



COUNCIL AGENDA REPORT

City of Anaheim PLANNING DEPARTMENT

DATE: NOVEMBER 6, 2007
FROM: PLANNING DIRECTOR
SUBJECT: RESPONSES TO A REQUEST FOR INFORMATION (RFI) FOR A
BILLBOARD EXCHANGE PROGRAM

ATTACHMENT (Y/N): YES **ITEM # 25**

RECOMMENDATION:

That the City Council, by motion, reject the four RFI responses received on the basis that they are either incomplete or do not demonstrate the level of community benefit necessary to warrant changes to the City's long-standing ban on new freeway-oriented billboards.

BACKGROUND:

On September 11, 2007, the City Council reviewed three responses to an RFI related to a potential billboard exchange program. The RFI was based upon past communications from outdoor advertising companies interested in participating in a voluntary billboard exchange program. As initially envisioned, such a program would allow outdoor advertisers to remove existing non-freeway-oriented billboards in exchange for the right to construct one or more new freeway-oriented billboards or other forms of off-site advertising oriented to a freeway or major commercial arterial. While the overarching goal of the program would be to improve the visual character of the City's neighborhoods by eliminating or reducing billboards along our streets, at the September 11 meeting, some Councilmembers also expressed a willingness to consider proposals from outdoor advertisers who may not own non-freeway-oriented billboards if they are able to provide some alternate form of community benefit or improvement in lieu of removing street-oriented billboards.

Following discussion of this item at its September 11, 2007 meeting, the City Council continued discussion of the billboard exchange program to its November 6, 2007 meeting to provide outdoor advertising agencies an opportunity to revise or submit new proposals that are more consistent with the exchange rates identified by the City's consultant (further described in the following section of this report) and to provide an opportunity for staff to solicit community input on the potential exchange program. In addition, Council requested that staff provide information relative to the economic impacts associated with billboard removal, in particular, with respect to potential revenue losses to the City or to those currently leasing property to outdoor advertising companies.

On September 21, 2007, staff distributed letters to outdoor advertisers inviting them to submit revised or new responses to the RFI by October 12, 2007. Staff received a letter from Bulletin Displays, LLC that contained revisions to their initial proposal and a new response to the RFI was received from Regency Outdoor Advertising, Inc. In order to encourage and solicit community input, staff made presentations to each of the City's four Neighborhood Councils. In addition, staff personally notified community members that have expressed prior interest in billboard-related issues of the pending exchange program.

EXCHANGE ANALYSIS:

In conjunction with its consideration of this item, the City Council also commissioned a billboard exchange analysis prepared by Sanli Pastore & Hill (SP&H). The SP&H study analyzed various economic factors associated with removing street-oriented billboards in exchange for constructing freeway-oriented billboards and provided staff with recommended exchange rates by which to analyze the exchange proposals. The report identified the following average annual advertising rates for a street-oriented billboard:

- \$3,600 for a 8-sheet (approximately 72 square foot) billboard
- \$32,400 for a 30-sheet (approximately 300 square foot) billboard
- \$120,000 for a bulletin (approximately 700-1200 square foot) billboard

The advertising rate for a freeway-oriented billboard ranges from approximately \$342,000 to \$360,000 per year.

Based on gross revenues and costs associated with the removal and construction of billboards, the report provided staff with the following exchange rates suitable in exchange for the construction of one freeway-oriented billboard face (billboards are usually single or double-faced):

- 54 to 82 8-Sheet Billboard Faces
- 8 to 14 30-Sheet Billboard Faces
- 1 to 2 Bulletin Billboard Faces

These exchange rates are based on economic factors related to the removal and construction of billboards. The exchange rates do not take into account the potential community benefits associated with billboard removal, including aesthetic improvements to the City's neighborhoods. The community benefit would vary depending on the size, location and visibility of each billboard to be removed. If Council chooses to move forward with a billboard exchange program, the community benefit of the billboards to be removed should be evaluated on a case by case basis to determine the final equitable exchange rate.

PROPOSALS RECEIVED:

The City received billboard exchange program proposals from Bulletin Displays, LLC/Vista Media; CBS Outdoor; and Clear Channel Outdoor. Each of the three proposals included exchange rates at or below the recommended exchange rates contained in the SP&H study. In addition, the proposals received by Bulletin Displays, LLC/Vista Media and CBS Outdoor did not provide all of the information requested by the RFI (e.g., location of existing billboards, location and number of billboards to be removed and constructed, etc.) which limited staff's ability to evaluate the proposals and determine community benefit. The three initial proposals, and a fourth proposal recently received from Regency Outdoor Advertising, Inc., are summarized in the attached Summary of Proposals which analyzes each proposal with respect to the information requested through the RFI. As indicated in the Summary, some of this information was not provided by the outdoor advertising agencies and some information may be provided at a later date subject to either an exclusive negotiation agreement and/or a confidentiality agreement.

The proposal submitted by Bulletin Displays, LLC/Vista Media has been revised to indicate that the numbers of billboards to be removed or the financial incentives to build a message center are open to negotiation; however, without specific information, staff is unable to fully analyze the community benefits of their proposal. While components of CBS Outdoors' proposal are slightly below or equal to the minimum recommended exchange rate, it is impossible to determine the true community value of its proposal due to the incompleteness of the submittal. Clear Channel's proposal is well below the minimum recommended exchange rate established by the City's consultant. Regency Outdoor Advertising's proposal does not include the removal of any billboards and the one-time development fee to be paid to the City for the right to develop one freeway-oriented billboard face (\$100,000 to \$200,000) is significantly less than the annual revenue that the company is likely to receive (an estimated minimum of \$342,000) from a single-faced freeway-oriented billboard. SP&H analyzed the number of billboard faces this development fee could remove and determined, in the event that willing sellers could be found, \$200,000 could fund the removal of up to nine 8-sheet billboard faces or one 30-sheet billboard face. This dollar amount would not be enough to remove any bulletin billboard faces. Because of the incomplete nature of two of the proposals and the fact that the exchange rates or development fees included in the remaining proposals would not provide substantial community benefit, staff recommends that Council reject the proposals received.

ADDITIONAL CONSIDERATIONS:

Because none of the outdoor advertisers have provided additional information that would suggest enhanced community benefits, staff does not believe that any of the proposals would provide the direct and significant community benefit necessary to consider removing the long-standing ban on new freeway-oriented billboards. Ideally, an exchange program would improve the visual character of the City's neighborhoods by

eliminating or reducing billboards in numbers consistent with the high end of the exchange rate recommended by the City's consultant.

The construction of additional freeway-oriented billboards or message signs could compromise current and future freeway beautification efforts. The City has worked extensively with Caltrans and has invested significant amounts of City funds to enhance landscaping along our freeways. For example, the SR-91 Corridor Beautification Strategy, which commenced last year, addresses several factors (e.g., landscaping, signage, building design, etc.) that define the community's image as viewed from SR-91. In addition, the Redevelopment Agency has funded several landscaping enhancements at freeway interchanges along the same stretch of SR-91 where new billboards are being proposed. The fact that Caltrans bans freeway-oriented billboards along landscaped segments of its freeways speaks to the potential incompatibility between billboards and landscaping beautification efforts. In addition, while the removal of billboards from neighborhoods is certainly a positive step towards community improvement, the City has witnessed a steady decrease in the number of billboards through attrition resulting from property development and road widening projects. Since 1991 the number of billboards has been reduced from 141 to 83, according to a 2006 field survey.

The April 2007 RFI requested that the respondents provide information regarding time limits for any new billboards to be constructed in conjunction with an exchange program. Only one of the four proposals suggested a time limit on the new billboards. Bulletin Displays, LLC/Vista Media proposes a 30-year time limit. Staff recommends that the City Council require a maximum 15-year time limit in conjunction with any exchange agreement. Such a time limit would provide the City with an important opportunity to re-evaluate the appropriateness of freeway-oriented billboards in the context of future neighborhood and freeway beautification strategies.

Billboards bring very little revenue directly to the City as outdoor advertising companies only pay a license fee of between \$50 and \$500 per year per billboard, based on the location and size of the billboard. Since billboards do not require a seller's permit, the City does not collect sales taxes from the outdoor advertiser. With respect to the economic impacts to those property owners currently leasing a portion of their land to outdoor advertisers, the SP&H study indicates that underlying property owners typically receive rent equal to 15% to 30% of the advertising revenue generated by a billboard. As an example, the most common type of billboard in the City (30-sheet billboard) generates approximately \$32,400 in annual advertising revenue. As a result, a property owner leasing land to an advertising agency may expect to collect between \$4,860 to \$9,720 in annual rent that would be lost upon removal of the billboard.

If the City Council wishes to continue its consideration of an exchange program, staff recommends that Council direct staff to prepare a Request for Proposals (RFP) for distribution to outdoor advertising companies interested in participating in a billboard exchange program. Unlike the previously-distributed RFI, staff recommends that the RFP identify the specific terms of an exchange program, including a minimum

acceptable exchange rate consistent with the high end of the equitable exchange rate identified by the SP&H study, or that the development fee be set at an amount that will fund the removal existing billboards in numbers consistent with the minimum acceptable exchange rate. In addition, some billboards may be of more value than others and each individual proposal should be evaluated based on the specific billboards to be removed and constructed as well as any other related community benefits. As such, staff also recommends that the RFP indicate that the City Council shall have the final authority to approve or deny the specific billboards to be removed in conjunction with an exchange program. Staff would further recommend that the RFP establish a maximum 15-year time limit as previously discussed in this report.

As new billboards are currently prohibited by Title 4 and Title 18 of the Anaheim Municipal Code, the implementation of any program allowing new billboards would require additional actions, including Municipal Code amendments, as well as compliance with all State requirements related to the siting of billboards.

IMPACT ON BUDGET:

As described in the proposal summaries, the Bulletin Displays, LLC and Regency Outdoor Advertising include offers to pay to the City a development fee and/or a portion of sign revenues. Any costs associated with amending the Anaheim Municipal Code that may be necessary to accommodate the proposals would be covered by the City's General Fund.

Respectfully submitted,

Sheri Vander Dussen
Planning Director

Attachments:

1. September 11, 2007 Staff Report
2. September 21, 2007 Letter to Outdoor Advertisers
3. Bulletin Displays, LLC Supplemental Letter
4. Regency Advertising, Inc. Response
5. Summary of Proposals