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MEMORANDUM

September 16, 2025

TO:

AIRPORT COMMISSION

Hon. Malcolm Yeung, President Hon. Jane Natoli, Vice President

Hon, Jose F. Almanza

Hon. Mark Buell Hon, Susan Leal

FROM:

Airport Director

SUBJECT:

Approval of Amendment No. 3 to the Airport Advertising Program Lease

No. 12-0231 with Clear Channel Outdoor, Inc.

DIRECTOR'S RECOMMENDATION: (1) APPROVE AMENDMENT NO. 3 TO THE AIRPORT ADVERTISING PROGRAM LEASE NO. 12-0231 WITH CLEAR CHANNEL OUTDOOR, INC., ADDING PREMISES SOLELY FOR THE PROMOTION OF LARGE SPORTING EVENTS AND ESTABLISHING A RENT STRUCTURE FOR THOSE LOCATIONS; AND (2) DIRECT THE DIRECTOR OF COMMISSION AFFAIRS TO REQUEST APPROVAL OF AMENDMENT NO. 3 FROM THE BOARD OF SUPERVISORS PURSUANT TO SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Executive Summary

Clear Channel Outdoor, Inc. (Clear Channel or Tenant) currently operates the advertising concession at San Francisco International Airport (Airport or SFO) under the Airport Advertising Program Lease (the Lease), a non-exclusive lease. The Lease has 148 individual advertising locations and rent is a flat Minimum Annual Guarantee (MAG), currently equal to \$14,205,786. To capture revenue and welcoming opportunities afforded by large sporting events, Staff desires to add locations to the Lease and establish a percent of gross revenues rent structure for those locations.

Background

On October 30, 2012, by Resolution No. 12-0231, the Commission awarded the Lease to Tenant with a Base Term of eight years and no extension options. Under the Lease, Clear Channel has approximately 148 locations for advertising fixtures. The Lease has a MAG only, with no percentage rent. The MAG is adjusted annually based on a Consumer Price Index (CPI).

On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program which provided rent relief related to the pandemic and funded by the CARES Act. This rent relief provided a waiver of three months of MAG rent during 2020. Unlike almost all other concessions at the Airport, the Lease does not

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have 'Severe Decline in Enplanements' provision, so, except for the relief provided under the COVID-19 Emergency Rent Relief Program, Tenant continues to pay full MAG for the remainder of the current term.

On January 1, 2023, the Airport continued the Lease on a month-to-month holdover basis through April 30, 2024.

On September 5, 2023, by Resolution No. 23-0224, the Commission adopted the COVID-19 Lease Extension Program which provided certain food and beverage, retail, and service concession tenants an extension of up to three and one-half years. Clear Channel received the full three- and one-half-year extension under this program which extended the expiration date to October 31, 2027.

The Lease allows Clear Channel to sell advertising displayed in static and digital units within the terminals and the Rental Car Center. Currently, the number of advertising units is 148 but the number flexes slightly based on a construction activity necessitating the removal and relocation of advertising display units. Unlike most concession leases, the Clear Channel Lease features flat MAG rent only. The Airport does not benefit from the addition of advertising spaces under this model.

The 2026 Super Bowl and 2026 FIFA World Cup present important revenue opportunities for the Airport. Clear Channel and other entities have presented to the Airport many new locations which are desirable for Super Bowl and FIFA welcome messaging and advertising. Staff intends to utilize the Clear Channel Lease for these opportunities and is desirous of allowing new locations to be added to the Lease along with a revenue share rent structure. The sporting event locations could not be used for any other purpose by Clear Channel, and as with all advertising installations, prior Airport approval would be required to ensure design standards are met and the messaging is within consistent with the sport events purposes and the Airport's Advertising Policy.

Proposal

Staff recommends modifying the Lease as follows:

- <u>Premises</u>: Clear Channel may utilize locations approved by the Airport Director and not currently listed in Exhibit A, Premises, of the Lease for advertising large sporting events. Those individual locations (Sporting Event Promotional Premises) will be memorialized by letter agreement and will be subject to all requirements of the Lease.
- <u>Rent</u>: Sporting Event Promotional Premises will be subject to Percentage Rent of 65% of gross revenues. No MAG is associated with the Sporting Event Promotional Premises.

Recommendation

I recommend the Commission adopt the accompanying Resolution approving Amendment No. 3 to the Airport Advertising Lease, which adds Sporting Event Promotional Premises and establishes rent as 65% of gross revenues for those premises, and directing the Director of Commission Affairs to request approval of the Amendment No. 3 by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

Sincerely,

Mike Nakornkhet Airport Director

Prepared by: Kevin Bumen

Chief Financial and Commercial Officer

Attachment