



TO: Mayor William J. Bogaard and Members of the Pasadena City Council

FROM: Edward S. Garlock, President, RBOC Board of Directors
Darryl Dunn, General Manager, RBOC

DATE: June 2, 2005

RE: Proposed NFL Project – Possible “Plan B” Scenarios

At the end of the City Council meeting on May 16, 2005, Councilman Tyler requested that we provide information for one or more possible “Plan B” scenarios, either as alternatives to the proposed NFL project, or in the event the NFL project does not occur at all.

Alternatives to the NFL: No “Plan B” Scenario Meets the Goals of the Proposed NFL Project

The first important point is that there is no alternative scenario to the proposed NFL project that permits us to achieve our fundamental goal, which is also one of the fundamental elements of the NFL project. As we have stated on every occasion we have discussed the NFL project, our goal has always been to secure the long-term financial future of the Rose Bowl, and from a financial perspective the NFL project certainly meets that goal by obtaining a long-term tenant that would be responsible for (1) all costs of fully renovating the Rose Bowl and (2) the costs of maintaining the Rose Bowl during the course of that long-term lease.

Other than the NFL, there is no such prospective tenant or project.

If No NFL: Any “Plan B” Scenario Requires Significant Public Money

The second important point is that, assuming the NFL project does not occur, the only certain elements about any other scenario are that any renovation of the stadium:

- (1) will be much reduced in scope, but will still be very expensive;

- (2) will not enable the Rose Bowl to be self-sustaining, *i.e.*, Brookside Golf Course will have to continue to subsidize the stadium, unless other as yet unidentified sources of revenue are found; and
- (3) will involve a significant expenditure of public money by the City of Pasadena.

What are some of those scenarios?

The Only Certain “Plan B” Scenario: Meeting Current Legal Obligations. At this point, the only certain “Plan B” is the one that permits us to meet our current legal obligations. It is, in essence, the “status quo Plan B.” It contains the following elements: First, under the new twenty-year UCLA lease, the City is obligated to (1) complete certain seismic improvements to meet the required rating for the University of California system, which will cost approximately **\$1.5 million**, and (2) undertake a complete renovation of the home and visitor locker rooms and media center and certain video upgrades. This project is anticipated to cost approximately **\$12 million**. Second, although not a legal obligation, we would as a matter of good practice include setting aside **\$11 million** (\$550,000 per year for the twenty-year UCLA lease) for major maintenance projects that we have identified based on past experience.

The cost of this “Plan B” scenario thus totals approximately **\$25 million**.¹ More to the point, it barely allows us to meet our existing legal obligations, it still requires Brookside Golf Course to subsidize the stadium, and it puts aside the minimum amount necessary to maintain the stadium in its present condition. In effect, this is a “status-quo” scenario that should permit the Rose Bowl to stay as it is until the lease with UCLA runs out in 2023, providing nothing unforeseen happens to the stadium. However, it is not, and we emphasize “not,” a long-term solution to the Rose Bowl’s problems. While the Rose Bowl as it is today is one of the most beautiful sports venues in the world, it is a far different question: *“If the Rose Bowl remains as it is today, will it be economically self-sufficient or competitive in the 21st Century?”*

Possible “Plan B” Scenario: Adding Stadium Enhancements. Thus, what about a “Plan B” scenario that would include more significant stadium renovations, including true

¹ These figures include construction/annual maintenance costs only. They do not include the cost of financing the new locker rooms/media/video project. We have presented it this way so that the presentation is consistent with the discussion later in this memorandum on a possible “Plan B” based on significant capital enhancements to the stadium; the figures presented there are also construction costs only. As the City Council knows, however, we plan to fund the new locker rooms/media/video project by refinancing the existing bonded indebtedness for the stadium. The refinancing would increase the principal amount to cover the construction costs of the locker rooms/media/video project and would extend the maturity of the bonds to coincide with the end of the UCLA lease. The estimated total principal and interest over the life of the refinanced and new money bonds would be **\$45 million**. This amount plus the amounts for the seismic retrofit and the annual capital maintenance total **\$57 million**, which is the amount that we have frequently identified as the cost of the “status quo” situation over the roughly next twenty years.

“capital improvements,” which would significantly enhance the attractiveness of the stadium?

What would the cost be? First, it is imperative that everyone understands that it is not possible to determine the cost of a “Plan B” that assumes the NFL is not part of the Rose Bowl’s future without building a consensus among the Rose Bowl’s key tenants, the Tournament of Roses and UCLA, as well as the community at large, as to the features that would be included in such a plan. We can’t arbitrarily pick the plan, then arbitrarily pick the dollar amount it will cost to do the plan and then advocate whether that dollar amount is sufficient or not. A consensus must first be reached on any renovation plan, which will define the approach to be taken, and then that plan must be tested in an appropriate market study. The cost of developing such a comprehensive master renovation plan, including a market study, would cost upwards of \$150,000 to \$250,000 and will take four to six months to complete.

Having said that, however, it is still possible to get an idea of the kind of project we would be talking about by looking at what is happening elsewhere in the country. As you look around the country, you see a significant number of college stadiums similar to the Rose Bowl that are undergoing renovations that include both renovating aging infrastructure elements and making significant “capital improvements” or enhancements, such as more luxurious suites, adding premium or “Club” seating with related fan amenities and the like. A list of some of these stadiums is attached. As we’ve stated before, these projects are costing anywhere from \$100 million to \$200 million, and the cost varies, of course, depending upon the level of infrastructure renovations required and the nature and extent of the added enhancements.

Thus, even though we have not conducted the kind of comprehensive study we describe above, we have preliminarily examined what type of capital improvements or enhancements might be possible. And, as an initial step, we have begun a dialogue with the Tournament and UCLA about the possible nature and extent of such capital improvements or enhancements and what their level of interest might be. Our goal is to determine what enhancements would best assist them in making their programs more successful, and in turn, make the Rose Bowl more successful.

As a result of those preliminary discussions, we have focused this initial examination on the possibilities presented by the following three broad “capital improvement” elements: (1) converting a portion of the existing seating on the west side to 3,000 to 4,000 premium or “Club” seats, with larger seats and expanded floor tread to provide greater room, together with additional tunnels for expanded ingress and egress, (2) completely renovating the current press box/suite structure or constructing a new structure to improve significantly the suite amenities for forty to fifty suites (roughly the same number as in the current press box) and to create additional space to accommodate the fan amenities necessary to attract patrons to the new Club seating, and (3) engaging in a complete overhaul of the existing hodge podge of refreshment stands and restroom facilities

surrounding the bowl. These elements are also part of the NFL project, although on a more expansive scale obviously. In addition, it should be remembered that this sort of project involves significant and largely unseen infrastructure work, which is also costly. Finally, it should be noted that this initial examination does not contemplate improved ingress and egress or improved legroom for the rest of the stadium.

Based on those discussions with the Tournament and UCLA and assuming these three capital improvement elements, we asked HOK, our architects, to give us an initial indication of the possible cost of such a project. As you know, HOK has very significant experience in stadium design and construction/renovation, and in fact, HOK is involved in a number of the college stadium projects we mentioned above. HOK has indicated that in their best judgement, a reasonable preliminary cost range for the type of master plan project of the kind and scope we've just described would be approximately **\$120 million – \$140 million**. Of course, should there be unexpected developments, such as additional construction required by state or Federal law, *e.g.*, ADA requirements, the cost could escalate dramatically. Finally, whatever the construction cost, the cost of this "Plan B" would be in addition to the \$25 million construction/maintenance costs we discussed above, because there is no overlap between the two projects.

How would the project be financed? At this point in view of the very preliminary nature of the examination of this scenario, there are no clearly identified sources of financing. Possible financing sources include: (1) net new revenue generated by the improvements themselves, *i.e.*, the product to be sold is worth more because of the improvements, (2) possible contributions from the Rose Bowl's two main tenants, the Tournament and UCLA, (3) additional primarily event-related fees specifically dedicated to the project, such as a parking surcharge or a ticket surcharge, (4) licensing fees, such as naming rights for the stadium, the football field at the stadium, entrance gates or the like that would most likely be attractive to businesses or institutions, (5) other speciality type sources, such as historic preservation tax credits or grants, or other private fundraising activities, and (6) the City of Pasadena's General Fund.

In the absence of a completed master plan for our "Plan B," however, not much may be said about these sources of financing. For example, turning to the first possible source, while it is expected that the "capital improvements" from such a project should result in a more "valuable" product for which you can charge more, considerably more work is necessary through the master plan process before there can be any reasonable consensus on the amount available from this source. As for our key stadium tenants, I think it is fair to say that, while the Tournament and UCLA are certainly very supportive of the stadium, their willingness or ability to contribute toward the cost of such a project will depend on the exact nature of the project, the benefit each tenant concludes it will receive from the project, and the other possibly competing priorities and obligations which each of them has to consider.

The third source, additional event-related fees is certainly a viable option, but there is an issue as to how much you can practically raise here before running into market resistance. Licensing fees also have a long history. However, we've already seen in earlier studies that limited use facilities have a much more difficult time here than those facilities which are used frequently, such as the Staples Arena. Other private fundraising also presents an opportunity, although the history here for a municipal-owned facility as opposed to a university facility or other non-profit facility is sketchy. We have explored and continue to explore the historic preservation funding opportunities, but it is not at all clear whether the preservation tax credit vehicle works from a practical perspective and the grant possibilities, individually or collectively, simply do not suggest a significantly high revenue stream is possible.

This leaves the City of Pasadena. Unfortunately, even if you accept the most optimistic revenue projections from all of the other sources listed, and others that may not be listed, it is clear that the sheer size of such a "Plan B" scenario will require a very significant amount of public money through the City of Pasadena.

The Rose Bowl

Comparable Renovations

<u>Stadium (Year Built)</u>	<u>Cost (Renovation Year)</u>
Ohio State (1922)	\$194 M (1999)
Texas (1924)	\$95 M (1999)
Oregon (1960)	\$93 M (2000)
Penn State (1967)	\$90 M (2002)
Wisconsin (1917)	\$99 M (2004)
Note Dame (early 1920's)	\$100 M (2004)
Michigan (early 1920's)	\$200 M (2005)
Orange Bowl (1930's)	\$150 M (2005)

