

ANGELFEST: ENVIRONMENTAL HARM PLUS FISCAL AND GOVERNANCE EMBARRASSMENT

Prepared by Jackie Wollner

The San Fernando Valley Audubon Society asserts that no amount of money is worth the destruction of an ecologically sensitive area. Notwithstanding that, the “green” proponents repeatedly claim that raising money for LA Parks is the primary justification for AngelFest. Comparison with venues in other urban areas reveals that **L.A. Rec and Parks has made a remarkably bad deal for use of taxpayer-funded Woodley Park.**

Other cities have raised money by leasing *appropriate* venues for large festivals. We have conducted a review of three of these and found several important conclusions:

- None of those festival venues overlap a Wildlife Reserve.
- Other cities insist on far more revenue for city parks - by a factor of at least 10 times.
 - Upwards of \$10 million vs. \$1 million over three years.
 - Significantly higher percentage of ticket sales.
 - Percentage of food, beverage, parking, sponsorships.
- Other cities’ contracts have insurance provisions to cover damage that are much larger than the grossly insufficient \$50K AngelFest promoters have offered.
- Other cities have openly discussed the terms of these contracts and have made them available online for public study and evaluation.
- Comparable festivals were all managed by large, wealthy and -- most of all -- highly experienced festival producers.

ANGELFEST PROPONENTS CLAIMS ABOUT MONEY TO BE DIRECTED TO LA PARKS

- The now cancelled event permit for AngelFest called for a \$250,000 fee for RAP. This document was hidden from the public and was only obtained after repeated requests pursuant to the California Public Records Act. It is now void and consequently the highly flawed and biased EA is being considered without a valid event permit.
- Section 2.3 of EA makes brief mention that an unspecified “portion of every ticket sold would be donated to the Los Angeles Parks Foundation”.
- Promoters claim they will donate a percentage of ticket sales to the LA Parks Foundation. Some references to 3% of ticket sales have appeared in the media. No contract has been shared with the public. No rationale for sharing such a small amount compared to other urban festivals has been put forth.
- The EA specifies a \$50,000 bond to cover remediation of damage. A laughably paltry amount. (Details demonstrating this discussed in a separate attachment of the SFVAS comment letter.)
- LA Parks officials and MGG have speculated in the media that “**\$1 million could be raised in three years**”. Note that this is yet more evidence of the full intentions of the promoters and RAP to make this a three year commitment, if not longer.

EXAMPLES OF FESTIVAL FINANCIAL ARRANGEMENTS WITH OTHER CITIES

Lollapalooza, Grant Park, Chicago (C3/Live Nation)

- Lollapalooza is held in a large urban park designed to host large crowds.
- Lollapalooza does not overlap, nor is it near a wildlife reserve.
- \$1,500,000 minimum per year to city parks through 2021 guaranteed whether festival is held or not.
- **11% of ticket sales in 2012 escalating to 15% in 2021.**
- Percentage of food, beverage and sponsorship revenue
- 2014 payment to city of Chicago was \$3,900,000, not including repairs (\$236,000).
- \$7,000,000 insurance coverage (contract appendix C)
- **Chicago Parks earn roughly \$13-15 million over 3 years.**

Arroyo Seco Festival, Rose Bowl, Pasadena (Goldenvoice/AEG)

- The Arroyo Seco Festival, scheduled to commence 2017, will be at the Rose Bowl, a venue designed for large events. The Rose Bowl is owned by the city of Pasadena, thus fees and percentages go directly to the City.
- \$3,000,000 up front to secure venue for 10 years
- \$2,000,000 minimum year 1,
 - \$2,500,000 min. yr 2, \$3,000,000 min. yr 3, & increases beyond that.
 - Actual payment could be higher.
- Percentage of food, beverage parking, sponsorships.
- Reimbursements for all expenses (security, cleaning, traffic control, cleaning, more)
- Replacement of all damaged items.
- Payment for expenses related to obtaining permits & clearances
- **City of Pasadena earns a minimum of \$10.5 million in three years, likely higher.**

Outside Lands, Polo Grounds, Golden Gate Park, San Francisco (Another Planet Ent.)

- Outside Lands is held at the polo fields in Golden Gate Park, designed for large events.
- **11% of ticket sales.**
- Upfront payment of \$750,000
- Additional \$105,000 per year for landscaping, not including reimbursement for remediation.
- 2014 payment to San Francisco Parks: \$2,400,000, not including reimbursements.
- **Expected three year revenue to SF Parks \$8-12,000,000.**

MUSIC FESTIVALS ARE ENORMOUSLY PROFITABLE AND INCREASINGLY CONSOLIDATED

- With the advent of digital music distribution, recorded music is no longer profitable. Virtually all the profit in the music industry now comes from festivals and to a lesser extent, other live events.
- Festivals are becoming consolidated under two behemoth, very profitable companies: AEG & Live Nation
 - AEG: Coachella, Stagecoach, Arroyo Seco, Firefly, FYF, Northern Invasion and many more.
 - Live Nation: Lollapalooza, Bonnaroo, Electric Daisy, HARD Fest, Wonderland and sixty more.
- Both AEG and Live Nation pursue a growth strategy of buying 100% or majority stakes in smaller event promoters.
- The AngelFest deal is 3% of ticket sales (still without contractual obligation) and a small upfront fee.
- These very profitable enterprises routinely pay upwards of 11% of gross sales plus large upfront fees to secure a venue. Certainly they would love to get by spending a fraction of that.
- Beyond wrecking Woodley Park and endangering an important wildlife corridor, the AngelFest deal is a fiscal embarrassment to the City of Los Angeles.

ANGELFEST: WHO PROFITS?

Certainly not the people of Los Angeles. The Made in America (MiA) festival, produced by Live Nation, paid more to use Grand Park downtown and ended up costing the City of LA \$170,000. It did not return a second year amid myriad complaints and controversies. After the MiA debacle, why would city officials make another bad deal? A deal that makes chumps of us compared to the Lollapalooza, Arroyo Seco, etc. deals? Is it incompetence? Naivete? Cronyism or personal relationships? Why is there no public record of the deal struck with MGG? Why was planning hidden for more than two years? These questions may not have received much public attention yet. But ultimately they will.

MGG, by their own description is a “green” marketing consulting company. As an entity they are not and never have been festival producers. Tim Sexton claims to have been an executive producer of Live 8 in 2005, but many histories of Live 8 fail to mention him. In the entertainment industry every film or tv production, every live event, has a legion of “executive producers”. They include people on writing staffs, back office functions like accounting, and video production. In no way was Tim Sexton a key person in the creation or management of Live 8.

Festivals need money and experienced people to get off the ground. Beyond the lack of experience, it is not clear that MGG, a small consultancy, has the financial resources needed to make the upfront investments.

ANGELFEST: WHO PROFITS? (continued)

Rumors have surfaced from several reliable sources that the financing behind MGG's attempt to create AngelFest is the giant festival promoter AEG -- the same ones behind Coachella and the upcoming Arroyo Seco festival in Pasadena. Perhaps AEG has a financial stake in MGG. They are both private companies so it's hard to know. Certainly AEG has bought partial or full stakes in other event promoters.

It's *possible* that MGG has been 'fronting' for AEG all along. If so, it is certainly working for AEG. They have managed to secure a beautiful city park as a venue for less than a tenth of the going rate. They are hiding behind the small time Make Good Group who is distracting the public with the false idea that AngelFest is essentially a public service. Wouldn't the community react differently if the producers of the highly profitable and disruptive Coachella wanted to put 65,000 people a day in their much loved park surrounded by a residential neighborhood? Wouldn't the community be outraged by how ridiculously unfair the deal is? How flagrantly the promoters took advantage of Los Angeles, the Valley in particular, and the people who love Woodley Park? If it comes to light that Los Angeles officials made a terrible deal with a giant promoter, and that the US Army signed off on it, it will be very embarrassing for all. And of course the Park and Wildlife Reserve will suffer.

At this time, we can not substantiate the relationship between MGG and AEG. But it has come to us several times from disparate sources. Please ask MGG about this. And please keep in mind the deal stinks regardless of who is behind it.

TRANSPARENCY AND CREDIBILITY

Media statements from both RAP and MGG make reference to a three year commitment. During the May 10 meeting, Tim Sexton asserted that AngelFest is intended for multiple years and that is what he needs to get the event established. The cancelled event permit is explicit about a three year commitment. Yet the proponents tell the ACoE that their proposal is for one year. Clearly they are trying to avoid the additional environmental review that a multi-year commitment necessitates. This practice is well known in environmental law as "piecemealing", and case law has established it as illegal. (KCET link?)

Col. Gibbs, you have said that you will take MGG at their word. But how good is their word? As we have demonstrated, the draft EA has many falsehoods, inconsistencies and omissions. MGG assured you their May 10 presentation would be brief, yet you had to call a stop to it yourself after 90 minutes of self-promotion. On matters large and small, they have not been credible. The secrecy of the process and the undemocratic May 10 meeting suggest they are trying to get away without scrutiny. On behalf of the land you manage, and the people who care about the Wildlife reserve within it, you can apply that scrutiny now.

MUSIC, FUN & MONEY

We are not against festivals. But we do oppose any huge disruptive gathering in and surrounding a wildlife reserve. We would love for the parks to have more funding. But no price justifies turning Woodley Park into a public fairgrounds in perpetuity.

We ask MGG/AEG to find an appropriate venue for AngelFest. Contrary to their assertion, it does *not* have to be a city park for RAP to be a beneficiary. MGG/AEG can secure any proper venue at a fair price and still donate money to RAP. Recall that Live 8 was a fundraiser for Africa. It was held in Philadelphia. They can accomplish all their objectives elsewhere without destroying a verdant peaceful park and taking financial advantage of the people of Los Angeles.

REFERENCES:

Lollapalooza

- <https://www.wbez.org/shows/wbez-news/is-chicago-earning-all-that-it-should-from-lollapalooza/1e3949f1-e018-4886-af05-7ae85fbd01ac>
- <https://www.documentcloud.org/documents/804451-city-of-chicago-agreement-with-lollapalooza.html#document/p15/a125792>
- http://articles.chicagotribune.com/2012-03-14/news/chi-lollapalooza-deal-changed-lollapalooza-and-city-restructure-deal-20120314_1_lollapalooza-parkways-foundation-ticket-prices
- <http://www.chicagotribune.com/business/ct-chicago-festivals-economy-0726-biz-20150724-story.html>
- https://www.nrpa.org/uploadedFiles/nrpaorg/Professional_Development/Innovation_Labs/Chicago-IL-Innovation-Lab-Slides.pdf

Outside Lands

- <http://richmondsfblog.com/2014/09/23/outside-lands-a-closer-look-at-rec-park-revenues-and-the-events-impact/>
- <http://archives.sfexaminer.com/sanfrancisco/revised-outside-lands-contract-would-enlarge-crowds-while-increasing-citys-revenues/Content?oid=2318580>
- http://sfbos.org/ftp/uploadedfiles/bdsupvrs/committees/materials/bf120512_121134.pdf

Arroyo Seco

- <http://rosebowlstadium.s3.amazonaws.com/doc/3.5.15-Music-Art-Festival-Agenda.pdf>
- <http://www.pasadenastarnews.com/arts-and-entertainment/20150406/pasadena-rose-bowl-music-festival-wont-be-another-coachella-officials-say>
- <http://www.pasadenanow.com/main/public-hearing-tackles-proposed-arroyo-seco-music-and-arts-festival-at-city-council-meeting-monday/#.Vzkj2oQrJhF>

Profitability of festivals

- <http://www.wsj.com/articles/music-festivals-peace-love-and-a-business-battle-1438296207>
- http://www.huffingtonpost.com/kelsey-clark/the-economics-of-music-festivals_b_7056508.html
- <http://www.laweekly.com/music/the-economics-of-music-festivals-whos-getting-rich-whos-going-broke-4167927>
- <http://fortune.com/2013/07/03/how-music-festivals-make-money/>
- <http://www.nytimes.com/2016/04/11/business/media/live-nation-adds-governors-ball-to-its-music-festival-lineup.html>

Piecemealing

- <https://www.kcet.org/define/heres-why-that-music-festival-at-sepulveda-basin-is-a-bad-idea>