

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**EXECUTIVE MANAGEMENT COMMITTEE
MAY 16, 2013****SUBJECT: BILLBOARD MANAGEMENT SERVICES****ACTION: AUTHORITY TO AMEND EXISTING REVENUE AGREEMENT AND
NEGOTIATE TERMS OF DEVELOPMENT AGREEMENTS****RECOMMENDATION**

- A. Authorize the Chief Executive Officer to amend the existing revenue contract with Allvision LLC to:
1. Amend the minimum guaranteed revenue from \$100,000 annually for five years to a revenue guarantee of \$500,000 payable on or before June 30, 2015, and;
 2. Provide an option to extend the existing contract term for an additional five year term effective July 1, 2015 through June 30, 2020, with minimum guaranteed annual revenue of \$100,000.
- B. Authorize the Chief Executive Officer to negotiate the terms of Development Agreements with local municipalities for the installation of outdoor advertising signs subject to Board approval of each agreement.

ISSUE

On January 21, 2010, the Board authorized a 2-year revenue contract with three 1-year options (for a total of five years) with Allvision LLC ("Allvision") to provide management services for outdoor advertising displays on MTA owned property. The purpose of the contract was to increase MTA's revenues by optimizing its billboard assets at no additional costs to the MTA.

Over the past two years, Allvision has completed a comprehensive review of existing billboards on MTA property and has developed a Strategic Plan for Billboard Advertising ("Strategic Plan") on MTA property. Implementation of the Strategic Plan, including amendments to the Allvision contract and authorization to negotiate Development Agreements will require Board approval to proceed.

DISCUSSION

Currently there are 403 outdoor advertising billboards (“Billboards”) in place on MTA property and right-of-way in the County of Los Angeles. The Billboards are in place under various ground leases that were assigned to MTA when the railroad rights of way were purchased by MTA in the 1990’s. Due primarily to lease terminations for transit projects, annual revenue from these ground leases has declined over the last several years from approximately \$2.6 million to \$1.2 million.

In order to maximize billboard revenue in future years, the Board authorized a revenue service contract between MTA and Allvision. Allvision has completed an in-depth analysis of all MTA owned property for its potential for generating additional revenue from billboard assets. As part of this review and analysis, Allvision (1) reviewed each existing billboard site; (2) investigated local and state ordinances related to billboards; (3) submitted permit applications to Caltrans for review and approval; (4) conducted meetings with local municipalities and MTA staff; (5) prepared and submitted to MTA staff for approval a Strategic Plan for Billboard Advertising on MTA Property.

The Strategic Plan offers MTA the opportunity to permit state of the art digital billboards on its property that will provide the potential for significant increases in long-term revenue. All potential development sites have been evaluated based on municipal interest; reviewed for conformance with federal and state laws; evaluated for community and public affairs impact; valued for highest and best outdoor advertising revenue opportunity to MTA, and selected for consideration after an initial entitlement assessment and input from the MTA real estate, planning, operations and engineering departments Proposed locations have been organized into projects by local jurisdiction. Allvision and MTA staff will continue to work with each local jurisdiction that has an MTA project opportunity to obtain the necessary entitlements.

Meeting with Local Municipalities

Allvision staff and MTA staff are in active discussions with the City of Downey, the City of Santa Clarita, and the City of Irwindale regarding proposed digital billboard programs. These municipalities are very interested in participating in this program as it provides them the opportunity to eliminate blighted conditions, where applicable, caused by the existing numerous, low quality, static billboards located in their jurisdiction and also provides the opportunity to generate additional revenue. Allvision and METRO are continuing to meet with additional municipalities to determine if they are interested in opting into this program.

In addition, the placement of digital billboards allows the communities, as well as MTA, to provide real-time public service information, such as amber alerts, traffic information and other public announcements as part of the signage program. Each municipality also is presented with the opportunity to place signage only in locations that meet their individual safety and aesthetic criteria.

Development Agreement

Allvision is contracted to work with MTA staff to obtain approvals from local municipalities, on an opt-in basis, to construct and operate digital billboards on MTA property. As part of these projects, certain static billboards, if any, on MTA properties within each jurisdiction will be removed and municipalities will receive a share of revenue generated from the newly developed digital billboards. These entitlements are granted in the form of a Development Agreement between the municipality and MTA. A summary of the proposed terms of the Development Agreement is included in Attachment "B".

In order to obtain approval of the entitlements from the local municipalities it is necessary that certain direct third party costs be incurred, including legal expenses, the cost of the CEQA document, survey and engineering costs and permit fees. Pursuant to the contract, Allvision has been paying the direct third party expenses and will recover these expenses, subject to MTA review and approval, from the incremental income above the annual base amount that MTA receives in each municipality from the billboard leases (incremental revenues).

A number of the locations identified by Allvision have transportation projects in various stages of the planning and/or development process. In order to avoid conflict with existing or planned transit projects, we propose to obtain entitlements from the local municipalities during the interim time period for later use, thus enabling MTA to move forward with new digital billboards on MTA property after the completion of any potentially conflicting transportation projects.

Contract Amendment

The existing contract with Allvision will expire on June 30, 2015. The original contract was anticipated to cover the pre-development phase of the work to be performed by Allvision. It is now appropriate to move into the development and implementation phase of the project, and to amend the contract to cover the additional work, payments and term.

The existing contract required Allvision to guarantee annual revenue of \$100,000 for years 2010 through 2015. We recommend that this guaranteed revenue be deferred to no later than June 30, 2015, at which time Allvision will make a lump sum payment of the difference, if any, between \$500,000 and the total incremental revenue generated to MTA. A summary of the new contract provisions is included in Attachment "A".

DETERMINATION OF SAFETY IMPACT

This Project will enhance rail safety, alleviate a major safety concern, and further MTA's primary transportation-related purposes. Static paper and/or vinyl billboards have created safety problems during the high wind season as large numbers of these signs have been blown off the billboards and fallen onto the adjacent railroad tracks. In addition, manual copy installation, which involves maintenance personnel on or near railroad tracks, creates potential safety issues regarding existing static signage.

FINANCIAL IMPACT

This is a revenue contract and will generate a minimum of \$1,000,000 in new general fund revenue over the term of the contract (\$500,000 in 2015 plus \$100,000 annually for five years). Further increases are predicted to begin in FY14 when developments of the new billboard structures are anticipated. These revenues are expected to range from \$2 million to \$12 million or higher (dependent up municipalities' participation) annually over the life of the contract, however, only the minimum payment is guaranteed.

ALTERNATIVES CONSIDERED

The alternative is to continue the current practice of managing existing billboard leases directly with billboard companies. This is not recommended because the agreement with Allvision involves no out-of-pocket cost and will produce a minimum of \$1,000,000 in additional revenues over the initial term of the contract and significantly greater sums starting in 2014 and extending throughout the life of the negotiated entitlements (30-50 years). Most of the existing leases were negotiated more than 20 years ago by the railroad companies that previously owned the right of way. Allvision's staff has extensive experience in billboard management, operations, sales, and representing the interest of property owners making it prudent to continue to explore this program. Furthermore, Allvision has demonstrated a strong commitment to the billboard program by investing substantial time and resources toward moving the program forward.

NEXT STEPS

Allvision and MTA Staff will finalize the terms of Development Agreements with those local municipalities that are prepared to move forward and return to the Board for final approval.

ATTACHMENTS

- A.** Summary of Contract Amendment Key Terms
- B.** Summary of Development Agreement Key Terms

Prepared by: Velma C. Marshall, Deputy Executive Officer, Real Estate
(213) 922-2415

Roger S. Moliere
Chief, Real Property Management and Development

Arthur T. Leahy
Chief Executive Officer

SUMMARY OF CONTRACT AMENDMENT KEY TERMS

Provisions	Existing Contract	Amendment
Guaranteed Payment Revenue Minimum from All Vision	\$100,000 per year for five years (\$500,000 total)	\$500,000 payable by June 30, 2015 for the period July 1, 2010 through June 30, 2015 and \$100,000 per year (after June 30, 2015) for five years (\$1,000,000 total) (all guaranteed payments are intended to be offset by new incremental revenue generated during the term)
Amount Exceeding Base Annual Payment Revenue up to \$4,400,000	80% payable to MTA	70% payable to MTA
Annual Payment Revenue over \$4,400,000	75% payable to MTA	70% payable to MTA
Length of Term of Revenue Sharing with Allvision	50 Years	30 Years
Contract Term	5 Years (including options)	5 Years plus an option to extend Contract for one (1) additional 5-year period

SUMMARY OF DEVELOPMENT AGREEMENT KEY TERMS

Project	The Project is the development, installation, management and operation of the digital display billboards and the removal of static billboards, if any, on MTA property within the municipality's jurisdiction.
Conditions for Approval	Those conditions are to be approved by the City Planning Commission and by the City Council, at a public hearing to be held on the Project, for addressing among other things, the permitting approval process of all designs and plans and all necessary ministerial permits and approvals, and the construction, design, operation, and maintenance of, and control of illumination of, the digital display sign and property.
Development Fee	City shall receive an amount equal to approximately Twenty-Five Percent (25%) of total annual net advertising revenue received by MTA. Development Fee may include minimum fee amounts payable, depending on the municipality.
Community Benefit	Cities shall receive the ability to promote community events/initiatives and display emergency messaging
Terms of Agreement	The Term of the Development Agreement will range from 20 years – 50 years, varying by municipality.