STAFF REPORT

Meeting Date: June 18, 2013

To: Honorable Mayor & City Council

From: Cheryl Friedling, Deputy City Manager for Public Affairs
Megan Roach, Marketing & Economic Sustainability Manager

Subject: Presentation by the Rodeo Drive Committee for Fiscal Year 2013-2014 Scope of Work and Funding Request

Attachments: 1. Rodeo Drive Committee Fiscal Year 2013-2014 Proposal

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INTRODUCTION

The Rodeo Drive Committee is comprised of approximately 70 retailers, hotels and property owners. Founded in 1972, the Committee promotes Rodeo Drive through a variety of programs which enhance Rodeo Drive's image as a world-wide visitor destination.

DISCUSSION

In previous years, the Rodeo Drive Committee ("RDC") has received City support to conduct marketing events on behalf of its retailers, hotels and property owners to promote tourism and visitor spending on Rodeo Drive. Funding for these purposes has been provided from the City's Tourism and Marketing Budget. These include the Rodeo Drive Walk of Style®, Rodeo Drive Concours D'Elegance, holiday décor and lighting, and others.

On May 17, 2013, the Rodeo Drive/Special Events/Holiday Décor Liaison Committee (Vice Mayor Bosse and Councilmember Krasne) met with RDC representatives to review the proposed Fiscal Year 2013-14 scope of work and funding request, which is included as Attachment No. 1 to this report. The funding request of $788,000 includes event services, holiday décor, marketing, and public relations activities and represents an 88% increase over the RDC's funding agreement from the prior fiscal year.

The RDC is requesting funding for a variety of marketing initiatives and they include:

- $200,000 for the Rodeo Drive Walk of Style® event to be held in fall 2013.
- $25,000 for the Rodeo Drive Concours d'Elegance scheduled for Sunday, June 15, 2014. The $25,000 in funding will be a combination of waived street closure fees and in-kind City services such as police, traffic control and public works.

- $75,000 from the City to the RDC for Rolex/Gearys' premier sponsorship of the Rodeo Drive Concours d'Elegance, which is part of the City's contractual obligation to Rolex/Gearys for their sponsorship of the Centennial Celebration.
- $160,000 for holiday décor and lighting to replicate the prior year holiday décor program for the street, which includes ice trees for the street medians, banners and other décor elements. The program creates a framework for a possible partnership with Baccarat in 2014.
- $120,000 for a holiday lighting ceremony/9021-SNOW on Sunday, November 24, 2013 on the 200 block of Rodeo Drive.
- $50,000 for promotion and marketing of the new holiday program *Miracle on Rodeo* which will include a charitable component with Rodeo Drive businesses, special street entertainment, advertising, and a possible street banner campaign.
- $100,000 for advertising, public relations and branding for a new program *Watch Week* where watch brands are invited to participate in hosting in-store events for clients and press, launch new products, feature watchmakers, and more.
- $50,000 for a new program to promote the City's Centennial, which will include a re-enactment of the Rodeo Drive Bridle Path with a horse parade from the Beverly Hills Hotel/Will Rogers Park to Rodeo Drive. This event could be in conjunction with the proposed Watch Week finale on October 20, 2013 – 100 days from the City's anniversary on January 28, 2014 – or as part of the 2014 Rodeo Drive Concours d'Elegance event. The event would occur after the grand opening of the Wallis Annenberg Performing Arts Center, which is scheduled for October 17, 2013.

FISCAL IMPACT

The City's Finance Department projects $32,062,800 in TOT revenue for the 2013-2014 Fiscal Year, which results in a Tourism and Marketing budget of $5,561,204. This amount includes $980,804 in budgetary carryover from Fiscal Year 2012-2013. The funding is budgeted in the Tourism and Marketing Program account 0101311. The Rodeo Drive Committee is requesting $788,000 in funding for a portfolio of marketing events and initiatives to promote tourism and visitor spending on Rodeo Drive. The fulfillment of this funding request, along with the other Tourism and Marketing budget program allocations, would create a shortfall of $1,688,046 in the Tourism and Marketing budget and would require augmentation from the General Fund.

RECOMMENDATION

Staff recommends that the City Council review the scope of work and funding request from the RDC in the context of the other requests included on the June 18 agenda and provide direction on the Fiscal Year 2013-2014 funding amount. The funding agreement will be included on a future formal meeting agenda for City Council consideration.

Don Rhoads	Cheryl Friedling
Finance Approval	Approved By

Attachment 1

BH

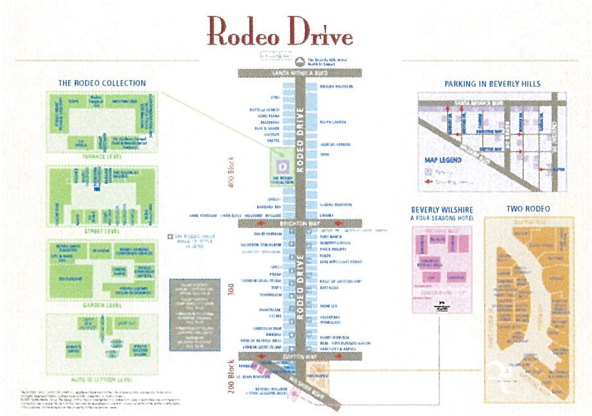
RODEO DRIVE

Rodeo Drive Committee

2013-14 Request for Funding • May 17, 2013

RDC Program of Work

- Shared information through monthly meetings
- Increased digital marketing with Rodeodrive-bh.com website, Facebook, Twitter, Pinterest, Instagram, Flickr and Foursquare presence.
- Marquis events such as Rodeo Drive Walk of Style and Rodeo Drive Concours
- Networking/Mixers
- Tourism outreach with BHCVB
- Holiday Décor & Events
- City and Community relations
- Third party promotions
- Publicity
- Rodeo Drive Map in English, Chinese, Japanese and Korean.



BH RODEO DRIVE

The New Rodeo Drive

"It's a way to showcase your product and brand in one of the top five streets in the world."

- California Apparel News, 5/7/2012

In December 2012, Bulgari moved from the 200 block to the 400 block. In 2013, Celine and Vacheron Constantin have opened. This summer, the new Tory Burch, CH Carolina Herrera and Porsche Design stores will open. Louis Vuitton will move to temporary space while the flagship store is remodeled and then launch an LV Men's store at the former Bulgari location. Hermes will move from their temporary location to their remodeled flagship. Zegna will move to their new store next to Prada in Fall 2013. Burberry will move from Wilshire to the former Zegna space in Fall 2014.

Chief Executive of Paris' LVMH Moet Hennessy Louis Vuitton Bernard Arnault purchased a storefront on Rodeo Drive for $85 million, which is reportedly the **highest price on a square-foot basis ever paid in Los Angeles County**, according to Business Journal. He recently paid $11,971-per-square-foot for a 7,100-square-foot building in Beverly Hills' Rodeo Drive. Arnault purchased the space from real estate firm New Pacific Realty Corp., who "purchased it four years ago for $34.5 million."

In August 2009, the Lladro/Hugo Boss space sold for $2,471/square foot or $28 million.

The New Rodeo Drive

OBSERVATIONS

The City collects a tax on commercial property rents called business rental income tax. The formula is $2.30 per $1,000 so on a typical store paying $100K per month the City collects approximately $2,300 per month or $27,000 per year. This is just one of the many fees assessed on land owners and tenants.

According to landlords, rents have increased dramatically on Rodeo Drive in the last 1.5 years - perhaps 30% to 35% so the rent tax income will mirror that increase.

Rodeo is the major catalyst that attracts international and domestic tourism, local shoppers and is the catalyst for new development on Beverly, Brighton, Wilshire, Camden, etc. with impact on local hotel stays and restaurants visits.

A strong and economically viable Rodeo Drive equals a strong and economically viable City.

2012-2013 Accomplishments

- More than 1 BILLION media impressions collectively from Rodeo Drive Walk of Style; seen by the luxury fashion industry as the most imprtant fshion honor on West Coast. Produced two Walk of Styles in 2012 honoring Diana Vreeland (press conference format) and Bulgari (cocktail format).

- Rodeo Drive named #1 Shopping Street in the country by US News & World Report. Named one of the 5 most important shopping streets in the world by California Apparel News.

- Rodeo Drive social media has increased 12,000 followers on Facebook since May 2012 to more than 25,500 likes and a reach of 284,823. Of all city organizations, Rodeo Drive's Facebook page has the most following with monthly double digit increases and a global audience. Expansion of online programs in 2012-13 included YouTube, Twitter, Pinterest, Flickr, Instagram and Foursquare.

- RDC created consensus of retailers for Holiday decor and brought together a concerted effort that included the Beverly Wilshire and 2 Rodeo into one impactful vision for the street that was visible daytime and nighttime.

- British-themed Concours in 2012 seen by participants as "best ever" for turn out, cars, press coverage and excitement. 2013 edition celebrates "The Jet Age" with the first-ever jet parked on the street,

- Continued significant Chinese tourism and steady Middle East business.

- Some stores report that their Rodeo Drive locations are moving up to become their company's top performing branches in 2012/13 in the country ahead of Madison Avenue and South Coast Plaza.

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RODEO DRIVE

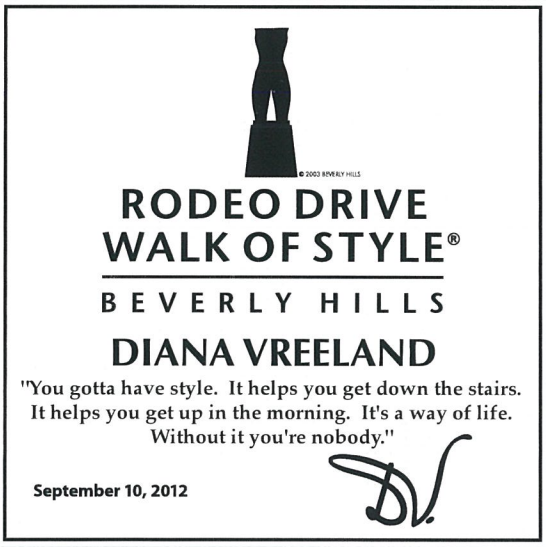
Ice Cream Sundays

Approved City Funding 2012/13: $30,000
Request for Funding 2013/14: $0

- Created something fun for 3 Sundays in September to attract locals to shop and help push Sunday business.
- Shoppers with proof of purchase received complimentary ice cream, gelatos and desserts from Beverly Hills Hotel, Sprinkles, Coolhaus, Talenti Gelato.
- Generated publicity in local papers, Angeleno, Racked LA, LA Confidential, Los Angeles Magazine and more.
- Helped celebrate Beverly Hills Hotel's 100th Anniversary.
- Banner program to enliven street.
- Raised an additional $20,400 in cash and in-kind sponsorship.

Rodeo Drive Walk of Style 2012

Bulgari & Diana Vreeland
City Funding 2012/13: $200,000
Additional Sponsorship Raised: $500,000 estimated
City Funding Request 2013/14: $200,000

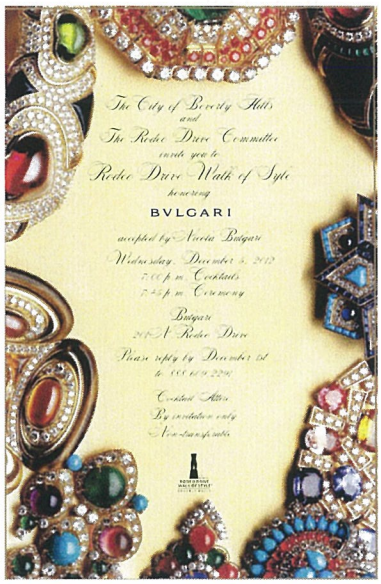


- Exceeded an estimated 1 billion media impressions since start in 2003; investments by past and future honorees; brings style and prestige to city and street; activates fashion and entertainment which makes Rodeo different from malls and competitors.

- Diana Vreeland, former editor of Vogue and Harper's Bazaar as well as director of the Met's Costume Institute, was inducted posthumously as the first editorial honoree a part of launch of highly acclaimed documentary at a daytime press event. Important to honor legends for credibility of program.

Rodeo Drive Walk of Style 2012 (continued)

Bulgari & Diana Vreeland
City Funding 2012/13: $200,000
Additional Sponsorship Raised: $500,000 estimated
City Funding Request 2013/14: $200,000



- Award presented to Nicola Bulgari by actress Drew Barrymore.
- Event launched new digital components with You Tube, Flickr, Pinterest, Instagram and Foursquare.
- Purchased five new award maquettes at $10,000 each.
- Continued to position Walk of Style as a tourism destination similar to Hollywood Walk of Fame with tourism advertising.

Rodeo Drive Walk of Style

Fall 2013

City Funding Request 2013/14: $200,000

RODEO DRIVE
WALK OF STYLE®
BEVERLY HILLS
Men of Style

"Men of Style" will honor a menswear designer, celebrity icon and fashion photographer.

The potential menswear honoree has proposed a four day public contemporary art installation on Rodeo Drive by a top artist or designer to celebrate the city's 100th Anniversary and Rodeo Drive retail.

Rodeo Drive Holiday Décor

City Funding 2012/13: $168,000
City Funding Request: 2013/14: $168,000

- Created ad hoc Holiday Committee to work with City to bring together Rodeo Drive, Beverly Wilshire and 2 Rodeo to have one vision and build consensus for the street design during the Holidays. Committee interviewed three firms for creative direction.
- Designed with possibility of a return by Baccarat chandeliers in 2013 and/or 2014 to celebrate their 250th Anniversary.
- Final selection included ice trees covered in bright white lights in median strip, overhanging stars across street, reflective banners, uplit palms in red, poinsettias at ends of median strip and in planters, return of "tree of lights" and red colored up-lighting at Beverly Wilshire.
- Created YouTube Holiday video card for retailers to share with customers. http://youtu.be/npLeZG3YK_U

Rodeo Drive Concours:

City Funding Request 2012/13: $25,000
Estimated Cash and In-kind Sponsorship: $200,000+
City Funding Request 2013/14: $25,000 plus
$75,000 requested by Rolex as a part of Centennial benefits

- Biggest annual event in the Golden Triangle; brings elegance, media and prestige to street; allows for retailers to tie-in and bring new customers.
- 2013 will feature first-ever plane – the Lear85 -- on the street as centerpiece to publicity.
- Honored marques include Learjet and Porsche 911 to coincide with their 50th Anniversaries.
- $25,000 sponsorship covers city costs of permits, police, fire, traffic control, public works for the event.
- Banner program on Rodeo and Wilshire.
- Sponsors currently include Flexjet, Bombardier, Porsche Beverly Hills, Auto Gallery, Ferrari Maserati Beverly Hills, Ferrari USA, O'Gara Coach Company, Airstream, Gearys Beverly Hills, IWC, Lamborghini Watches, RM Auctions, Beverly Wilshire, Luxe Rodeo Drive, Thompson Beverly Hills, Beverly CVB, Brooks Brothers, Kosta Boda, Lladro, Smartwater, and local businesses Beverly Hills Brownies and Fatburger.
- 2014 program will feature one car from 1914 to 2014 to celebrate the City's Centennial. Rolex will be the presenting sponsor.

New Program: Rodeo Drive Watch Week

October 10-20, 2013

City Funding Request 2013/14: $100,000

RODEO DRIVE

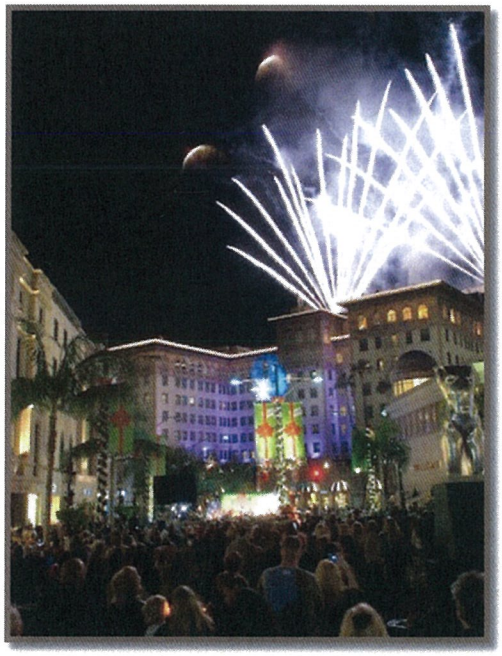
WATCH WEEK

- Based on successful Madison Avenue Watch Week with events over a period celebrating the world's finest watch brands in a concentrated area. Watch brands are invited to participate by hosting in-store events for clients and press, launching new product, featuring watchmakers, etc.
- Launches on 10/10: the time set for most display watches and ends on October 20 – 100 days before Centennial. Ending event launches the 100th Anniversary Celebrations with "time machine" event celebrating history such as the re-enactment of the Rodeo Drive Bridle Path.
- For the City, watch sales are one of the largest categories for sales tax and other revenue as well as a draw to the area.
- Budget allows for organization, advertising, PR, branding.
- Watch brands and retailers that contribute to participate are included in marketing materials. Preliminary suggested fees to participate are $2500 for Rodeo Drive brands and $5,000 for retailers who are not members of the committee.
- Media partnerships would be pursued with key publications that have the reach to potential watch buyers. In New York on Madison, Wall Street Journal has been the media partner.

New Program: Lighting Ceremony/9021-SNOW

Sunday, November 24, 2013

City Request for Funding 2013/14: $120,000
Approximate costs of Snow Days in 2010: $87,000
Approximate Cost for Lighting Ceremony in 2011: $100,000



Due to requests by local customers and member retailers, we propose the return of the traditional Holiday Lighting Ceremony with fireworks and/or 9021SNOW. While in many cases, the event did not create immediate sales, many top customers over the season have come to expect this element.

Closure of 200 block of Rodeo for staging, performance and celebrity appearance. Minimal closure of 300 block for 1 hour of viewing.

One of the city's top retailer noticed significant drops in retail sales YTD from prior dates these events were held.

Possible sponsorship by Town & Country advertisers or local retailers to help offset costs.

/V 90210 on Rodeo Drive

New Program: Miracle on Rodeo

Sunday, December 14, 2013
City Request for Funding 2013/14: $50,000

- Each participating store donates an estimated 20% of sales to the charity of their choice – concentrating on customers' causes.
- Town & Country Magazine promotes editorially in their November issue, online and in brochures directed to concierges at top local hotels.
- Special street entertainment.
- Luncheon hosted by top Town & Country editor in advance for participating charity groups and retailers.
- Possible banner program to promote the weekend.
- Budget allows for elements to maximize promotion including local advertising support, PR, street entertainment similar to Fashion's Night Out.

TOWN&COUNTRY

New Program: The City's Centennial

City Request for Funding 2013/14: $50,000

Re-enactment of the Rodeo Drive Bridle Path with horse parade from Beverly Hills Hotel/Will Rogers Park to Rodeo tied to Rodeo Drive Watch Week Finale on October 20, 2013 -100 Days until the actual anniversary on January 28 OR as a part of the 2014 Rodeo Drive Concours celebrating 100 Years of cars and "horsepower."

City Income from Rodeo Drive

- FY 2013-14 projected TOT is $32,062,800 or 1/7 for tourism and marketing is $4,580,400. FY 2012-13 base budget was $4,134,700 which is estimated at a 10% increase over 2012-13.

- Retail Taxes: If Rodeo Drive does nearly $450 million in retail sales, 1% of the state retail tax comes back to the City, or nearly $4.5 million annually. A 2007 survey found Rodeo Drive to account for $365 million in annual sales or $1 million/day. No survey has been done since, but retailers estimate the street now significantly exceeds 2008 levels of spending.

- Business License Fees: Classification B: per $1.00 of gross receipts over $60,000 taxed at a rate of .00125. At $400 million, tax rate is approximately an additional $611,500 in city income.

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RODEO DRIVE

City Income from Rodeo Drive (Cont'd)

- Classification F: Commercial F – Each $1 of gross receipts of rent taxed at .00235 x estimated $1000/square foot x conservative estimate of 500,000 square feet on Rodeo Drive= $1,750,000. As reported earlier this number has gone up approximately 30-35% in the last 1.5 years.

- Classification G: Lenders, brokers, real estate agents at .0035 estimated at $700,000.

- **Rodeo Drive's Estimated Total Importance to the City Financially: $35,500,000+**

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RODEO DRIVE

Program	2012/13	2013/14
Walk of Style	$200,000	$200,000
Concours	$25,000	$25,000
Ice Cream Sundays	$30,000	-0-
Holiday Décor	$168,000	$168,000
Lighting Ceremony/ 9021SNOW	-0-	$120,000
Watch Week	-0-	$100,000
Miracle on Rodeo	-0-	$50,000
Centennial Rolex Concours Sponsorship	-0-	$75,000
Centennial Bridle Path Re-Enactment 100 Days Before 100th with Watch Week/Time Machine	-0-	$50,000
TOTAL	$423,000	$788,000