Council Agenda: 6-12-07
Item: 4.2

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

Chuck Reed

TO: CITY COUNCIL

FROM: Mayor Reed
Councilmember Pyle

Nancy Pyle

SUBJECT: Proposed Major League Soccer Stadium Development

DATE: June 5, 2007

RECOMMENDATION

Support staff's proposal to authorize the City Manager to take certain preliminary and non-binding actions on a proposal to construct a 20,000 - 25,000-seat soccer stadium and transit oriented office/R&D, hotel and retail space, on city owned property on Coleman Avenue.

BACKGROUND

San José has been presented with an opportunity that could, if successfully implemented, achieve several objectives of the City's Economic Development Strategy, and generate extraordinary economic benefits for San José and the region. The proposed project may be an opportunity to get a soccer stadium, and both jobs and housing by transferring employment density to adjacent businesses who wish to expand. Proof of those opportunities remains to be presented, but the project is worth preliminarily pursuing.

On the face of it, this development proposal could be perceived as one that the City Council should embrace on behalf of the many thousands of sports and soccer enthusiasts in San José and the Silicon Valley. However, serious implications could result from a decision that is not based on practical realities and the achievement of long-term city economic development and land use objectives.

Staff proposes:

1. to negotiate and execute a non-binding Memorandum of Understanding to explore the conversion of industrial lands to residential use to support the cost of building a stadium to house a MLS team; and
2. to enter into an Exclusive Right to Negotiate Agreement for the possible development of a soccer stadium, office/R&D, hotel and retail development on the 75-acre city owned land formerly owned by FMC Corporation at Coleman Avenue.

The burden of proving that the conversion of employment land meets our framework and guidelines for conversions is the responsibility of the developer. Also, the burden of proving that the development proposal will ultimately improve our economy and be good for the city is the responsibility of the developer.

ANALYSIS

Let it be clear that the preservation of employment lands and employment capacity is a top priority of this City Council, as was clearly expressed at study sessions and public hearings over the past several months. The criteria for employment land conversions has become increasingly stringent in order to protect our long term interests.

Recent City Council actions have shown how serious we are about our commitment to support opportunities and programs that support job generation rates that will ensure economic prosperity in the long-term. Great efforts will need to be made by the developer to demonstrate compliance with the employment land conversion criteria, if possible conversion of employment lands in the Edenvale Technology Park is to find any Council support.

The developer's proposal offers an opportunity to redevelop the FMC property to its full entitlement potential and to generate revenues to pay City lease obligations, bond service costs and HUD loan debt service. Any agreement to be negotiated between the City and FWSH Partners LLC must be based on a fair market value. No City subsidies, investments, or incentives should be offered.

The San José Sharks have delivered on the promise of generating enormous economic impact year after year. The San José Earthquakes during their existence here had a loyal following of supporters and generated good economic activity. We want to support efforts that enhance the quality of life of our people. Encouraging sporting teams, events and facilities, is one of the strategic initiatives that staff has been working towards since the Council adoption of the Economic Development Strategy in November 2003.

This development proposal offers opportunities that could generate positive economic impacts. Having additional sports and entertainment options will help make San José a better place to live. The developer of the proposal has had a stake in the renaissance of San José since the 1970's, and continues to invest in the transformation of our community, which we appreciate.

This action authorizes staff to continue to investigate a proposition that may be in the best interests of San José. We know that staff will be prudent and responsible in their negotiations and will weigh the costs and benefits of this complex land use and economic development proposal.