



# City of Sacramento City Council

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**Meeting Date:** 12/4/2012

**Report Type:** Consent

**Title: Supplemental Agreement: Three City-Owned Billboard Structures adjacent to Business 80 at Sutter's Landing Regional Park**

**Report ID:** 2012-00892

**Location:** District 3

**Recommendation:** Pass a Resolution: 1) finding and determining that it is in the best interest of the City to extend the termination date of the lease with CBS Outdoor, Inc. for the three City-owned billboard structures adjacent to Business 80 (City Agreement 2006-1404) to December 31, 2013, without bidding because special circumstances make use of bid procedures inappropriate; 2) authorizing the City Manager to execute a third amendment extending the termination date of the lease to December 31, 2013; 3) designating lease revenue to capital projects at Sutter's Landing Regional Park; and, 4) authorizing the City Manager or his designee to adjust revenue and expenditure budgets for the Sutter's Landing Regional Park Capital Improvement Program (L19167001) to account for the lease revenue.

**Contact:** Lori Harder, Support Services Manager, (916) 808-5172, Parks and Recreation Department

**Presenter:** None

**Department:** Parks & Recreation Department

**Division:** Fiscal And Management Services

**Dept ID:** 19001011

## **Attachments:**

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- 1-Description/Analysis
- 2-Background
- 3-Resolution Sutters Landing Lease
- 4-CBS Outdoor Lease Agreement

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### **City Attorney Review**

Approved as to Form  
Sheryl Patterson  
11/15/2012 12:58:24 PM

### **City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Russell Fehr  
10/30/2012 11:30:08 AM

## **Approvals/Acknowledgements**

Sandra Talbott, Interim City Attorney

Shirley Concolino, City Clerk  
John F. Shirey, City Manager

Russell Fehr, City Treasurer

Department Director or Designee: Jim Combs - 11/2/2012 2:52:12 PM



## Description/Analysis

**Issue:** On December 12, 2006, following the completion of a competitive bid process that identified CBS Outdoor, Inc. as the highest responsible bidder, the City Council awarded a three-year lease to CBS Outdoor for three City-owned outdoor advertising structures on Business Route 80. With City Council approval, the City and CBS Outdoor amended City Agreement No. 2006-1404 in December 2009 to extend the lease term for an additional one-year term. At the November 16, 2010 meeting, City Council approved a second amendment to extend the lease for two years to December 31, 2012 in order to provide staff time to evaluate the possible replacement of one or more of the existing three billboard structures with an electronic digital billboard that could potentially generate greater revenue for future park development. Due to the fact that four new digital displays were erected last year on other City sites, new digital displays have been erected at Cal Expo, and the downturned economy, staff is seeking to delay the solicitation process and is recommending a one-year time extension through a third lease amendment thru December 31, 2013 to provide time to assess all revenue opportunities. CBS Outdoor, Inc., the current lessee, is willing to enter into a one-year extension. Given the short time before the lease termination date, the lease could expire and the City could lose significant lease revenue if the City follows bid procedures in City Code Chapter 3.68.

**Policy Considerations:** The recommended actions in this report are consistent with City Code Chapter 3.68 regarding leasing of City owned property. Continuing the dedication of lease revenues to develop Sutter's Landing Regional Park is consistent with Council's goal to achieve sustainability and livability.

The recommended action is consistent with policies contained in the Council approved Parks and Recreation Master Plan 2005-2010 including: Pursue dedicated and consistent funding for regionally serving parks and amenities. Develop an expanded vision and plan for a system of regional parks including destination attractions or facilities such as large parks, unique venues, parkways, and river/creek corridors.

**Economic Impacts:** Not applicable

### **Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action is exempt from environmental review pursuant to the CEQA Guidelines section 15301 (a), because it consists of the leasing of existing public structures involving no expansion of the existing use.

**Sustainability:** The amendment extending the lease between CBS Outdoors, Inc. and the City of Sacramento is consistent with the goals, policies and targets of the Sustainability Master Plan and the Parks and Recreation Sustainability Plan.

**Commission/Committee Action:** None

**Rationale for Recommendation:** The City of Sacramento generates significant revenue by leasing the three City-owned billboards located adjacent to Business 80 along the southeast border of Sutter's Landing Regional Park. The most recent lease was awarded based on the Invitation for Bids (IFB) issued in 2006 and resulted in lease revenue of \$1,125,000 over the six year term, which was designated for Sutter's Landing Regional Park. There are no dedicated funding sources for regional park development; therefore, securing unique funding opportunities such as this is critical to develop Sacramento's regional park system.

Staff is requesting to extend the lease termination date to December 31, 2013, to provide staff time to assess all revenue opportunities as well as to evaluate the possible replacement of one or more of the existing three billboard structures with an electronic digital billboard that could potentially generate greater revenue for future park development.

**Financial Considerations:** During the twelve month extended term of the lease, CBS Outdoor, Inc. will make monthly rental payments of \$31,250 for a total of \$375,000 in general funds that will be appropriated to the Sutter's Landing Regional Park Project (L19167001).

**Emerging Small Business Development (ESBD):** Not applicable.



## **BACKGROUND**

On December 12, 2006, following the completion of a competitive bid process that identified CBS Outdoor, Inc. as the highest responsible bidder, the City Council awarded a three-year lease to CBS Outdoor, Inc. (City Agreement No. 2006-1404) for the three City-owned billboards located adjacent to Business 80 at Sutter's Landing Regional Park. On December 8, 2009, the City Council adopted Resolution 2009-743 extending the lease term until December 31, 2010. On November 16, 2010, the City Council adopted Resolution 2010-649 extending the lease term until December 31, 2012. Given the short time before the lease termination date, the lease could expire and the City could lose significant lease revenue if the City follows the bid procedures in City Code Chapter 3.68.

CBS Outdoor, Inc. is willing to enter into a third lease amendment extending the termination date of the lease by one year through December 31, 2013. A one-year extension will provide the City additional time to explore all options for the billboard site to maximize revenue opportunities. The lease revenue is designated to the Sutter's Landing Regional Park Project (L19167001). There are no dedicated funding sources for regional park development; therefore, securing unique funding opportunities such as this is critical to develop Sacramento's regional park system. Lease revenues of \$375,000 during the one-year extended term of the lease would be dedicated to the development of Sutter's Landing Regional Park.



**Adopted by the Sacramento City Council  
December 4, 2012**

**THIRD AMENDMENT TO LEASE WITH CBS OUTDOOR, INC. FOR THREE CITY-OWNED BILLBOARD STRUCTURES ADJACENT TO BUSINESS 80 AT SUTTER'S LANDING REGIONAL PARK**

- A. On December 12, 2006, following the completion of a competitive bid process that identified CBS Outdoor, Inc. as the highest responsible bidder, the City Council awarded a three-year lease to CBS Outdoor, Inc. (City Agreement No. 2006-1404) for the three City-owned billboards located adjacent to Business 80 at Sutter's Landing Regional Park.
- B. On December 8, 2009, the City Council adopted Resolution 2009-743 extending the lease term until December 31, 2010.
- C. On November 16, 2010, the City Council adopted Resolution 2010-649 extending the lease term until December 31, 2012.
- D. Given the short time before the lease termination date, the lease could expire and the City could lose significant lease revenue if the City follows the bid procedures in City Code Chapter 3.68.
- E. CBS Outdoor, Inc. is willing to enter into a third lease amendment extending the termination date of the lease by one year to December 31, 2013. A one-year extension will provide the City additional time to explore all options for lease renewal or replacement of one or more of the three billboards with a digital display to maximize revenue opportunities.
- F. The lease revenue is designated to the Sutter's Landing Regional Park Project (L19167001). There are no dedicated funding sources for regional park development; therefore, securing unique funding opportunities such as this is critical to develop Sacramento's regional park system.
- G. Lease revenues of \$375,000 during the one year extended term of the lease would be dedicated to the development of Sutter's Landing Regional Park.

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

- Section 1. The City Council finds and determines that it is in the best interest of the City to extend the term of the lease with CBS Outdoor, Inc. for the three City-owned billboard structures adjacent to Business 80 (City Agreement No. 2006-1404) to December 31, 2013, without bidding because special circumstances make use of the bid procedures inappropriate.

- Section 2. The City Manager or his designee is authorized to execute the Third Amendment to Lease for Operation and Maintenance of Three Outdoor Advertising Structures on Business Route 80 to extend the termination date to December 31, 2013.
- Section 3. The lease revenue is designated to the Sutter's Landing Regional Park Project (L19167001).
- Section 4. The City Manager or his designee is authorized to adjust revenue and expenditure budgets for the Sutter's Landing Regional Park Capital Improvement Program (L19167001) for the lease revenue.
- Section 5. The Third Amendment to the Lease described in Section 2 is attached as Exhibit A and is made a part of this Resolution.

Table of Contents:

Exhibit A — Third Amendment to Lease for Operation and Maintenance of Three Outdoor Advertising Structures on Business Route 80



**THIRD AMENDMENT TO LEASE  
FOR OPERATION AND MAINTENANCE OF  
THREE OUTDOOR ADVERTISING STRUCTURES ON BUSINESS ROUTE 80**

THIS THIRD AMENDMENT (the "Amendment") is made as of October 29<sup>th</sup>, 2012, by and between the **CITY OF SACRAMENTO**, a municipal corporation, ("Lessor") and **CBS OUTDOOR INC.**, a Delaware Corporation ("Lessee").

**RECITALS**

- A. The above-named parties entered into a lease agreement dated January 1, 2007, City Agreement No. 2006-1404, ("Lease") for use by Lessee of three existing billboards owned by Lessor located along Business Route 80 in the City of Sacramento. The billboards are located on property previously used as a landfill and planned for development of Sutters Landing Regional Park. The Lease revenues are pledged to fund capital improvement projects at this park.
- B. The Lease was amended on December 9, 2009 (the "First Amendment") to extend the term, set a monthly lease rate of \$31,250 for Lessee's right to place advertisements on the three billboards, and change Lessee's mailing address.
- C. The Lease was further amended on November 17, 2010 (the "Second Amendment") to extend the Lease term though December 31, 2012.
- D. Lessor desires to evaluate whether to issue a new solicitation for the placement of advertising on the three existing billboards and/or to replace some or all of the existing billboards with a digital message center display as permitted under the Outdoor Advertising Act and pursuant to a relocation agreement under City Code Section 15.148.815.

**AGREEMENT**

NOW THEREFORE, Lessor and Lessee agree as follows:

- 1. The termination date of the Lease between Lessor and Lessee, City Agreement #2006-1404, ("Lease") is extended from December 31, 2012 to December 31, 2013 ("Extended Term").
- 2. Lessee agrees to and shall pay to Lessor monthly rent of \$31,250 (thirty one thousand two hundred fifty dollars) for the advertising structures during the Extended Term. The monthly rent shall be due and payable on the tenth (10<sup>th</sup>) day of each month in advance at the Revenue Division of the City of Sacramento, 915 I Street, 1<sup>st</sup> Floor, Sacramento CA 95184.
- 3. All other terms of the Lease remain unchanged.

IN WITNESS WHEREOF, this Third Amendment has been executed by Lessor and Lessee as of the day and year first stated above.

**CITY OF SACRAMENTO,**  
a municipal corporation

By: \_\_\_\_\_  
Jim Combs  
Director Parks and Recreation Department

For: John F. Shirey, City Manager

Approved as to form:

By: \_\_\_\_\_  
Senior Deputy City Attorney

Attest:

By: \_\_\_\_\_  
City Clerk

**CBS OUTDOOR INC.,**  
a Delaware Corporation

By:   
Name: **CHRIS STEINBACHER**  
Title: **V.P. REAL ESTATE  
WEST COAST**