

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

December 11, 2001

City Council  
Sacramento, California

AG 2001-228

Honorable Members in Session

**SUBJECT: LEASE OF THREE BILLBOARD STRUCTURES**

**LOCATION AND COUNCIL DISTRICT:** West Side of Business 80 between E Street  
and Cal Expo Exits, Council District 3

**RECOMMENDATIONS:**

It is recommended the City Council approve the final lease agreement for the billboards on the eastside of business 80 with Viacom Outdoor. The process for the approval of the Final Lease Agreement was approved by Resolution # 2001-610 on September 4, 2001.

**CONTACT PERSONS:** Kristan Otto, Economic Development 264-7948  
Micah Runner, Economic Development 264-5448

**FOR THE COUNCIL MEETING OF:** December 11, 2001

**SUMMARY:**

On September 4, 2001 the City Council by Resolution approved the following:

- The City Manager is authorized to enter into a one-year lease with Eller Media for the three outdoor advertising structures on parcel 001-0170-026.
- The Manager is authorized to negotiate all terms of the one-year lease.
- The structures are currently leased by Viacom Outdoor under City Agreement 84-132. Under the current lease, Viacom has the right to meet or better offers for

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the future use of the structures. Viacom Outdoor has 14 days to meet or better Eller Media's proposal for the lease of the structures for a one-year term.

- All revenues generated through the lease, including the \$175,000 in prepaid revenue, will be directed to the development of Sutter Landing Regional Park, CIP LS11.
- Lease revenues received by the City of Sacramento after the previous lease terms expired in December 2000 will be reprogrammed from Public Works, Solid Waste Division to Sutter Landing Regional Park, CIP LS11.

Viacom has decided to meet the Eller proposal and staff is recommending the approval of the Final Lease Agreement (Attachment 1) with Viacom Outdoor. The final lease agreement includes the following terms:

- \$175,000 in Cash rent payable in full on the first day of the on-year lease term
- Viacom will, at its cost, remove the three billboards at the end of the lease term if requested to do so by the City of Sacramento
- Viacom will be responsible for all taxes, utilities and insurance associated with the billboards
- Viacom will make two poster faces available to the City for its use. Production of the signs will be at City's cost; Viacom will install such signage at no cost to the City.
- Viacom will not advertise any alcohol products on the billboards during the lease term.

**COMMITTEE/COMMISSION ACTION:**

None

**BACKGROUND INFORMATION:**

Viacom Advertising leases three billboard structures owned by the City. The billboard structures are on city property on the West Side of Business 80, between the E Street and Cal Expo exits. The lease expired on August 31, 2000, and the lease has continued on a month-to-month basis since then.

The City had two options at the expiration of the lease: either remove the structures or re-lease the structures and use the lease revenue to support the development of Sutter Landing Park. Both are desirable but are inherently in conflict.

A consultant knowledgeable in the outdoor advertising industry was retained to help establish the parameters of the RFP and the minimum rent based on the market rate and location of the billboard structures.

Subsequently, two RFPs (one issued August 22, 2000 and another issued on March 5, 2001), which were to find competitive and common ground for the two options, were

issued. Council rejected the responses from the first RFP and staff is recommending the rejection of the responses from the second RFP. Both RFPs allowed for many variables in the responses and made them difficult to compare and to determine which proposal best fit the City's goals. A new RFP was issued on July 10, 2001 and included these submission requirements:

- (a) Submit proposals for one, five, and a ten-year maximum leases for the three billboard structures.
- (b) Maximizing total revenues to the City, with as much money as possible up front to develop Sutter's Landing Park.
- (c) Removing the three billboards as early as possible.
- (d) No expansion of current signage.

Staff received responsive proposals from Eller Media and Viacom. On September 4, 2001 the City Council selected the Eller Media Proposal as the superior bid. The City Council recognized the first right of refusal in the current lease with Viacom and gave them 14 days to meet or better the Eller Proposal. Viacom has decided to meet the Eller proposal and staff is recommending approval of the leases agreement

#### **FINANCIAL CONSIDERATIONS:**

The lease currently generates revenue in the amount of \$55,000 per year. The potential revenue from the new lease is \$175,000 for a one year term.

All lease revenues generated through this lease agreement, including the \$175,000 in total revenue, will be directed to the development of Sutter Landing Regional Park, CIP LS11. Lease revenues received by the City of Sacramento will be programmed to Sutter Landing Regional Park, CIP LS11.

#### **POLICY CONSIDERATIONS:**

After Sutter Landing Park is adequately funded, the billboards will be removed at the termination of the lease period. The Council's action involves a waiver of the normal bid process for the lease of City property.

#### **ENVIRONMENTAL CONSIDERATIONS:**

The Action recommended is exempt from the CEQA review pursuant to Section 15378 (b)(3) of the California Environmental Quality Act, "general policy and procedure making".

#### **ESBD CONSIDERATIONS:**

City Council adoption of the attached resolution is not affected by the City policy related to the ESD Program since no goods or services are being purchased with this action.

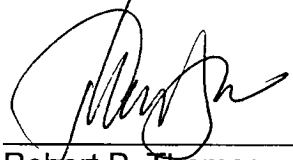
Respectfully submitted,

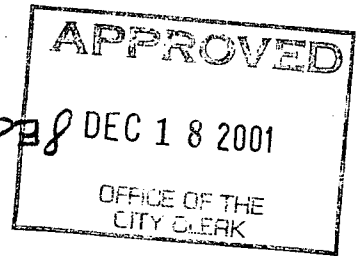
Approved:

  
\_\_\_\_\_  
Kristan Otto, Manager  
Economic Development Department

  
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Andrew J. Plescia, Director  
Economic Development Department

RECOMMENDATION APPROVED

  
\_\_\_\_\_  
Robert P. Thomas  
City Manager



**RESOLUTION NO. 2001-838**  
ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF SACRAMENTO AUTHORIZING THE CITY MANAGER  
TO EXECUTE A LEASE WITH ELLER MEDIA FOR THREE  
OUTDOOR ADVERTISING STRUCTURES**

WHEREAS, the City of Sacramento owns three outdoor advertising structures located on parcel 001-0170-026;

WHEREAS, On September 4, 2001, the City Council of the City of Sacramento authorized the City Manager to negotiate the lease of the three structures

WHEREAS, the one-year lease term proposal from Eller Media was superior and best met the City of Sacramento's goals

WHEREAS, Viacom Outdoor has the right to meet or better any proposal

WHEREAS, Viacom Outdoor has executed their right of first refusal and met the Eller Media proposal;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sacramento:

1. The City Manager is authorized to enter into a one-year lease with Viacom Outdoor for the three outdoor advertising structures on parcel 001-0170-026.
2. All revenues generated through the lease, including the \$175,000 in prepaid revenue, will be directed to the development of Sutter Landing Regional Park, CIP LS11.

**APPROVED:**

\_\_\_\_\_  
Mayor

**ATTEST:**

\_\_\_\_\_  
City Clerk

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**FOR CITY CLERK USE ONLY**

RESOLUTION NO: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_