

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**EXECUTIVE MANAGEMENT COMMITTEE
APRIL 17, 2014****SUBJECT: DEVELOPMENT AGREEMENT AND LEASES FOR DIGITAL
ADVERTISING SIGNS****ACTION: AUTHORIZE EXECUTION OF DEVELOPMENT AGREEMENT AND
THREE LEASE AGREEMENTS FOR DIGITAL ADVERTISING SIGNS****RECOMMENDATION**

- A. Authorize the Chief Executive Officer (CEO) or his designee to execute a Development Agreement (DA) and three (3) Lease Agreements with the City of Santa Clarita (City) for the installation of digital outdoor advertising signs on property owned by the City.
- B. Authorize the CEO or his designee to terminate billboard licenses covering 62 billboard sites in Santa Clarita.

BACKGROUND

Allvision LLC (Allvision) and the Los Angeles County Metropolitan Transportation Authority (Metro) staffs have negotiated a DA and three (3) Lease Agreements with the City to provide for the use of three City-owned parcels adjacent to the Interstate 5 and State Route 14 Freeways for construction and operation of three (3) digital billboards. The DA also provides that Metro will cause the phased removal of 62 billboards located on Metro right of way (ROW). These billboards operate under license agreements which Metro can terminate on 30-day's notice or less.

Approval of the DA and Lease Agreements with the City of Santa Clarita and termination of the billboard license agreements require board approval to proceed.

DISCUSSION

Metro and City of Santa Clarita (City) staffs have been discussing the elimination of 62 billboards (118 billboard faces) on Metro ROW within the City and the development of digital billboards since November 2011. The removal of the 62 static billboards has been a long-term goal of the City. The DA provides that Metro will not construct any

future billboards on Metro property within the City. The negotiated agreement also provides for substantial revenue sharing with the City.

In order to replace the revenue that Metro currently receives from the existing billboards (\$186,000 per year) the City has offered to lease three City-owned parcels to the Metro for 50 years for the development and operations of three digital billboards (with six billboard faces). Annual income to Metro from the three sites is estimated to be approximately \$400,000. The three proposed billboard development sites consist of the Norland Road site, the Remson Street site and the Magic Mountain Parkway site and are located as follows:

- A. The Norland Road site is located adjacent to the south side of State Route 14 (SR-14) within the Norland Road right of way, approximately 100 feet east of Oak Spring Canyon Road.
- B. The Remson Street site is located adjacent to the west side of SR-14, within the Remson Street right of way approximately 1,000 feet east of Sierra Highway.
- C. The Magic Mountain Parkway site is located adjacent to the east side of Interstate 5 (I-5) on the north side of Magic Mountain Parkway, approximately 900 feet west of Tourney.

These proposed digital billboard development sites have been selected and approved by the City and were designed to provide the least amount of visual impact.

The Billboard Reduction and Relocation Program ("Program") has been reviewed and approved by various City agencies, including the Santa Clarita City Planning Commission and the City Council. On February 25, 2014 the Santa Clarita City Council approved a General Plan Amendment, Zone Change, Zone Amendment, Development Agreement and three Lease Agreements granting Metro entitlements and the right to use the three proposed billboard development sites for the construction and operation of three digital billboards. On Tuesday March 25th, the City Council held the second reading of the required ordinance and approved the project on a 3 to 1 vote.

The General Plan Amendment and Zone Change modified the General Plan and Zoning designation for the approximately 3,488 square-foot Norland Road parcel from Open Space to Business Park. The Zone Amendment modifies the Unified Development Code to allow the City Council to permit installation of new billboards within a new Billboard Relocation Overlay Zone adjacent to the I-5 and SR-14 freeways, in exchange for a number of offsetting billboard removals within the City. The project has been controversial in the community with differences of opinion concerning the tradeoff of electronic billboards for significant billboard reduction.

The action is consistent with the Board action of May 23, 2013 under which Metro contracted with All Vision to identify and negotiate opportunities for Metro to reduce its static billboards where possible and replace them with a fewer number of higher revenue generating digital billboards.

Development Agreement

The form of Development Agreement and associated Ground Lease should not be considered as templates or models for agreements required for the Metro Static Billboard Reduction Program. To achieve the City and Metro objectives of the program it was necessary for the City to lease city-owned property to Metro for the development of the electronic bill boards. Due to this lessor/lessee arrangement, a ground lease was required with attendant indemnification, ground lease payments and other features not likely to be required in more typical settings.

The proposed DA entitles Metro with vested rights that will enable Metro to grant licenses to advertising sales companies to construct and operate digital billboards on the one or more of the three proposed billboard development sites. The DA provides for the staged removal of the 62 existing billboards located on Metro ROW and the development of up to three specified sites.

The term of the DA is five (5) years. The DA allows the City and the Metro to mutually agree on the installation and operation of the sign. The DA (and Leases) also requires Metro to indemnify the City from all claims, liabilities and damages arising from the use of the property and the removal of the existing 62 billboards from Metro ROW. (Similar indemnification requirements providing protection to Metro will be imposed on All-Vision and the billboard content providers). Upon termination of the DA, any future improvements/replacements will be subject to the then existing City codes and requirements.

A summary of the proposed terms of the Development Agreement is included in Attachment "A".

Lease Agreement

The term of the lease agreements is 50 years for each location. The lease provides for the management and operation of the digital billboard(s). As lease consideration, the City will receive sixty-five (65%) percent of the net revenues that are derived from the billboard advertising sales. Metro will retain 35%. The City and Metro are both allocated up to 6.25% each of the advertising time on each digital billboard each month for municipal services messages and transit messages, respectively, and an additional 6.25% if such time is unsold. Local businesses are provided a discounted advertising rate.

The billboard project in Santa Clarita is expected to generate a minimum of \$49 million in new general fund revenue to Metro over the fifty-year term of the lease agreements if all three sites are developed.

A summary of the proposed terms of the Lease Agreement is included in Attachment "B".

Termination of Existing Billboard Licenses on Metro ROW

A key provision in the DA is that Metro will cause the removal of 62 billboards from Metro ROW within the Santa Clarita City limits. The previous agreements with the billboard companies were negotiated more than 20 years ago by the railroad companies that previously owned the right of way. With the exception of Edwards Outdoor Advertising Company, Metro staff renegotiated these licenses and consolidated them into two Master Licenses with CBS Outdoor and Clear Channel Outdoor, respectively, on month to month terms.

Although the Master Licenses (and former railroad licenses) provide that the billboards may be terminated on 30-day's notice, Metro intends to engage in good faith efforts with the billboard companies to offer them advertising opportunities on the digital billboards or pay reasonable compensation to the billboard companies for the removal of their billboards. The lease agreement provides that the costs, if any, of removal of the existing billboards from Metro ROW, shall be deducted from revenues received by Metro, the City and Allvision and amortized over reasonable period of time as agreed to by City and Metro from such revenues.

The existing license agreements with Edwards Outdoor Advertising provide that the Edwards' billboards may be terminated on 24-hours' notice. The City has reached agreement with Edwards on a compensation arrangement for the removal of all of Edwards' billboards located in the City, including the billboards located on the Metro ROW. Metro compensation for the removal of Edwards' billboards is not applicable.

DETERMINATION OF SAFETY IMPACT

This Project will have no impact on safety.

FINANCIAL IMPACT

The billboard project in Santa Clarita is expected to generate a minimum of \$49 million in new general fund revenue over the fifty-year term of the Lease Agreements assuming all three sites are developed..

ALTERNATIVES CONSIDERED

The alternative is to not approve the Development Agreement and Lease(s). This alternative is not recommended as the dual objectives of billboard reduction and increased revenue are achieved in this proposal.

NEXT STEPS

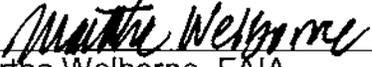
Allvision and Metro staff will complete the predevelopment activities and permitting , obtain proposals from billboard companies, evaluate the proposals and select billboard companies to construct and operate the billboards and finalize the terms of License Agreements with proposers selected and return to the Board for final approval.

ATTACHMENTS

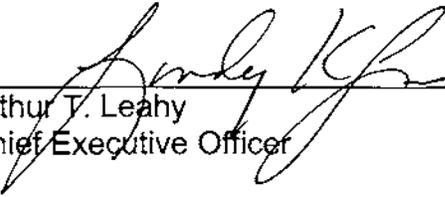
- A. Summary of Development Agreement Key Terms
- B. Summary of Lease Agreement Key Terms

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SUMMARY OF DEVELOPMENT AGREEMENT KEY TERMS

Project	The Project is the development, installation, management and operation of the digital display billboards on three proposed billboard development sites to be located at the Norland Road, Remson Street and Magic Mountain Parkway sites, Santa Clarita, California and the staged removal of 62 existing billboards located on Metro ROW in Santa Clarita.
Conditions for Approval	Those conditions approved by the City Planning Commission and by the City Council, at a public hearing 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 and light from, the digital display sign and property.
Term	The term of the DA is five (5) years commencing on execution of the agreement by City and Metro.
Development Fee	City shall receive an amount equal to sixty-five Percent (65%) of total annual net revenue generated from the billboard(s).
Indemnification	Metro agrees to indemnify and hold the City harmless from all claims, liabilities and damages resulting from Metro's use of the billboard development sites or the termination of existing billboard licenses on Metro ROW.
Billboard Removals	Within forty-five (45) days following the issuance of the final approval by City's building department ("Building Final") for the completion of the first Digital Sign, Metro must cause the removal of no less than 40% of either (a) the Existing Metro Billboards or (b) the total square footage of sign area of the Existing Metro Billboards. No later than forty-five (45) days following the issuance of the Building Final for the second Digital Sign, Metro must cause the removal of no less than 30% of either (x) the total of the Existing Metro Billboards or (y) the total square footage of sign area of the Existing Metro Billboards. No later than forty-five (45) days following the issuance of the Building Final for the third Digital Sign, Metro must cause the removal of the then remaining Existing Metro Billboards.

Community Benefit	As part of the consideration for this DA, the billboard company shall provide to City and Metro up to 6.25% each of the advertising time of each digital billboard per month for municipal services and transit messages. The City and Metro may receive an additional 6.25% each of the advertising time of each digital billboard per month for municipal services and transit messages based on space availability.
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SUMMARY OF LEASE AGREEMENT KEY TERMS

Premises	The three billboard development sites are located at Norland Road, Remson Street and Magic Mountain Parkway, Santa Clarita.
Use	The use is the installation, repair, maintenance, management, operation, replacement and upgrade of double-sided digital display billboards on three sites.
Term	The term of the Lease(s) is fifty (50) years commencing on execution of the agreement by City and Metro. At least two years prior to the expiration of the initial Term City and Metro will review the status of the Lease and will meet and confer in good faith regarding a potential extension of the Lease.
Rent	City shall receive an amount equal to sixty-five Percent (65%) of total annual net revenue generated from the billboard(s).
Indemnification	Metro agrees to indemnify and hold the City harmless from all claims, liabilities and damages resulting from Metro's use of the billboard development sites or the termination of existing billboard licenses on Metro ROW.

