



**DATE:** December 8, 2020

**CATEGORY:** Consent

**DEPT.:** Community Services

**TITLE:** **Live Nation Rent Modification Due to COVID-19**

### **RECOMMENDATION**

Authorize the City Manager and, acting as the Shoreline Regional Park Community Board, authorize the Shoreline Regional Park Community Executive Director to modify the existing agreement with Live Nation to reduce rent for the 2020 concert season by 50 percent due to the economic impacts of COVID-19.

### **BACKGROUND**

On May 10, 2006, the City, Mountain View Shoreline Regional Park Community, and Live Nation Worldwide, Inc. (f/k/a SFX Entertainment, Inc.) (Live Nation), executed an Amended and Restated Amphitheatre Ground Lease for the premises known as Shoreline Amphitheatre at Mountain View. This agreement contains an initial term through December 2020 and provides two 5-year options for extension. Live Nation has executed the first extended term, which will extend the lease through December 31, 2025.

The lease terms describe the rent payment process, including when rent is due. Live Nation pays monthly rent during the concert season from April through December of each year. According to the lease, monthly payments for the 2020 concert season are \$212,241.60 per month, totaling \$1,910,174 for the nine-month season. Live Nation has timely paid rent according to the schedule throughout the term of this agreement prior to the COVID-19 pandemic.

On May 5, 2020, the City Council approved deferring rent for April, May, and June 2020 after receiving a request from Live Nation to abate rent due to the COVID-19 emergency. On June 30, 2020, the City Council deferred rent for the months of July, August, and September to allow staff from both the City and Live Nation to engage in conversations and bring back a rent strategy for the entire 2020 season.

## ANALYSIS

Live Nation has been unable to open and operate Shoreline Amphitheatre for the entire 2020 concert season due to COVID-19. The organization originally kept the Shoreline Amphitheatre staff on payroll during the initial Shelter-in-Place orders, anticipating opening of the venue later in the season. After several months, Live Nation began reducing staff locally, regionally, and beyond. Consequently, Live Nation has requested that their rent payments be abated (forgiven).

Based on the impacts of COVID-19 on the operations of Shoreline Amphitheatre, staff recommends reducing the rent due to the City by Live Nation by 50 percent for the 2020 concert season. This would reduce the amount of rent the City receives for the 2020 concert season from \$1,910,174 to \$955,087. Rent due to the City for one concert season spans two fiscal years, with the rent for April, May, and June recognized in one fiscal year and the rent for July through December recognized in the following fiscal year. All of the recommended reduced rent payment (\$955,087) is proposed to be recognized in the current fiscal year since Fiscal Year 2019-20 is closed. In a typical year, the total received in the current fiscal year would have been \$1,273,450 for the six months of July through December.

Staff has been in ongoing discussions with Live Nation, and they are agreeable with the proposed approach. At the time this report was being prepared, Live Nation has made City staff aware of other potential revenue sources that would facilitate the making of rental payments.

The terms of the lease allow for continued deferral of Live Nation's rent obligations through the public health emergency; however, no provision excuses eventual payment in full of the deferred amounts. Staff recommends rent reduction at this time in recognition of the continued uncertainty in concert revenues and the ongoing collaborative relationship between the City and Live Nation. While it is anticipated that regular concerts will return at some point, there will likely be a transition period before full-capacity events are held. Similar to other industries, a slow opening is anticipated, which could further impact Live Nation's ability to receive typical revenue streams. This could extend Live Nation's interest in rent deferral into multiple concert seasons. Receiving the reduced rent for the 2020 concert season in the current fiscal year will provide the revenue to be recognized now while the City's overall revenues are impacted by COVID-19.

Over the years, Live Nation has continued to meet the terms of the lease, completed annual capital improvements to enhance the concert experience, and worked to provide a variety of entertainment at the venue. In addition, the on-site Live Nation staff at

Shoreline Amphitheatre have collaborated with City staff on a variety of initiatives both before and during COVID-19. For example, prior to COVID-19, Live Nation agreed to amend their lease with the City to accommodate the Safe Parking program in Lot B, which, by agreement, is used for concert attendee parking. This has enabled the City to address the needs of unstably housed members of the Mountain View community. In addition, Live Nation took responsibility for working with businesses in the North Bayshore area to find additional off-site concert parking to offset the loss of spaces due to the Safe Parking program. Since the Shelter-in-Place orders went into effect due to COVID-19, Live Nation has answered the City's request for assistance. To support the City's Castro Summer StrEATs program, Live Nation provided the City with picnic tables for outdoor dining seating for downtown businesses and large street bollards to safely close sections of Castro Street to vehicles. Thanks to the efforts of Live Nation, the City did not need to pay for these amenities. Finally, Live Nation staff has recently assisted City staff on logistics to implement an outdoor movie series in the Shoreline Amphitheatre parking lot as part of the City's holiday event programming for the community. The ongoing collaborative relationship with Live Nation staff is appreciated.

### **FISCAL IMPACT**

The recommended 50 percent reduction of rent for the 2020 concert season will reduce the total amount of rent received for the 2020 concert season from \$1,910,174 to \$955,087, which would be recognized in Fiscal Year 2020-21.

### **ALTERNATIVES**

Provide other direction to staff.

### **PUBLIC NOTICING**

Agenda posting and a copy of report to Brian Rutkowski, Shoreline Amphitheatre General Manager.

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