

Agenda Report

March 15, 2010

TO: City Council

THROUGH: Finance Committee

FROM: Rose Bowl Operating Company (RBOC)

SUBJECT: 2010 CIP Amendment for Rose Bowl Strategic Plan – Phase I Construction Documents & Preliminary Project Funding

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Find the actions proposed herein exempt from review pursuant to the California Environmental Quality Act, pursuant to State CEQA Guidelines, Section 15262, and
2. Amend the 2010 CIP Budget to appropriate an amount not to exceed \$4,115,000 from RBOC designated retained earnings (Strategic Plan Reserve Fund) to provide funding for the continued Phase 1 design and preliminary project costs related to project development, financial planning and community outreach for continued development of the Rose Bowl Strategic Plan.
3. Authorize the RBOC to enter into appropriate contracts with architects, contractors, engineers, and other advisors for design and construction documents necessary to implement the first phase of the Rose Bowl Renovation Plan to ensure future viability of the Rose Bowl Stadium, consistent with the approved budget, and provided that all contract awards shall conform in all respects to the applicable provisions of state and local law, including any required selection process and that all the contracts shall conform in all respects to the requirements of state and local law and shall contain essentially all of the standard terms and conditions of City of Pasadena contracts for similar work.
4. Approve a resolution of City Council declaring the City's intention to reimburse itself from the proceeds of one or more tax-exempt and/or taxable "Build America Bond" financings for certain expenditures made and/or to be made in connection with the Rose Bowl Renovation project, should any such financings be approved in the future.

BACKGROUND:

The Rose Bowl stadium is a Pasadena icon and planning for its physical improvement and long-term financial viability is imperative.

The effort to revitalize the Rose Bowl began in 2002 in discussions with the National Football League. In 2005 it was determined that having the NFL become the primary long term solution for the Rose Bowl was not viable. Subsequently, the RBOC, City, Tournament of Roses and UCLA began to consider how to develop a positive and stable future for the Rose Bowl without the NFL resources as part of the long term financial strategy. The current strategic plan emerged from that effort. Five primary strategic planning objectives were identified by the RBOC, along with representatives of the City, Tournament of Roses and UCLA:

- Improve public safety;
- Enhance fan experience;
- Maintain National Historic Landmark status;
- Develop revenue sources to fund long-term improvements; and
- Enhance facility operations.

A Supplemental Environmental Impact Report (SEIR) was developed and certified by the City Council in June, 2008, which was based upon a plan focusing on the five primary objectives, which was done at the time by HOK Sport Architects. However a financing plan was not viable as the preliminary cost estimate was significantly higher (in excess of \$300 million) than projected revenue from improvements and/or potential of other funding opportunities.

In October, 2008, the RBOC began discussions with Janet Marie Smith and her associated team, including DAIQ Architects. Ms. Smith and DAIQ had successfully spearheaded the renovation of Fenway Park baseball stadium in Boston, which was built in 1912 and which over the past 8 years has undergone more than \$150 million in renovations. It should be noted that many of the challenges that were faced in renovating Fenway Park are very similar to those faced with the Rose Bowl stadium; limited space, the need for infrastructure upgrades, the need for improved exiting, the need to generate additional revenue for long-term funding of the improvements, the need to enhance the fan experience and the need to focus on historical integrity of the improvements. The renovation to Fenway Park has received numerous preservation awards as well as being applauded within the sports industry. The current plan for the Rose Bowl, much like the Fenway Park experience, focuses on achieving the five primary objectives in a manner that depends on addressing specific fan experience and operational concerns with the current facility, rather than proposing a total overhaul of the existing infrastructure and amenities by embracing the historic character. This approach results not only in a more manageable financial commitment, but also in simpler physical changes to the historic stadium. While no single element of this package, taken alone, would comprehensively address the goals of the Rose Bowl, taken together, these improvements work well together to significantly enhance the historic appeal, fan experience, and operational capabilities of the Rose Bowl, and should result in extending its useful life well into future generations. The preliminary cost estimate for the preferred option is approximately \$168.1 million with other alternatives under consideration that range from between \$161.7 to \$175.3 million. Based upon preliminary financial projections, assuming the economy recovers, it appears that the majority of the \$168.1 million can be funded by incremental revenue derived from the improvements.

In April, 2009 the RBOC and City Council approved \$1.525 million from the Rose Bowl Strategic Plan Fund for the continued investigation, development, and financial feasibility

planning for the Rose Bowl Renovation and Improvement Project as presented by Ms. Smith and DAIQ. Over the course of the past 8 months the following work has been developed and studied.

Feasibility Analysis:

(Refer to the Market Study agenda report for more specific information)

- Market studies and analysis for premium seating and advertising have been updated based on new economic climate
- Financing models and financing plans with City/TOR/UCLA have been continued to be updated based upon updated revenue projections & construction cost estimates
- Discussion between RBOC/City and stadium tenants
- Consideration of other prospective revenue opportunities, including Build America Bonds, public/private partnerships, and use of historic tax credit

Cost Analysis:

Project Scope/Pricing Documents:

- Refine project scope with Planning & Development Department
- Prepared real-time stadium exit model and reviewed proposed exiting improvements
- Worked with structural, mechanical, geotechnical and civil engineers for necessary studies to determine construction methods and validate construction assumptions and to update construction cost estimate(s)
- Completed initial soils testing, concrete testing, and survey work
- Consulted with historic preservation architect to ensure project plans support Strategic Plan Goal to maintain National Historic Landmark status. Developed feasible construction phasing plan

Community Outreach Plan:

- Presented the plan to neighborhood associations, business organizations, civic and council districts to keep informed and updated on the status of the efforts

Philanthropic Effort:

- Retained Andrea Van de Kamp to assess feasibility of a philanthropic effort to supplement project funding and ensure future viability of the Rose Bowl
- Studied other civic philanthropic models
- Developed private donor opportunities and goals

Along with the development of the project scope there has been significant work on the creation of a viable financing plan. The critical factors enabling financial feasibility of the project today include the current opportunistic construction climate, historically low interest rates, and availability of Build America Bonds. Collectively these factors bring a sense of urgency to the project.

Build America Bonds were created as part of the Federal economic stimulus legislation and must be issued prior to December 31, 2010. The current estimate of project savings from the Build America Bonds program is approximately \$15 - \$20 million, depending on market demand. Historically, interest rates have been higher than today, and if interest rates were to increase by just one percent, that would add \$20 - \$25 million (*e.g. 5.0% increase to 6.0%*) to the project

costs. In addition, the current economic climate has resulted in more competitive construction costs with the potential of significant savings relative to just a few years ago. Due to these financial opportunities, RBOC and city staff believes it is essential that implementation of the Rose Bowl Strategic Plan proceed expeditiously and the budget amendment be approved; otherwise the potential of funding a major renovation to the Rose Bowl in the foreseeable future may not be financially viable.

It should be noted, that although the \$4 million will be used to further the project's progress, the majority of expenditures will be used for the design and development of construction documents for the initial Phase I construction work scheduled to start in January 2011. The Phase I project elements are items that should be completed regardless if the entire project is funded and approved at a later date. These items include improved south end exiting, utility upgrades, restoration of the historic scoreboard, and south end advertising to help pay for these improvements.

Presently, the RBOC is undertaking a competitive selection process for Project Management services, which conforms in all respects to the requirements of state law and with local law and regulation. The City Council is asked, as one of the recommended actions, to delegate the approval of this specific Project Management contract to the Rose Bowl Operating Company according to the results of this competitive selection process. In addition, the City Council is asked to delegate to the Rose Bowl Operating Company the award or amendment of other contracts for professional services to carry out this phase, which will be made in conformance with local procurement law and procedure. All of the contracts will be consistent with the adopted budget and will conform to the standard terms and conditions of City of Pasadena contracts for similar work and, in fact, are being drafted by the Office of the City Attorney in conjunction with special construction law counsel. The contracts will have standard City language related to indemnity, insurance, change order authority and approval, as well as required provisions such as the Taxpayer Protection Act, and Equal Employment Opportunity. Construction is not a part of this phase of the project.

In addition, the City Council will be asked to adopt a reimbursement resolution. The requested resolution allows the City to reimburse itself for certain expenditures made for capital improvements and other expenses related to the Rose Bowl renovation project. The reimbursement resolution provides the City the ability to reimburse itself using proceeds of tax-exempt and/or taxable Build America Bond financings for expenditures made 60 days prior to this resolution and up to the later of 18 months from the date the expenditures are made or the date the project is placed in service, but in such event, not later than three years after the expenditures are paid.

Refer to Attachments for additional information.

- ATTACHMENT 1 – Proposed 2010 Project Budget
- ATTACHMENT 2 – Preliminary Cash Flow Projections
- ATTACHMENT 3 - Proposed 2010 Project Schedule
- ATTACHMENT 4 - Preliminary Phased Construction Sequencing

ENVIRONMENTAL:

State CEQA Guidelines Section 15262 provides that projects providing planning for future actions which have not yet been approved or funded do not require preparation of an environmental impact report or negative declaration, so long as the plan will not have a legally binding effect on later activities. This exemption applies so long as environmental factors have been considered. The action proposed herein does not serve to legally bind the City to any particular development project or funding commitment, and instead allows the City to move the strategic plan process and analysis along. Further, as outlined above, the potential environmental effects of the strategic plan were analyzed in an SEIR. To the extent that the planning process envisioned herein moves forward, the City will consider whether additional environmental analysis must be done, and complete such analysis at the more appropriate time if and when an actual physical development project becomes financially feasible. Accordingly, the planning process discussed herein falls under the exemption set forth in State CEQA Guidelines Section 15262.

FISCAL IMPACT:

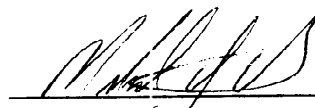
The RBOC established a Strategic Plan Reserve Fund in 2007. The purpose of the Strategic Plan Reserve Fund is to pay for costs related to the continued effort of the Plan. Currently there is \$4.1 million available in this fund, of which \$2 million was contributed by the Tournament of Roses, Pac 10 and Big 10 conferences and an additional \$2 million was generated through stadium net proceeds from the 2010 BCS Game. It is anticipated that the costs of the next phase of work through 2010 related to the Strategic Plan – Phase I work is estimated to be \$4,115,000 which will fund the financial, design/construction documents, and community outreach plans which are outlined above which will begin immediately with the goal of having the entire project funded by the end of 2010. Staff will return to the RBOC and City Council for financing and construction approval for the entire project later in the year.

Respectfully submitted,



Darryl Dunn, RBOC
General Manager

Concurrence:



Michael J. Beck
City Manager

ATTACHMENT 1

PROPOSED 2010 PROJECT BUDGET

DESIGN

- **A & E Design Fees** **\$2,675,000**
(Architect, Civil/Structural/Mechanical/Electrical/Plumbing Engineers)
- **Specialty Consulting Fees** **\$335,000**
(Graphics, Historical, ADA, 3D Imaging, Landscaping, Soils, Surveying, Community Awareness)

Develop Entire Project to a 30% Design Development Stage in order to obtain “Project Approval” and SEIR compliance, Complete bid documents for Phase I construction (*refer to Project Schedule below*), Prepare presentation documents for Public Meetings and Promotional Opportunities, Coordinate with Construction Cost Estimating Team, RBOC Staff/City Staff, Project Management Team, Tenants, and with the Financial Planning Team.

PROJECT MANAGEMENT

- **Project Management** **\$475,000**
(Project Manager)
- **Cost Estimating (includes peer review)** **\$150,000**
(Cost Estimator)
- **Miscellaneous Project Expenses** **\$155,000**
(Legal, Reproductions, Plan Check, Temporary Facilities/Services, Contingency)

Review project constructability, prepare and maintain project schedule, establish optimum project delivery method(s), review and maintain project budget, review construction documents and specifications, Coordinate with Construction Cost Estimating Team, Coordinate and manage necessary testing and site investigation(s), Coordinate with RBOC staff/City Staff, Project Design Team, Tenants, and with the Financial Planning Team.

FINANCIAL PLANNING and COORDINATION

- **Financial Planning Fees (includes peer review)** **\$325,000**
(Financial Advisor, Legal Counsel, Bond Counsel)

Continue to update and review projected revenues, Coordinate with Design Team and Construction Cost Estimating Team, RBOC staff/City Staff, Bond Counsel, Tenants, and with the Financial Planning Team.

ATTACHMENT 2

PRELIMINARY 2010 CASH FLOW PROJECTIONS

	2010			Project Approval			Phase 1 out to bid			Bonds Issued	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
A/E Fees	\$ 2,675,000	\$ 343,929	\$ 343,929	\$ 343,929	\$ 343,929	\$ 343,929	\$ 343,929	\$ 89,167	\$ 89,167	\$ 89,167	
Specialty	\$ 335,000	\$ 43,071	\$ 43,071	\$ 43,071	\$ 43,071	\$ 43,071	\$ 43,071	\$ 11,167	\$ 11,167	\$ 11,167	
Finance	\$ 325,000	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500	
PM Fees	\$ 475,000	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	\$ 47,500	
Estimating	\$ 150,000	\$ 19,286	\$ 19,286	\$ 19,286	\$ 19,286	\$ 19,286	\$ 19,286	\$ 5,000	\$ 5,000	\$ 5,000	
Misc	\$ 155,000	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	
Totals	\$ 4,115,000	\$ 1,003,571	\$ 1,505,357	\$ 2,007,143	\$ 2,508,929	\$ 3,010,714	\$ 3,512,500	\$ 3,713,333	\$ 3,914,167	\$ 4,115,000	

	2010 Fees	2011 Fees	2012 Fees	2013 Fees
Total A/E Fees 6 1/4%	\$ 2,675,000 *	\$ 2,375,000 **	\$ 2,000,000 ***	\$ 450,000 ****
SD-Schematic Design 15%	\$ 600,000	\$ 0	\$ 0	\$ 0
DD-Design Development 25%	\$ 1,200,000	\$ 350,000	\$ 275,000	\$ 0
CD-Construction Documents 25%	\$ 875,000	\$ 1,700,000	\$ 500,000	\$ 0
CA-Construction Admin 25%	\$ 0	\$ 325,000	\$ 1,225,000	\$ 450,000

* Remaining SD + 20% DD for entire project + PHASE I DD & CD + DD for Press Box
 ** PHASE II DD & CD + CA for PHASE I Construction
 *** PHASE III DD & CD + CA for PHASE II Construction
 ****CA for PHASE III Construction

Specialty Consultants 1/2%	\$ 650,000	\$ 315,000	\$ 0	\$ 0
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ATTACHMENT 3

PROPOSED 2010 PROJECT SCHEDULE

To achieve the goal to approve “the Project” and issue the bonds by December 2010, the following milestones need to continue to be achieved.

- March 4, 2010: Obtain RBOC approval for 2010 Project Budget from existing Strategic Plan Fund
- March 8, 2010: Obtain approval from City Council to Amend 2010 CIP Budget
- March 18, 2010: Obtain RBOC approval for Project Management Firm Selection
- March 18, 2010: Extend Project Team Contracts and/or Purchase Orders
- April - May 2010: Present Updated Project Progress to City commissions
- May 2010: Present “Project” to RBOC for recommendation to City Council for approval
- May/June 2010: Obtain City Council approval of “Project”
- June/July 2010: Obtain independent peer reviews for Construction Costs, Financial Model/ Revenue Projections, and Advertising Revenue
- September 2010: Issue PHASE 1 Construction Documents for bid
- Fall 2010*: Obtain final City Council approval for Bond issuance

** Prior to this occurrence, Tournament of Roses and UCLA will need to obtain their necessary approvals*

ATTACHMENT 4

PRELIMINARY PHASED CONSTRUCTION SEQUENCING

PHASE 1 (Year 1 – 2011)	Estimated Project Cost \$25 million
Site Utility Backbone	
South Concourse	
South Tunnel Widening, Concrete Deck Repair, and Added Exit Aisles	
South Scoreboard and Advertising Panels	
Press Box Foundations	
PHASE 2 (Year 2 – 2012)	Estimated Project Cost \$100 million
Press Box	
West Concourse	
North Concourse	
North Video Board and Advertising Panels	
North Tunnel Widening, Concrete Deck Repair, and Added Exit Aisles	
PHASE 3 (Year 3 – 2013)	Estimated Project Cost \$50 million
Tunnels 7A and 15A	
Field Wall Restoration and Access	
Field Level Lounges and Other Event Egress Paths	
East and West Seating Replacement, Concrete Deck Repair, Added Aisles	
East Concourse	

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA DECLARING ITS OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS

WHEREAS, the City of Pasadena (the "City") intends to make certain improvements to the Rose Bowl Stadium located within the City (the "Project");

WHEREAS, the City expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long term basis;

WHEREAS, the City reasonably expects that debt obligations in an amount not expected to exceed \$200,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Reimbursement Expenditures; and

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND FOUND by the City Council of the City of Pasadena, that:

Section 1. The above recitals are true and correct, and the City Council so finds and determines.

Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The City hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures.

Section 4. This resolution shall take effect immediately upon its adoption..

PASSED by the City Council of the City of Pasadena at a regular meeting this 8th day of March, 2010, by the following vote:


AYES:

NOES:

ABSENT:

City Clerk

APPROVED AS TO FORM:

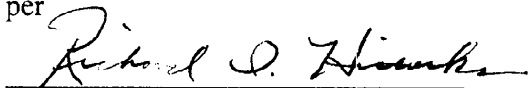
Handwritten signature in black ink, appearing to be "A.S.T.", with the date "3/11/10" written to the right of the signature.

A.S.T. City Attorney

APPROVED AS TO FORM:

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

Handwritten signature in black ink, appearing to be "Richard I. Hiscocks".

Richard I. Hiscocks, Partner

East Arroyo Residents Association
1040 Armada Drive
Pasadena, CA 9110

February 27, 2010

Pasadena City Council
100 N. Garfield Av.
Pasadena, CA 91101

Subject: Rose Bowl Renovation

Dear Council Members,

The East Arroyo Residents Association is enthusiastically supportive of the renovation efforts being undertaken by the Rose Bowl Operation Company. We agree that the scheduled improvements are necessary to maintain the attractiveness of the Rose Bowl to athletic teams and their fans. We are heartened by the fact that the architect appears to be working to strengthen the historical character of the Bowl, while bringing its amenities into the 21st Century.

The EARA also appreciates the efforts of the Rose Bowl General Manager Darryl Dunn and his staff to open lines of communication with the neighborhoods surrounding the Rose Bowl. Over the past several years, we have had at least monthly meetings with him to be briefed on upcoming events and on their efforts to mitigate environmental impacts. This has been a very collaborative process that has worked to the benefit of all stakeholders.

We look forward to continuing our working relationship as the Stadium is prepared for the 100th Rose Bowl Game.

Sincerely yours,



Gordon P. Treweek
President, EARA

Cc: Audrey O'Kelley

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10 MAR -4 P 3:34
CITY CLERK
CITY OF PASADENA

PNC Pasadena Neighborhood Coalition

P.O. BOX 51022 Pasadena, California 91115

Uniting Pasadena Neighborhood Associations on Issues of Livability City-wide

RECEIVED
10 MAR -2 09:37

CITY CLERK
CITY OF PASADENA

Pasadena City Council
Mayor Bill Bogaard
City Manager Michael Beck

City Hall
175 N. Garfield Ave.
Pasadena, Ca. 91109

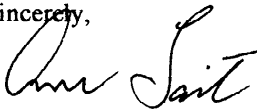
Re: RBOC Request for Funding Preliminary Project

Dear Council Members:

The Pasadena Neighborhood Coalition supports the City Council in the allocation of funds to RBOC for the next stage in the renovation of the Rose Bowl.

This support comes as a result of input from, and discussions with, our member Neighborhood Associations who are most impacted by Rose Bowl activity.

Sincerely,



Ann Tait
Chairperson
Pasadena Neighborhood Coalition (PNC)

February 11, 2010

Members of the Pasadena City Council
Pasadena City Hall
Pasadena, California

Re: RBOC Request for Funding Preliminary Project

Dear Council Members:

As immediate neighbors of the Rose Bowl, LVAA has been closely following the RBOC planning process for renovating the stadium, and has been in support of actions taken so far to achieve the overall project.

The project requires careful planning, with many significant steps and deadlines to maintain the necessary progress for completion by January, 2014. The RBOC has so far met its deadlines, all the while maintaining excellent communication with the community.

The RBOC is now seeking approval of the City Council to allocate funds for the next stage. We support this request, and look forward to reviewing the results of this stage in the planning process.

Sincerely,



Lee Zantson, President
Linda Vista Annandale Association