

# Agenda Report

May 3, 2004

**TO:** City Council

**FROM:** Rose Bowl Operating Company (RBOC)

**SUBJECT:** License Agreement with Soccer United Marketing (SUM) and/or Anschutz Entertainment Group (AEG) for an international soccer match to be played on August 4, 2004

## **RECOMMENDATION:**

It is the recommendation of the RBOC that the City Council approve:

1. Affirm action of the RBOC to approve a license agreement with SUM and/or AEG for the promotion of an international soccer match involving Real Madrid on August 4, 2004 at the Rose Bowl.
2. Make the required finding, pursuant to Arroyo Seco Ordinance Section 3.32.270, to authorize the presentation of a soccer game to be held at the Rose Bowl as a displacement event.
3. Acknowledge that on February 23, 2004 the City Council approved 25 displacement events at the Rose Bowl pursuant to the environmental clearance provided by the Master Environmental Impact Report for the Arroyo Seco Master Plans certified on April 14, 2003. In addition, acknowledge that this action is also categorically exempt under the California Environmental Quality Act ("CEQA") pursuant to Section 15301 of the CEQA Guidelines, Class 1 which consists of the leasing or licensing of existing public facilities, and Section 15323 of the CEQA Guidelines, Class 23 which consists of the normal operations of existing facilities for public gathering for which the facility was designed, where there is a past history of the facility being used for the same or similar kind of purpose.

## **BACKGROUND:**

Anschutz Entertainment Group (AEG) is the country's most powerful entity related to the promotion of soccer. They are owners of the Los Angeles Galaxy, as well as four other Major League Soccer Franchises. In addition, they own Home Depot Center and have the rights to the national team of Mexico for all of its matches played in the United States

and have a partnership with Soccer United Marketing and the United States Soccer Federation. They are the major controlling entity of soccer in the United States.

Since the Galaxy left the Rose Bowl, staff, and our soccer consultants, Premier Partnerships have been in discussions with AEG concerning the development of an alliance between the two entities, that would provide the Rose Bowl with an opportunity to host large scale international soccer matches, since Home Depot Center has a capacity of 27,000 (AEG owns and operates Home Depot Center). Staff has reached a tentative agreement that will provide the RBOC with the opportunity to host an international soccer match involving the world renowned soccer team, Real Madrid. The arrangement for this match is based upon significant success for both AEG and the RBOC providing this match is successful financially. If however, the match is not successful financially (revenue does not exceed expenses), the arrangement is such that the RBOC will secure all of its expenses and admission tax revenue (\$1.21 per attendee), but will not profit from traditional ancillary revenue streams.

The agreement is based upon the below scenario, which is based upon a spirit of partnership as we seek a long term relationship with AEG

1. AEG will pay the RBOC a flat license fee of \$55,000.
2. AEG will pay the RBOC a premium as follows:
  - a. \$1. per ticket for each paid ticket between 40,000 and 70,000
  - b. \$2. per ticket for each paid ticket between 70,001 and 80,000
  - c. \$3. per ticket for each paid ticket over 80,000.
4. The RBOC will retain 75% of its net share of concession revenue and will credit AEG with the remaining 25%.
5. The RBOC will retain 75% of its net share of parking revenue and will credit AEG with the remaining 25%.
7. AEG will pay the RBOC 10% of net revenue novelties (gross revenue less sales taxes). The RBOC will then pay its concessionaire, Centerplate half of the 10% or in other words the RBOC will retain 5% of the net novelty revenue.
8. AEG will retain broadcast rights.
9. AEG will retain temporary, advertising revenue.

10. AEG will pay an admission tax calculated at \$1.21 per ticket.

The reimbursement for these event expenses will be capped according to various, preset attendance levels and will exclude those expenses associated with concession, parking and novelty income. The event expenses are established and capped at the following levels:

<u>Attendance</u>	<u>Expenses</u>
Up to 40,000	\$111,000
40,001 - 50,000	127,000
50,001 - 60,000	136,000
60,001 - 70,000	146,000 plus shuttle expenses, if necessary
70,001 and above	167,000 plus shuttle expenses

11. If net event revenue does not meet event expenses then the RBOC will only retain revenue from expenses (see above table) and admission tax revenue (\$1.21 per attendee)

### **Real Madrid**

Real Madrid are essentially the “New York Yankees” of international soccer. On their team are players such as: David Beckham, Ronaldo, Zinedine Zidane, the 2003 FIFA World Player and Luis Figo the 2001 FIFA World Player. Attendance for this event is estimated to be at a minimum of 50,000 – 60,000 (it will depend significantly on who the opponent will be for Real Madrid).

### **Displacement Events**

The Arroyo Public Lands Ordinance establishes guidelines and policies related to the administration of the Arroyo Seco, including the Rose Bowl. The ordinance states that the City seeks to achieve a balance between the use of the Rose Bowl and impact of such use on surrounding residential areas. To achieve that balance, Section 3.32.370 of the ordinance limits the number of displacement events to no more than 12 in an calendar year except with the authorization of the City Council.

During the calendar year 2004, the following are expected to be displacement events:

- Rose Bowl Game
- 6 UCLA Football Games
- Wango Tango Concert (May 15, 2004)
- 5 Billy Graham events (July 29 – August 1)

In order to be acceptable, the City Council and the RBOC must find that each additional permitted events meet all of the following requirements:

1. "The additional event represents a unique opportunity that will enhance the stature of the Rose Bowl." The Real Madrid soccer match is considered to be a lucrative soccer match and is an opportunity for the Rose Bowl and the City of Pasadena to send a message to soccer promoters that the Rose Bowl is a competitive and viable venue. This event will provide the Rose Bowl and Pasadena with extensive publicity throughout Southern California leading up to and during the game.
2. "The revenue generating potential from the additional event justifies its consideration." It is estimated that this event will directly generate \$89,000 - \$200,000 for the RBOC. Adding to this economic impact is the portion of sales tax that will revert back from the State of California to the City of Pasadena and the employment opportunities that will be created as a result of this event.
3. "It is anticipated that this event will not create undue conflicts with Arroyo Seco activities taking place at the same time." Staff will work closely with the Parks and Natural Resources Division of the City of Pasadena's Public Works Department, as well as the Pasadena Police Department to best control the displacement of other activities in the Arroyo Seco.
4. "The event does not impose undue adverse impacts on the surrounding residential area." Planning and preparation will be attempted to minimize impact of this event to the surrounding neighborhoods. The Police Department will take the lead in preparing a traffic plan that will include measures to prevent traffic from congesting neighborhood streets, recognizing that this is a mid-week activity. Neighborhood notification will be provided at least thirty (30) days prior to the event.

**Environmental Impact:**

On February 23, 2004, the City Council approved 25 displacement events at the Rose Bowl pursuant to the environmental clearance provided by the Master Environmental Impact Report for the Arroyo Seco Master Plans certified on April 14, 2003. The proposed license agreement is also Categorical Exempt under the California Environmental Quality Act ("CEQA") pursuant to Section 15301 of the CEQA Guidelines, Class 1 which consists of the leasing or licensing of existing public facilities, and Section 15323 of the CEQA Guidelines, Class 23 which consists of the normal operations of existing facilities for public gathering for which the facility was designed, where there is a past history of the facility being used for the same or similar kind of purpose.

**FISCAL IMPACT:**

Please refer to the below matrix pertaining to various attendance levels.

		<b><u>ATTENDANCE</u></b>					
		20,000	30,000	40,000	50,000	60,000	70,000
1) EXHIBIT "A" IF AEG IS PROFITABLE	PARKING						
	\$15 / \$20	\$130K / \$146K	\$152K / \$170K	\$188K / \$211K	\$220K / \$247K	\$240K / \$272K	\$276K / \$311K
2) EXHIBIT "A" IF AEG IS NOT PROFITABLE							
	ADMISSION TAX ((AEG ALSO PAYS FOR ALL EXPS.(CAPPED)	\$1.23	\$24,600	\$36,900	\$49,200	\$61,500	\$73,800

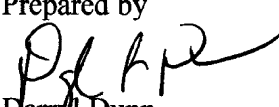
**NOTE:**

**THESE FIGURES REPRESENT RBOC NET PROFIT, WITH THE FIRST FIGURE AT \$15 PER CAR PARKING AND THE SECOND FIGURE AT \$20 PER CAR PARKING.**

Respectfully submitted by,

  
 Patrick T. Green,  
 RBOC President

Prepared by

  
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 General Manager