

LINDA VISTA-ANNANDALE ASSOCIATION
P. O. Box 94364
Pasadena, CA 91109

November 18, 2012

Mayor Bogaard and City Councilmembers
City of Pasadena

Via email to City Clerk: mjomsky@cityofpasadena.net

Re: City Council Meeting, November 19, 2012; Agenda Item No. 11: PUBLIC HEARING:
AMENDMENT TO ARTICLE 3 (CIVIC EVENTS AND FACILITIES) OF THE PASADENA
MUNICIPAL CODE REGARDING THE NUMBER OF LARGE EVENTS HELD ANNUALLY AT
THE ROSE BOWL STADIUM

Dear Mayor Bogaard and City Councilmembers:

This letter concerns the draft Resolution before you to adopt a Statement of Overriding Consideration, including the attached Interim NFL Lease Analysis prepared by Barrett Sports Group (Barrett Analysis.)

For all the reasons set forth below, the Statement is Inadequate under CEQA because the Barrett Analysis is speculative; is incomplete; lacks specificity; is not factual, lacks sufficient accuracy; and, is not credible for any purpose, but particularly as to the specific net operating potential of the NFL in the Rose Bowl.

General Comments:

In the Overview (page 11), the Barrett Analysis notes “the Hypothetical Nature of the Situation (e.g. No NFL Team has been Identified)”. It also notes on page 14 that “Each Interim NFL Lease Situation is Unique and must be considered in the Appropriate Context.” Notwithstanding these acknowledgements, **the “Analysis” fails to analyze any of the following:**

- The Analysis fails to analyze the impact that the identity of the team would have on potential revenue. One would assume that different teams would generate different levels of revenue, but the Report fails to address this. On page 13 of the Report, the importance of the “Specific Team” and the “anticipated performance of the team” are highlighted, but neither of these important factors is analyzed.
- The Analysis fails to provide a comparison of the principal characteristics of other interim NFL venues with those of the Rose Bowl.
 - Are any of the other stadiums located in residential neighborhood with limited ingress/egress that would add to the expense of parking, traffic management, and police and fire safety?
 - Do any of the other stadiums rely on a golf course or other grassy areas for parking, which would require turf replacement and would reduce golf course revenue?
 - Are any of the other stadiums located in a natural area with a stream that would add to the expense of proper clean-up?

- The Analysis notes on page 3 that “Consideration Must be Given to Existing Rose Bowl Contractual Obligations (e.g., UCLA, IMG [sic – should be Tournament of Roses?]), but the Report fails to provide any analysis of how the obligations to other current users of the Rose Bowl Stadium and Central Arroyo would impact the potential net revenue from an NFL lease.
- The Report notes on page 46 that unlike the other temporary stadiums, the Rose Bowl Stadium would compete with three other potential stadiums—the Los Angeles Memorial Coliseum, Dodger Stadium and Angel Stadium of Anaheim. However, the Report fails to analyze how this competition, no doubt stiff competition, could negatively impact the revenues that the NFL would be willing to pay for the Rose Bowl.
- The Analysis notes on page 43 that the “Figures presented here do not include potential economic/fiscal impacts to the City of Pasadena.” Those impacts would include increased costs of police and fire protection, trash removal, golf courses/turf repair and replacement, lost revenue from the golf courses and club house, etc. These costs would likely have a material negative impact on the net revenue from an NFL lease.
- The Analysis fails to consider and account for the costs of implementing and monitoring all Mitigation Measures required by the FEIR, including, but not limited to, MM 2.01; MM 3.1-1; MM 3.1-2; MM 3.1-3; MM 3.1-4; MM 3.6-1; 3.6-2; and MM 3.6-5.
- The Analysis fails to explain what constitutes “Game Day Operating Expenses” at any of the stadiums, fails to identify what the Game Day Operating Expenses would be in the Rose Bowl, and fails to compare the Game Day Operating Expenses of the other stadiums with those of the Rose Bowl.
- The Analysis’ estimates of \$5 million to \$10 million of annual revenue are not based on an itemization of estimated revenue and expenses. There is no indication of whether these estimates are gross or net figures. There is no detailed analysis to support this conclusion. The examples of other NFL interim stadium situations result in a “conclusion” that the Rose Bowl might realize \$5 million a year as the interim stadium for a Los Angeles team, and possibly \$10 million under ideal circumstances. Barrett has drawn favorable conclusions by cherry picking lease conditions, or possibly just averaging them. A negotiated alignment of various lease conditions in favor of the NFL (as highlighted in the Barratt Analysis for other “comparable” cases) could also result in NO profit! And, since there are no compare/contrast/conclude exercises presented in the Barrett Analysis, there are no justifications for Barrett’s conclusions.
- The Analysis fails to disclose whether Barrett on behalf of any stadium owner has prepared any previous projections of the potential net revenue to the owner of a stadium for:
 - Use as a temporary NFL venue? If yes, how did the Barrett predicted net revenue compare with the actual net revenue?
 - Use as a permanent NFL venue? If yes, how did the Barrett predicted net revenue compare with the actual net revenue?

Apart from the lack of detail for “Game Day Operating Expenses”, more specifically, there is no recognition, let alone quantification, of lost revenue and many extraordinary costs that could be absorbed by the RBOC or the City. Probably unique to the Rose Bowl and the RBOC, and, not included in the routine game day operations of the “Selected Comparable Situations”, are numerous unquantified costs and lost revenues, including, but not limited to, the following:

- The loss of game day/weekend revenue from:
 - Golf Courses operations
 - Brookside restaurant
 - John Wells pro shop
 - R. G. Canning Swap Meet
 - Licensed/Permitted walks, runs and other income producing “Minor Event” activity in or around the Central Arroyo, the Rose Bowl, the Recreational “loop”, and Brookside Park in competition with NFL activities and games
 - Aquatics Center
 - Kidspace Museum
 - All or a portion of luxury/premium seating as in other Barrett Analysis “comparable” case studies per NFL leases
- Extra costs for additional personnel to plan, supervise and perform enhanced services required by NFL football:
 - Pasadena and RBOC Administrative staff
 - Legal staff and expenses
 - Permit Dept. staff to deal with cancelled small events
 - Security and police, and their training, for:
 - Terrorism concerns
 - VIP services; helicopters, “freebies”, etc.
 - Crowd control inside and outside the stadium and in Old Pasadena
 - Fire and EMT services
 - Overtime police and fire personnel
 - Outside contracting for additional police and fire services
 - Alcohol control and management
- Extra costs of legal and other similar and related expenses to:
 - Relocate and accommodate the Displacement or inconvenience to:
 - The Tournament of Roses, which has exclusive right to the Central Arroyo each December
 - The R. G. Canning Swap Meet, which meets the 2nd Sunday each month in the Central Arroyo; and
 - Manage increased risk and legal exposure, including personal injury, by at least three times the current risk levels as a result of significant increases in Rose Bowl attendance arising out of NFL fans and automobiles in the Central Arroyo, including risks from significantly increased alcohol consumption
- Extra costs for repair of Golf Courses and other Central Arroyo grassy areas used for parking:
 - By one day after an NFL game, and
 - Restoration after up to 23 football games each season for cumulative damage
 - Major repair/replacement of considerable damaged turf after five years

A major oversight in the Barrett Analysis is the absence, apparently intentional, of actual financial experience of the Rose Bowl with previous NFL games, or recent experience with UCLA, Tournament of Roses or BCS games. The data is readily available to compare and contrast with the “Selected Comparable Situations”, and to arrive at conclusions based on possible financial results of typical NFL games.

It is particularly interesting to note that one recent UCLA game just broke even from stadium rental income after stadium operating costs, realizing its net profit mostly from television, concessions, advertising, and parking. After paying parking related costs and income sharing with UCLA, the net parking income was negligible.

It is also important to recognize that business anticipated from NFL fans in Old Pasadena and other commercial areas of Pasadena is highly speculative. Fans, tired and inebriated, will more likely head home rather than try to negotiate the unfamiliar streets and difficult to find parking areas. Meanwhile, experienced Pasadena residents will avoid Old Pasadena and other commercial areas in droves, preferring outlying restaurants and shops to the possibility of any unpleasant experience with unruly NFL fans (if any). At best, NFL fans will just replace regular Old Pasadena patrons and other commercial area patrons to some undetermined degree.

Individual Case Studies:

Of the eight “comparable” examples, one was based on a deal that is still being negotiated, three were not relied upon, and four had no base rent payments. Only the Seattle Seahawks deal was a final deal that included base rent payments.

Minnesota Vikings: This deal is still being negotiated, so none of the “facts” cited are certain. Game day operating expenses are not listed. No compare/contrast analysis with the Rose Bowl is provided.

New Orleans Saints—Tiger Stadium: Not relied upon because only four games involved. Why then is it included? Game day operating expenses are not listed. No compare/contrast analysis with the Rose Bowl is provided. Re-sodding of playing field is not comparable to repairing ongoing damage to a golf course.

New Orleans Saints—Alamodome. Not relied upon because only three games involved. Game day operating expenses not listed. No compare/contrast analysis with the Rose Bowl is provided. Requirement that Saints would pay an amount equal to lost revenue from rescheduled events—why doesn’t the Report analyze the lost revenue from Displacement Events at the Rose Bowl and lost revenue from the golf course on game days?

San Diego Chargers: Not relied upon because only one game involved. No rent paid.

Chicago Bears: No base rent was paid. Game day operating expenses are not listed. No compare/contrast analysis with the Rose Bowl is provided.

Seattle Seahawks: Game day operating expenses are not listed. No compare/contrast analysis with the Rose Bowl is provided. One third of annual rent paid was for parking, but the Rose Bowl has inadequate parking, and off-site parking must be used that is not owned by the City.

Tennessee Titans: No base rent was paid. Game day operating expenses are not listed. No compare/contrast analysis with the Rose Bowl is provided.

Carolina Panthers: No base rent was paid. Game day operating expenses not listed. No compare/contrast analysis with the Rose Bowl is provided.

In the Barrett Analysis, "comparable" situations, stadiums received no share of television proceeds, from zero to 100% of parking revenue, and probably all the previously stadium produced advertising, but none of the NFL advertising. If these circumstances were applied to an NFL game at the Rose Bowl, and considering the unique costs and lost revenue, it's very difficult to justify anything near \$5 million profit per year.

Limiting Conditions and Assumptions on Page 53:

"Ownership and management of the stadium are assumed to be in competent and in responsible hands." The multi-million dollar Rose Bowl Renovation Project funding gap, estimated recently at about \$40 million, puts this Limiting Condition specifically in question.

"Any estimates of historical or future revenues, rents, expenses, occupancy, net operating income . . . cash flows . . . , are intended solely for analytical purposes and are not to be construed as predictions of the analysis. They represent only the judgment of the authors based on information provided by operators and owners active in the market place, and their accuracy is in no way guaranteed." "Our work has been based in part on review and analysis of information provided by unrelated sources which are believed accurate, bur cannot be assured to be accurate. Comment: These disclaimers are evidence that the "Analysis" is: speculative, and, its accuracy for purposes of decision making cannot be relied upon.

"Current and anticipated market conditions are influenced by a large number of external factors. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the operating potential of the facility. Due to rapid changes in the external factors, the actual results may vary significantly from estimates presented in this report." Comment: This disclaimer is evidence that the "Analysis" is speculative; and insufficiently factual as to the operating potential of the NFL at the Rose Bowl for purposes of decision making.

Conclusion:

As demonstrated by the discussion above, the Barrett Analysis does not Adequately support adoption of a Statement of Overriding Consideration, and, therefore, the Statement is legally Inadequate and cannot be adopted.

Thank you for your consideration.

Sincerely,

LINDA VISTA-ANNANDALE ASSOCIATION,

By 
Nina Chomsky, President
cc: LVAA Board of Directors