



# Agenda Report

January 10, 2022

**TO:** Honorable Mayor and City Council  
**FROM:** Rose Bowl Operating Company (RBOC)  
**SUBJECT:** Contract Amendment with AEG Related to Music Festival

## **RECOMMENDATION:**

It is recommended that City Council:

1. Acknowledge and ratify that the RBOC Board of Directors adopted an Addendum to the Arroyo Seco Music and Arts Festival EIR adopted by the City Council on April 4, 2016; and
2. Adopt findings to temporarily increase the number of displacement events allowed in the Arroyo Seco to accommodate this contract amendment, thereby authorizing the RBOC to host up to ten (10) music festival dates annually through December 31, 2026 with a capacity of up to 50,000 attendees daily, to be categorized as "mid-size events".

## **RBOC RECOMMENDATION:**

On October 29, 2021, the Rose Bowl Operating Company Board of Directors unanimously adopted an Addendum to the Arroyo Seco Music and Arts Festival EIR adopted by the City Council on April 4, 2016; authorized the General Manager of the RBOC to finalize negotiations and enter into a contract amendment with AEG for the continuation of--and modifications to--music and arts festivals and performances on Brookside Golf Course; and recommended that the Pasadena City Council adopt findings to temporarily increase the number of displacement events allowed in the Arroyo Seco to accommodate this contract amendment.

## **BACKGROUND:**

With the City Council's approval, the RBOC entered into an agreement with AEG/Golden Voice to produce a music festival beginning in 2017. To date, three festivals (seven festival dates) have occurred at the venue and the experience has proven to be successful for attendees and artists. The term of the original agreement was for ten years with two five-year options (for a total of 20 years), and an option to terminate after Year Three of the agreement by both parties.

Although the events have been successful, the original vision was for the Rose Bowl Stadium and Brookside Golf Course to be utilized, enabling capacity for the festivals of up to 93,000 attendees. For many reasons, the promoter decided to stage the festival exclusively on the golf course so as to provide a top-notch guest experience. That decision limited capacity but also limited the potential economic return in terms of the amount of revenue generated. Based primarily on those factors and looking to keep the top-notch guest experience at a reduced attendance level, the promoter and the RBOC determined that a contract amendment would need to occur in July of 2020 that would enable the economics to be adjusted, as well to provide the potential of having additional music content.

In July of 2020, the RBOC approved modifications to the original agreement that included the following deal points that were expected to help make the festival a financial success for AEG and incentivize AEG to not exercise their option to discontinue the partnership.

**Key Deal Points – July 2020:**

- Term
  - Two years with up to five one-year mutual options
- Rent
  - \$2M per year for the first two years with escalators in years 3-7
  - Threshold
    - Opportunity to make more than minimum based on calculation of 15% of gross revenues
- Number of Events
  - Up to six (6) event dates per year on Brookside Golf Course
- Exclusivity
  - AEG would be exclusive music festival partner on the Brookside grounds
- Admission Tax
  - \$1.79 per ticket in addition to rent outlined above
- Ticket Contribution
  - \$1 per ticket for capital improvements in addition to rent outlined above

Now that the RBOC is slowly coming out of the pandemic, it is becoming clear that demand for festivals on the Rose Bowl site is stronger than originally anticipated. In discussions with AEG, additional event dates on the Rose Bowl campus could result in additional revenues to the RBOC. Below are the new key deal points that RBOC staff is recommending:

**NEW Key Deal Points – Oct 2021:**

- Term

- Five (5) years (starting in FY22) with up to four (4) one-year mutual options
- Rent
  - Minimum Rent - \$3M each year
  - Threshold
    - Opportunity to make more than Minimum Rent based on calculation of ticket sales revenue at a percentage of 8%
- Number of Events
  - Up to ten (10) event dates per year on Brookside Golf Course
- Exclusivity
  - AEG would be exclusive music festival partner on the Brookside Grounds
- Admission Tax
  - \$1.79 per ticket (currently) in addition to rent outlined above
- Ticket Contribution
  - \$1 per ticket in addition to rent outlined above would be earmarked for site improvements.

Staff is recommending this new arrangement, for the following reasons. First, the \$15M over five years guaranteed is significantly higher than the \$4M that was guaranteed over the two years in the previous agreement. Second, the higher frequency and new percentage of rent calculation could result in annual net revenues that could significantly exceed the guarantee for the RBOC. Third, the music festival agreement will reduce the projected annual operating financial deficit that was forecast previously without requiring an investment by the RBOC.

Fourth, given the anticipated attendance along with additional sound management measures put in place, the noise impacts of these “mid-sized displacement events” are greatly reduced compared to the larger scale displacement events that typically occur inside the Stadium. Finally, going into the Rose Bowl’s centennial year, the additional programming will show that the Rose Bowl Stadium, and its campus, are still vibrant and a world-class event venue which generates economic return to the City.

The artists’ sound levels will also eventually be included in the agreement to reflect impacts associated with bass on neighborhoods adjacent to the Stadium. The current agreement has sound management parameters in place similar to events inside the Stadium, as well as other local venues such as Hollywood Bowl and Greek Theater. The sound readings are taken based on an A-weighted decibel level reading, dBA, which does not reflect the impacts associated with bass (dBc, or C-weighted). Annoyance associated with sound were minimal for the first three music festival events 2017-2019. However, the 2021 festival was more bass-oriented and more disturbing to neighbors adjacent to the Arroyo. The music festival dates expected in May 2022 will feature genres that are not bass oriented. Hence, it is anticipated that the sound impacts from those events will be consistent with 2017-2019. However, at the May 2022

events, analytics will be put in place to collect data to better track and then put in place in the contract, a maximum amount of sound level at the dBC level for shows after May 2022.

### **DISPLACEMENT EVENTS:**

The Arroyo Public Lands Ordinance (Pasadena Municipal Code Section 3.32.270) 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 events that displace recreation to no more than 15 in any calendar year except with the permission of the City Council. Historically, events in the stadium such as soccer matches, concerts, or football games that exceed 20,000 attendees have by default been labeled as displacement events. In order to exceed 15 displacement events, the City Council must make certain findings.

The current schedule of displacement events for 2022 are as follows:

- Rose Bowl Game - 1
- UCLA Home Football Season - 8
- Music & Arts Festival - 6

These additional festivals would be the 16<sup>th</sup>-19<sup>th</sup> displacement events for the year. The July 4th AmericaFest event is not within the current approved displacement events, although it is likely that it will occur provided the appropriate governing bodies' approvals.

The proposed amendment seeks to authorize 10 music festival dates, with a capped capacity of up to 50,000 attendees, considered "mid-size events" compared to much larger soccer matches, concerts or football games (where attendance ranges from about 60,000 up to 85,000 or more). With these mid-sized events it is anticipated that recreation south of Seco Street will remain open throughout the entire event, including Kidspace and the Rose Bowl Aquatic Center. To date, the festivals have averaged approximately 25,000 attendees per event, and going forward it is anticipated that this will be the approximate average (some shows may be higher and some lower) number of attendees for each festival date.

Below are the findings and the rationale for making such findings for the additional festival dates that will be presented to the City Council:

1. "The additional events represent a unique opportunity that will enhance the stature of the Rose Bowl." The increase in festival dates would be similar in terms of artists and appeal as the previous festivals at Brookside. The events would garner significant publicity for the Rose Bowl and the City of Pasadena

leading up to the event(s) and continue to contribute to the Rose Bowl's reputation as a world-class concert and festival venue.

2. "The revenue generating potential from each additional event justifies its consideration." It is guaranteed that allowing the additional festivals will directly generate \$11 million more for the RBOC than the prior number of festivals. In addition, the City of Pasadena would receive a positive economic impact as a result of the portion of sales tax and bed tax that will revert to the City and to businesses in the City arising from significant guest presence in Pasadena.
3. "It is anticipated that these events 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, as well as with the Pasadena Police Department to best control the displacement of other activities in the Arroyo Seco. As in the past, while these events will displace some recreational activities, staff is able to minimize displacement to as few hours on event day as possible, so that displacement does not take place the entire day and for activities south of Seco Street, it is anticipated that recreation will not be displaced.
4. "The events do not impose undue adverse impacts on the surrounding residential area." Planning and preparation will be implemented to minimize the impact of these events on the surrounding neighborhoods. The Pasadena Police Department and staff work carefully with the surrounding areas to minimize disruption and impact related to traffic management and sound impacts are anticipated to be similar to past like events.

### **ENVIRONMENTAL:**

On April 4, 2016, the City Council of the City of Pasadena certified an Environmental Impact Report for a music and arts festival and adopted a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations. As analyzed in the EIR, the annual festival would take place over two or three days (Friday through Sunday), with a capacity of up to 93,000 daily attendees (including approximately 3,400 employees), and traffic and noise levels commensurate with a concert inside the Stadium. The first year of the festival was limited to two days with a maximum of 75,000 attendees.

The modifications proposed herein have been analyzed in an Addendum to the adopted EIR, which was adopted by the RBOC Board of Directors. The actions proposed herein are for modifications to allow for a temporary increase in the number of festival dates, but on a much smaller scale than analyzed in the EIR (approximately 32,000 attendees per day). The Addendum concluded that the temporary increase in event days from 15 to 19 would not result in any of the conditions outlined in CEQA Guidelines Sections 15162(a)(1) to (3) because the proposed changes would not result in new significant

environmental effects or a substantial increase in the severity of previously identified significant effects requiring major revisions to the Adopted EIR.

Accordingly, the Addendum provides the substantial evidence required by CEQA Guidelines Section 15164(e) to support the finding that a subsequent EIR is not required and an addendum to the Adopted EIR is the appropriate environmental document to address changes to the action proposed herein.

**FISCAL IMPACT:**

The minimum license fee associated with the contract amendment would be \$15 million, which is \$11 million more than what is currently guaranteed to the RBOC through December 2026. It is the expectation of RBOC staff that the amount would exceed the minimum based on the revenue share of 8% of ticket sales, however it is premature to determine the amount that would be generated as a result of the revenue share. It should also be noted that the admission tax income (\$1.79 currently per ticket) and \$1.00 per ticket contribution would also occur based on paid attendance. The events are also expected to provide hotels and the hospitality industry with a significant increase in business on festival dates.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Darryl Dunn', is written over a horizontal line.

Darryl Dunn  
General Manager of the Rose Bowl Stadium