



**AMENDMENTS TO THE STATE THEATER MASTER LEASE AGREEMENT, SUBLEASE
AGREEMENT,
AND RESTRICTIVE COVENANT FACT SHEET**

Objective:

For the Board to recommend to the City Council the approval of the negotiation and execution of amendments to the Master Lease Agreement, Sublease Agreement, and Restrictive Covenant between the City and State Theater Company to facilitate the State Theater's purchase of an adjacent building.

Background:

The State Theater is owned by the State Theater Company, formerly Live Oak Productions. In 1998, the City entered into several agreements (Master Lease Agreement, Sublease Agreement and Restrictive Covenant) with the State Theater Company. These agreements were components of a plan to renovate and operate the State Theater as a performing arts facility. Under the Master Lease Agreement, the City leased the facility from the State Theater, enabling the use of City bond money for renovations. The City later subleased the property back to the State Theater Company for it to serve as project manager for the renovations and as a subsequent facility manager. The Restrictive Covenant restricts the use of the property to primarily a performing arts facility.

These agreements were executed in 1998 and expire in February 2018. Neither the City nor State Theater Company has an interest in continuing their contractual relationship and wish to terminate the agreement through contractual amendments.

Termination of the agreements would facilitate the State Theater Company's purchase of an adjacent building at 721 Congress, which is currently unoccupied and in disrepair. Moreover, leakage from the roof is causing damage to the State Theater, and purchase of the building would mitigate additional damage.

The State Theater Company plans to continue the operation and maintenance of the State Theater as a facility for performing arts and as a venue for arts incubator programs.

Effective Date:

Termination will be effective upon State Theater's purchase of adjacent property or upon agreement expiration (February 2018), whichever occurs first.

Recommendation:

Staff recommends the approval of the negotiation and execution of amendments to the Master Lease Agreement, Sublease Agreement, and Restrictive Covenant between the City and State Theater Company.

Project Lead:

Laura Esparza, Division Manager (512) 974-4001.