

**Linda Vista Annandale Association (LVAA) Comments
On the Micronomics Report
“Economic Impact of the Arroyo Seco Music and Arts Festival
On the City of Pasadena”**

LVAA has carefully reviewed the report and has the following comments and observations:

The underlying assumptions provide some clarity to the study and are appreciated; however, we do not know the source of major assumptions that drive some of the economic results. We would also like additional information with regard to some of the assumptions. To this end, the Council should consider the following:

Direct Spending by Attendees:

- What is the demographic profile of the festival patrons, and how does this impact their ability to spend at the levels that are modeled into the report?
- What is the ‘family mix’ of anticipated festival patrons; i.e., two adults and two children? Wouldn’t this assumption be a major driver for the economics of the music festival, especially for the average direct spending by attendees? In other words, if this is a family-oriented event, there may be less spent on food on a per-person basis than is modeled into the report.

Offsite Expenditures in Pasadena:

- It is assumed in the report that both day visitors and overnight visitors will have food expenditures “outside” of the festival grounds; how will this be accomplished?
 - What means of transportation do they have to get to Pasadena restaurants, and then back to the festival?
 - Have you considered the constraints on outside spending due to the very late festival hours (12 AM) and the fact that AEG will be vying for those same food dollars to be spent only at the festival?
 - How will the highly touted “Chef’s Dinner”, as referenced by AEG, impact the estimated outside expenditure on food?

- Example: Family expenses
 - Per person averages in the report may not apply to the demographic festival mix, especially as it pertains to a 'family oriented event'.
 - Assuming a family of four (two adults and two children), is it reasonable to expect that in addition to the expensive tickets, a family would spend an estimated \$200 daily for food at the festival, \$1,074 per day just for lodging ($\$537/2 \text{ nights} = \$268/\text{night} \times 4 = \$1,074$)? The total price tag on food and hotel for a three day festival (two nights) would, therefore, be \$600 for food at the festival ($\$200 \times 3 \text{ days}$) plus \$2,148 for lodging, or roughly \$2,750 for a family of four plus the cost of the entry tickets -- ? (Does the report average hotel cost include TOT?)

- The report seems to be heavily modeled on a study of Tournament of Roses patrons, with regard to per-person expenditures. Aren't there broad differences between the targeted festival patron and the Tournament of Roses patron?
 - The T of R patron is more likely to have ample time to shop and eat in Pasadena restaurants because most T of R participants do not attend the bowl game; rather, they are parade-goers and may linger on to view the floats or experience Pasadena. Is it a fair comparison to use the 'average spend' of T of R patrons in the estimate of outside expenditures?
 - What is the margin of error on the cited Tournament of Roses study, and what economic impact does this have when multiplied by more than 200,000 attendees?

- With regard to assumptions on hotel/motel spending, did the report factor in a component for Air BNB that would offset any economic benefit of hotel spending? What weight was given to this factor? Does the report take into consideration that Pasadena continues to have less hotel and motel rooms than are "needed" and that some percentage of festival patrons will stay at hotels/motels outside the city?

- What is the basis for the assumption that overnight visitors will engage in spending one additional day to the length of the festival? Would the expenditure in fact be reduced on the last day of the festival, as patrons leave for their home destination earlier that day?

Additional Considerations not addressed in the Report

- How have the adverse impacts of the festival been considered in the economics:

- The two-week disruption prior to the festival, combined with the post-festival tear-down, will deter people from enjoying the Central Arroyo and enjoying the commercial and other amenities in the city.
 - Non-festival goers will be discouraged from coming to Pasadena simply to avoid the congestion, and who otherwise would have spent money in restaurants or other retail.
 - Locals will avoid the Arroyo and likely Old Pasadena as well during the festival, and may choose to go to surrounding cities instead.
- How much of the 'Per Person Outside Expenditure' in the report is truly incremental and attributable only to the festival? Aren't some of the restaurant dollars spent by festival attendees simply offsetting restaurant spending of other (non-festival) patrons who would have gone out to eat but elected not to?
 - Isn't the incremental expenditure limited by restaurant capacity?
 - How much of the expenditure dollars in the report are simply cannibalizing the spending of regular customers?

IMPLAN Model Applicability

- The IMPLAN model appears to apply to long-term economic development, rather than a 3-day festival.
- What are the input variables that drive the IMPLAN model results? Are they empirical or estimated?

Sensitivity Analysis

- Should the report have been prepared using a 'sensitivity' format, whereby economic results can be compared under the following scenarios:
 - Most probable case
 - Best case
 - Worst case

What would be the range of results from best case to worst case?
- What is the basis for the linear extrapolation of the increase in patrons from outside the area, which grow from an assumed 5% in year 1 to 25% by year 5?
- What is the basis for the assumption that 50% of outside food and shopping expenditures will remain in Pasadena?

- With regard to direct spending on city services and on-site labor, does the report take into consideration that most city employees do not reside in Pasadena and are likely not to spend their incremental earnings in the city?
 - How does the low residency affect the indirect spending that is derived in the IMPACT model, if at all? Although we see in the report that an assumed 40% of city workers reside in Pasadena, we believe that the percentage is much lower.

Possible Unrecovered Costs to the City

- Has the economic analysis considered the additional Administrative costs to the city?
 - Will the city incur 'comp time' or other costs associated with the additional burden that is placed on administrative staff before and during the festival?
 - Will the city incur additional insurance or other costs attributable to the festival?
 - Will additional admin staff be needed during the festival, and are these costs (including training) entirely recapturable from AEG?
 - Are additional fixed asset costs recoverable (i.e., depreciation on city trucks?)
 - Decision makers should be provided with a list or schedule of all city and RBOC costs that will be unconditionally reimbursed by AEG arising out of the festival.
- Most importantly, has the economic impact of additional crime and drug problems been considered in the study:
 - Additional hospital resources will be required
 - Additional incarceration costs due to the festival
 - Additional costs to provide urgent care, doctors, paramedics, ambulances