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How San Diego's Taxpayer Won by Letting the Chargers Bolt.

- Moody's: voters' rejection of new stadium credit positive
- Largest city-owned site could be redeveloped in better deal

The departure of a professional football team from San Diego means the city may not need to pay out $11.7 million annually from its general fund on the stadium for much longer.

The National Football League's Chargers are decamping for a new Los Angeles area stadium after voters in November rejected a measure that would have pledged $1.1 billion in public backing for a new arena. Not only did residents dodge a debt burden, they now have a chance to see redevelopment of the city's largest piece of real estate available. One proposal would bring a soccer franchise without public subsidies.

The ballot proposal, pushed by the Chargers, would have increased hotel taxes to 16.5 percent from 10.5 percent to pay for a new stadium and a convention center expansion. But analysis by consultants highlighted the uncertainty of the $1.8 billion price tag. Since the city would have borne any cost overruns and infrastructure improvements, the rejection of the measure by 56 percent of the voters was a credit positive, Moody's Investors Service said.

"We've had a history of bad deals as a city," said City Councilman Chris Cate, who opposed the ballot measure. "I firmly believe that taxpayers paying for a stadium has no economic benefit whatsoever to the city or the region."

San Diego still owes $38 million in municipal bonds on the stadium, data provided by the city show. Debt service next year through 2027 will total about $4.7 million annually, which won't be covered by the team's $12.5 million payment to the city for breaking its lease. Still, it would be a "minimal" impact to the city's general fund, said Kristina Alagar Cordero, a Moody's analyst.

Investors in the city's debt don't appear to be put off by the loss of the football team. A San Diego 5.25 percent coupon 2040 revenue bond, callable in 2020, is trading at a 31 basis point spread to the BVAL AA Muni 5-Year Revenue Curve, compared to 28 basis points just before Election Day and 52 basis points on the day the Chargers made their departure official on Jan. 12.

Thanks to rebate agreements and legal settlements, San Diego actually ended up paying the Chargers to play for the past decade. "If anything, there will likely be a cost savings to the city by not having to provide public safety services" during games, said Craig Gustafson, a spokesman for Mayor Kevin Faulconer, in an e-mail.

The Chargers, who ended the season last in its division and with a home attendance that was second-worst in the league, will join the Rams in a new stadium in Inglewood, outside of Los Angeles, when it opens in 2019. Until then the team, renamed the Los Angeles Chargers, will play in a smaller complex in Carson.

Other leases, such as with San Diego State University, oblige the city to keep the stadium open through 2018. After then, it's up in the air. Since the facility is costing the general fund and also needs $90 million in upgrades, municipal officials are evaluating "the financial feasibility of continuing stadium operations beyond that point," Gustafson said.

The departure could yield a chance for long-term positive impact if the 166-acre site is redeveloped. "It does provide the city an opportunity," Cordero said.

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by Romy Varghese

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