

Agenda Report

To: City Council
Through Business Enterprise Committee (BEC)

From: Rose Bowl Operating Company (RBOC)

Subject: Rose Bowl Use Plan

Date: August 14, 2000

RECOMMENDATION:

It is the recommendation of the RBOC that the City Council approve the Use Plan of the Rose Bowl as follows: "Twenty major events will be permitted annually. The definition of a major event will be an event that has a minimum of 30,000 attendees.

It is also the recommendation of the RBOC that an Environmental Impact Report review the potential of the Rose Bowl hosting 25 major events per year."

BACKGROUND:

The City of Pasadena is currently developing the Central Arroyo Master Plan. An important component of the Master Plan is the future use of the Rose Bowl. It is staff's understanding that the Rose Bowl Use Plan once it is approved by the City Council will become part of the Central Arroyo Master Plan.

The RBOC has been working on this plan since February, 2000. In addition, there have been community meetings with each of the seven districts in Pasadena, attached were the dates and locations of each meeting:

District 1	May 24 th	Pasadena Christian School
District 2	May 16 th	Press Box
District 3	June 10 th	Flintridge Foundation
District 4	May 30 th	Press Interview Room
District 5	June 24 th	Madison Elementary School
District 6	May 25 th & June 22 nd	Press Interview Room
District 7	May 24	Allendale Elementary

All of the district meetings were designed to present an objective overview of the business of the Rose Bowl in today's and potentially tomorrow's marketplace. It is staff's opinion that all of the districts, with the exception of some residents of districts 1 & 6 were supportive to additional use of the Rose Bowl. The Linda Vista Annandale Association views are that we should keep things as they are related to the process of approving events over 12 per year. Some District 1 residents voiced concerns about how the Rose Bowl Use Plan would impact the quality of their lives.

The draft Use Plan has also been presented to the Central Arroyo Master Plan Advisory Committee, the Chamber of Commerce Board of Directors and the Pasadena Center Operating Company.

Two of the most important issues that the RBOC addressed as part of the Use Plan are fiscal responsibilities and the Arroyo Seco Ordinance, which would include the number of major events permitted at the Rose Bowl.

Fiscal Responsibilities:

The RBOC Currently has a bond debt of \$45million, including principal and interest. This debt will not be absolved until December 2016. The debt, which includes principal plus interest, equals approximately \$2.5 million per year.

The attached financial summary provides an indication of the financial situation the RBOC is currently facing. Essentially, with the current stable of tenants (UCLA, Flea Market, Galaxy, and Tournament of Roses, Golf Course), the RBOC breaks even before making any contributions to the City of Pasadena. In the past several years, transfers ranging from \$800,000 (FY 2000) to \$1.6 million (FY 98) have been budgeted from the Rose Bowl/Golf Course Fund.

It has been proven that surplus funds for the Rose Bowl can be generated via special events (i.e. international soccer, concerts, motocross).

In FY 99, the only special events that occurred were MLS Cup and a first round Women's World Cup match. Prior to City contributions the RBOC's cash flow was \$15,800

By contrast in FY 2000, the special events that occurred at the Rose Bowl were:

- Finals Women's World Cup
- Lilith Fair Concert
- Supercross
- U.S. vs. Iran, Soccer
- 'NSYNC Concert

It is anticipated that prior to city contributions in FY 2000, the RBOC's cash flow will be approximately \$1 million.

When determining a recommendation for the future use of the Rose Bowl, staff considered these important factors:

- Current stadium bond debt, including principal and interest is \$45 million
- Renowned 1922 stadium must remain competitive and provide ongoing resources to support capital improvements
- Demand for a stadium the size of the Rose Bowl is limited
- Rose Bowl is the only major national stadium we are aware of that has a limitation on the number of annual events permitted

Major Events:

Within the Arroyo Seco Ordinance, under Rose Bowl area – Administration, it states “That displacement of recreational programs and activities within Brookside Park and the Brookside Golf Course has not occurred more than 12 times annually.”

Pertaining to attendance threshold, it does not provide a specific number of people attending an event, except under F: “All proposed contracts involving the use of the Rose Bowl which anticipate an attendance of over 20,000 people shall be approved by the RBOC in conformance with this chapter...”

With the exception of 1994, there have been no more than 14 major events in a given year. The reason for the spiked number in 1994 (20 major events), were eight World Cup matches and four concerts. Due to the size of the Rose Bowl, the factors that would significantly increase activity would be: if soccer develops as a much more popular spectator sport in the United States on a regular basis, if a concert boom for stadiums enters the marketplace or if a football organization desires to have the Rose Bowl as its home stadium (USC and/or NFL).

It is the RBOC’s recommendation that 30,000 be established as the guideline whether or not an event is considered “major” for the following reasons:

IMPACT LEVELS

	<u>15,000</u>	<u>20,000</u>	<u>30,000</u>
Area H use	Yes	Yes	Yes
Golf Course Use	No	No	Yes
Barricades in Neighborhoods	No	No	Yes
Helicopter to Minimize traffic Congestion	No	No	Yes

Trash clean up
Program in
Community

No

No

Yes

Examples of Rose Bowl events having a varying degree of effect on recreation use are the following:

On July 17, 1999 the Rose Bowl hosted Lilith Fair for 27,000 people. At the same time, there was an AYSO soccer tournament for 2,000 children on area H, one of the golf courses was open, the Aquatic Center was open and there was a picnic at Brookside Park.

By contrast on July 10, 1999 the finals of Women's World Cup was held at the Rose Bowl with an attendance of 90,000. On that date there was nothing else scheduled in the Arroyo.

Potential Future Scenarios

As part of the Use Plan, staff developed five different scenarios for realistic future use. Included in the scenarios were combined revenue from the stadium and golf course. It was also mentioned that only operational expenses were considered, not capital.

The five scenarios included:

1. Current base of tenants and events for FY 99, which was 16 major events, however 3 events were reserved for the Los Angeles Galaxy that didn't end up becoming major due to attendance figures. As previously stated, FY 99, the RBOC generated more than \$1 million before city contributions.

<u>Quantity</u>	<u>Event</u>
6	UCLA
1	Rose Bowl Game
2	International Soccer
3	Los Angeles Galaxy
2	Concerts
1	July 4 th
1	Miscellaneous Special Event (Supercross)

Total: 16 major events

Projected net cash flow: \$1 million

2. The second scenario was similar to our current base of tenants, with the exception of the Los Angeles Galaxy vacating the Rose Bowl. This is the most likely future scenario. If the Galaxy leaves, the Rose Bowl will take a financial hit of approximately \$300,000. This is due to the reduction of advertising revenue that could occur. Based on information provided by SFX, the Rose Bowl's advertising sales representative, the Galaxy is worth 50% of the facility's total advertising revenue. In addition, the Rose Bowl may lose some potential international soccer and possibly a concert.

<u>Quantity</u>	<u>Event</u>
6	UCLA
1	Rose Bowl Game
1	July 4 th
1	International Soccer
1	Concerts
1	Miscellaneous Special Event

Total: 11 major events

Projected net cash flow: \$312,000

3. The third scenario is based on the NFL coming to Los Angeles and building a stadium elsewhere in Southern California. If that were to occur many of the special events that currently go to the Rose Bowl would probably go to the new facility. If a new stadium were to come to Southern California the entire RBOC operation would lose money in all likelihood.

<u>Quantity</u>	<u>Event</u>
6	UCLA
1	Rose Bowl Game
1	July 4 th
1	Miscellaneous Special Event

Total: 9 major events

Projected net cash flow: -\$141,000

4. The fourth scenario is an extreme. It is based on UCLA leaving the Rose Bowl in the event a new stadium is built in Los Angeles. If a new stadium is built, it is likely that the facility will attempt to have UCLA relocate and leave the Rose Bowl. If the new facility is successful then the Rose Bowl will be used as it was pre 1980, two or three times a year for major events and the Rose Bowl operation would lose significant revenue annually.

<u>Quantity</u>	<u>Event</u>
1	Rose Bowl Game
1	July 4 th
1	Miscellaneous Special Event

Projected net cash flow: -\$1.2 million

- The fifth scenario is also an extreme. It is based on a new major tenant coming to the Rose Bowl and a new stadium in Los Angeles not being built, therefore the Rose Bowl would retain some of the marquis special events that have come to our city.

<u>Quantity</u>	<u>Event</u>
6	UCLA Football
1	Rose Bowl Game
1	July 4 th
1	Concerts
1	International Soccer/Miscellaneous Special Event
12	New tenants events
Total:	24 major events
Projected Net Cash Flow:	\$1.6 million

Market Environment:

The Rose Bowl was built in 1922. It is one of the oldest, most historic facilities in the country. In October, 1999, Staples Center in Los Angeles opened at a cost of \$450 million. It is expected that in 30 years that arena will be outdated. In the past few years, several stadiums built after the Rose Bowl are being torn down for new facilities. This includes stadiums in: Baltimore, Cincinnati, Cleveland, Denver, Pittsburgh and Tampa Bay.

Currently within the market environment in Southern California, there is a lack of competition related to football and soccer stadiums. Currently the Los Angeles Coliseum competes with the Rose Bowl in the attempt to secure international soccer and potential additional football games. If another stadium was to be constructed in the greater Los Angeles area, it is very likely that they will make an aggressive effort to have UCLA relocated there as well as try to have the majority international soccer and concerts.

In terms of smaller events (under 30,000) there is a very strong possibility of the Los Angeles Galaxy will be building a soccer specific stadium and will attempt to secure all outdoor events that will be under 30,000 in attendance.

Although the Rose Bowl is one of the most beautiful stadiums in the world, new stadiums will have more profitable opportunities for tenants (primarily due to premium seating). In today's market condition as opportunities become available it is important to recognize that these opportunities are not guaranteed to come the way of the Rose Bowl again.

ARROYO SECO ORDINANCE

In January 1983, an Ad Hoc Committee representing eight neighborhood organizations with 2,000 members submitted its "Report and Recommendations on Policies for Rose Bowl Use." This report proposed establishment of an interim policy for one to two years, preparation of comprehensive environmental impact report, establishment of effective cost accounting and a financial plan for the Rose Bowl and golf course, and adoption on interim limits on Rose Bowl uses.

In March 1986 this group requested the establishment of a Task Force. The Arroyo Seco Task Force was appointed on March 31, 1986.

In February, 1987 the Task Force submitted a report with recommendations on traffic management, major event scheduling, recreational displacement, noise, litter, parking, public safety and fiscal management. Recommendations included information obtained from a survey conducted by USC and another survey conducted by the city.

Task Force recommendations were reviewed at a public hearing. At a following meeting, staff presented their analysis and agreed with all Task Force recommendations except that a curfew of 9:00 p.m. was too early. Recommendations were also reviewed by the Parks Commission and a proposed ordinance was presented in July, 1990. The ordinance was adopted in October, 1990.

Certainly, the ordinance seeks to achieve a balance among the development of recreational programs, the use of public parks, and the preservation of residential values in the area. In capitalizing on the economic opportunities offered to the Rose Bowl, numerous exemptions to the ordinance have been made, which occasionally makes event development more challenging. Inadvertently the ordinance gives the city (Rose Bowl) the appearance of being unfriendly to event promoters

Summary

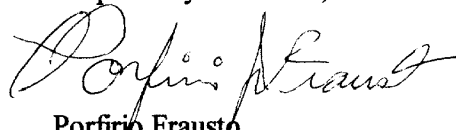
Some of the facts that have been addressed includes that there has been a maximum of 20 major events in one year only once since 1988. That occurred in 1994 when the Rose Bowl hosted the World Cup. It is staff's opinion that there is a limited amount of demand for the Rose Bowl. The stadium is one the largest facilities in the country and if an event can not attract more than 30,000 patrons it is unlikely that the event would want to be at the Rose Bowl. The Los Angeles Galaxy currently are pursuing an alternate location to play its home games due to the size of the Rose Bowl.

An important assumption of the ordinance that invites review is the attendance threshold, as the present perceived threshold of 20,000 has a minimal impact on the community's ability to utilize the surrounding facilities and amenities on event days. The stated threshold of twelve major events, which is permitted within the parameters of the ordinance is not currently realistic if the RBOC is expected to pursue multiple special events. For example, in 2000, there are 7 UCLA games, the Rose Bowl Game and the Galaxy are automatically granted 3 displacement events of the original 12 (they are also granted additional 3 events). Therefore before the year began there was only one available displacement event available. That event occurred on January 16, 2000 when the United States played Iran in an international soccer match. For the RBOC to focus on being a profitable enterprise, the threshold number should be set at more realistic levels, thus providing a balance between the ordinance's intended goals and the RBOC's business goals.

FISCAL IMPACT:


The market environment of stadiums in Southern California will dictate the future fiscal impact of the Rose Bowl. Based on the current market conditions, and the assumption that the current tenant base continues at the Rose Bowl, the total gross revenue of the RBOC (including the golf course) will be approximately \$9.8 million per year.

Respectfully submitted,



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President

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