



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: PARTICIPATION IN UNITED 2026 BID FOR FIFA WORLD CUP
DATE: January 4, 2018

Approved

D. D. Syl

Date

1/5/18

RECOMMENDATION

Adopt a resolution to authorize the City Manager to:

1. Negotiate and Execute the Airport Agreement between the City of San José and the United States Soccer Federation, Inc., United Bid Committee 2026, or other appropriate entity, regarding participation in hosting and staging the 2026 FIFA World Cup; and
2. Cooperate in the negotiation and execution of documents necessary for the City of San José's participation in the United 2026 Bid for the FIFA World Cup.

OUTCOME

The recommended actions are necessary for the City of San José to participate in the Bay Area's Host City bid for the United 2026 FIFA World Cup. To be a Host City candidate, the City of San José must execute the proposed Airport Agreement by January 18, 2018.

BACKGROUND

World Cup Soccer 2026 presents an opportunity for the City of San José to be part of a tri-city (San Jose, San Francisco and Santa Clara) Host City bid for one of the world's most recognized and prestigious sporting events.

The 2026 World Cup will be the first with 48 teams instead of the current 32, with a record 80 matches to be played across three nations, if North America is selected as the host continent. At least 60 of those matches will be played in the United States and up to 10 each in Canada and Mexico. We are in final stages of the process to determine whether North America or Morocco will host the 2026 World Cup. As part of this selection process, a process to determine which prospective Host Cities will be included by the North America United Bid Committee (UBC) is underway. The Host Cities included in the bid will be critical to the 2026 World Cup's success and will open the door to a big uplift in terms of civic pride, inspiration, and legacy.

There are currently 32 Host City candidates from North America in the second stage of the Host City bid process (four from Canada, three from Mexico and 25 from the United States), which will be narrowed in the final submission of the North American Bid after review of the bids. The UBC will present its final bid submission to the Federation Internationale de Football Association (FIFA) in March. FIFA is expected to select the 2026 host continent in June 2018, with final Host Cities/stadiums announced in 2021.

The City of San José is participating as one of the three Bay Area Host Cities. The matches would be held at Levi's Stadium, with Avaya Stadium, Stanford University, Santa Clara University, and San José State serving as team training facilities.

ANALYSIS

FIFA requires several mandatory contracts be part of the Host City bid proposal. One of those contracts is the Airport Agreement, which would impose certain FIFA requirements on the Norman Y. Mineta San José International Airport (Airport). Operationally, the Airport Agreement requires that the Airport provide retail space (two areas of 200 square meters each), office space (40 square meters), welcoming space [visitors' desks, a common room (60 square meters) and ticket collection points] and security and other VIP treatment for FIFA officials, teams and volunteers. The retail space, subject to a future agreement, is to be at "market rate." Other services, including the welcome desk and VIP service, are to be reimbursed by the United States Soccer Federation, Inc. There is expected lost revenue or out-of-pocket costs, such as for increased security, which may or may not be reimbursed by the local area host committee. If the Bay Area is selected as one of the Host City finalists, separate agreements will be negotiated to address allocation and/or reimbursement of expenses not already covered by alternative sources.

The Airport Agreement requires the Airport to defend and indemnify FIFA for any claims arising out of or attributable to any breach of the Agreement by the Airport, and further requires the Airport to waive claims against FIFA. The Agreement is subject to the laws of Switzerland.

Several provisions of the Airport Agreement may conflict with the Airport's duties under Federal law. As a result, the Airport Council International (ACI) negotiated with UBC to modify the proposed agreement to include a savings clause, that nothing in the Agreement is understood or interpreted to conflict with applicable law. Although modification of the FIFA proposal may negatively impact the bid, the UBC has agreed to include the following modifications:

- The Airport Authority shall observe all international, supra-national, national, state and municipal laws, regulations, and decrees, and incur all costs resulting from non-compliance; and
- Nothing in the Agreement shall be understood or interpreted in a manner that conflicts with applicable laws, regulations and decrees, including the Airport Authority's grant

assurances, or obligates the Airport Authority to act beyond its competences or in a manner not within its authority.

According to the UBC, additional modifications cannot be made to the required FIFA-mandated language without further damage to the viability of the United 2026 Bid. Therefore, although the language is not standard for the City, the City must agree to this language if it wants to be considered as a host site. The UBC has suggested that it will not include cities without an Airport Agreement in the final bid submittal to FIFA.

The City Manager also requests the authority to negotiate and execute any other documents necessary for the City to secure its status as a proposed host city by January 19, 2018. Ultimately, if the Bay Area is selected as a 2026 Host City there will be a Host City Agreement between FIFA, United 2026, and the Bay Area Host Committee. The Bay Area Host Committee is currently being formed as a separate 501c6 entity and additional action by the City Manager may be required.

EVALUATION AND FOLLOW-UP

Staff will report back to City Council in Spring 2018, after the next phase of the UBC Host City selection process is complete. At that time, staff will know whether the Bay Area is selected as part of the United 2026 bid. Staff will report back to Council in June to inform them of FIFA's decision regarding the host continent for the 2026 games.

POLICY ALTERNATIVES

Rather than signing the Airport Agreement, several cities are considering approaching the UBC with a letter offering to negotiate a Memorandum of Understanding or Letter of Support which would evidence a commitment to providing world-class facilities and services if selected as a 2026 World Cup Host City. This alternative may result in better terms and conditions than those currently proposed. However, such an approach may negatively impact the Bay Area bid, as it is understood that the Airport Agreement is one of the required components of the bid package and Norman Y. Mineta San José International is the only airport identified for the Bay Area Host City bid proposal.

The City of San José could choose not to participate in the United 2026 World Cup bid.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the January 9, 2018 City Council meeting agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The exact economic benefit of serving as one of the host cities for 2026 World Cup has not yet been analyzed. If the Bay Area is selected as a finalist Host City further cost/benefit analysis will be conducted, and subsequent negotiations will take place regarding anticipated expenses, benefits, and burdens.

BUDGET REFERENCE

Not applicable at this time. The obligations in the Airport Agreement would be subject to future appropriation and negotiation.

CEQA

Exempt feasibility and planning (PP17-001) and Not a Project, Temporary Special Events resulting in no changes to the physical environment (PP17-011).

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development

For questions, please contact Blage Zelalich, Downtown Manager, 408-535-8172.