

STAFF REPORT
City of Lancaster, California

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06/08/10
MVB

Date: June 8, 2010

To: Mayor Parris and City Council Members

From: Robert W. Greene, Director, Parks, Recreation and Arts

Subject: **Revised Lease Agreement with Hawk's Nest, LLC**

Recommendation:

Approve the revised lease agreement between the City of Lancaster ("City") and Hawk's Nest, LLC ("Hawk's Nest") for Clear Channel stadium.

Fiscal Impact:

Hawk's Nest will pay the sum of \$241,403.00 per year to the City.

Background:

The City and Clutch Play, LLC entered into a Lease Agreement dated August 14, 1995, and extended on April 25, 2000, to utilize Clear Channel Stadium for the purpose of operating a Class A professional baseball franchise. Said lease was assigned to Hawk's Nest, LLC in May 2006.

With your approval this agreement between the City and Hawk's Nest will be extended for a period of (5) more years through 2015. The agreement also provides an option for both the City and Hawk's Nest to extend the agreement an additional 5 year period upon both sides mutually agreeing to that extension will bring that extension to the year 2020.

The tenant will pay the City \$100,000.00 per year for annual maintenance taking place during the period of time that the baseball season is underway. Hawk's Nest, also agrees to pay \$55,750.00 as its annual rent for use of Clear Channel Stadium.

In a benefit to both the City and Hawk's Nest the City is splitting the electric meter at the stadium. This will place the burden for paying the primary electrical costs on Hawk's Nest with the City paying for a second meter that covers ancillary lighting needs for Clear Channel Stadium. Through the process of splitting the meter along with several other green energy measures we are implementing both the City and Hawk's Nest should realize an annual cost saving of at least 20%.

Through this agreement the tenant will receive additional access to use of the stadium to host community events that generate no revenue or ticket sales. The tenant has also been granted an additional (7) dates, or (12) in total, that can be used by them to book other events and any

associated costs experienced by the City as a result of these events. The Tenant shall remit to the City the greater of either a) negotiated flat rate for maintenance and administrative costs; or b) 35% of net revenue for such events. The City has first priority to book other events at the Stadium.

During the period of time where Hawks Nest initiated a transfer of their franchise in 2008 some payments to the City fell in arrears under the prior ownership group. Hawks Nest is on a payment schedule to make their financial obligations to the City current. The Tenant assigns its interest in the Naming Rights Agreement with Clear Channel Radio, Antelope Valley to the City. The agreed value of this assigned interest is \$192,500.00. The Tenant will make additional payments to the City in the amount of \$23,576.43 on June 15 and September 15 of each year over the term. If the tenant is sold the balance of additional payments due under this provision shall be paid in full at closing.

The City will permit the Tenant to sell liquor, beer, and wine at its discretion at all events. The City will assist the Tenant to obtain a liquor license.

The City will receive one skybox annually for the term of the agreement and share a second skybox with Clear Channel per terms of the Naming Rights Agreement. When Naming Rights Agreement expires, the City will have sole rights to the second skybox.

The City and Tenant agree to share equally the sanitation taxes levied against Tenant. The City's maximum obligation shall be \$7,000.00.

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Attachment(s):

1. Revised Lease Agreement with Hawk's Nest, LLC