



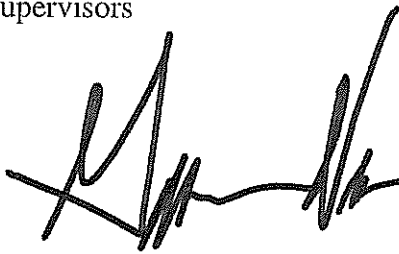
MEMORANDUM

TO: President David Chiu, Board of Supervisors
Members, Board of Supervisors

FROM: Mayor Gavin Newsom

DATE: September 28, 2010

RE: Term Sheet for Hosting the 34th America's Cup in San Francisco



In February of 2010, in Valencia Spain, BMW ORACLE Racing, sailing for the Golden Gate Yacht Club (together, the "Team"), won the 33rd America's Cup. As the Defender of the America's Cup, they have the right and duty to organize the 34th America's Cup. The Team has indicated that three locations are under consideration to host the 34th America's Cup (the "Event") – two in Europe and San Francisco. The Team plans to create an "Event Authority" to oversee the Event in accordance with the Protocol for the 34th America's Cup, a copy of which is attached hereto as Exhibit A (the "Protocol"), after the location for the Event is finalized.

Hosting the Event in San Francisco would generate significant public benefits for the City including (i) providing a catalyst for the repair, improvement and productive reuse of certain City piers in prime locations along the City's central and southern waterfront that are currently in such a state of grave disrepair that there is no other viable plan to pay for the needed repairs and (ii) generating an enormous amount of jobs and economic development in a very short period of time, including over 9,000 jobs and more than \$1.4 billion of new economic activity. A copy of a detailed analysis of the potential economic benefits of hosting the Event in San Francisco, completed by the Bay Area Council Economic Institute and Beacon Economics, is attached hereto as Exhibit B.

The Team has indicated a significant interest in hosting the Event in San Francisco because of the beautiful backdrop, predictable winds, world-class visitor amenities and enormous spectatorship opportunities that the natural marine amphitheater of the San Francisco Bay offers. In order to provide the Team with reasonable assurances regarding a number of important issues, including the venue plan, key financial terms, sponsorship opportunities, schedule and event logistics, City staff has negotiated a Term Sheet with the Team for endorsement by the Board of Supervisors.

The key provisions of the Term Sheet are as follows:

1. Venue Plan. As shown on the Venue Plan, attached hereto as Exhibit C, the physical facilities for the Event will generally stretch from Pier 28 to Pier 50, with varying periods of use and occupancy ranging from a few months to a few years. The most intensive uses are at Piers 30-32 and Pier 50. Piers

30-32 will be the main public access and visitor area as the “live site,” with interactive hospitality and viewing facilities. Pier 50 will serve as the main “base” for each of the teams competing in the Event.

Event uses also will occur at Pier 28, area around Pier 38, Sea Wall Lot 330, Pier 48, and certain areas around Sea Wall Lot 337. Media covering the Event will be hosted in Pier 28. During peak periods, Sea Wall Lot 330 will host additional visitor serving activities. Temporary berthage for large “super yacht” vessels traveling to see the Event will be accommodated in the vicinity of Pier 38, and will take advantage of the proximity to the new Brannan Street Wharf waterfront park currently in pre-construction. A temporary International Broadcast Center will be sited, as needed, on surface lots in the vicinity of Sea Wall Lot 337. In addition, portions of Pier 80 may be used for various support functions related to the Event.

One of the key benefits of this venue plan is that, because it is so centrally located, downtown San Francisco can serve as the “America’s Cup Village”, providing the hotel rooms, restaurants, retail shops, cultural attractions and other amenities, including a vast public transit system, needed to serve approximately two million new visitors.

2. Key Financial Terms. From the beginning; the Team acknowledged that a major public subsidy for the Event of the type being offered by the potential European venues (purportedly in the hundreds of millions of dollars) was impracticable. Instead, the Team has consistently sought (i) free land to support the facilities necessary to host the Event and (ii) reasonable assurances regarding corporate sponsorship and fundraising.

Because many of the sites within the venue plan require significant improvements (including Piers 30-32 and 50 in particular) totaling in excess of \$150 million, the Term Sheet contemplates granting long term development rights to Piers 30-32 and 50 and Sea Wall Lot 330 (the “Legacy Sites”) to the Event Authority, together with the proceeds of tax increment financing from such sites (through the formation of an Infrastructure Financing District (“IFD”). Over time, the land value from the Legacy Sites - after they are improved by the Event Authority - and the IFD proceeds from the Legacy Sites have the potential to reimburse the Event Authority for the cost of the Team’s investments in infrastructure related repairs and improvements. The Event Authority, or its designees, and the Port would enter into a long term (66-75 years), rent-free lease of the Legacy Sites (the “Event Lease”), after the completion of all required environmental review and governmental approvals related to the Event. To the extent development rights currently exist for the Legacy Sites, such rights would be included in the Event Lease. To the extent the Event Authority may seek to change such development rights, or to the extent such rights do not yet exist, any further development rights would be subject to separate environmental review and governmental approvals; but in any event the Event Authority would control the Legacy Sites for the entire term of the Event Lease and could choose to host multiple America’s Cup Events before proceeding with longer term development options.

While the direct financial benefits to the City of hosting even a single Event are enormous, and the costs of repairing the Legacy Sites exceed their fair market value, hosting the Event will have short-term impacts on the Port’s revenues, primarily in the form of lost parking and month-to-month lease revenues. To mitigate these impacts, the Port and the City could enter into an MOU pursuant to Proposition D, adopted in 2009, under which a portion of the net revenues paid directly to the City because of the Event would be re-directed to the Port to offset those revenue losses.

3. Sponsorship Opportunities. Hosting the Event in the United States in general, and San Francisco Bay in particular, offers unique and potent corporate sponsorship and fund raising opportunities for the Event Authority. In order to provide the Event Authority with reasonable assurances that these opportunities will be fully realized, an America's Cup Organizing Committee ("ACOC"), comprised of local and national civic and corporate leaders, has been formed. In addition, an Honorary America's Cup Organizing Committee ("HACOC"), comprised of governmental leaders, has also been formed. A list of the current governmental members of the HACOC is attached as Exhibit D. The ACOC will work with Event Authority to raise at least \$270 million for the Event.

4. Schedule. The City will meet the following schedule regarding the Event:

- October 2010-October 2011 – Complete all studies and documentation to support environmental review and permitting for the Event. On a parallel course and during that same period, the Port and the Event Authority will finalize the terms of the long term Event Lease documents that will permit all of the uses related to the Event and any currently approved longer-term development uses for the Legacy Sites.
- November 2011 – Present long term Event Lease, environmental review documentation and permits for approval.
- December 2011-December 2012 – Complete infrastructure improvements.
- 2012 – Pre-regatta.
- Spring 2013 – Commence balance of Event.

At the election of the Event Authority and depending, in part, on how many times the Event Authority elects to defend the America's Cup in San Francisco, the Event Authority and the City may separately negotiate and finalize further long term development rights for the Legacy Sites under the Event Lease, subject to whatever separate environmental review and governmental approvals are required.

City staff has facilitated extensive public outreach regarding the Event. As a result, a number of regulatory, environmental and local community organizations have already pledged support for the Event and will play important roles in meeting the schedule set forth above, including the following:

- State of California – both the State Legislature (SCR124) and Governor Schwarzenegger
- Port of San Francisco
- Recreation and Parks Commission
- Bay Conservation and Development Commission
- Metropolitan Transportation Commission
- San Francisco International Airport
- Golden Gate National Recreation Area
- The Bar Pilots Association
- The Water Emergency Transit Agency
- The San Francisco Maritime Commerce and Bay Council
- The Sierra Club
- Save the Bay
- Environmental Defense Fund
- Planning and Conservation League of California

- Clean Water Action CA
- Golden Gate Audubon Society
- CA League of Conservation Voters
- San Francisco Convention and Visitors Bureau
- The San Francisco Chamber of Commerce
- The Bay Area Council

5. Event Logistics. Hosting more than two million people in San Francisco for the Event will require extensive coordination and planning. Fortunately, the City has extensive experience bringing large numbers of visitors to San Francisco and San Francisco Bay in connection with events like Fleet Week. Accordingly, the Term Sheet describes the City's commitment to work with other governmental agencies to coordinate a number of key activities, including securing the race course, promoting the Event, and coordinating transportation and security.

Exhibit A
Protocol for the 34th America's Cup

[Link to 34th America's Cup Protocol](#)

Document Attached

Exhibit B
Economic Impact Report
Bay Area Council Economic Institute and Beacon Economics

[Link to Economic Impact Report](#)

Report Attached

Exhibit C
Venue Plan

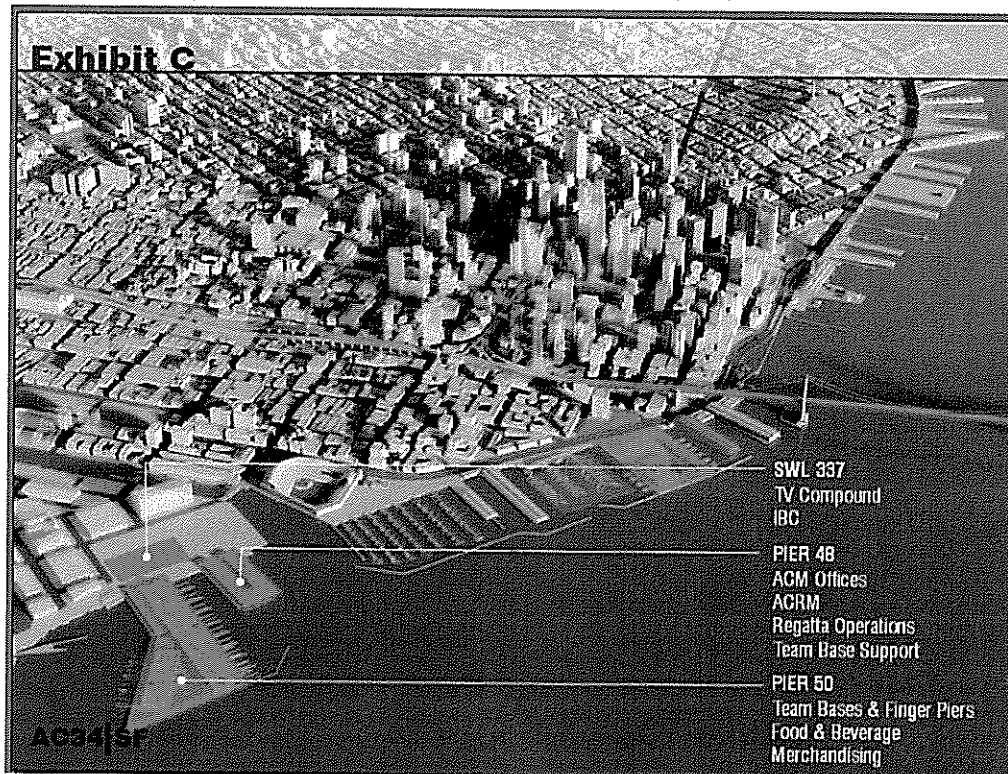
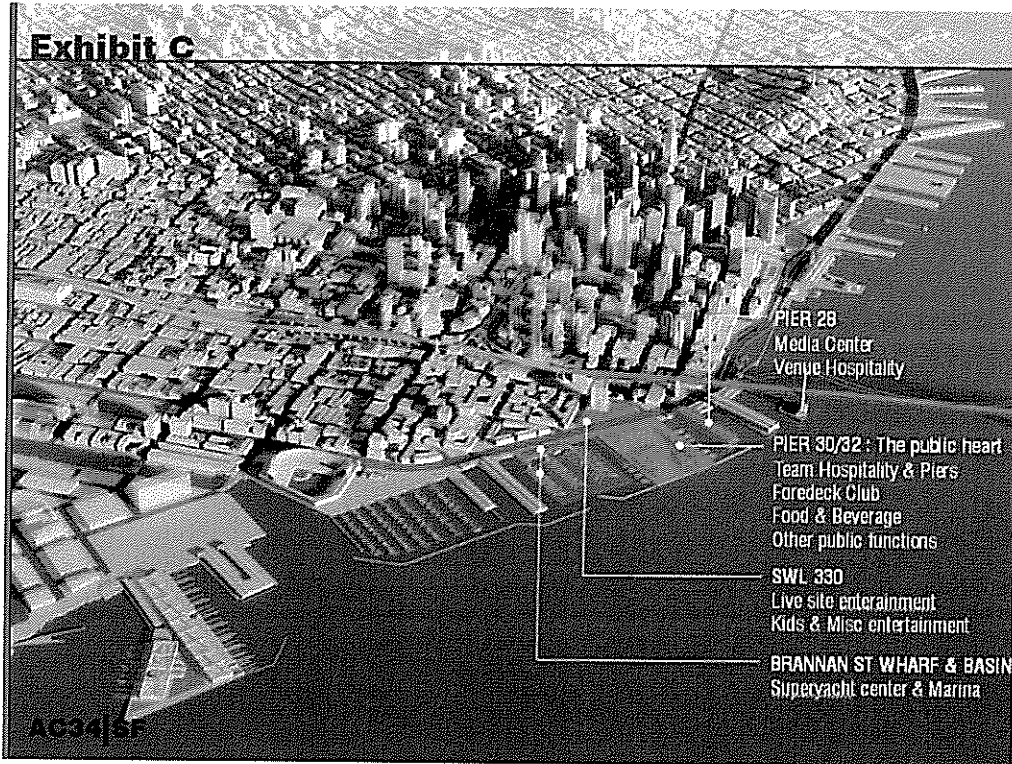


Exhibit D
Members, Honorary America's Cup Organizing Committee

U.S. House of Representatives, Speaker Nancy Pelosi
U.S. Senator Dianne Feinstein

U.S. Senator George LeMieux
U.S. Senator Bill Nelson

Congressman Brian Bilbray
Congresswoman Susan Davis
Congressman Lincoln Diaz-Balart
Congressman Bob Filner
Congresswoman Ileana Ros-Lehtinen
Congresswoman Debbie Wasserman Schultz

Governor Arnold Schwarzenegger

California State Senate, President pro Tem Darrell Steinberg
California State Assembly, Speaker John Perez

California State Senator Mark Leno
California State Senator Leland Yee
California State Assemblyman Tom Ammiano
California State Assemblywoman Fiona Ma

Board of Supervisors, President David Chiu
Supervisor Michela Alioto-Pier
Supervisor John Avalos
Supervisor David Campos
Supervisor Carmen Chu
Supervisor Bevan Dufty
Supervisor Sean Elsbernd
Supervisor Eric Mar
Supervisor Sophie Maxwell
Supervisor Ross Mirkarimi

San Francisco Port Commission, President, Rodney Fong

Governor Gray Davis
Governor Pete Wilson
Mayor Willie L. Brown
Mayor Frank Jordan

Mayor Bob Foster, Long Beach CA
Mayor Jeanne-Marie Napolitano, Newport RI
Mayor Jerry Sanders, San Diego CA