



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Consent
March 23, 2010

Honorable Mayor and
Members of the City Council

Title: Digital Billboards on City-owned Sites

Location/Council District: Citywide

Recommendation: Receive and File

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

Presenters: N/A

Department: Economic Development

Division: Citywide

Organization No: 18001031

Description/Analysis

Issue: An exclusive right to negotiate (ERN) between the City of Sacramento and Clear Channel Outdoor, Inc. (CCO) was approved by the City Council on August 25, 2009, extended on December 15, 2009, and will expire on March 25, 2010. The ERN authorized negotiations between the parties on terms of CCO's placement of digital billboards on City-owned sites near major freeways. Those negotiations are complete. The resulting terms are now being incorporated into a separate lease for each new proposed billboard. Proceeding with the digital billboards project, however, will require amendment of the City's existing sign ordinance. That ordinance amendment and the proposed leases are expected to be presented for the City Council's consideration in April 2010. This report is thus intended to apprise the Council of CCO having negotiated in good faith pursuant to the ERN.

Policy Considerations: The actions contemplated and described 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): Actions described in this report were the subject of a CEQA analysis, and the resulting mitigated negative declaration will be presented to the Council when it considers the digital billboards project for approval.

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

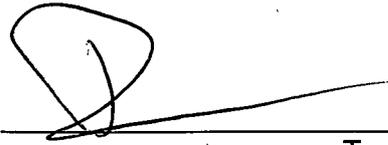
Commission/Committee Action: New digital billboards proposed in connection with the action described herein will be subject to review by the Sacramento City Planning Commission prior to their consideration by the City Council.

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

Financial Considerations: Financial ramifications of leasing City-owned property as sites for digital billboards will be addressed in future reports to the City Council.

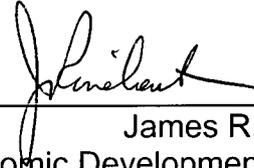
Emerging Small Business Development (ESBD): N/A

Respectfully Submitted by:



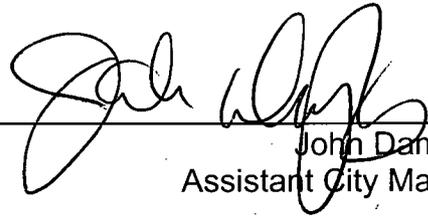
Tom Zeidner
Senior Project Manager

Approved by:



James R. Rinehart
Economic Development Director

Approved by:



John Dangberg
Assistant City Manager

Recommendation Approved:



per Gus Vina
Interim City Manager

Table of Contents:

Report	pg. 1-3
Attachments	
1 Background	pg. 4-5

Attachment 1**Background Information:**

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 Rapton Honda (Rapton), whose dealership occupies a portion of the site. Rapton and City staff were approached by a major outdoor advertiser interested in constructing and operating an electronic, digital billboard in conjunction with Rapton's onsite signage. A tentative proposal suggested by the advertiser offered payment of an initial "signing bonus" and ongoing lease payments to the City for 25 years. Thus, staff became aware that development of digital billboards at this location, as well as other City-owned sites near major freeways, offered potential to generate significant additional revenues for the City.

Construction and development of new electronic billboards, however, is not currently allowed under Section 15.148.640 of the City Code. Further, on October 16, 2007, the City Council adopted Ordinance 2007-079, which prohibits the construction of new offsite signs within the City unless City enters into "relocation agreements" that allow sign owners to construct one or more new signs in return for removing one or more existing signs.

As the potential for substantial revenue generation to the City through the lease of selected sites for digital billboards came to light, staff considered avenues through which the sites could be offered to the market within the restrictions cited above. A result of those deliberations was a Request for Proposals (RFP) that was released on July 1, 2009 soliciting proposals from qualified entities to develop and operate two-sided digital billboards on at least three City-owned sites. In addition to the Rapton site, the RFP specifically sought proposals on City-owned parcels: 1) along Interstate 80, east of Northgate Boulevard; and 2) in the vicinity of Interstate 5 and Richards Boulevard. 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 were suitable, 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. Both were evaluated by a panel of staff representatives from the General Services, Community Development and Economic Development Departments based upon selection criteria enumerated in the RFP, including the following:

- Use of best-available digital billboards technology
- Proposed revenue generation to the City
- Sustainability features of proposed digital billboards

- Extent of proposed removal of existing outdoor advertising media.

The panel recommended selection of a proposal submitted by Clear Channel Outdoor, Inc. (CCO), and on August 25, 2009, the City Council adopted a resolution granting CCO a 120-day exclusive right to negotiate (ERN) on the terms of its construction and operation of digital billboards on City-owned sites. Negotiation between the City and CCO proceeded but were not yet complete by expiration of the original ERN period due to complications beyond CCO's control. Thus, on December 15, 2009, the Council approved a 90-day extension to the ERN (until March 25, 2010) for staff to conclude its negotiations with CCO on terms of placement of the digital billboards on City-owned sites and related removal of existing signs.

At this writing, the City and CCO have successfully concluded their negotiations and are now drafting proposed leases and relocation agreements covering the following terms, among others: CCO's placement of double-sided, 14'x48' digital billboards on four City-owned sites; CCO's proposed removal of existing billboards; and CCO's remuneration to the City for lease of these sites.

Also required in connection with approval of new digital billboards on City-owned sites will be an ordinance amending the City Code to allow the new signs. This amendment is necessary because, as noted above, the City Code does not currently allow the construction of digital billboards.

It is now anticipated that staff will be presenting the proposed leases, relocation agreements, ordinance, and mitigated negative declaration for the Council's consideration in April 2010.