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Title: Actions pertaining to a digital billboard master lease agreement:
1. Adopt a finding of Class 1 Categorical Exemption set forth in CEQA Guidelines, Section 15301
2. Approve a twenty year master lease agreement with Outfront Media, LLC., for five digital billboards on City owned property at various locations across the City.

Sponsors: Office of Mayor & City Manager

Indexes:

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Attachments: 1. Supplement Billboard Master Lease.pdf

Date	Ver.	Action By	Action	Result
8/25/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

August 25, 2016

FROM: BRUCE RUDD, City Manager

SUBJECT

Actions pertaining to a digital billboard master lease agreement:
1. Adopt a finding of Class 1 Categorical Exemption set forth in CEQA Guidelines, Section 15301
2. Approve a twenty year master lease agreement with Outfront Media, LLC., for five digital billboards on City owned property at various locations across the City.

RECOMMENDATION

The City Manager's Office recommends that City Council:

1. Adopt a finding of Class 1 Categorical Exemption set forth in CEQA Guidelines, Section 15301
2. Approve a twenty year master lease agreement with Outfront Media, LLC., for five digital billboards on City owned property at various locations across the City
3. Authorize the City Manager, or designee, to sign the agreement on behalf of the City of Fresno

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. On April 28, 2016, the City Manager sought direction from the City Council on the conceptual terms of the revenue sharing agreement. Based on the direction received from Council, the City Manager's Office is recommending that Council approve a twenty year master lease agreement with Outfront Media, LLC., for five digital billboards on City owned property at various locations across the City. If approved, this agreement would provide a onetime signing bonus of \$325,000, and a minimum annual rent payment of \$378,000 or \$3.78 million over the next ten years. While it is anticipated that the annual revenue share payment based on a percentage of net sales will exceed the minimum annual rent payment of \$378,000, staff believes that using the minimum annual rent payment for estimation purposes is appropriate. In addition, Outfront Media, LLC., will remove 47 static billboards located throughout the community.

BACKGROUND

On October 16, 2015, the City issued a 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 net 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 (SR) 99
- Roeding Park/SR 99
- The City's Municipal Service Center/SR 99
- The City's Municipal Service Center/SR 180
- Woodward Park/SR 41
- Granite Park/SR 168
- Al Radka Park/SR 180

- Fresno Convention Center/SR 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 Department, 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. On April 28, 2016, the City Manager sought direction from the City Council on the conceptual terms of the revenue sharing agreement. Based on the direction received from the City Council, further negotiations with Outfront Media occurred to refine their proposal.

The outcome of these meetings/negotiations has resulted in a recommendation to award a twenty year master lease agreement with Outfront Media, LLC., based on 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/SR 41
 - Municipal Service Center/SR 99
 - Municipal Service Center/SR 180
 - Al Radka/SR 180
 - Future Veterans Boulevard site located adjacent to SR 99
- In exchange the City will receive:
 - A onetime signing bonus of \$325,000
 - Guaranteed annual rent payments of \$378,000 or a percentage of net revenues, whichever is greater. This equates, at a minimum, guaranteed General Fund revenue of \$3,780,000 over the next 10 years. Exhibit C in the attached lease agreement illustrates the rent schedule for each location for the life of the proposed lease.
 - Outfront Media will remove 47 static billboards from various locations throughout the City as illustrated in Exhibit F in the attached lease agreement.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Class 1 Categorical Exemption set forth in CEQA Guidelines, Section 15301, as this master lease is to install digital billboards on City owned property and will consist of minor alteration of existing public structures involving negligible expansion. Furthermore, none of the exceptions to

the Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project.

LOCAL PREFERENCE

Not implemented because this is not an award of a construction or service contract, but Outfront Media has a local office.

FISCAL IMPACT

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

Attachment:

Master Lease Agreement for Digital Billboards