



GOLDEN GATE YACHT CLUB

1 Yacht Road, San Francisco, California USA 94123

December 10, 2010

The Honorable Gavin Newsom
Mayor of the City and County of San Francisco

Members of the Budget & Finance Committee, San Francisco Board of Supervisors
Supervisor John Avalos
Supervisor Ross Mirkarimi
Supervisor Sean Elsbernd

Dear Mayor Newsom, Supervisors Avalos, Mirkarimi and Elsbernd

34th America's Cup – San Francisco

Wednesday's Finance Committee hearing was informative. The America's Cup Event Authority (ACEA) was encouraged by the public show of support to bring the America's Cup Match and Louis Vuitton Cup to San Francisco, along with (arguably) the world's third largest television audience¹.

Several questions were raised at Wednesday's hearing that the Event Authority may be better placed to respond too. In addition, the Southern Pier Host City Agreement was shelved (i.e. the pier 50, 30/32 plan) and a new alternative Agreement offered in its place. We take this opportunity to respond to the questions and comment on the new Agreement.

1. **Competition.** We were surprised that Supervisor Campos raised with such vigour whether San Francisco had any competition in its bid to secure the America's Cup hosting rights. The Event Authority had privately offered Supervisors and Administrators an opportunity to view documents proving other bids existed. Many Supervisors and Administrators took the Event Authority up on this offer; Supervisor Campos did not. We were also surprised at Budget Analyst Rose's response to Supervisor Campos's question about whether the Analyst had seen "in writing" any evidence of these bids. Whilst Analyst Rose's response was technically correct in that he hadn't been given anything in writing, it was mischievous of him not mention that he had been shown the rival bid documents that other Administrators and some Supervisors had seen.
2. **Arbitration.** Supervisor Campos made the point that a legally binding arbitration by the ICC, a Paris based organisation, could be litigated in some foreign jurisdiction. Whilst it is possible that someone could attempt to litigate a legally binding determination from the ICC, the chances of success are so small as to be



inconsequential. The Event Authority is a Californian LLC and America, along with 90 other countries, are members of the ICC. The chances of a litigant finding a jurisdiction not a member of the ICC, successfully lodging a claim, winning it and then having the judgement enforced are incalculably small.

- 3. Financial matters.** The Event Authority predicts that the 34th America's Cup will cost in excess of \$300m. Valencia cost \$230m (€180m) and if we add to that 14 World Series events at, say, \$10m each, you will understand how such a number is arrived at. In San Francisco's bid, the Event Authority does not benefit from any government guarantee of funding as was the case in Valencia and is the case with another bidder for AC34. Rather it must rely on a promise from the newly formed America's Cup Organising Committee (ACOC) to raise \$270m in sponsorship – this is the same ACOC the Budget Analyst has refused to acknowledge will raise \$30m for the City because "it is not guaranteed". The Event Authority must also spend \$150m of its own funds (Southern Pier option) to create facilities to hold the event and in doing so, risk that the piers are in worse shape than the Event Authority has been advised – this was one of the drivers that led Lend Lease to exit the Pier 30/32 Cruise Terminal project. In return for taking this half a billion dollar gamble, the City offered and the Event Authority accepted a land and TIF funding deal the Port valued at \$60-\$70m. We understand that this agreed deal has now been taken off the table because the City/Port cost is approximately \$56m (\$43m Port, \$13m City) and the Budget Analyst suggests higher. Late last week, the Event Authority attempted to resolve the City and Port's cost issue by offering a \$30m saving (moving the event to the Northern and 30/32 Piers, maintaining long term land and TIF deal on Piers 30/32 and 50 plus Seawall Lot 330, eliminating the Port's dredging requirement and the Event Authority paying a \$10m contribution to Pier 50 relocation costs when this occurred sometime after 2013). This offer was rejected. As a sign of good faith, the Event Authority has submitted today one final option of the Host City Agreement for your consideration.

The status as at today is that we do not have an alternative Host City Agreement that stacks up financially for the Event Authority, but the possibility to have one remains available.

- 4. Delay.** We are respectful and mindful of the due diligence and process the City must follow in committing the City to an agreement with a third party. That said, Supervisor Campos suggests postponing Board of Supervisors decision making on the December 14 because it might deliver the City with an even better deal. To reinforce a point made by the public at Wednesday Finance Committee hearing, the Event Authority has commitments to the Teams to advise them of the venue by December 31, 2010. To deliver on this commitment, the bids must



be reviewed, the winner and the other bidders advised so that they can plan their responses, and then we must plan for the announcement. If we do not have San Francisco's signed bid by not later than close of business on December 17, then the City will be deemed to have withdrawn itself from contention.

5. **Trust.** To successfully conclude any agreement, both parties must to agree to the deal. In November, the City, Port, ACOC and the Event Authority did agree a deal – the Southern Pier option. After four months of continuous negotiations, a Host City Agreement was agreed and submitted to the Board of Supervisors in early November. The people representing the City and Port in these negotiations were the same representatives at Wednesday's Finance Committee hearing.

Subsequent to submitting this agreed Host City Agreement to the Board of Supervisors, the City were advised by the Event Authority that their bid stood every chance of being successful. In fact, discussions were held privately and not so privately (Valencia) with other bidders that they needed to begin focussing their attention on World Series events rather than the America's Cup Match.

We were surprised and disappointed to then be advised on December 1st, a little over a week ago, of a new Northern Pier alternative Host city Agreement, an Agreement we had no involvement in preparing. The Event Authority has been advised that this was done to resolve the impact on the City and Port's finances, however no one asked the Event Authority how it impacted its finances. We take this opportunity to advise the Board that the alternative agreement is not acceptable to the Event Authority. If it is resolved by the Board to progress the alternative Agreement in its current form, San Francisco will not win the right to host the 34th America's Cup.

Further, the original agreed Host City Agreement and the alternative proposed by the Port both require an enormous amount of trust and goodwill to agree on the Venue Leases, Legacy Leases, valuations, union agreements, etc, all by the time the CEQA process concludes around October 2011. How can the Event Authority move forward when it doesn't know if the deal it does today will be honored tomorrow?

In concluding this letter, it is important that all parties understand the implications of decisions they are about to make.

The Event Authority wants to bring the America's Cup match to San Francisco because it believes it will be a fantastic venue with the village embracing the City foreshore and a natural amphitheatre on the Bay.

To enable this we must ensure the risks and financial arrangements balance and do not put the Event Authority at risk. The negotiated Host City Agreement balanced this equation; the proposed alternative does not. We have offered a mechanism to assist the City/Port resolve its cost issue. Previously this offer has been rejected, yet such is our



belief that a deal can to be done which benefits the City, the Event and its stakeholders, we have put forward a final proposal.

I draw your attention again to the deadline. Unless a signed Host City Agreement is in place by December 17, then San Francisco will have given up the unique opportunity to host the 34th America's Cup.

Yours Sincerely,

Handwritten signature of Stephen Barclay.

Stephen Barclay

America's Cup Committee, GGYC
Chief Operating Officer, BMW Oracle Racing

cc Mr. David Chiu, President, Board of Supervisors
Mark Buell, Chairman, America's Cup Organizing Committee
Tom Perkins, America's Cup Organizing Committee
George Shultz, America's Cup Organizing Committee

ⁱ AC32 Valencia, 4 billion worldwide cumulative TV audience, IFM International Sportanalysen GmbH, 76149 Karlsruhe, Germany