	\$51M	3%
County	\$0M	0%
City/Q Savings	\$101M	6%
Gap	<u>\$94M</u>	6%
Total	\$1,674M	

The private sector contributes 45% of total Project costs, and with hoteliers included, this figure jumps to 85%.

Exhibit 3 in the model presents the detailed Sources and Uses of Funds.

### **Project Timing**

Project approvals are required in 2015 to meet the NFL's timeframe. Pre-construction work - design, site work and entitlements is expected to commence in mid-2016, and run for roughly 18 months. Construction would commence in mid-2017 and run for 36 months, resulting in a 2020 opening.

Public and private financing would generally be available to the Project on a pro rata basis, with certain funding, such as the sale of Qualcomm Stadium land, available towards the end of construction.

To limit accrued interest prior to the Project opening, the Financing Plan includes a series of construction loans and interim financing facilities, taken out by long-term fixed rate tax-exempt bonds issued in early

2020, at 4.25%. The bonds are tied to a 30 year team lease (2020-2049 seasons, or FY21-FY50). Accrued interest and bank fees total \$42M.

Exhibits 5 and 6 in the model detail Project draws and funding and Exhibit 12 illustrates the projected accrued interest.

**Operations**

The Project would be operated by a third party stadium operator to maximize other event activity and economics at the building, minimize costs and secure a valuable revenue guarantee. Operating expenses are projected to be \$21M and would be funded as follows:

Team Rent/Operations	\$8.0M	Vikings \$8.5M
Team Rent/Event Expenses	\$3.0M	Vikings \$3.0-\$4.5M
Team Rent/Capex	\$2.0M	Vikings \$1.5M
Other Event Profits	\$6.0M	
City	\$2.0M	

To the extent year-round operating expenses exceed this amount, excluding capex and event expenses, the City would be expected to fund these additional costs, which is consistent with the City’s plans to fund operating expenses for the proposed Convention Center Phase III Expansion.

**Team Investment**

The Team’s \$595M construction investment is slightly more than the publicly reported figure for the Vikings (\$577M), however, there is the potential that the Vikings’ end up paying a higher amount when all is said and done.

Operating expenses are consistent with that of the Vikings. And while the Chargers’ have to pay property and possessory interest taxes (projected at \$6M in year 1) while the Vikings do not, the Vikings do pay a 7% admissions tax (projected at \$5M in year 1), which is absent in San Diego.

Part of the Team’s investment would be used to redeem Bonds related to Qualcomm Stadium.

**Public Funding**

**BID Financing - \$516M**

The BID would be structured to capture downtown, port and airport hotels with proximity to the Project. Based on FY15 City-wide TOT projections and an assumed 43% TOT capture rate in the BID, a 2% special tax would generate \$15.2M. Assuming growth consistent with that projected by STR, the 2% charge would generate \$22.3M in FY21. With the new Hilton and JMIR hotel added in, FY22 BID revenues are roughly \$24.5. Table 1 details the BID 2% hotel charge.

This revenue stream can support a \$438M bond issuance, net of accrued interest and financing fees, plus an additional \$78M in cash collected during construction, for a total of \$516M. This amount funds virtually all of the convention center and associated land (\$597M) costs. Debt service grows at 2% for 10 years to \$30M, level thereafter. To avoid using the City’s credit, consistent with the prior convention center proposal, these bonds would have a rate covenant that would require hoteliers to increase the charge up to 3% to pay for any debt service shortfalls. By utilizing this lever, we can avoid overfunding the BID, which has limited available uses. Overall, debt service grows at 1.0% over the thirty year lease period (FY21-FY50), far below current or long-term historical growth rates.

**Table 1**  
**BID Hotel Special Tax**

<b>CFD/New TOT</b>						2.00%	3.00%
						Tax	Tax
<b>CFD</b>							
	FY15 City-Wide TOT Budget (3)		186,034,803				
	CFD (Downtown and Port) Allocation (3)		43.00%				
	FY15 CFD TOT (3)		79,994,965				
	FY15 CFD TOT Per Point	10.50%	7,618,568			15,237,136	22,855,704
	FY21CFD TOT Per Point		11,150,719			22,301,439	33,452,158
<b>New Rooms</b>				Parcel D	Hilton	Total	
	# Rooms		1,500	500			
	ADR		\$ 200.00	\$ 200.00			
	% Occupancy		74%	74%			
	Room Revenues, Stabilized Year		8,103,000	27,010,000	108,040,000		
	10.5% TOT		8,508,150	2,836,050			
	Project Allocation %		33.3%	100.0%			
	Project Allocation		2,836,050	2,836,050	5,672,100		
	TOT Per Point, Stabilized Year 3		810,300	270,100	1,080,400	2,160,800	3,241,200
	Ramp-up:						
	Room Revenues Year 1		55,845,000	18,615,000	74,460,000		
	Room Revenues Year 2		70,901,250	23,633,750	94,535,000		
	TOT Per Point, Year 1		558,450	186,150	744,600	1,489,200	2,233,800
	TOT Per Point, Year 2		709,013	236,338	945,350	1,890,700	2,836,050

Consistent with the prior financing plan, senior bonds would have coverage in excess of 2.0x, with subordinate bonds sized for 1.5x coverage based on the maximum 3% special tax. Table 2 shows the cashflows and debt service coverage from the CFD hotel special tax.

**Table 2**  
**BID Hotel Bonds Cashflow and Coverage**

Lease Year	FY	BID									
		Existing Hotels	New Rooms	Total CFD 2% Tax Revenues	Total CFD 3% Tax Revenues	Total Debt Service	Cvg on Total Debt Service at 3% Tax	Senior Bonds Debt Service	Senior Bonds Debt Service Cvg. At 3% Tax	Sub Bonds Debt Service	
1	2021	22,301,439		22,301,439	33,452,158	22,300,863	15x	16,726,079	2x	5,574,783	
2	2022	22,970,482	1,489,200	24,459,682	36,689,523	24,457,463	15x	18,343,571	2x	6,113,892	
3	2023	23,659,597	1,890,700	25,550,297	38,325,445	25,548,650	15x	19,161,983	2x	6,386,667	
4	2024	24,369,384	2,160,800	26,530,184	39,795,277	26,525,650	15x	19,894,752	2x	6,630,898	
5	2025	25,100,466	2,225,624	27,326,090	40,989,135	27,056,013	151x	20,292,534	2.02x	6,763,479	
6	2026	25,853,480	2,292,393	28,145,873	42,218,809	27,601,525	153x	20,701,679	2.04x	6,899,846	
7	2027	26,629,084	2,361,165	28,990,249	43,485,373	28,150,063	154x	21,113,093	2.06x	7,036,970	
8	2028	27,427,957	2,431,999	29,859,956	44,789,934	28,744,925	156x	21,536,750	2.08x	7,178,175	
9	2029	28,250,796	2,504,959	30,755,755	46,133,632	29,288,775	158x	21,967,149	2.1x	7,321,626	
10	2030	29,098,319	2,580,108	31,678,428	47,517,641	29,874,488	159x	22,406,445	2.12x	7,468,043	
11	2031	29,971,269	2,657,511	32,628,780	48,943,171	29,874,725	164x	22,406,623	2.18x	7,468,102	
12	2032	30,870,407	2,737,237	33,607,644	50,411,466	29,872,438	169x	22,404,907	2.25x	7,467,530	
13	2033	31,796,519	2,819,354	34,615,873	51,923,810	29,876,775	174x	22,408,160	2.32x	7,468,615	
14	2034	32,750,415	2,903,935	35,654,349	53,481,524	29,876,463	179x	22,407,926	2.39x	7,468,536	
15	2035	33,732,927	2,991,053	36,723,980	55,085,970	29,875,650	184x	22,407,317	2.46x	7,468,333	
16	2036	34,744,915	3,080,784	37,825,699	56,738,549	29,873,275	19x	22,405,535	2.53x	7,467,740	
17	2037	35,787,263	3,173,208	38,960,470	58,440,705	29,873,275	196x	22,405,535	2.61x	7,467,740	
18	2038	36,860,880	3,268,404	40,129,284	60,193,927	29,874,375	2.01x	22,406,360	2.69x	7,468,015	
19	2039	37,966,707	3,366,456	41,333,163	61,999,744	29,875,300	2.08x	22,407,054	2.77x	7,468,246	
20	2040	39,105,708	3,467,450	42,573,158	63,859,737	29,874,775	2.14x	22,406,660	2.85x	7,468,115	
21	2041	40,278,879	3,571,473	43,850,352	65,775,529	29,876,525	2.2x	22,407,973	2.94x	7,468,552	
22	2042	41,487,246	3,678,617	45,165,863	67,748,795	29,874,063	2.27x	22,406,126	3.02x	7,467,937	
23	2043	42,731,863	3,788,976	46,520,839	69,781,258	29,876,113	2.34x	22,407,664	3.11x	7,468,449	
24	2044	44,013,819	3,902,645	47,916,464	71,874,696	29,875,975	2.41x	22,407,560	3.21x	7,468,415	
25	2045	45,334,234	4,019,725	49,353,958	74,030,937	29,877,163	2.48x	22,408,451	3.3x	7,468,711	
26	2046	46,694,261	4,140,316	50,834,577	76,251,865	29,872,975	2.55x	22,405,310	3.4x	7,467,665	
27	2047	48,095,088	4,264,526	52,359,614	78,539,421	29,876,925	2.63x	22,408,273	3.5x	7,468,652	
28	2048	49,537,941	4,392,462	53,930,403	80,895,604	29,876,888	2.71x	22,408,245	3.61x	7,468,643	
29	2049	51,024,079	4,524,235	55,548,315	83,322,472	29,876,163	2.79x	22,407,701	3.72x	7,468,461	
30	2050	52,554,802	4,659,962	57,214,764	85,822,146	29,872,838	2.87x	22,405,207	3.83x	7,467,630	
Total		1,061,000,226	91,345,276	1,152,345,502		867,021,088		650,282,622		216,738,465	
NPV				587,176,400		475,785,000		356,847,973		118,937,027	
Historic Coverage (FY15 TOT + New hotels TOT/Max DS)							.87x		1.16x		
Growth Rate		3.0%	3.0%								
CAGR		3.0%	4.2%	3.3%	3.3%	10%		10%		10%	
CAGR from stabilized year			3.0%	3.0%	3.0%	0.5%		0.5%		0.5%	

**County Lease Revenue Bonds – \$96M**

The Financing Plan contemplates a net \$96M lease revenue bond financing, secured by the County’s general credit (AAA g.o. bonds/AA+ lease revenue bonds). The bonds are funded solely by incremental property tax and possessory interest tax revenues from the new hotels and the stadium project with a 42% allocation to the City and County. Year 1 revenues (FY22) are estimated to be roughly \$6M, with 1% growth thereafter. Coverage is structured to be 1.0x, so debt service grows at 1% p.a. as well. The County, City and various agencies will be the beneficiary of the remaining 58% of these revenues.

Table 3 details the year 1 calculation of property and possessory interest taxes.

**Table 3**  
**Property and Possessory Interest Taxes**

		Chargers	Stadium Vendors	Convention Center	JMIR Hotel	Hilton Addition	Total	
<b>Property and Possessory Interest Taxes</b>								
	Number of Rooms				1,500	500		
	Cost per Room				350,000	350,000		
	Total Cost			0	525,000,000	175,000,000		
	Assessed Value			0	525,000,000	175,000,000		
	Property Tax Rate			100%	100%	100%		
	Property Tax/PIT	6,000,000	1,000,000	0	5,250,000	1,750,000		
	County Allocation	21.30%	1,278,000	213,000	0	1,118,250	372,750	2,982,000
	City Allocation	17.90%	1,074,000	179,000	0	939,750	313,250	2,506,000
	City Allocation - Triple Flip	3.10%	186,000	31,000	0	162,750	54,250	434,000
	School Allocation	42.90%						
	RDA Successor Allocation	10.70%						
	Other	4.10%						
	Total	100.00%	2,538,000	423,000		2,220,750	740,250	5,922,000
	Available Allocation	42.30%						

**City Lease Revenue Bonds - \$172M**

In the previous Convention Center Phase III Expansion proposal, the City had approved an annual \$3.5M investment as well as issuing and securing \$192M of bonds.

The Financing Plan for the Project includes financing the same amount through a City lease revenue bond issuance (AA-) to generate net proceeds of \$172M. These bonds would be funded with: (i) \$5.7M of new TOT (Hilton and JMIR property), (ii) \$1M in incremental sales taxes, most of which is generated by these hotels per the Aecom Report and (iii) \$3.5M p.a. from the City, consistent with the prior plan. Debt service grows at slightly under 2.0% p.a. Coverage is structured to be 1.0x.

Table 4 illustrates the calculation of TOT in the first stabilized year as well as sales taxes.

**Table 4**  
**Incremental TOT and Sales Taxes**

<b>New Rooms</b>		Parcel D	Hilton	Total	
# Rooms		1,500	500		
ADR		\$ 200.00	\$ 200.00		
% Occupancy		74%	74%		
Room Revenues, Stabilized Year		81,030,000	27,010,000	108,040,000	
10.5% TOT		8,508,150	2,836,050		
Project Allocation %		33.3%	100.0%		
Project Allocation		2,836,050	2,836,050	5,672,100	
Ramp-up:					
		Chargers	Stadium Vendors	Convention Center	Total
<b>Sales Taxes</b>					
Basis (1)		0	22,437,500	77,000,000	99,437,500
City Allocation	100%	0	224,375	770,000	994,375
<b>Event Information</b>					
		Chargers	Other Events	Total	
Number of Events		10	25	35	
Paid Attendance per Event		65,000	22,000		
Paid Attendance		650,000	550,000	1,200,000	
Turnstile Percentage of Paid		100.00%	90.00%		
Year 1 Conc/Merch Per Capita		\$ 25.00	\$ 12.50		
(1)	For CC/Hotels: From AECOM Report, unallocated between hotels and CC				

Table 5 shows the cashflows and debt service coverage for the City Lease Revenue Bonds.

**Table 5**  
**City Lease Revenue Bonds Cashflow and Coverage**

Lease Year	FY	City LRBs					Cvg
		New Rooms TOT	Sales Taxes	City Payment	Total Revenues	Debt Service	
1	2021	0	994,375	3,500,000	4,494,375	4,494,375	1x
2	2022	3,909,150	1,014,263	3,500,000	8,423,413	8,423,413	1x
3	2023	4,963,088	1,034,548	3,500,000	9,497,635	9,497,635	1x
4	2024	5,672,100	1,055,239	3,500,000	10,227,339	9,682,839	1.06x
5	2025	5,842,263	1,076,343	3,500,000	10,418,606	9,871,655	1.06x
6	2026	6,017,531	1,097,870	3,500,000	10,615,401	10,064,152	1.05x
7	2027	6,198,057	1,119,828	3,500,000	10,817,885	10,260,403	1.05x
8	2028	6,383,999	1,142,224	3,500,000	11,026,223	10,460,481	1.05x
9	2029	6,575,518	1,165,069	3,500,000	11,240,587	10,664,460	1.05x
10	2030	6,772,784	1,188,370	3,500,000	11,461,154	10,872,417	1.05x
11	2031	6,975,968	1,212,138	3,500,000	11,688,105	11,084,429	1.05x
12	2032	7,185,247	1,236,380	3,500,000	11,921,627	11,300,575	1.05x
13	2033	7,400,804	1,261,108	3,500,000	12,161,912	11,520,937	1.06x
14	2034	7,622,828	1,286,330	3,500,000	12,409,158	11,745,595	1.06x
15	2035	7,851,513	1,312,057	3,500,000	12,663,570	11,974,634	1.06x
16	2036	8,087,058	1,338,298	3,500,000	12,925,356	12,208,139	1.06x
17	2037	8,329,670	1,365,064	3,500,000	13,194,734	12,446,198	1.06x
18	2038	8,579,560	1,392,365	3,500,000	13,471,925	12,688,899	1.06x
19	2039	8,836,947	1,420,212	3,500,000	13,757,159	12,936,332	1.06x
20	2040	9,102,055	1,448,617	3,500,000	14,050,672	13,188,591	1.07x
21	2041	9,375,117	1,477,589	3,500,000	14,352,706	13,445,768	1.07x
22	2042	9,656,371	1,507,141	3,500,000	14,663,511	13,707,961	1.07x
23	2043	9,946,062	1,537,284	3,500,000	14,983,345	13,975,266	1.07x
24	2044	10,244,444	1,568,029	3,500,000	15,312,473	14,247,784	1.07x
25	2045	10,551,777	1,599,390	3,500,000	15,651,167	14,525,616	1.08x
26	2046	10,868,330	1,631,378	3,500,000	15,999,708	14,808,865	1.08x
27	2047	11,194,380	1,664,005	3,500,000	16,358,385	15,097,638	1.08x
28	2048	11,530,211	1,697,285	3,500,000	16,727,497	15,392,042	1.09x
29	2049	11,876,118	1,731,231	3,500,000	17,107,349	15,692,187	1.09x
30	2050	12,232,401	1,765,856	3,500,000	17,498,257	15,998,184	1.09x
Total		239,781,350	40,339,884	105,000,000	385,121,234	362,277,470	
NPV		119,307,802	21,228,150	58,726,560	199,262,513	188,574,156	
Growth Rate		3.0%	2.0%	0.0%			
CAGR		4.2%	2.0%	0.0%	2.6%	2.32%	
CAGR from stabilized year		3.0%			2.1%	1.95%	



**City Bonds – Q Savings - \$101M**

As shown in Table 6, the City is projected to save \$15-\$20M annually (\$122M in total) by closing Qualcomm Stadium, comprised of the following over a 7 year period (FY21-27):

- Operating losses - \$10-\$13M (\$7.5M in FY15, 3% expense growth and no revenue growth assumed and \$750,000 CIP stays flat);
- Debt service - \$4.8M p.a.;
- Practice facility - \$1M p.a. (plan would be to have the Team take over this cost).

A \$101M net financing by the City would be structured to replace these costs dollar for dollar.

**Table 6**  
**Q Operating Statement**

Season	FY	Revenues					Expenses				Net Operating Income	
		Aztecs	Chargers	Other Operating Revenue	Special Events	Total Revenues	General Government Expense	Operating Expense	CIP (1)	Total Expenses		
	2011	458,000	2,500,000	650,000	3,150,000	6,758,000	340,000	9,570,000	137,000	10,047,000	(3,289,000)	
	2012	385,000	2,500,000	606,000	2,800,000	6,291,000	310,000	10,832,000	0	11,142,000	(4,851,000)	
	2013	520,000	2,510,000	1,449,000	3,534,000	8,013,000	400,000	10,630,000	0	11,030,000	(3,017,000)	
	2014	630,000	2,563,000	470,000	2,600,000	6,263,000	400,000	11,918,000	750,000	13,068,000	(6,805,000)	
	2015	605,000	2,563,000	367,000	2,820,000	6,355,000	440,000	12,748,000	750,000	13,938,000	(7,583,000)	
	2016	605,000	2,563,000	367,000	2,820,000	6,355,000	453,200	13,130,440	750,000	14,333,640	(7,978,640)	
	2017	605,000	2,563,000	367,000	2,820,000	6,355,000	466,796	13,524,353	750,000	14,741,149	(8,386,149)	
	2018	605,000	2,563,000	367,000	2,820,000	6,355,000	480,800	13,930,084	750,000	15,160,884	(8,805,884)	
	2019	605,000	2,563,000	367,000	2,820,000	6,355,000	495,224	14,347,986	750,000	15,593,210	(9,238,210)	
	2020	605,000	2,563,000	367,000	2,820,000	6,355,000	510,081	14,778,426	750,000	16,038,506	(9,683,506)	
1	2020	2021	605,000	2,563,000	367,000	2,820,000	6,355,000	525,383	15,221,779	750,000	16,497,162	(10,142,162)
2	2021	2022	605,000	2,563,000	367,000	2,820,000	6,355,000	541,145	15,678,432	750,000	16,969,577	(10,614,577)
3	2022	2023	605,000	2,563,000	367,000	2,820,000	6,355,000	557,379	16,148,785	750,000	17,456,164	(11,101,164)
4	2023	2024	605,000	2,563,000	367,000	2,820,000	6,355,000	574,100	16,633,249	750,000	17,957,349	(11,602,349)
5	2024	2025	605,000	2,563,000	367,000	2,820,000	6,355,000	591,323	17,132,246	750,000	18,473,569	(12,118,569)
6	2025	2026	605,000	2,563,000	367,000	2,820,000	6,355,000	609,063	17,646,213	750,000	19,005,276	(12,650,276)
7	2026	2027	605,000	2,563,000	367,000	2,820,000	6,355,000	627,335	18,175,600	750,000	19,552,935	(13,197,935)
Total from FY21			4,235,000	17,941,000	2,569,000	19,740,000	44,485,000	4,025,727	116,636,303	5,250,000	125,912,031	(81,427,031)
NPV from FY21(2)			4.00%									(69,340,105)
Growth Rate			0.00%	0.00%	0.00%	0.00%		3.00%	3.00%	0.00%		
CAGR from FY15							0.0%				2.9%	
(1)	Does not include increased CIP costs if Chargers play out their lease.											
(2)	Outstanding Q debt is embedded inside a larger bonds issue and thus needs to be allocated by the City.											

Exhibit 8 in the model provides the total Q projected cashflows including debt service and practice facility payments.

Exhibit 9 illustrates annual cashflows for each of the bond issues.