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March 22, 2016

Dean Spanos
President and Chairman
Chargers Football Company, LLC
4020 Murphy Canyon Road
San Diego, CA 92123

John Kratzer
President
JMI Realty
12250 El Camino Real, Suite 160
San Diego, CA 92130

Re: Downtown Convention Center/Stadium Joint Use Facility
MTS Property Located at 100 16th Street

Dear Mr. Spanos and Mr. Kratzer:

This letter is intended to open negotiations between San Diego Metropolitan Transit System (MTS), JMI Realty and the Chargers concerning the JMI/Chargers proposed downtown joint use facility. The project, as described in the media and renderings released by JMI, sits on top of 7.75 acres owned by MTS in the East Village area of downtown San Diego (100 16th Street). The MTS property is known as our Imperial Avenue Division (IAD). IAD is the home of MTS's downtown bus operations offices, maintenance and fueling facilities and dispatch services.

Since approximately 2012, I have made several attempts to initiate a dialogue with the Chargers and begin planning/due diligence efforts in the event the Chargers were serious about a downtown stadium project impacting IAD. Those contacts resulted in no action by the Chargers.

Although MTS has still received no formal communication, request for information, offer to purchase or other correspondence from JMI or the Chargers about this project, local media reports and press releases from both JMI and the Chargers clearly state your intent to move forward with a convention center/stadium joint use project utilizing MTS's property. On this basis, MTS would like to request a meeting with your team to discuss your timeline, MTS's requirements for a negotiated sale, and transit mitigation measures that must be considered as part of your project.

MTS is an independent public agency created by California Public Utilities Code section 120050, *et seq.* Because the MTS IAD property is publicly owned and dedicated to public use, it cannot be acquired by eminent domain. It can only be acquired through a negotiated sale approved by MTS's 15-member board. MTS's mandate is to provide public transit services in the San Diego region. Therefore, MTS's assets, either through direct use or revenue generation, must be used to support public transit. MTS has no role in funding or planning a convention center or stadium facility.



The MTS IAD facility is a complex bus maintenance facility that cannot be easily replicated. Therefore, before MTS can vacate the IAD property, a complete, turnkey replacement facility would need to be constructed. The replacement facility must be near the downtown core because the bus routes it serves are in this location. A 2009 study determined that for every additional 5 minutes of travel time for the IAD bus fleet, MTS will incur an additional \$900,000 in operating costs each year. Siting and constructing a new bus maintenance facility will require significant time and money because of the complications related to finding 8-10 acres of industrial land near the downtown core with good ingress/egress, environmental and social justice reviews required by state and federal law, and competitive bidding requirements. MTS has previously estimated a 5-7 year timeline for these activities. That timeline does not take into account the time required to negotiate an agreement with the Chargers/JMI.

Your planning for a downtown joint use facility should take into consideration the following MTS requirements:

1. MTS must be made whole in any relocation/vacation of IAD;
2. MTS must receive fair market value for the IAD property;
3. MTS must receive full replacement facilities;
4. IAD relocation must not result in higher annual operating costs for MTS bus operations;
5. MTS cannot vacate the IAD site until a turnkey replacement facility is constructed and operational; and
6. The Chargers/JMI project must pay for transit facilities necessary for a stadium use.

In order to resolve items 1-5, we will need to prepare an appraisal for the IAD land value; identify and appraise a replacement site, including whether there will be any statutory relocation costs, goodwill payments or legal costs associated with acquiring the replacement site; determine the costs to build replacement facilities on the replacement site, including any associated environmental and Title VI review consultants, design, project management and construction costs. Once a site is identified, we will be better able to determine a realistic timeframe for acquisition, environmental/Title VI review, and construction.

While Items 1-5 may be typical real estate negotiation issues, we would like to call your attention to Item No. 6- Stadium-Related Transit Facilities. MTS's experience at Qualcomm Stadium has shown that special pedestrian and trolley queuing facilities are necessary to accommodate the large crowds (15,000 to 18,000 people) who all need to board trolleys and leave the stadium at the same time. While the proposed joint use facility will be located near MTS's 12th & Imperial transit center, that center is not configured in a way that can safely handle such large crowds. Therefore, significant reconfiguration of the track work, stations and bus bays will be necessary to accommodate a stadium use. In addition, long passenger queuing areas (similar to the 2,500 linear feet at Qualcomm) will need to be constructed, potentially on the Padres Tailgate lot, to control the pedestrian traffic flows while maintaining trolley and vehicular traffic on Imperial, 12th, Park Boulevard and other local streets. Your joint use facility design and financing plan should include this expanded facility. Therefore, we recommend a separate working group be established to address this aspect of your project.

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MTS has no desire to impede or delay a convention center/stadium joint use facility project if the local community supports it. However, MTS must maintain its transit mission and its fiduciary responsibility to use its resources for public transit purposes. We believe that early collaboration and resolution of these important issues is the best way to ensure that the MTS Board is able to support your project and agree to a negotiated sale of the IAD property. Please have your designated representatives contact me directly at (619) 557-4512 or karen.landiers@sdmts.com so that we can schedule a meeting to discuss these issues further.

Sincerely,



Karen Landers
General Counsel

cc: Harry Mathis, Chairman, MTS Board
Ron Roberts, County Board of Supervisors/MTS Board
Kevin Faulconer, Mayor, City of San Diego
Paul Jablonski, Chief Executive Officer, MTS
Mark Fabiani, Special Counsel to the Chargers