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April 23, 2021

**The Honorable Members of the Board of Supervisors  
City and County of San Francisco  
1 Dr. Carlton Goodlett Place, Room 244  
San Francisco, CA 94102**

***Subject: Request for Approval – Amendment to the Transit Shelter Advertising Agreement***

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors approve the First Amendment (Amendment) to the Transit Shelter Advertising Agreement with Clear Channel Outdoor to reduce the minimum annual guarantee payments, as well as administrative and marketing payments, from May 1, 2020 through June 30, 2022 due to the impacts from the COVID-19 pandemic.

## **BACKGROUND**

### *Previous Board action*

On September 4, 2007, the SFMTA Board of Directors approved the award of a new Transit Shelter Advertising Agreement (Agreement) to Clear Channel Outdoor (Clear Channel). The San Francisco Port Commission also approved the Agreement on September 25, 2007 (some transit shelters are on Port property) and the Board of Supervisors in October 2007. On March 2, 2021, the SFMTA Board approved the Amendment; the Port Commission is expected to approve it on April 27, 2021. The Agreement began on December 10, 2007 and continues for a term of 15 years, plus one five-year option to extend at the City's sole discretion.

### *COVID-19 Pandemic*

Due to the impacts from the COVID-19 pandemic, which have had, and continue to have, an unprecedented, material adverse effect on Clear Channel's ability to generate revenue from advertising, Clear Channel approached the SFMTA for reductions in certain payments due to the City under the Agreement. The advertising market is very weak as a result of the pandemic, which has resulted in City and State lockdowns and public health/stay-at-home orders, reductions in transit service to core levels, and customers staying away from transit. Successful transit advertising requires large numbers of people to view the ads on the street and on transit. As of early April, the SFMTA estimates that ridership is at approximately 30-40 percent of pre-pandemic levels. It is unclear when ridership will return to pre-pandemic numbers. A snapshot of the reduction in Clear Channel's advertising revenues from April 2020 to February 2021 (as of early April) is provided below:

Month	2020	2019	Variance %
April	\$ 397,936	\$ 989,668	-60%
May	\$ 262,602	\$1,511,997	-83%
June	\$ 349,041	\$1,534,724	-77%
July	\$ 307,772	\$1,026,586	-70%
August	\$ 139,652	\$1,164,578	-88%
September	\$ 530,197	\$1,514,092	-65%
October	\$ 283,769	\$1,674,636	-83%
November	\$ 307,797	\$1,420,520	-78%
December	\$ 480,930	\$1,494,665	-68%
January (2021/2020)	\$ 275,379	\$1,009,216	-73%
February (2021/2020)	\$ 174,710	\$1,451,272	-88%

The Amendment will help Clear Channel to survive and preserve jobs while continuing its critical services to the SFMTA and its customers. The SFMTA deemed Clear Channel’s maintenance staff to be essential workers at the outset of the COVID-19 pandemic. Clear Channel has retained all of these workers, who have performed all of the required maintenance during this time. Clear Channel has also continued to provide a skilled subcontractor to assist the SFMTA and San Francisco Public Works project managers with critical capital work throughout the COVID-19 pandemic. Projects have included Geary Bus Rapid Transit, L Taraval, and 22 Fillmore (16<sup>th</sup> Street). Going forward, Clear Channel’s financial responsibilities include significant new transit shelter purchases for both the Van Ness Bus Rapid Transit and Better Market Street projects.

In response to Clear Channel’s request, the SFMTA has provided forbearance on minimum annual guarantee (MAG) payments since May 1, 2020. The goal of forbearing, or deferring, required payments was to provide time for the financial impacts of the pandemic to clarify. Forbearance did not reduce or forgive the revenue payments ultimately due to the SFMTA; forgiveness of those payments requires the approval of a contract amendment.

The SFMTA is now proposing to forgive certain payments and has negotiated the Amendment, which will cover the period from May 1, 2020 through June 30, 2022. The table below is the original table from the Agreement:

**Table 1: MAG Amounts and Revenue Share Percentage (contract)**

Fiscal Year	MAG	Minimum Gross Revenues in Previous Fiscal Year	Alternate MAG	Revenue Share
2007-08	\$ 6,909,000	\$21,000,000	\$10,318,000	55%
2008-09	\$ 7,614,000	\$23,000,000	\$11,553,000	55%

2009-10	\$ 8,232,000	\$25,000,000	\$12,607,000	55%
2010-11	\$ 8,644,000	\$27,000,000	\$13,237,000	55%
2011-12	\$ 9,076,000	\$29,000,000	\$13,899,000	55%
2012-13	\$11,812,000	\$31,000,000	\$14,595,000	55%
2013-14	\$12,339,000	\$33,000,000	\$15,324,000	55%
2014-15	\$12,893,000	\$35,000,000	\$16,090,000	55%
2015-16	\$13,474,000	\$34,000,000	\$16,895,000	55%
2016-17	\$14,084,000	\$36,000,000	\$17,739,000	55%
2017-18	\$15,577,000	\$38,000,000	\$18,626,000	55%
2018-19	\$16,293,000	\$41,000,000	\$19,558,000	55%
2019-20	\$17,044,000	\$42,000,000	\$20,536,000	55%
2020-21	\$17,834,000	\$44,000,000	\$21,563,000	55%
2021-22	\$18,661,000	\$46,000,000	\$22,640,000	55%
2022-23*	\$21,082,000*	\$48,000,000*	\$24,637,000*	57%*
2023-24*	\$22,073,000*	\$50,000,000*	\$25,869,000*	57%*
2024-25*	\$23,114,000*	\$53,000,000*	\$27,162,000*	57%*
2025-26*	\$24,207,000*	\$56,000,000*	\$28,521,000*	57%*
2026-27*	\$25,353,000*	\$59,000,000*	\$29,946,000*	57%*
Total	\$306,315,000		\$381,315,000	

\*Assumes the option is exercised to extend the term

The following table reflects the changes negotiated by the SFMTA for both the MAG and the revenue share (which is a percentage of advertising sales):

**Table 1: MAG Amounts and Revenue Share Percentage (revised)**

<b>Contract Year+</b>	<b>MAG</b>	<b>Minimum Gross Revenues in Previous Fiscal Year</b>	<b>Alternate MAG</b>	<b>Revenue Share</b>
2007-08	\$ 6,909,000	\$21,000,000	\$10,318,000	55%
2008-09	\$ 7,614,000	\$23,000,000	\$11,553,000	55%
2009-10	\$ 8,232,000	\$25,000,000	\$12,607,000	55%
2010-11	\$ 8,644,000	\$27,000,000	\$13,237,000	55%
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2016-17	\$14,084,000	\$36,000,000	\$17,739,000	55%
2017-18	\$15,577,000	\$38,000,000	\$18,626,000	55%
2018-19	\$16,293,000	\$41,000,000	\$19,558,000	55%

January - June 2020	\$ 5,681,333			55%
July 2020 - June 2021	\$ 5,900,000			50%
July 2021 - June 2022	\$ 6,300,000			50%
July - December 2022	\$ 9,330,500			55%
2022-23*	\$21,082,000*	\$48,000,000*	\$24,637,000*	57%*
2023-24*	\$22,073,000*	\$50,000,000*	\$25,869,000*	57%*
2024-25*	\$23,114,000*	\$53,000,000*	\$27,162,000*	57%*
2025-26*	\$24,207,000*	\$56,000,000*	\$28,521,000*	57%*
2026-27*	\$25,353,000*	\$59,000,000*	\$29,946,000*	57%*

\*Assumes the option is exercised to extend the term

+Clarifies that payments are based on the contract year, December 10 – December 9

The Amendment eliminates administrative payments (approximately \$700,000 per year) and marketing support (approximately \$280,000 per year) for two years. It does not, however, affect the annual payments to the San Francisco Arts Commission that support its programs (approximately \$370,000 per year).

Transit advertising contractors other than Clear Channel have had similar difficulties, have also made requests for financial relief to transit agencies, and in many cases have received it. These requests have involved contracts for both transit shelter and transit vehicle advertising. Contract changes have generally eliminated MAG payments for some period of time and substituted a revenue share only. The SFMTA, however, will still be receiving some MAG payments from Clear Channel (see second table above). Examples of transit agencies that have approved revenue share payments only for transit vehicle advertising contracts due to the pandemic include the Bay Area Rapid Transit District (BART), Los Angeles County Metropolitan Transportation Agency, Washington Metropolitan Area Transit Authority, Massachusetts Bay Transportation Authority (Boston), Metropolitan Atlanta Rapid Transit Authority and King County Metro (Seattle). The SFMTA’s transit vehicle advertising contractor, Intersection Media, LLC, has made a similar request, which the SFMTA Board has also approved. Clear Channel also has transit shelter contracts with the District (of Columbia) Department of Transportation, which has not made any changes to revenue payments thus far, and with AC Transit, which is operating under a one-year extension and is not receiving its customary administrative fee (its contracts have not included MAGs or a revenue share).

The Board of Supervisors has recently approved a rent relief program for the San Francisco International Airport (SFO), which acknowledges the economic challenges posed by the pandemic and is intended to assist with business survival and recovery. This program includes Clear Channel Airports, a subsidiary of Clear Channel Outdoor. SFO’s program provides for rent forgiveness rather than rent deferral/forbearance.

### *Guaranteed Advertising Space*

The Amendment also adds guaranteed use of digital and print advertising space on transit shelters and kiosks and other media services, which will help with the SFMTA's public information campaigns to encourage our customers to return to transit. Clear Channel has agreed to provide space valued at \$1,000,000 in each of fiscal years 2020-21 and 2021-22. Clear Channel has also pledged to provide support for the SFMTA's recently awarded Public Transportation COVID-19 Research Demonstration Grant from the Federal Transit Administration. Clear Channel, which sent a letter to the FTA in support of the grant, will provide in-kind services to develop consumer messaging, design work and advertising campaigns to re-build confidence in using public transportation.

### *Other Contract Terms*

To date, Clear Channel has performed satisfactorily in fulfilling the requirements of the Agreement. Other contract requirements include the following:

- Inspect and clean all transit shelters (approximately 1,100) at least twice per week, except for shelters on Market Street, which must be inspected at least three times per week;
- Daily maintenance of 150 boarding platforms;
- Timely response to calls for additional cleaning through the City's 3-1-1 system (Clear Channel reports approximately 141 requests per month for calendar year 2020);
- Provide new shelters, as requested, up to a total of 1,500 (between shelter removals and additions for City and SFMTA projects and other requests, the number of shelters has been stable since the beginning of the Agreement);
- Maintain and bring new power connections to shelters to support both safety lighting and the SFMTA's customer information system; and
- Support public and private construction projects with temporary shelter removals and reinstallations, links to power sources and, where appropriate, new shelter installations.

Terms not modified by the Amendment will remain unchanged.

## **STAKEHOLDER ENGAGEMENT**

The SFMTA has made presentations to the Citizens' Advisory Council about its advertising agreements prior to approval. The Amendment relates to financial terms only and does not impact the operational terms of the Agreement, such as maintenance, which might affect the SFMTA's customers.

The SFMTA has also received communications from Teamsters Local 853, which represents Clear Channel's maintenance workers, in support of contract changes that would continue their employment and, more recently, in support of this proposed Amendment.

## **ALTERNATIVES CONSIDERED**

The SFMTA could decline to enter into the Amendment, but such an action might lead to Clear Channel's inability to fulfill its financial commitments and deliver the financial and other benefits to the SFMTA and the City provided in the Agreement. By entering into the Amendment, the SFMTA will help to ensure that the SFMTA and the City will receive reduced, but still substantial, financial benefits from May 1, 2020 through June 30, 2022, plus all of the other benefits provided in the Agreement. There is no guarantee that the SFMTA would be able to enter into another transit shelter contract in the event that the Agreement ends; at a minimum, it would likely take nine months to a year to rebid this work and new bids, if any, would likely be inferior to the guaranteed amounts and services in the current Agreement.

## **FUNDING IMPACT**

Under the terms of the Amendment, Clear Channel's MAG, administrative and marketing payments to the City would be reduced from May 1, 2020 through June 30, 2022. The reductions to the MAG would total approximately \$900,000 less than budgeted for fiscal year 2020-21 and approximately \$6,000,000 less than budgeted for fiscal year 2021-22 due to the slower than expected economic recovery from the COVID-19 pandemic. The Amendment also eliminates administrative payments (approximately \$700,000 per year) and marketing support (approximately \$280,000 per year) for these two fiscal years.

The SFMTA expects that it will receive approximately \$714.5 million in Federal relief funding as of the end of fiscal year 2020-21. The funds have been or will be applied to offset deficits in fiscal years 2019-20, 2020-21 and 2021-22, including reductions in advertising revenue that supports transit service. The SFMTA also expects to receive over \$400 million in additional Federal relief funding to offset deficits in fiscal years 2020-21, 2021-22 and 2022-23.

## **RECOMMENDATION**

The SFMTA urges the San Francisco Board of Supervisors to approve the First Amendment (Amendment) to the Transit Shelter Advertising Agreement with Clear Channel Outdoor to reduce the minimum annual guarantee payments, as well as administrative and marketing payments, from May 1, 2020 through June 30, 2022 due to the impacts from the COVID-19 pandemic.

Sincerely,



Jeffrey P. Tumlin  
Director of Transportation