

AUSTIN FILM SOCIETY PROPOSED SUBLEASE TO SOUNDCHECK AUSTIN

August 27, 2009

Presentation Overview

- Purpose of today's Council item
- Review the background for the lease to Austin Film Studios (AFS)
- Discuss key provisions in the lease to AFS
- Provide information regarding the proposed sublease to Soundcheck Austin (SCA)
- Address concerns raised about the proposed sublease
- Provide a recommendation to Council

What is the Purpose of this Item?

- The City's responsibility is to ensure subleases conform with permitted uses and a local hiring requirement is included for subleases where the subtenant will make more than \$50,000 in improvements
- AFS is requesting City Council approval of a sublease with Soundcheck Austin

Background

- October 12, 2000
 - ▣ City Council authorized a lease agreement with the AFS
 - ▣ The City's lease to AFS is a land and facilities lease, not a Chapter 380 economic development agreement
 - ▣ The lease was negotiated between the Aviation Department and AFS and was transferred to EGRSO after the Mueller development agreement was finalized
- June 9, 2005
 - ▣ City Council directed the City Manager to explore changing the boundaries for the lease premises to encompass the National Guard site
- June 18, 2009
 - ▣ City Council approved a resolution authorizing a revised lease with AFS
 - ▣ The revised lease is extended to December 31, 2042 and provides for the site to be reconfigured to include National Guard site

Background

- Other land and facilities lease agreements to non-profit organizations
 - American Red Cross
 - Planned Parenthood Center
 - Capital City Trap and Skeet Club
 - The Arc of the Capital Area
 - Texas Easter Seals Society

Key Provisions of the AFS Lease

- AFS obligations:
 - Operate, manage, and maintain the premises
 - Submit an annual budget for operating and maintaining the premises
 - Conduct programs to support the film industry and promote Austin as a favorable venue for films and related productions
 - Identify film, television, multimedia and related industries to use the premises for certain permitted uses
 - Submit an annual report showing number of productions and budgets, persons employed and annual payroll, new or start-up businesses incubated, and the number of educational and job-related programs
 - Construct a south screening wall between the studio complex and Mueller Redevelopment Project

Key Provisions of the AFS Lease

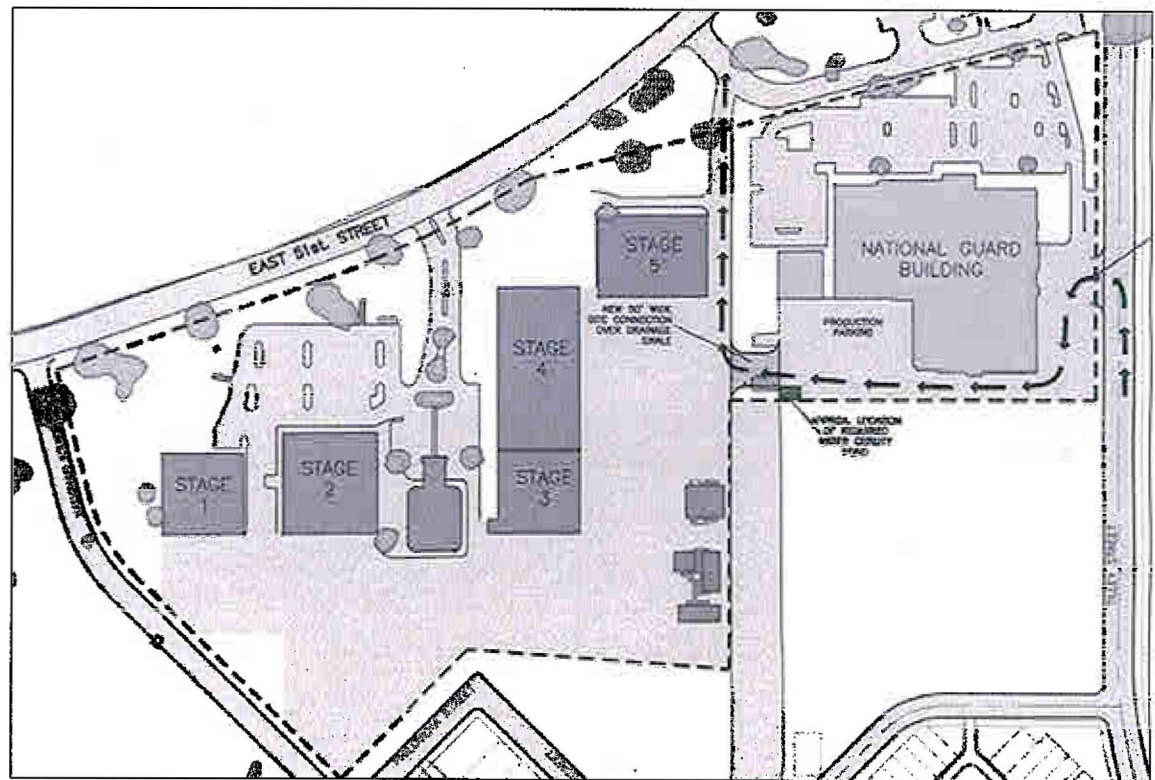
- AFS obligations (continued):
 - ▣ Adhere to the Mueller Master Covenant and Design Guidelines and City development ordinances, rules and guidelines
 - ▣ Obtain proper insurance coverage
 - ▣ Minimize disturbance to adjacent neighborhoods
- Permitted uses of the studio complex include the following:
 - ▣ The production of films, television programs, commercials, and multi-media productions and other accessory uses associated with such production
 - ▣ Promotion of associated education development through loans/scholarships

Key Provisions of the AFS Lease

- AFS has the authority to sublease
 - AFS develops guidelines for the terms and conditions under which subtenants will use and occupy the facilities, including use and occupancy rates
 - AFS has the authority to negotiate with subtenants concerning the construction of various improvements by the subtenant in lieu of all, or part, of the cash rental payments
- Current AFS subleases:
 - Chapman Leonard (2001 through 2015)
 - Miscellaneous Rents (2002 through 2015)
 - Rhino Grip (2001 through 2015)
 - Locations Catering (2002 through 2009)
 - McTrucks (2002 through 2010)
 - Longhorn Rentals (2001 through 2009)

AFS Proposed Sublease to Soundcheck Austin

- Sublease is for Stage 4
 - SCA is investing \$500,000 in upgrades to this 27,921 square foot facility
 - Upgrades include soundproofing, air conditioning, and electrical
 - SCA has an option to build a 20,000 square foot facility adjacent to Stage 4
 - All improvements are subject to City development approvals



AFS Proposed Sublease to Soundcheck Austin

- SCA permitted uses include the following:
 - Digital media and multi-media productions and related support services
 - Examples: Full production music rehearsal, behind-the-scenes television specials, voiceover recording, live scoring, music performance shoots, music videos, webcasting, digital soundtrack creation, still shoots, and the projection of video during live performance rehearsal
- Local Hiring
 - 90% if 50 or more employees
 - 75% if fewer than 50 employees

Stage 4



Stage 4



Concerns Raised and Addressed

- SCA sublease violates the permitted use of the City's lease to AFS
 - SCA use is consistent with the purposes stated in the lease
- SCA sublease violates 2006 bond proposition
 - Bond language: The issuance of \$31.5 million in tax supported General Obligation Bonds and Notes for constructing, renovating, improving, and equipping community and cultural facilities including, without limitation, the Zachary Scott Theater, an African American Cultural and Heritage Facility, an Asian American Resource Center, the Austin Film Studios, the Mexican American Cultural Center, a Mexic-Arte Art Museum, and acquiring land and interests in land and property necessary to do so; and the levy of a tax sufficient to pay for the bonds and notes.
 - The bond proposition does not contain provisions whereby the facilities can only be used for the film industry
 - 2006 bond money was primarily used to renovate Stages 3 and 5
 - Stage 4 upgrades consisted of the following: sprinkler system, security system, common restrooms, and a digital infrastructure hub for AFS
 - SCA use is consistent with the proposition

Concerns Raised and Addressed

14

- SCA sublease represents an unfair subsidized competition
 - SCA is investing \$500,000 to upgrade Stage 4, plus monthly rent
 - AFS has the authority to develop terms and conditions for subtenants, including use and occupancy rates
- Losing Stage 4 is a significant loss to film production capacity and mill space
 - AFS and Texas Film Commission have identified 18 vacant warehouse properties with similar features to Stage 4
 - AFS has identified Stage 2 to use as mill space and will allow other unused areas to be used for mill space

Concerns Raised and Addressed

- There needs to be a traffic impact analysis of SCA on AFS normal operations
 - SCA will be required to comply with the Mueller TIA and the allocated number of trips.
 - The AFS leased property is a part of the existing approved Traffic Impact Analysis (TIA) for the Mueller redevelopment project.
 - SCA will be required to submit information on their estimated trips when they apply for a building permit.
- SCA sublease violates supplemental funding agreement provided by Austin Energy (AE) and Austin Water Utility (AWU)
 - AE contribution funded the design and construction of cooling units to serve Stages 3 and 5
 - AWU contribution funded a new fire line to service the entire site
 - There are no provisions in the supplemental funding agreement that address subleases or use of the studio complex

Recommendation

- The proposed sublease to Soundcheck Austin is recommended for approval for the following reasons:
 - ▣ The proposed sublease fits within the permitted uses as outlined in the City's lease to AFS
 - ▣ A local hiring requirement is included in the proposed sublease
 - ▣ The proposed sublease does not violate the 2006 bond proposition nor the supplemental funding agreement provided by AE and AWU