

1 [Real Property Lease Amendment - BGCA Management, LLC - Bill Graham Civic Auditorium,  
2 99 Grove Street - \$25,000 per Month Base Rent]

3 **Resolution authorizing and approving an Amendment to Lease with BGCA**  
4 **Management, LLC, a Delaware limited liability company, for Bill Graham Civic**  
5 **Auditorium, at 99 Grove Street; increasing monthly base rent to \$25,000; requiring**  
6 **tenant to be responsible for all utilities and a minimum of \$10,250,000 in building**  
7 **improvements, new participation rent calculation, and other changes as set forth in**  
8 **Amendment; with no change to the term length to expire on December 31, 2030, to**  
9 **commence upon approval by the Board of Supervisors and Mayor.**

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11 WHEREAS, On July 1, 2010, the Mayor and Board of Supervisors approved Resolution  
12 No. 289-10 authorizing a lease of the Bill Graham Civic Auditorium ("Building") located at 99  
13 Grove Street to BGCA Management, LLC ("Tenant") for a term of approximately 20 years,  
14 with two five-year extension options, as a concert and special events venue ("Lease"); a copy  
15 of the Lease and Resolution No. 289-10 are located in Board File No. 100649; and

16 WHEREAS, The Lease includes: (i) an expiration date of December 31, 2030, subject  
17 to Tenant's two options to extend, each for an additional five years, at fair market rent; (ii)  
18 base rent of \$8,333.33 per month, increased by 2.5% each year subject to a rent abatement  
19 period during the construction of Initial Improvements; (iii) participation rent equal to the sum  
20 of (A) 50% of net naming rights revenue (from naming the internal arena, not the Building) in  
21 excess of \$500,000, (B) \$5 per ticket, increased each year per CPI, for each ticket sold in  
22 excess of 337,000 per year, and (C) \$2,500, increase each year per CPI, for each corporate  
23 event, subject to renegotiation after Lease Year 10; and, (iv) acceptance of the Building "as is"  
24 without representation or warranty; and

1 WHEREAS, Since 2010, Tenant has not received any naming rights revenue and has  
2 only sold over 337,000 tickets one year in 2016 to trigger those elements of participation rent;  
3 and

4 WHEREAS, The Lease requires Tenant to make certain interior renovations and capital  
5 improvements to the Building in three phases (the "Initial Improvements"), as set forth in the  
6 Lease and exhibits attached to it, and to spend at least \$10,000,000 on the Initial  
7 Improvements; and

8 WHEREAS, The City has granted several extensions for the performance of the  
9 required improvements, and as of the date of the Amendment to Lease, Tenant has  
10 performed approximately \$564,475 of the agreed upon required capital improvements,  
11 together with other repairs and upgrades for a total City approved improvement expenditure of  
12 approximately \$1,598,803; and

13 WHEREAS, Under the Lease, the City retains the right to use the Building 50 days per  
14 year for civic events and other City purposes; the City is not required to pay rent, but is  
15 required to pay for the costs of use, such as cleaning, security during these City events; and

16 WHEREAS, During the time period between 2010 and the present, the City has not  
17 used more than 24 City days in any one year period; and

18 WHEREAS, The Lease requires Tenant to pay for all utilities in connection with  
19 Tenant's use of the Building, but if Tenant's utility costs exceed \$200,000, as adjusted by CPI,  
20 in any Lease year, then Tenant receives a rent credit of 50% of such excess costs; and

21 WHEREAS, As a result of significant utility rate charges since lease negotiations nearly  
22 a decade ago, Tenant has received a rent credit for excess utility costs for each year since  
23 2011, resulting in a rent credit of over \$500,000 or five years of current base rent; and  
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25

1 WHEREAS, After several years of experience hosting concerts and other events in the  
2 Building, Tenant has proposed converting that portion of the Building presently known as Polk  
3 Hall into an approximately 1,200 seat club/small concert hall; and

4 WHEREAS, The City Administrator, as Landlord, is willing to allow Tenant to construct  
5 the proposed small venue in the Building; and

6 WHEREAS, The Real Estate Division has negotiated an amendment to certain  
7 sections of the Lease in substantially the form on file with the Clerk of the Board of  
8 Supervisors in File No. 171322, which is hereby declared to be a part of this Resolution as if  
9 set forth fully herein (the "Amendment to Lease") to allow the construction of a smaller venue  
10 in Polk Hall, increase in rent, change the terms of participation rent, require Tenant to pay all  
11 utilities without any rent credit, and require Tenant to make certain improvements in the  
12 Building; and

13 WHEREAS, Under the Amendment to Lease, base rent shall increase to \$25,000 per  
14 month from the current \$9,765.59 per month; and

15 WHEREAS, Under the Amendment to Lease, participation rent for naming rights  
16 remains the same, City's per ticket revenue has been deleted, and Tenant shall pay to City  
17 \$3,500 for each corporate event and other Non-Ticketed Events held in the main auditorium  
18 and \$2,500 for each Non-Ticketed Event held solely on or in one or more of the halls (i.e., the  
19 new Polk Hall) for which Tenant receives revenue; these amounts to increase yearly in  
20 accordance with a CPI adjustment; and

21 WHEREAS, Under the Amendment to Lease, those sections related to the Initial  
22 Improvements have been deleted and substituted with Tenant performing at least  
23 \$10,250,000 in Building Improvements, within three to ten years, including: (i) \$4,000,000 for  
24 Polk Hall Improvements, (ii) at least \$3,500,000 for Main Arena Improvements, (iii) at least  
25 \$750,000 for Freight Elevator Work; (iv) at least \$1,000,000 for Polk Street Passenger



1 Elevator Replacement; and (v) at least \$1,000,000 for remaining Elevator Replacement Work;  
2 and

3 WHEREAS, Under the Amendment to Lease, City days has been reduced to up to 25  
4 days per year; and

5 WHEREAS, Under the Amendment to Lease, Tenant shall pay for all utilities in  
6 connection with Tenant's use of the Building without receiving any rent credit; and

7 WHEREAS, Other clauses in the Amendment to Lease update required City provisions;  
8 and

9 WHEREAS, The amendments to the certain sections of the Lease shall commence  
10 upon approval by the Board of Supervisors and Mayor; now, therefore, be it

11 RESOLVED, That in accordance with the recommendation of the Director of Property  
12 and the City Attorney, the Director of Property on behalf of the City, as Landlord, be and is  
13 hereby authorized to take all actions necessary to execute the Amendment to Lease at Bill  
14 Graham Civic Auditorium, for the remainder of the initial term and the two five year options  
15 subject to the enactment of a resolution by the Board of Supervisors and the Mayor, in their  
16 respective sole and absolute discretion, approving and authorizing the same; and, be it

17 FURTHER RESOLVED, The monthly base rent for the remainder of the initial twenty  
18 year term shall be \$25,000 per month, subject to annual adjustments of 2.5% percent,  
19 exclusive of all utilities and services for which Tenant is solely responsible without any rent  
20 credit, as set forth in the Amendment to Lease; and, be it

21 FURTHER RESOLVED, The Board of Supervisors approves the Amendment to Lease  
22 in substantially the form in the Board's File and authorizes the Director of Property to take all  
23 actions, on behalf of City, to enter into any further amendments or modifications (including  
24 without limitation, the exhibits) to the Lease that the Director of Property determines, in  
25 consultation with the City Attorney, are in the best interests of the City, do not materially

1 increase the obligations or liabilities of the City, and are necessary or advisable to complete  
2 the transaction and effectuate the purposes and intent of this resolution and are in compliance  
3 with all applicable laws, including City's Charter; and, be it

4 FURTHER RESOLVED, That the Competitive Bidding Procedures would be impractical  
5 in light of the existing Lease Agreement between City and Tenant for the Building; and, be it

6 FURTHER RESOLVED, That any action heretofore taken by any City employee or  
7 official with respect to the exercise of the Amendment to Lease as set forth herein is hereby  
8 approved, confirmed and ratified; and, be it

9 FURTHER RESOLVED, That within thirty (30) days of the Amendment to Lease  
10 agreement being fully executed by all parties, the Director of Property shall provide a copy of  
11 the Amendment to Lease to the Clerk of the Board to include into the official file.  
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1 RECOMMENDED:

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4 John Updike

5 Director of Property

6 Real Estate Division

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9 RECOMMENDED:

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11 \_\_\_\_\_

11 Naomi Kelly

12 City Administrator



**City and County of San Francisco**  
**Tails**  
**Resolution**

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

**File Number:** 171322

**Date Passed:** February 06, 2018

Resolution authorizing and approving an Amendment to Lease with BGCA Management, LLC, a Delaware limited liability company, for Bill Graham Civic Auditorium, at 99 Grove Street; increasing monthly base rent to \$25,000; requiring tenant to be responsible for all utilities and a minimum of \$10,250,000 in building improvements, new participation rent calculation, and other changes as set forth in Amendment; with no change to the term length to expire on December 31, 2030, to commence upon approval by the Board of Supervisors and Mayor.

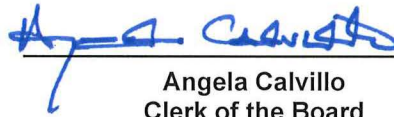
January 25, 2018 Budget and Finance Committee - RECOMMENDED

February 06, 2018 Board of Supervisors - ADOPTED

Ayes: 11 - Breed, Cohen, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Stefani, Tang and Yee

File No. 171322

I hereby certify that the foregoing  
Resolution was ADOPTED on 2/6/2018 by  
the Board of Supervisors of the City and  
County of San Francisco.

  
Angela Calvillo  
Clerk of the Board

  
Mark E. Farrell  
Mayor

  
Date Approved