

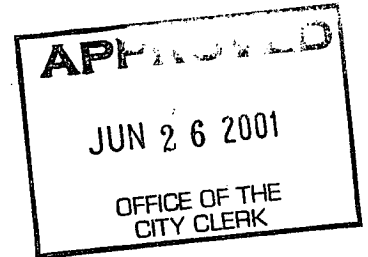


ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

13.1

June 26, 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 March 5, 2001.
- 2) Reissue RFP to Eller Median (Eller) and Infinity Outdoor (Infinity) with the following terms and conditions:
  1. The proposals shall provide information for lease terms of one, three and five years.
  2. The proposals shall specify the revenue that will be received by the City for the lease of the billboard structures. The City prefers a lease payment schedule that maximizes the income early in the lease term.
  3. The City prefers to have a billboard or billboards removed prior to the end of the lease term.
  4. The tenant shall be responsible for maintaining the three billboard structures.
  5. The tenant shall be responsible for the payment of all utilities associated with the three billboard structures.
  6. The tenant shall be responsible for the payment of all taxes or other assessments associated with the billboard structures.
  7. Any other terms and conditions established by the City Manager
  8. The City will not consider the following matters as part of any proposal:

*Building on Our History ~ Creating The Place to Be.*

- (1) Expansion of any of the signs on the billboard structures.
  - (2) Expansion of any other signs in the City.
  - (3) Installation of new signs on this site or on other sites in the City.
  - (4) Removal of a sign or signs elsewhere in the City.
- 3) Responses to the RFP shall be due within 14 days of the date the RFP is issued.
- 4) 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.

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

**FOR THE COUNCIL MEETING OF:** June 26, 2001

**SUMMARY:**

Responses were received to the March 5, 2001 RFP from Eller and Infinity. After substantial review, staff believes that the received responses do not adequately address the City's goals.

Staff recommends that a new RFP be issued containing the following parameters. The new parameters are more restrictive, better fit the City's goals and will be more easily compared. Different lease terms have been requested to further the City's long-term goal to remove freeway signage

The recommended RFP contains the following:

- (a) The proposals shall provide information for lease terms of one, three and five years.
- (b) The proposals shall specify the revenue that will be received by the City for the lease of the billboard structures. The City prefers a lease payment schedule that maximizes the income early in the lease term.
- (c) The City prefers to have a billboard or billboards removed prior to the end of the lease term.
- (d) The tenant shall be responsible for maintaining the three billboard structures.
- (e) The tenant shall be responsible for the payment of all utilities associated with the three billboard structures.
- (f) The tenant shall be responsible for the payment of all taxes or other assessments associated with the billboard structures.
- (g) Any other terms and conditions established by the City Manager.
- (h) The City will not consider the following matters as part of any proposal:
  - (1) Expansion of any of the signs on the billboard structures.
  - (2) Expansion of any other signs in the City.

- (3) Installation of new signs on this site or on other sites in the City.
  - (4) Removal of a sign or signs elsewhere in the City.
- (i) Responses to the RFP shall be due within 14 days of the date the RFP is 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 are desirable but are inherently in conflict.

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.

Subsequently, two RFPs (one issued August 22, 2000 and another issued on March 5, 2001), which were to find competitive and common ground for the two options, were issued. Council rejected the responses from the first RFP and staff is recommending the rejection of the responses from the second RFP. Both RFPs allowed for many variables in the responses and made them difficult to compare and to determine which proposal best fit the City's goals.

The RFP recommended in this report is definitive as to the City's goals: 1) earliest removal of the signs and 2) maximizing revenues for Sutter Landing Park.

**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 lease period. The Council's action involves a waiver of the normal bid process for the lease of City property.

**ENVIRONMENTAL CONSIDERATIONS:**

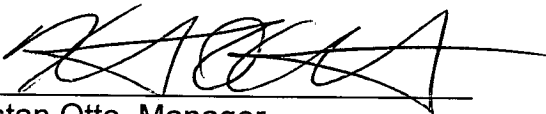
The Action recommended is exempt from the CEQA review pursuant to Section 15378 (b)(3) of the California Environmental Quality Act, "general policy and procedure making".

**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:



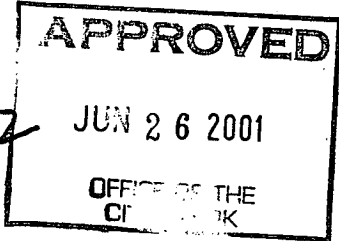
Kristan Otto, Manager  
Economic Development Department

  
Andrew J. Plescia, Director  
Economic Development Department

RECOMMENDATION APPROVED



Robert P. Thomas  
City Manager



**RESOLUTION NO. 2001-472**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION REJECTING ALL PROPOSALS FOR THE LEASE OF THREE BILLBOARD STRUCTURES, FINDING THAT SPECIAL CIRCUMSTANCES MAKES THE BID PROCEDURE IN CHAPTER 3.68 OF THE CITY CODE INAPPROPRIATE AND DIRECTING THE CITY MANAGER TO ISSUE A REQUEST FOR PROPOSALS TO LEASE THREE BILLBOARD STRUCTURES**

WHEREAS, the City owns three double-sided billboard structures ("billboard structures") adjacent to the Capitol City Freeway on assessor's parcel number 001-0170-026;

WHEREAS, on February 27, 2001, the City Council authorized the City Manager to issue a Request for Proposals ("RFP") for the lease of the billboard structures for a maximum 10 year term;

WHEREAS, an RFP was issued on March 5, 2001;

WHEREAS, the City received two proposals for the lease of the billboard structures;

WHEREAS, upon review of the two proposals, City staff determined that it was in the best interest of the City to reject the proposals because staff anticipated a greater revenue stream from the proposals, staff determined that the proposers may have been confused by the RFP and staff desired to have the proposals respond to additional lease terms and conditions.

WHEREAS, City staff has determined that it would be in the best interest of the City to seek new proposals that included additional lease terms and conditions.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

1. Based upon the findings set forth above and on the records of these proceedings, the proposals received in response to the RFP dated March 5, 2001 are hereby rejected.
2. The City recognizes that only two proposals were submitted in response to the March 5, 2001 RFP, and the City desires to seek new proposals from both of these proposers. These special circumstances make the bid procedure in Chapter 3.68 of the Sacramento City Code inappropriate, and it is in the best

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RESOLUTION NO: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

interest of the City to seek proposals for the lease of the billboard structures from the two companies that responded to the March 5, 2001 RFP.

3. Staff shall issue and RFP for the lease of the billboard structures that requires the following terms and conditions to be included:
  1. The proposals shall provide information for lease terms of one, three and five years.
  2. The proposals shall specify the revenue that will be received by the City for the lease of the billboard structures. The City prefers a lease payment schedule that maximizes the income early in the lease term.
  3. The City prefers to have a billboard or billboards removed prior to the end of the lease term.
  4. The tenant shall be responsible for maintaining the three billboard structures.
  5. The tenant shall be responsible for the payment of all utilities associated with the three billboard structures.
  6. The tenant shall be responsible for the payment of all taxes or other assessments associated with the billboard structures.
  7. Any other terms and conditions established by the City Manager.
  8. The City will not consider the following matters as part of any proposal:
    - (1) Expansion of any of the signs on the billboard structures.
    - (2) Expansion of any other signs in the City.
    - (3) Installation of new signs on this site or on other sites in the City.
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4. Responses to the RFP shall be due within 14 days of the date the RFP is issued.

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MAYOR

ATTEST:

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CITY CLERK

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interest of the City to seek proposals for the lease of the billboard structures from the two companies that responded to the March 5, 2001 RFP.

3. Staff shall issue and RFP for the lease of the billboard structures that requires the following terms and conditions to be included:
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CITY CLERK

**COUNCIL AGENDA MATERIAL**  
MTG. DATE 6-26-01 ITEM NO. 13.1  
FROM: CITY CLERK'S OFFICE

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DATE ADOPTED: \_\_\_\_\_