



REPORT TO COUNCIL

City of Sacramento

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www.CityofSacramento.org

Staff Report
August 25, 2009

Honorable Mayor and
Members of the City Council

Title: Exclusive Right to Negotiate – Digital Billboards

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) authorizing exclusive negotiations with Clear Channel Outdoor, Inc. for 120 days on terms of construction and operation of multiple digital billboards on City-owned sites and related removal of existing billboards; and 2) directing staff to return with proposed negotiated terms for the Council's consideration and possible approval.

Contact: Tom Zeidner, Senior Development Project Manager, 808-1931

Presenters: Tom Zeidner, Senior Development Project Manager

Department: Economic Development

Division: Citywide

Organization No: 18001031

Description/Analysis

Issue: The City's real estate portfolio includes several sites along major freeways that are of interest to the outdoor advertising industry for possible placement of new digital billboards. One of these is adjacent to the Haggin Oaks Golf Course at Fulton Avenue, north of the Business 80 freeway. This property is currently leased by the city to Mel Raption Honda (Raption), whose dealership occupies a portion of the site. Raption and City staff have been approached by a major outdoor advertising entity interested in constructing and operating an electronic, digital billboard in conjunction with Raption's onsite signage. A tentative proposal suggested by the advertising entity offered payment of an initial "signing bonus" and ongoing monthly lease payments to the City for 25 years. Thus, it is now recognized that development of digital billboards at this location, as well as other City sites near major freeways, offers potential to generate significant additional revenues for the City.

Construction and development of new electronic digital billboards, however, is currently not allowed under section 15.148.640 of the City's sign code. In addition, on October 16, 2007, the City Council adopted Ordinance No. 2007-079, which established interim restrictions on construction of new offsite signs within the City. These restrictions remain in place, pending review of the entire sign ordinance and resulting revisions expected to be presented for the Council's consideration later this year. The interim prohibition, however, does not limit the City's ability to enter into "relocation agreements" involving removal of existing "static" billboards to allow installation of new signs.

As the potential for substantial revenue generation to the City through the lease of selected sites for digital billboards has come to light, staff has considered avenues through which the sites could be offered to the market within the interim restrictions cited above. These deliberations resulted in a Request for Proposals (RFP) that was released on July 1, 2009, soliciting proposals from qualified entities to develop and operate two-sided billboards on at least three City-owned sites. In addition to the Rapton site, the RFP specifically sought proposals for billboards on City-owned parcels: 1) along the south side of Interstate 80, east of Northgate Boulevard; and 2) in the vicinity of Interstate 5 and Richards Boulevard. (Locations of the parcels offered within the RFP are shown in Attachments A-C to this report.) The RFP further invited proposers to suggest additional City-owned sites as locations for digital billboards, with the City being the sole judge as to whether any such additional sites are suitable by taking into account factors including location, availability, visibility, and compatibility with nearby land uses.

Staff received two proposals by the deadline specified within the RFP of August 7, 2009. Those were submitted by Clear Channel Outdoor, Inc. (Clear Channel) and CBS Outdoor, Inc (CBS). Despite the CBS proposal not completely fulfilling the submittal requirements, both proposals were evaluated by a panel of staff representatives from the General Services, Community Development, and Economic Development Departments. Evaluation of the proposals occurred based upon selection criteria enumerated in the RFP. One such criterion was conformance with digital specifications requiring "current best-available digital billboards technologies" including:

- Remote diagnostic-and-maintenance capability
- "Amber Alert" capability
- Automatic brightness adjustment to ambient lighting conditions
- 14' x 48' maximum size
- UL and IEC approved
- Color calibration to ensure consistent image quality
- Remote shutdown capability

Additional criteria applied in the selection process included:

- Proposed revenue generation to the City
- Sustainability features such as energy efficiency
- Design features of proposed digital billboards

- Extent of proposed removal of existing outdoor advertising media

On the basis of this evaluation, the selection panel chose the proposal submitted by Clear Channel as best fulfilling these criteria and recommends the City Council authorize negotiations with Clear Channel on terms of its construction and operation of multiple double-sided digital billboards on City-owned sites and its related removal of existing static signs. Once negotiated, these terms will be specified within proposed master lease and relocation agreements, anticipated to be presented to the City Council later this year. In the event these negotiations are completed in advance of revisions to the City's sign code mentioned above, the Council will also be presented amendments to the existing code specifically permitting construction of the proposed digital billboards on City-owned land.

The accompanying resolution (1) authorizes exclusive negotiations, for a period not exceeding 120 days, with Clear Channel on terms of its construction and operation of digital billboards on City-owned property, along with its related removal of existing billboards; and (2) directs staff to return with proposed terms resulting from the negotiations for the Council's consideration and approval.

Policy Considerations: The actions recommended in this report are consistent with City goals for increasing and diversifying its revenue sources, and city codes governing placement of new digital billboards.

Environmental Considerations:

California Environmental Quality Act (CEQA): The specific action recommended in this report—authorization to negotiate a master lease and relocation agreement—is not, by itself, an activity that will result in a significant effect on the environment. It thus is exempt from CEQA. (See CEQA Guidelines, § 15061(b)(3) ["Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."]) An appropriate CEQA document will be completed and presented to the City Council before it considers whether to approve a master lease and relocation agreement.

Sustainability Considerations: Proposed terms for construction and operation of new digital billboards, as well as removal of existing billboards, will be negotiated in consideration of the City's Sustainability Master Plan adopted on December 18, 2007.

Commission/Committee Action: New digital billboards proposed in connection with the actions recommended herein will be subject to review by the Sacramento City Planning Commission prior to their consideration by the City Council.

Rationale for Recommendation: The actions recommended in this report are consistent with the City's goals and objectives of increasing and diversifying its revenue sources.

RESOLUTION NO.

Adopted by the Sacramento City Council

GRANTING CLEAR CHANNEL OUTDOOR, INC AN EXCLUSIVE RIGHT TO NEGOTIATE WITH THE CITY ON TERMS FOR CONSTRUCTION OF DIGITAL BILLBOARDS ON CITY-OWNED SITES

BACKGROUND

- A. The City of Sacramento owns several sites along major freeways (Sites) that are of interest to the outdoor advertising industry (Industry) as potential locations for new digital billboards. Locating digital billboards on the Sites offers the potential for substantial additional revenues to the City. Accordingly, City staff prepared a Request for Proposals (RFP) soliciting proposals (Proposals) from the Industry to construct and operate digital billboards on the Sites. The Proposals were evaluated by a selection committee (Committee) using selection criteria (Criteria) enumerated within the RFP. The Criteria included conformance with digital display specifications, revenue generation to the City, sustainability features such as energy efficiency, design features of proposed digital billboards, and the proposed removal of existing billboards. The Committee evaluated the Proposals and selected a proposal submitted by Clear Channel Outdoor, Inc. (Clear Channel) as best fulfilling the Criteria.
- B. Although the City's current sign code does not allow digital billboards, City staff is reviewing the sign code, and a new provision allowing digital billboards is among the changes contemplated. Enactment of that new provision, whether as part of a comprehensive revision of the sign code or as a separate revision, is a prerequisite to the City Council's approval of Clear Channel's proposal. Another potential prerequisite is compliance with Ordinance No. 2007-079, which prohibits the construction on new billboards in the City, digital or otherwise, while the City reviews and revises the sign code. That ordinance allows the City to enter into relocation agreements for removal of existing billboards in exchange for installation of new billboards.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

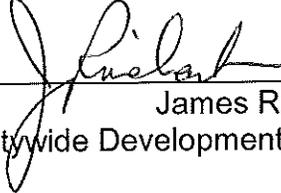
Section 1. Clear Channel is hereby granted a 120-day exclusive right to negotiate with the City on terms and conditions for (a) construction and operation of digital billboards on the Sites; and (b) removal of existing non-digital billboards (Terms).

Section 2. Staff is directed to negotiate the Terms with Clear Channel and present to the City Council, for its consideration and possible approval, a proposed master lease and relocation agreement incorporating the negotiated Terms.

Financial Considerations: The particular actions recommended in this report will have no direct impact upon the City. Financial ramifications of leasing City-owned property as sites for digital billboards will be discussed in future reports to the Council.

Emerging Small Business Development (ESBD): The ESBD Program does not apply to this action.

Respectfully Submitted by: _____


James R. Rinehart
Citywide Development Manager

Recommendation Approved:

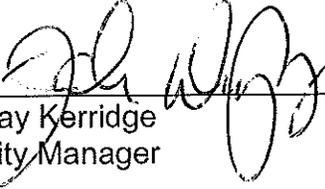

Ray Kerridge
City Manager

Table of Contents:

Report	pg. 1-4
Attachments	
1 Resolution	pg. 5
2 Attachment A	pg. 6
3 Attachment B	pg. 7
4 Attachment C	pg. 8

Exhibit A

City-owned Sites

Business 80 at Fulton Avenue

Traffic Count : 141,000 Vehicles per day

Parcels: 254-031-0002; 332,236 sq ft (partially occupied by Raptan Honda)

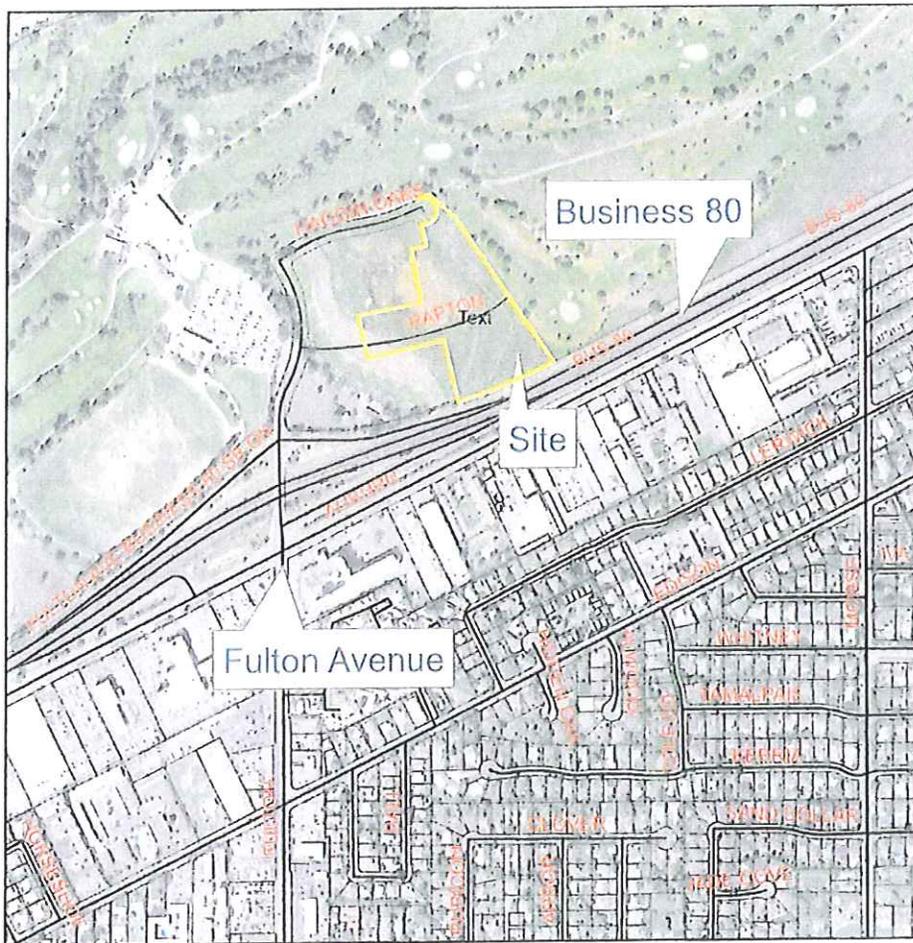


Exhibit B

City-owned Sites

Interstate 80 East of Northgate Blvd

Traffic Count : 141,000 Vehicles per day

Parcels: 237-003-1003; 98,233 sq ft
237-003-1004; 235,660 sq ft

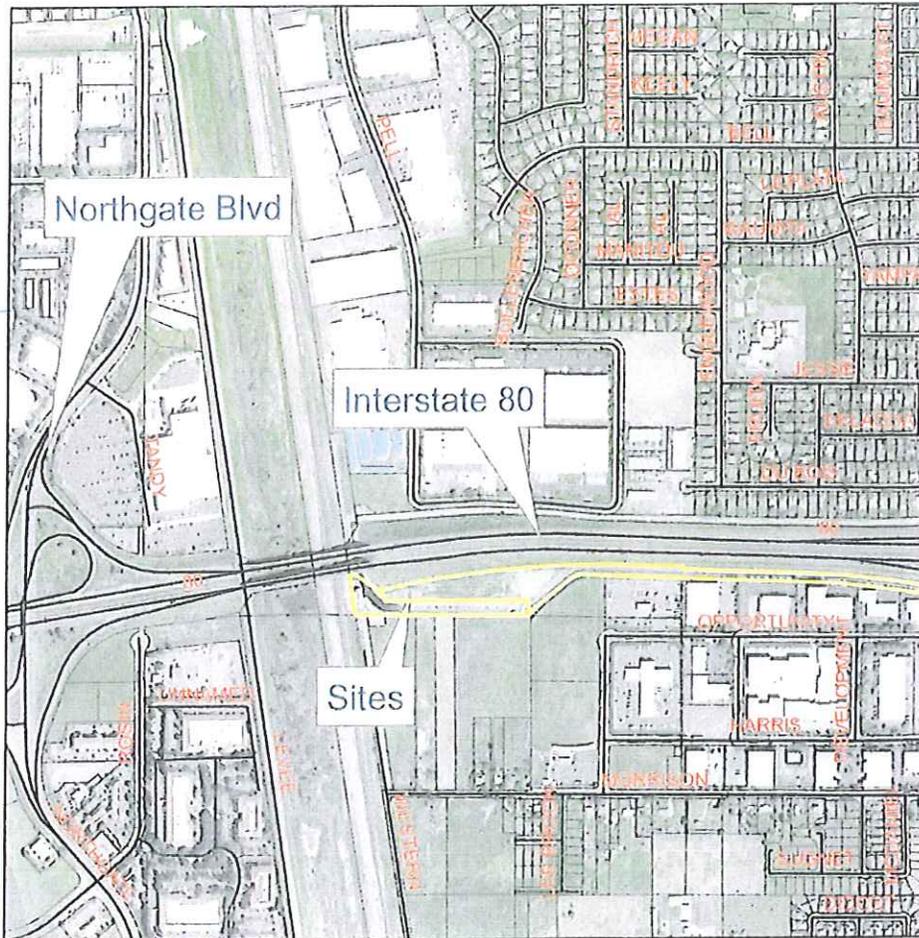


Exhibit C

City-owned Sites

Interstate 5 in Vicinity of Richards Blvd

Traffic Count: 171,000 vehicles per day

Parcels: 001-019-0015; 28,440 sq ft
001-019-0016; 23616 sq ft
001-019-0004; 83,863 sq ft
001-021-0038; 1,702,418 sq ft
001-021-0037; 8,695 sq ft
001-004-0036; 10,935 sq ft
001-021-0052; 12554 sq ft

