



Legislation Details (With Text)

File #: ID16-478 **Version:** 1 **Name:**

Type: Action Item **Status:** Passed

File created: 4/19/2016 **In control:** City Council

On agenda: 4/28/2016 **Final action:** 4/28/2016

Title: Discuss conceptual terms of a master lease with Outfront Media, and provide direction to return to Council in sixty days with completed contract

Sponsors: Office of Mayor & City Manager

Indexes:

Code sections:

Attachments: 1. Business Proposal Amendment #4.pdf, 2. Proposed Locations for Billboard Removal.pdf, 3. 9352 Committee Report.pdf, 4. 9352 RFP for Digital Billboards.pdf

Date	Ver.	Action By	Action	Result
4/28/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

April 28, 2016

FROM: BRUCE RUDD, City Manager

SUBJECT

Discuss conceptual terms of a master lease with Outfront Media, and provide direction to return to Council in sixty days with completed contract

RECOMMENDATION

Council authorizing the City Manager to initiate the steps necessary to finalize a twenty (20) year revenue sharing agreement and subsequent leases with Outfront Media and return to the Council within the next 60 days for approval.

EXECUTIVE SUMMARY

In an effort to generate additional General Fund revenue and consolidate billboards along freeways, the City Manager’s Office issued a Request for Proposals (RFP) on October 21, 2015, in which the City would authorize the construction of digital billboards on property owned by the City of Fresno. All of the proposed locations contained in the RFP are adjacent to local freeways as these sites would generate the highest visibility/value for potential advertisers. The RFP required a minimum annual payment or a percentage of the gross sales; whichever was greater, along with a onetime

signing bonus. In addition, potential bidders were asked to include the removal of existing static billboards as part of their proposals.

The City received two proposals to the RFP. Based on a review of the proposals, it is recommended that Council authorize the City Manager to finalize a twenty (20) year revenue sharing and subsequent leases agreement with Outfront Media. It is anticipated that the final agreement will be presented to Council for approval within the next 60 days. If approved, this agreement would provide a onetime signing bonus of \$325,000, and a minimum annual of payment of \$378,000 or \$3.78 million over the next ten years. While it is anticipated that the annual payment based on a percentage of gross sales will exceed the minimum annual payment of \$378,000, staff believes that using the minimum payment for estimation purposes is appropriate. In addition, Outfront Media will remove 56 static billboards located throughout the community.

Given the additional work associated with an agreement, environmental review, and in some cases the rezoning of property, staff is seeking direction related to the conceptual terms of before proceeding in the development of a master lease agreement.

BACKGROUND

On October 16, 2015, the City issued a Request for Proposals (RFP) in which the City sought solicitations from bidders who would be granted authority to erect digital billboards on City owned property. In exchange, the City would receive a guaranteed annual payment or a percentage of the gross sales, whichever of the two was greater. In addition to a guaranteed annual payment, bidders were asked to remove static billboards located throughout the community.

The RFP identified eight locations that were selected due to their proximity to local freeways as these locations provided the highest level of visibility, which is highly valued by advertisers. These sites included:

- Fink White Park/State Route 99
- Roeding Park/State Route 99
- The City's Municipal Service Center/State Route 99
- The City's Municipal Service Center/State Route 180
- Woodward Park/State Route 41
- Granite Park/State Route 168
- Al Radka Park/State Route 180
- Fresno Convention Center/State Route 180

On December 8, 2015, proposals were received from two bidders, Outfront Media and Lamar Advertising. During January 2016, a selection committee, consisting of the Development and Resource Management, Finance, and City Manager's Office, met with representatives from both

firms to discuss the merits of each of the proposals.

Based on these interviews, a decision was made by the Selection Committee to continue negotiating with Outfront Media due to the amount of revenue being offered as well as the number of static billboards that would be removed. Over the course of the following months, further negotiations with Outfront Media continued in order to refine their proposal even further. The outcome of these meetings/negotiations has resulted in a recommendation to finalize the contract to award a twenty (20) year contract with Outfront Media based of the following deal points.

- Outfront Media will be authorized, contingent on approval by the California Department of Transportation, to erect digital billboards at five locations that include:
 - Woodward Park/SR41
 - Municipal Service Center/SR99
 - Municipal Service Center/180
 - Al Radka/SR180
 - Future Veterans Boulevard site located adjacent to State Route 99
- In exchange the City will receive:
 - A onetime signing bonus of \$325,000
 - Guaranteed annual payments of \$378,000 or a percentage of gross revenues, whichever is greater. This equates, at a minimum, guaranteed General Fund revenue of \$3,780,000 over the next 10 years.
- Outfront Media will remove 50 static billboards from various locations throughout the City (see attached)

ENVIRONMENTAL FINDINGS

Not a project for the purposes of the California Environmental Quality Act

LOCAL PREFERENCE

Not implemented but Outfront Media has a local office.

FISCAL IMPACT

The combination of the onetime signing bonus and minimum annual payment equates to \$703,000 in the first year. The actual timing of both the onetime and annual payments are dependent upon when the State of California's Department of Transportation approves the installation of the digital billboards and the City certifies zoning for the approved sites.

Attachment:

Business Proposal Amendment #4

Proposed Locations for Billboard Removal
9352 Committee Report
9352 RFP for Digital Billboards