



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Esparza

**SUBJECT:** SEE BELOW

**DATE:** August 21, 2020

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Approved: *Maya Esparza*

Date: August 21, 2020

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## **RECOMMENDATION**

1. Approve Staff's recommendations to move forward with the Ice Centre Expansion project

## **BACKGROUND**

The Ice Centre Expansion project will expand upon an existing facility that has reached participation capacity creating jobs and increased economic impact, while the Sharks have provided more than adequate fiscal protections for the City to ensure this project will not be a burden on the City's General Funds.

Sharks Ice is currently the largest rink facility west of the Mississippi<sup>1</sup> and there remains an incredible demand for ice time at the facility. The Little Sharks program, servicing 90 kids per facility per quarter, sells out within a week of opening registration and the weekly prime time freestyle session sells out within seconds of opening registration. With 90 youth hockey teams, offering just one extra practice to each team would occupy 100% of the new rinks created by this expansion. Even with the current pandemic, Ice Centre currently has 400 hockey players in day camps while following the County's Shelter in Place Order.

Not only is there more local demand than can be provided currently, Sharks Ice has secured large scale events to occur following the pandemic that will bring increased out of town spending generating revenue for our local businesses and additional tax revenue for our City that will aid our economic recovery as soon as September 2022.

According to the *Economic & Fiscal Impact Analysis of the Expansion of Sharks Ice*<sup>2</sup> study, this expansion will generate an additional annual impact of \$18.2 million in direct economic impact and \$27.0 million in total economic impact. The 30-year sum of additional nominal total

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<sup>1</sup> <http://www.solar4americaiceatsanjose.com/about-us>

<sup>2</sup> Rascher, Daniel, Ph. D. (2019), Economic Impact Analysis of Expansion of Sharks Ice. SportsEconomics,LLC.

economic impact is approximately \$1.14 billion equaling about \$328 million in total taxes and payments over the course of the bond.

The construction of Sharks Ice expansion alone will create \$20.4 million in total output, \$16.8 million in personal earning, and the creation of 352 new FTE jobs<sup>3</sup> in a time when the unemployment rate in San Jose has reached levels only comparable to the Great Recession.

The City of San Jose will enjoy the job creation and significant economic impact of the Ice Centre expansion without burdening taxpayers as the Sharks' base rent payments will cover the City's entire cost of the bonds. The Sharks have also offered additional fiscal protections, limiting the liability of the City, to ensure the 2020B bonds are not a burden on the City's General Fund.

These protections include a corporate guarantee of all monetary obligation under the Ice Centre Lease from Sharks Sports & Entertainment, the parent company of Sharks Ice and the San Jose Arena Management, as well as a Letter of Credit in favor of the City equaling two years of the maximum annual debt service on the bonds. The base rent payments, covering the cost of the bonds, will be paid to the City regardless of force majeure events providing further fiscal protection to the City.

Given the positive economic impact from the Ice Centre expansion and the fiscal protections included in the agreements with Sharks Ice. LLC, I recommend Council approve staff's recommendations and move forward with the Ice Centre expansion.

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.*

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<sup>3</sup> Rascher, Daniel, Ph. D. (2019), Economic Impact Analysis of Expansion of Sharks Ice. SportsEconomics,LLC.