



COUNCIL REPORT

DATE: May 23, 2023
CATEGORY: Consent
DEPT.: Public Works
TITLE: **Amendment to 2017 Consent to Parking Sublease for Use of Lots C and D**

RECOMMENDATION

Authorize the City Manager or designee to execute an amendment to the 2017 Consent to Parking Sublease and Subtenant Recognition Agreement with Google LLC for the use of Lots C and D at One Amphitheatre Parkway.

BACKGROUND

The City owns the Shoreline Amphitheatre property, including the parking lots, and currently leases the property to Live Nation until December 31, 2025. Live Nation has one 5-year option remaining, but this option can only be taken if the City decides to continue use of the property as a live entertainment venue beyond December 31, 2025. After 2025, the City may terminate the lease with Live Nation and pursue other uses of the property or choose to continue the lease until December 31, 2030.

A sublease of any portion of the Shoreline Amphitheatre (including parking lots) requires City consent. On December 11, 2007, the City Council authorized the City Manager to execute a consent to the sublease of Lots C and D (Figure 1) between Live Nation and Google LLC (Google) for a 10-year term ending on December 13, 2017. Lot C has 1,050 parking stalls, and Lot D has 500 parking stalls.

On [March 7, 2017](#), as part of the public hearing to approve the 2000 North Shoreline Boulevard (Charleston East) Office Development, Council approved the terms and conditions for consenting to an extension of a sublease between Google and Live Nation for interim parking on Shoreline Amphitheatre Lots C and D. Google sought to continue the sublease from Live Nation for Lots C and D to provide parking to serve the Charleston East project until 1,200 off-site parking spaces could be built by Google as part of the Landings office development.



Figure 1: Parking Lots C and D

The Consent to Parking Sublease and Subtenant Recognition Agreement (2017 Agreement) was entered into by the City and Google on April 4, 2017. The terms and conditions as approved by Council in 2017 included the following:

- Google to make a one-time payment of \$600,000 to the City as consideration for consenting to the first extension for the period of time leading up to the issuance of a Certificate of Occupancy for Charleston East, or December 31, 2020, whichever occurs first;
- Annual rent of \$2,250,000 for Lots C and D to begin upon issuance of a Certificate of Occupancy for Charleston East or January 1, 2021, whichever occurs first;
- Annual rent escalation of 4%, compounded; and

- Per diem holdover penalty fee of \$10,000 per day for each day beyond December 31, 2025 until June 30, 2026, at which time the per diem holdover penalty fee increases to \$25,000 per day.

In addition, the 2017 Agreement specified that Google's use of the parking lot is nonexclusive and does not interfere with Amphitheatre events, and Google, as subtenant, maintains the surface parking and provides security.

On March 17, 2017, Live Nation Worldwide and Google executed an amendment to their Parking Sublease for Lots C and D. In addition to the payments to the City for the consent to sublease, Google's sublease with Live Nation included the following terms:

- Google to make a one-time payment of \$400,000 to Live Nation as rent for the first extension period (Years 2017 through 2020).
- Google to make a one-time payment of \$700,000 to Live Nation as rent for the second extension period (Years 2020 through 2025).

Google recently completed construction of a four-level parking structure with 1,709 parking spaces (Huff Garage) between Alta Avenue and Huff Avenue at the midblock between Charleston Road and Plymouth Street as Phase I of the Landings development. Google has, therefore, met its off-site parking obligations for Charleston East.

ANALYSIS

Google's North Bayshore Master Plan, which is to be considered by Council on June 13, 2023, includes using Lot C for district parking in a parking structure with up to 4,300 parking spaces. As part of the Master Plan approval, Council will also be requested to approve a long-term ground lease with Google for Lot C that will commence when Google is ready to begin construction on the parking structure, which will likely occur after 2030.

Although Google is no longer required to provide 1,200 off-site parking spaces for Charleston East, Google has requested the City's consent to continue subleasing the surface parking on Lot C and possibly Lot D from Live Nation until the expiration of the Live Nation lease in 2025, or 2030, if the five-year option is executed. Google also requested the consent to sublease be transitioned into a direct lease with the City for the use of Lot C should the Live Nation lease end prior to Google being ready to proceed with construction of the parking structure.

Staff recommends Council authorize the City Manager or designee to execute an amendment to the 2017 Agreement based on the following price and terms, which are consistent with the authority provided by Council in the Closed Session on February 14, 2023:

- The annual payment to the City for the use of Lot C to be lowered to \$930,000 with a 2% annual escalation effective July 1, 2023;
- Google will have the option to continue subleasing parking stalls in Lot D at a rate \$75 per stall per month (\$900 per year) with a 2% annual escalation effective July 1, 2023. This rate is in addition to the \$930,000 rent paid for Lot C; and
- City to continue to consent to the sublease with Live Nation, and/or enter into a direct lease with Google for the use of Lot C, until the parking structure is constructed rather than terminating in 2025 or 2030.

Google has also indicated that if Live Nation requires additional payments from Google in order to extend the sublease for the five-year option period from 2026 to 2030, these payments shall be deducted from Google's annual payments to the City. Since Live Nation must obtain the City's consent to the five-year extension, the City can negotiate with Live Nation to not require any additional payments from Google to sublease Lots C and D. Google has already made significant capital improvements to Lot C that benefit Live Nation's use, and Google will continue to maintain Lots C and D at no cost to Live Nation. Therefore, staff recommends agreeing to Google's term in the agreement to credit Google for any future payments required by Live Nation to sublease Lots C and D to Google.

FISCAL IMPACT

Under the 2017 Agreement, Google is to pay the City \$2.34 million for the sublease of Lots C and D for calendar year 2023, increasing to \$2.53 million in 2024, and \$2.63 million in 2025. Google also has the option to terminate the current sublease with Live Nation and, thus, the 2017 Agreement with the City, with a six-month notice now that their Charleston East parking obligations are met.

The estimated sublease payments that Google would pay to the City for Lots C and D under the existing 2017 Agreement is \$6.33 million from July 1, 2023 to December 31, 2025. Lowering the annual rent for the sublease of Lot C only to \$930,000 a year with a 2% annual escalation effective July 1, 2023 will provide \$2.36 million in revenue through December 31, 2025, which is \$3.97 million less in revenue than the current agreement. However, continuing the sublease of Lot C through December 31, 2030 will provide over \$5 million in revenue to the City during the additional five-year term.

In addition, should Google continue to use Lot D after July 1, 2023, Google will pay \$75 per stall per month. With 500 stalls in Lot D, this could generate up to an additional \$450,000 per year, escalated by 2% per year.

ALTERNATIVES

1. Approve different terms and conditions for amending the 2017 Consent to Parking Sublease for use of Lots C and D.
2. Do not approve amending the 2017 Agreement.
3. Provide other direction.

PUBLIC NOTICING—Agenda posting and a copy of this report was sent to Google and LiveNation.

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