



## COUNCIL AGENDA REPORT

### City of Anaheim PLANNING DEPARTMENT

**DATE:** SEPTEMBER 11, 2007  
**FROM:** PLANNING DIRECTOR  
**SUBJECT:** RESPONSES TO A REQUEST FOR INFORMATION (RFI) FOR A  
BILLBOARD EXCHANGE PROGRAM

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

#### **RECOMMENDATION:**

That the City Council, by motion, take the following actions:

- 1) Determine that the billboard exchange terms offered in the three RFI responses do not provide the minimum community benefits necessary to pursue further consideration of the proposals; and,
- 2) Establish minimum equitable exchange rates or program terms that would need to be met prior to further consideration of such a program.

#### **DISCUSSION:**

On September 12, 2006, the City Council held a workshop pertaining to billboards. At this workshop, Council reviewed a draft RFI inviting outdoor advertisers to submit recommendations for a billboard exchange program. This RFI was based upon past communications from outdoor advertising companies interested in participating in a voluntary billboard exchange program. Such a program was envisioned as allowing 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. Examples of other forms of advertising could include a community marquee. Council subsequently reviewed the RFI at its September 26, October 3, and October 17, 2006 meetings. Prior to the October 17, 2006 meeting, staff received a letter from the CalTrans - District 12 office indicating that there were no viable locations for such a program because all of the freeways within Anaheim are classified as "Landscaped Freeways" or "Scenic Highways." State Law prohibits billboards along designated Landscaped Freeways and Scenic Highways. As a result of this letter, Council continued consideration of the distribution of an RFI to its April 17, 2007 meeting so that staff could verify the landscaped status of local freeways. Following additional analysis, Caltrans determined that there are six locations within the City that are neither considered Landscaped Freeways or Scenic Highways. These locations are shown on an attached map. District 12 staff further indicated that they have recently landscaped one of these locations (Site 2) and this site has been submitted to the State Landscape Architecture Program for designation as a Landscaped Freeway. Based on this information, Council directed staff to distribute the RFI.

On April 26, 2007, staff distributed the attached RFI to various local outdoor advertisers requesting the submission of recommendations for a voluntary billboard exchange program. The RFI was sent to the outdoor advertisers that operate billboards within the City of Anaheim and to interested parties that specifically requested the information. The RFI requested the submittal of information including the location and size of all company billboards located within the City, company policies regarding billboard content and billboard exchange program recommendations. The City received responses from Bulletin Displays, LLC; CBS Outdoor; and Clear Channel Outdoor (also attached).

Per Council direction, staff also retained the services of Sanli Pastore and Hill (SP&H), a consulting firm with expertise in business valuations and economic research services, to update a billboard valuation study that this firm prepared in 2003 in conjunction with the City's prior consideration of a billboard exchange program. The updated valuation study provides a framework from which to evaluate and compare the RFI responses. The valuation study was not, however, intended to evaluate the fairness of the individual proposals received. To establish an equitable exchange rate, SP&H analyzed the economic benefits (revenues) a billboard company receives from owning street-facing billboards in comparison to the benefits a company could receive by owning a freeway-oriented billboard. In calculating the exchange rate, the study also accounted for the demolition and construction costs associated with an exchange program, including overhead costs such as advertising agency commissions and rental rates charged by the underlying property owner. The valuation study points out that each billboard is unique and that the profitability of individual billboards can vary substantially and is largely dependent upon the size and location of the billboards. An information sheet summarizing the differences in findings between the 2003 and 2007 SP&H studies is also attached.

#### Proposed Exchange Rates

The following table summarizes each of the three companies' proposals in comparison to the recommended rate of exchange established by the latest valuation study. A more detailed description of the three proposals is also included in the following pages.

<b>Number of Street-Oriented Billboard Faces* Removed to Construct One Freeway-Oriented Billboard Face</b>	
<b>8-Sheet Billboard (approx. 72 square feet)</b>	
Bulletin Displays, LLC/Vista Media	7.5
Equitable Exchange Rate Per SP&H Study	54-82
<b>30-Sheet Billboard (approx. 332 square feet)</b>	
CBS Outdoor	7.5
Clear Channel	5.3
Equitable Exchange Rate Per SP&H Study	8-14
<b>Bulletin (approx. 672-1,200 square feet)</b>	
CBS Outdoor	2
Equitable Exchange Rate Per SP&H Study	2-4

\*Faces: Billboards typically are either single (one face) or double-sided (2 faces).

Bulletin Displays, LLC/Vista Media

Bulletin Displays, LLC proposes to partner with Vista Media to remove thirty, 8-sheet billboards in exchange for two double-faced freeway-oriented bulletins at locations which have yet to be determined. Vista Media is a conglomeration of various 8-sheet billboard companies. The proposal states that the company is also open to considering the removal of additional billboards at a similar exchange rate. In addition, the proposal includes an offer to allow one month of civic advertising and one month of charitable advertising on one bulletin face, “subject to space availability.” Anaheim Chamber of Commerce members would be provided with a 10% discount on advertising rates. Vista Media has submitted a map illustrating the forty, 8-sheet billboards in the City that it controls and claims that it is willing to remove 30 of them on sites that are mutually agreeable. Bulletin Displays, LLC/Vista Media desires to operate and manage the replacement billboards for a period of 30 years. As illustrated in the above table, the exchange rate proposed is significantly lower than the equitable exchange rate determined by the SP&H study.

This proposal also includes a request to construct 1 to 4 new “Anaheim Message Centers” that would not be tied to the removal of existing billboards. As proposed, the message center component does not meet the intent of the billboard exchange program (as described in the RFI) as it would not result in the removal of billboards located along the City’s major streets. The message centers are conceptually identified as 57-foot high, 52-foot wide signs in the shape of an “A” with an approximate 625 square foot full-color L.E.D. display. According to this proposal, 5% of the L.E.D. time would be dedicated for civic messages and 5% of the L.E.D. time would be dedicated for charitable messages. Anaheim Chamber of Commerce members would be provided with a 10% discount on advertising rates. According to the proposal, the remaining advertising time would be sold to businesses located within the City’s redevelopment project areas and “other businesses.” In addition, in exchange for allowing such

message centers, Bulleting Displays, LLC is offering a one time \$500,000 development fee to the City and 20% of sign revenues if the signs are sited on City property. Because the message center(s) would be considered a form of off-site advertising, the siting of such signs would be subject to City and Caltrans regulations pertaining to the placement of billboards and would therefore reduce the number of viable locations for other potential freeway-oriented replacement billboards. In addition, although the proponent is offering a shared revenue arrangement if the message centers are placed on City property, the only City-owned land adjacent to a non-landscaped freeway segment is located immediately adjacent to The Anaheim Resort™ (illustrated as Site 1 on the attached non-landscaped freeway map). Such signage would be inconsistent with historic and successful efforts to enhance the Resort's image by reducing the scale and number of signs in the area. The proposal further states that a portion of the development fees could be used to fund a sign rehabilitation or removal program "based on financial criteria or if the owner is willing to provide matching funds." Although there could be some aesthetic improvement realized from a sign rehabilitation or removal program, there is no guarantee as to the success of such a program and, as compared to a billboard exchange program, there would be negligible community benefit.

#### CBS Outdoor

CBS Outdoor's proposal was only partially responsive to the RFI as it did not include critical pieces of information including the location and size of all existing billboards that CBS controls within the City, the billboards to be removed and the location of proposed replacement billboards. The proposal only provided proposed exchange rates instead of a specific number of signs to be removed or constructed. The recommendation from CBS Outdoor is below the suggested exchange rate for 30-sheet billboards and at the minimum exchange rate for bulletin-sized billboards. Because CBS Outdoor did not specify the size and location of its billboards to be removed, it is impossible to analyze the true potential benefit of the proposal. In addition, CBS Outdoor is not willing to set time limits for any new billboards.

#### Clear Channel

Clear Channel Outdoor proposes to remove 36 billboard structures (48 sign faces) in exchange for the opportunity to construct five freeway oriented billboards (9 sign faces), including one single-faced "digital" bulletin. This proposal would remove all of the Clear Channel billboards within the City with the exception of its two existing bulletins located on Lincoln Avenue at Beach Boulevard and Magnolia Avenue. The proposal indicates that 4 new freeway-oriented billboards would be located along the SR-91 freeway between Kraemer Boulevard and Tustin Street (three on the south side of the freeway and one on the north side). In addition, one new single-faced "digital bulletin" would be located at the northwest quadrant of the SR-91/SR-57 freeway interchange. According to its proposal, the digital bulletin is an electronically-illuminated billboard with interchangeable advertising messages that would transition every 6 to 8 seconds. Staff is unaware of any similarly-illuminated displays that currently exist in the City or County. The proposed number of billboard to be removed is also lower than the

equitable exchange rate determined by the SP&H study. Clear Channel's proposal did not include information on potential time limits for the new billboards.

In light of the recommended exchange rates included in the SP&H study, staff does not believe that any of the three proposals would provide the direct and significant community benefit necessary to consider removing the long-standing ban on new freeway-oriented billboards. The proposals submitted by Bulletin Displays, LLC/Vista Media and Clear Channel are well below the minimum recommended exchange rate established by the City's consultant. While components of CBS Outdoor's 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.

### Municipal Code Restrictions

Since 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.

### Additional Considerations

As previously expressed to Council, staff does have concerns about reversing a ban on freeway-oriented billboards that has been in effect for almost fifty years. 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. This is especially true given that 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. For example, it is estimated that there were 141 billboards (6 freeway-oriented) within the City in 1991. Today, there are an estimated 91 billboards in the City (5 freeway-oriented). In other words, since 1991, the City has realized a 36% drop in street-oriented billboards absent the addition of any new freeway-oriented billboards. Therefore, staff recommends that future consideration of an

exchange program should only be considered if such a proposal is consistent with the high-end of the exchange rate recommended by SP&H.

**IMPACT ON BUDGET:**

As described above, the proposal submitted by Bulletin Displays, LLC/Vista Media includes an offer for a one time \$500,000 development fee to the City and 20% of sign revenues if its proposed community bulletin(s) is sited on City property. 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. Non-Landscaped Freeway Locations
2. Request for Information (RFI)
3. Bulletin Displays, LLC Response
4. CBS Outdoor Response
5. Clear Channel Response
6. SP&H Study
7. Billboard Valuation Comparison 2003/2007