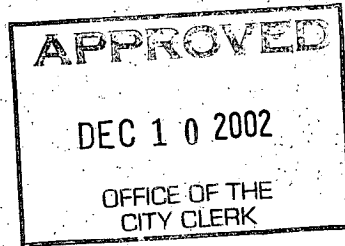


4.1

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO



CONTINUED  
FROM 11/26/02  
TO 12/10/02

November 26, 2002

City Council  
Sacramento, California

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:

- (1) Approve the selection of Viacom Outdoor (Viacom) as the successful bid to lease the City owned billboard structures for a term of three years and
- (2) Authorize the City Manager to draft a lease based on the terms provided and bring back to the City Council for final lease approval.

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

**FOR THE COUNCIL MEETING OF:** November 26, 2002

**SUMMARY:**

On October 8, 2002 the City Council approved the issuance of a Request for Proposals (RFP) for the lease or relocation of three City of Sacramento owned billboard structures

on the West Side of Business 80. Responses were received to the RFP from Viacom Outdoor and Clear Channel Outdoor (CCO). After substantial review, staff is recommending the selection of Viacom Outdoor as the winning bid package.

Viacom Outdoor has submitted a proposal that is consistent with City goals by: (1) The removal of billboards, by removing the structures at the end of the term and (2) maximizing revenues for the development of Sutter Landing Park. The 3 Year lease term provided by Viacom offers \$557,000 in total revenue for the lease of the billboard structures and will remove these structures at the conclusion of the term. This revenue gives the City capacity to develop Sutter Landing Park and removes the billboards in a satisfactory timeframe. Also, City Departments will continue to be able to use a portion of these billboard structures for advertising City programs.

**BACKGROUND INFORMATION:**

Viacom Outdoor currently 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 current lease expires on December 31, 2002.

The Economic Development Department received proposals from Viacom and CCO, each include three leasing options. A matrix of the proposals is provided below:

<u>Option</u>	<b>Viacom</b>			<b>Clear Channel</b>		
	#1	#2	#3	#1	#2	#3
<u>Term</u>	1 Year	3 Year	5 Year	3 Year	5 Year	5 Year + Relocation agreement
<u>Revenue</u>	\$190,000	\$557,000	\$920,000	\$466,000	\$732,000	\$800,000
<b>Benefits</b>						
<ul style="list-style-type: none"> <li>• Billboards may be removed at anytime with refunding prepaid rents</li> <li>• Billboard structures will be removed at the end of the lease</li> <li>• Total revenue is paid at the beginning of the term</li> <li>• City Department use of advertising space</li> <li>• No Relocation Agreement</li> </ul>			<ul style="list-style-type: none"> <li>• Removal of four non-city owned billboards</li> <li>• Removal of one of the city owned billboards would be removed at the end of Year 1</li> </ul>			

Viacom	Clear Channel
Negatives	
	<ul style="list-style-type: none"> <li>• Relocation Agreement hinges on State Approvals</li> <li>• One or more of the billboard structures will remain intact at the end of the term</li> <li>• One year term was not offered</li> <li>• Administration of a Relocation Agreement</li> </ul>

**FINANCIAL CONSIDERATIONS:**

The lease currently generates revenue in the amount of \$175,000 per year. This revenue and the future revenue are deposited into the capitol improvement project for Sutter Landing Park (CIP LS11). The total revenue of \$557,000 will be deposited into the Sutter Landing Park CIP for future development.

**POLICY CONSIDERATIONS:**

The City of Sacramento has determined in prior actions to continue to lease the billboards and to use the income to fund Sutter Landing Park and that determination overrides the desire to remove billboards from roads and highways.

**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 ESBD Program since no goods or services are being purchased with this action.

**STRATEGIC PLAN CONSEDERATIONS**


The Recommendation in this staff report are consistent with the following goals outlined in the City's 2001-2004 Strategic Plan:

1. Preserve and expand the arts and culture, open space, urban forest, parks, and recreation opportunities.
2. Promote and support economic vitality.
3. Enhance and preserve the neighborhood.


Respectfully submitted,

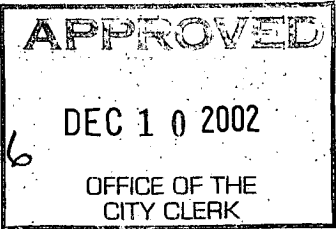
Approved:

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

  
\_\_\_\_\_  
Betty Masuoka, Interim Director  
Economic Development Department

RECOMMENDATION APPROVED

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



**RESOLUTION NO. 2002-826**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

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

**REGARDING THE LEASE OF THE THREE BILLBOARD STRUCTURES LOCATED ON THE W. SIDE OF BUSINESS 80 BETWEEN THE E ST. AND CAL EXPO EXITS**

**BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:**

**SECTION 1.**

Viacom Outdoor (Viacom) is the successful bidder to lease the City owned billboard structures for a term of three years.

**SECTION 2.**

The City Manager is authorized to draft a lease based upon the terms of the bid provided by Viacom Outdoor and return to the Sacramento City Council for final lease approval.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

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

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

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**SUTTER LANDING PARK  
BILLBOARDS  
FINANCIAL COMPARISON / ANALYSIS**

<b>Three-year term</b>	<b>CCO</b>	<b>VIACOM</b>
3 year lease as proposed	\$446,000 1 sign removed at end of 1 <sup>st</sup> year	\$557,000 No signs removed
3 year lease 1 sign removed at end of 1 <sup>st</sup> year	\$446,000	\$433,232 (Under Viacom terms, City is to refund prepaid rent for sign removal. Amount subject to refund = \$123,768)
3 year lease No sign removed scenario for comparison	\$599,076	\$557,000

Costs projected by dividing total bid price by number of billboard "structure months" to arrive at a unit cost. For example, ClearChannel Outdoor proposed leasing three structures in the first year, removing a sign and leasing two structures each of the subsequent two years. Therefore, under this scenario, ClearChannel Outdoor has proposed 36 structure months in the first year, 24 structure months in the second year and 24 structure months in the final year for a total of 84 structure months. ClearChannel Outdoor's proposed lease for the three-year period is \$446,000, divided by 84 structure months to arrive at \$5,547 per unit, per month.

In the case of Viacom's proposal, the structure months increased to 108 months as no signs were taken down during the three-year term. This represents a value of each structure month to be \$5,157.00, down from CCO's \$5,547.00.