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Special Report

OFFICE PROPERTY MANAGEMENT

Lights! Camera! Caution!

Property owners and managers should follow a checklist to protect their assets and tenants when a film crew arrives

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Flip on your television or go to a movie and odds are you'll see a familiar Southern California property in the background.

In an entertainment-centric city like Los Angeles, it sometimes feels as though film crews take over whole neighborhoods and never leave. Upscale restaurants located in office buildings are favorite film locations, as are office building lobbies.

But before the director yells, "Lights! Camera! Action!," one Los Angeles real estate attorney said it would behoove the building owner and manager to call for a "checklist," too.

Susan Fowler McNally, a lawyer with **Gilchrist & Rutter**, has represented a number of office and industrial building owners in downtown Los Angeles in studio deals: licenses for periods for less than a month and leases for longer periods for television series.

The scene in the John Travolta movie "Swordfish," for example, in which a helicopter carrying a bus flew over **MaguirePartners'** Library Tower, stemmed from an agreement McNally worked on. Another MaguirePartners development, the Gas Company Tower, was used to film "Vanilla Sky" starring Tom Cruise and "Daredevil" starring Ben Affleck. The Denzel Washington movie "Training Day" and the television show "Boomtown" have used the Grand Avenue Garage at 17th Street and Grand Avenue, also owned by the company.

Don't get blinded by the bright lights of Hollywood, however. A film crew's idea of concepts such as "reasonable wear and tear" is vastly different from most landlords', according to McNally.

"It's not very unusual to find that film companies will drag heavy equipment over very expensive marble pavers and other expensive finishes, and they'll gouge the wall coverings," McNally said.



CREJ STAFF PHOTO BY HUGH WILLIAMS

The amount of money a landlord stands to lose from disruption far exceeds the license fees for a one- or two-day shoot, according to attorney Susan Fowler McNally, standing on the roof of Gas Company Tower with Library Tower in the background. She has represented both buildings in negotiations with various film companies.

One particular company allowed motorcycles to leak oil all over a building's carpets. In another instance at a high-rise office building, a company ran cabling through the fire exits and decided to fasten its cable to the handrails in the stairwell.

"In the process of fastening it or removing it, they managed to ding the paint on both the rails and walls of the stairwell," she said. "It went all the way up to the roof. You're talking about 50-plus floors, and having to repaint the stairs from one to 50."

As a result, McNally has put together a checklist to reduce the risk of renting to a studio or

production company. While some of the items on her checklist may sound elementary now — requiring the licensee to obtain all necessary permits, variances and approvals, or checking for missing boilerplate clauses, for instance — they can mean fewer headaches later.

First on her checklist is making the license agreement personal to the studio named in it as the licensee. If the licensee causes damage, the property owner knows that the company has the financial wherewithal to make good in the event the owner has to go to court and get a judgment.

This came up in a deal McNally worked on recently: A large, well-known studio requested a

license in order to film a television show, she said, but after preparing the agreement, the studio asked that the license be in the name of some “unheard-of affiliate entity that probably has no money.”

The flip side of that is whoever is doing the filming is undoubtedly going to need to assign the rights to the finished product to whoever is distributing the movie or television show. This can be handled by having the assignee agree to comply with the terms of the license agreement.

Creative Casting

Izzy Eichenstein, president of the Los Angeles based **Oakstone Co.**, agreed that leasing space to production companies can be fraught with risks.

“It’s like any tenant you put in,” Eichenstein said. “You have to check them out thoroughly.”

Eichenstein recently brokered an innovative deal in El Segundo in which he subleased an empty industrial building from **Kilroy Realty Corp.** Then, he convinced Santa Clarita Studios that the 80,000-square-foot building, with its high clearance height, parking and office space for writers and producers, would make an ideal sound stage. The result was seen by the 23 million-plus television viewers who watched the Sept. 23 premiere and subsequent episodes of the crime show, “CSI: Miami.”

Santa Clarita Studios, which also produces the original “CSI” television drama, put more than \$200,000 in tenant improvements into the building and dubbed it El Segundo Studios.

“They’ve been able to handle all of the risks appropriately, both from an insurance point of view and generally being a responsible party,” Eichenstein said.

As a freestanding building, the structure at 2265 El Segundo Blvd. doesn’t have neighbors that are close enough to be disrupted by the filming, Eichenstein noted. The building owner, which reserved the right to approve the subtenant, gave its consent.

“[Kilroy] just wanted to make sure everything was done very appropriately,” Eichenstein said. “They’ve been to the building just to see what’s going in. They were excellent to work with.”

Meanwhile, the success of “CSI: Miami” has prompted a move to a larger studio.

“They had their first tremendous season here, but they need to double their space,” Eichenstein said, adding that another show is slated to move into the building.

One of the biggest potential problems is disruption to the building’s other tenants.

“The landlord’s first duty is to make sure that the tenants are happy,” McNally said. “The amount of money a landlord stands to lose from a disruption far exceeds the license fees for a one- or two-day shoot.”

Protecting One’s Image

Another important consideration for the licensor is the ability to control the images that reflect the name of the project, the name of the licensor or any architecturally distinctive characteristic of the project.

If the scene where somebody is getting mugged, raped or carjacked is identifiable as one’s project, that may create a negative subliminal reaction in the viewer, who might not grasp that the footage is a television show and not the evening news.

“The revenue that’s generated by leases of office space far exceeds the license fee. You don’t want to jeopardize your ability to attract a tenant who’s going to lease 20,000 or 40,000 square feet,” McNally said.

If the studio will not agree to a ban on showing the property owner’s name or building in advertising and trailers, the second option is to require the studio to pay liquidated damages. She suggested \$500,000 to “get the studio’s attention,” noting that a client did indeed lose a tenant who was going to lease a full floor for just such a reason, and the amount of that loss was well in excess of that amount.

McNally said the fees paid to the building owner should include all costs such as hiring a site coordinator — often a property manager or building engineer — cleaning service, security and, if the company leaves a lot of debris, dumpster rentals. In addition, the landlord should have the company pay its legal costs for reviewing the license.

With any studio agreement, two key points are insurance and indemnification. The document should make clear that the licensee’s insurance will pay for any claims. Since studios commonly want to self-insure, McNally suggests making sure the company has sufficient net worth and sufficient reserves in its self-insurance program to cover all of its potential liabilities, including those of other film shoots it may have under way.

Also, the agreement should state who will provide utilities and, if the building supplies them, how the landlord will be reimbursed.

Television and movie production companies generally want to have the right to come back and re-shoot a scene after the principal photography has ended. The licensor will agree that within some defined period of time, say three or six months, the company can re-enter and do additional filming — subject to the availability of the space — provided it complies with previous contractual agreements and pays the same fees.

In addition, McNally said a license agreement should make very clear that it does not include the right to film or photograph any artwork that happens to be located at the project. The artist retains the copyright, she explained. If a company does wish to film artwork, it must obtain the specific approval of the artist who created it.

Interestingly, McNally said her clients aren’t driven to make their buildings available to film crews because of downtown Los Angeles’ abundance of vacant office space.

“It would be appealing even in the best of times,” she said. “It would be like found money.”

She said the amount a landlord can make from filming depends on how much space a company takes over and how much disruption they cause, but it ranges from \$5,000 to \$15,000 a day. McNally recommends that landlords set fees on a per-diem basis, with fees for filming days twice those of days used for preparing or striking the space.

Eichenstein, on the other hand, said the Santa Clarita Studios deal happened after the building in El Segundo sat out a lengthy attempt at disposition by the previous tenant, Exel Global Logistics.

“No broker had been able to move it,” he said. “Yours truly then takes over. I end up being the landlord. I take over the space for the tenant and then, with the permission of the owner, obviously, try to do something creative like turn this warehouse into a studio.”

Cindi Langendoen, director of asset services for **Cushman & Wakefield**, thinks a checklist is a great idea.

About 10 years ago, at a building in Whittier, Langendoen had an experience with a “low-budget” production crew that stayed five days for what was supposed to be a one-day shoot, and took over a vacant space that it hadn’t rented. In addition, the company trashed the place, including damage to the restrooms.

“The toilets literally overflowed,” Langendoen said. “We had to get the police and legal [counsel] involved.”

But Langendoen, who oversees Cushman & Wakefield’s portfolio in Los Angeles, said that most of her property managers report positive experiences dealing with film crews. One manager even has an exclusive agreement with an agent to handle the contract negotiations.

Langendoen said her managers work with the film company representatives to make sure they understand that they can’t infringe on tenants’ business operations, and go over the equipment that will be used, including any height and weight restrictions or padding requirements.

Last October, Cushman & Wakefield had a studio use explosives at a building in downtown Los Angeles for a movie about a S.W.A.T. team, sparking concerns about insurance.

But studio leasing can be a lucrative business for building owners, Langendoen observed. She said a large office building in downtown Los Angeles can make \$100,000 a year in film income, and smaller buildings can earn \$20,000 to \$50,000 a year.

“It takes a lot of extra work by the on-site people, but it’s great money for the owners,” Langendoen said.

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