

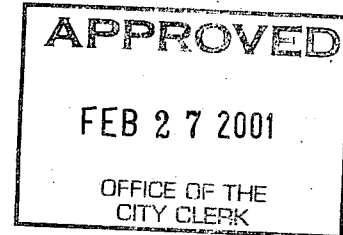


ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

13.1

February 27, 2001



City Council
Sacramento, California

Honorable Members in Session

SUBJECT: LEASE OF THREE BILLBOARD STRUCTURES

LOCATION AND COUNCIL DISTRICT: West Side of Business 80 between E Street
and Cal Expo Exits, Council District 3

RECOMMENDATIONS:

It is recommended the City Council, by resolution, direct staff to:

- 1) Reject all proposals received in response to the Request for Proposals (RFP) issued on August 22, 2000.
- 2) Find that special circumstances make the bid procedure for the lease of City property inapplicable and that it is in the best interests of the City to issue an RFP for the lease of the three billboards
- 3) Staff should be directed by Council to negotiate with both Eller Media Company (Eller) and Infinity Outdoor (Infinity) and bring back for Council approval an agreement which best meets the following criteria:
 - (a) Maximizing total revenues to the City, with as much money as possible up front to develop Sutter's Landing Park. Revenues to the City may include both cash and in-kind benefits, such as landscaping or use of one or more billboard faces by the City, and the possible removal of other billboards in the City.
 - (b) Removing the three billboards as early as possible.
- 4) Both Eller and Infinity shall be given 20 days to make their best offer to the City based on the foregoing parameters.
- 5) Staff shall bring forth to Council for approval the best proposal based on the foregoing criteria. If Eller submits the best proposal based on the foregoing, then Infinity shall be given an opportunity to meet or better Eller's proposal.

Building on Our History ~ Creating The Place to Be.

CONTACT PERSONS: Kristan Otto, Economic Development 264-7948
Micah Runner, Economic Development 264-5448

FOR THE COUNCIL MEETING OF: February 27, 2001

SUMMARY:

On August 3, 2000 the City Council approved staff's recommendations to: 1) use the subject billboard lease revenue to support the development of Sutter Landing Park; 2) authorize the City Manager to negotiate and consummate new leases with a billboard company; and 3) negotiate a maximum 10-year lease term and require the billboards be removed at the termination of the lease period. On August 22, 2000 staff issued an RFP to Eller Media Services and Infinity Outdoor. Both companies responded to the RFP, but the unexpected format of the proposals made them difficult to compare. Therefore, staff requests that both be rejected and a new RFP be issued.

COMMITTEE/COMMISSION ACTION:

None

BACKGROUND INFORMATION:

Infinity Advertising leases three billboard structures owned by the City. The billboard structures are on city property on the West Side of Business 80, between the E Street and Cal Expo exits. The lease expired on August 31, 2000, and the lease has continued on a month-to-month basis since then.

The City had two options at the expiration of the lease: either remove the structures or re-lease the structures and use the lease revenue to support the development of Sutter Landing Park. Both were desirable but are inherently in conflict. An RFP was devised that would hopefully find a common ground for the two options in re-leasing the three billboards.

A consultant knowledgeable in the outdoor advertising industry was retained to help establish the parameters of the RFP and the minimum rent based on the market rate and location of the billboard structures. With Council authority, an RFP was issued on August 22, 2000, and Infinity Outdoor (infinity) and Eller Media Company (Eller) submitted proposal. The proposals were varied and not easily comparable. City management concluded that it is in the best interests of the City and the responders to reissue the RFP for the lease of the three billboard structures with additional discretion. The intent of the new RFP will be to obtain proposals that better balance the desire of the City to remove the billboards and create a partial financing mechanism for Sutter Landing Park.

The new parameters of the RFP will be:

- 1) Staff will negotiate with both Eller Media Company (Eller) and Infinity Outdoor (Infinity) and bring back for Council approval an agreement which best meets the following criteria:
 - a) Maximizing total revenues to the City, with as much money as possible up front to develop Sutter's Landing Park. Revenues to the City may include both cash and in-kind benefits, such as landscaping or use of one or more billboard faces by the City, and the possible removal of other billboards in the City.
 - b) Removing the three billboards as early as possible.
- 2) Both Eller and Infinity will be given 20 days to make their best offer to the City based on the foregoing parameters.
- 3) Staff will bring forth to Council for approval the best proposal based on the foregoing criteria. If Eller submits the best proposal based on the foregoing, then Infinity shall be given an opportunity to meet or better Eller's proposal, according to City Agreement No. 84132.

FINANCIAL CONSIDERATIONS:

The lease currently generates revenue in the amount of \$55,000 per year. The potential revenue from new leases, based on an independent consultant's analysis, is approximately \$75,000 – 100,000 per year.

Billboard lease amounts are typically based on the percentage of gross revenue obtained by the advertising firms. The current lease terms are 18% of current gross revenue. According to the consultant the rent percentages should be closer to 40% of gross revenue.

POLICY CONSIDERATIONS:

After Sutter Landing Park is adequately funded, the billboards will be removed at the termination of the 10-year lease. The Council's action involves a waiver of the normal bid process for the lease of City property.

ENVIRONMENTAL CONSIDERATIONS:

The Action recommended is exempt from the CEQA review pursuant to Section 15378 (b)(3) of the California Environmental Quality Act, "general policy and procedure making".

ESBD CONSIDERATIONS:

City Council adoption of the attached resolution is not affected by the City policy related to the ESBD Program since no goods or services are being purchased with this action.

Respectfully submitted,

Approved:




Kristan Otto, Manager
Economic Development Department



Andrew J. Plescia, Director
Economic Development Department

RECOMMENDATION APPROVED



Robert P. Thomas
City Manager

AS AMENDED

RESOLUTION NO. 2001-131

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO AUTHORIZING REJECTION OF THE CURRENT BILLBOARD LEASE PROPOSALS

Be it hereby resolved by this City Council that:

WHEREAS, the City of Sacramento owns three billboards structures located on parcel 001-0170-026;

WHEREAS, On August 3, 2000, the City Council of the City of Sacramento authorized the City Manager to negotiate a lease for the three billboards that would not exceed ten years in duration has resolved to lease said billboards for the purpose of funding the development of Sutter Landing Park;

WHEREAS, the City received two proposals for leasing the three billboards;

WHEREAS, upon review of the two proposals, the City determined that there were business points that needed to be reconsidered;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sacramento:

1. The proposals received in response to the RFP are hereby rejected
2. Special circumstances make the bid procedure in Sacramento City Code Chapter 3.68 inappropriate, and it is in the best interest of the City to seek proposals for the lease of the three billboards by allowing the companies that responded to the last RFP to submit an RFP in response to the business requirements of this resolution
3. The City Manager shall issue an RFP to the companies that responded to the August 22, 2000 RFP and shall evaluate the proposals, select the proposal that is in the best interest of the City and negotiate a lease for the three billboard structures that at least meets the minimum lease terms, and provides the maximum advantages to the City.

APPROVED:

Mayor

ATTEST:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

13.1

**Amended
RESOLUTION NO. 2001-131**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SACRAMENTO AUTHORIZING REJECTION OF THE
CURRENT BILLBOARD LEASE PROPOSALS**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

WHEREAS, the City of Sacramento owns three billboards structures located on parcel 001-0170-026;

WHEREAS, On August 3, 2000, the City Council of the City of Sacramento authorized the City Manager to negotiate a lease for the three billboards that would not exceed ten years in duration has resolved to lease said billboards for the purpose of funding the development of Sutter Landing Park;

WHEREAS, the City received two proposals for leasing the three billboards;

WHEREAS, upon review of the two proposals, the City determined that there were business points that needed to be reconsidered;

- 1) The proposals received in response to the Request For Proposals (RFP) dated August 22, 2000 are hereby rejected.
- 2) Special circumstances make the bid procedure in Sacramento City Code Chapter 3.68 inappropriate, and it is in the best interest of the City to seek proposals for the lease of the three billboards by allowing the companies that responded to the last RFP to submit an RFP in response to the business requirements of this resolution
- 3) Staff will negotiate with both Eller Media Company (Eller) and Infinity Outdoor (Infinity) and bring back for Council approval an agreement which best meets the following criteria:
 - a) Maximizing total revenues to the City, with as much money as possible up front to develop Sutter's Landing Park. Revenues to the City may include both cash and in-kind benefits, such as landscaping or use of one or more billboard faces by the City, and the possible removal of other billboards in the City that would not otherwise be removed as a separate process or transaction.
 - b) Removing the three billboards as early as possible.

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

Both Eller and Infinity shall be given 20 days to make their best offer to the City based on the foregoing parameters. The proposals will be very specific and include all the details required in the lease agreement.

APPROVED:

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____