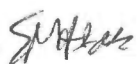


CLA MEMORANDUM

DATE: May 15, 2018

TO: Honorable Members of the Planning and
Land Use Management Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Digital Signage Financial Analysis - Phase II, Supplemental Report

Honorable Members:

Per the instruction of your Committee (Council File No. 11-1705), transmitted herewith is a supplemental report - **Phase II** - relative to the **Digital Signage Financial Analysis Study** prepared by Navigant Consulting, Inc. (Navigant) whom we engaged to conduct a policy and financial analysis of off-site digital signage (or billboards) outside of currently defined sign districts. At the meeting of December 12, 2017, your Committee requested additional analysis for an amended financial study that takes into account neighborhood protections and physical site constraints, and specifically to filter out properties that would not be appropriate sites for billboard relocation, such as Department of Water and Power facilities, Police and Fire stations, Los Angeles River properties, and any other property not consistent with the Committee's policy goals.

The supplemental report, dated May 11, 2018, entitled: *Off-Site Signage Financial Analysis Amended Study (Phase II)*, provides additional analyses using the same approach outlined in the original report submitted by Navigant Consulting, Inc. on December 1, 2017. As with the original report, the Phase II report examines two off-site digital signage options requested by your Committee: (1) City-wide option (allowing digital off-site signs on public and private property), and (2) Public Option, allowing digital off-site signs only on public property (specifically, City and Metro-owned property). In the Phase II report, Navigant refined the City data and geographic assumptions and met with City staff and PLUM Committee Councilmembers to better identify the total potential for off-site digital signs.

As with the original report, the supplemental report was prepared with extensive consultation and participation of the Chief Legislative Analyst; City Administrative Officer; Planning Department; City Attorney; and Department of Building & Safety.

The Consultant will be available to present their report and findings. If we may be of further assistance, please let us know.

SMT:ak



Off-site Digital Signage Financial Analysis Amended Study (Phase II)

Prepared for:

The City of Los Angeles

Office of the Chief Legislative Analyst



Submitted by:

Navigant Consulting, Inc.
515 South Flower Street
Suite 3500
Los Angeles, CA 90071

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May 11, 2018

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DISCLAIMER

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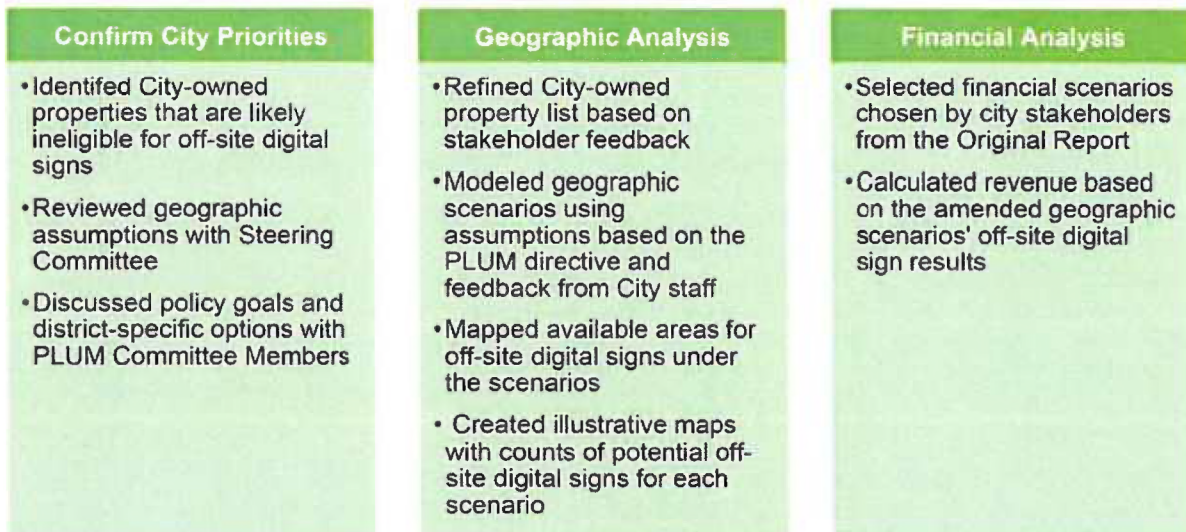
EXECUTIVE SUMMARY

The City of Los Angeles Office of the Chief Legislative Analyst (CLA) engaged Navigant Consulting, Inc. (Navigant) to conduct an amended financial analysis of off-site digital signage (or billboards) outside of currently defined sign districts.^{1,2} This amended study (Phase II) provides additional analyses that use the same approach outlined in our *Off-site Digital Signage Financial Analysis Study* submitted in November 2017 ("Original Report" or Phase I). Like the Original Report, Phase II examines two off-site digital signage options requested by the Planning and Land Use Management (PLUM) Committee of the Los Angeles City Council: (1) City-wide Option (allowing digital off-site signs on public and private property) and (2) Public Option, allowing digital off-site signs only on public property (specifically, City and Metro-owned property). In this Phase II study, Navigant refined the City data and geographic assumptions and met with City staff and PLUM offices to better identify the total potential for off-site digital signs.

Project Approach

The following figure describes the components of each of the policy, geographic, and financial analyses used to evaluate the amended City-wide and Public Options. These components build on one another to ultimately present a set of financial scenarios informing possible future revenues associated with off-site digital signage in Los Angeles.

Figure E-1. Phase II Project Approach



¹ An off-site sign is a sign that displays any message directing attention to a business, product, service, etc., which is generally conducted, sold, or offered elsewhere than on the premises where the sign is located.

² Sign districts must be created for the placement of off-site signs, and are restricted to C (Commercial), M (Industrial), and most R5 (Multiple Dwelling) zones. Sign district applications are processed by the Department of City Planning, recommended for approval or disapproval by the City Planning Commission, and acted upon by the City Council. Municipal Code Chapter 1 Article 3 Section 13.11 ("SN" Sign District) and Chapter 1 Article 2 Section 12.32 (Land Use Legislative Actions).

The Original Report showed the upper limit of off-site signage under relocation agreements without regard to critical community and political input. This amended report incorporates input from PLUM Committee member offices but still does not account for other needed community input. Therefore, these scenarios are still designed to illustrate potential outcomes from a range of policy and deployment decisions the City of Los Angeles may consider. This report makes no recommendations, as there are a wide range of options and policy frameworks available to the City depending on what criteria the City Council and the public may desire. Hence, some of the scenarios provided may not be realistic for Los Angeles.

As noted in the Original Report, while some scenarios are more “realistic,” none attempt to locate signs accurately on properties. In other words, the mapping activity results in an approximate number of signs based on sites that meet the relevant criteria, and not actual proposed sign locations. Additionally, all the policy options and deployment scenarios available to the City have legal ramifications and other policy constraints. Because of these considerations and complexity, any policy alternative should be thoroughly reviewed with the City Attorney’s office for further evaluation.

Scope of Work

Navigant designed the project approach and resulting deliverables to align with the contracted scope of work for the City of Los Angeles.³ Specifically, the Phase II report findings and analysis match the four tasks outlined in the contract: (1) Refine City-owned Property Database, (2) Run Geographic & Financial Scenarios, (3) Prepare Amended City-wide & Public Option Scenarios, and (4) Conduct Stakeholder Meetings. The table below outlines the scope of work and describes how Navigant’s deliverables meet the contract’s expectations for each of the four tasks.

Table E-1. Scope of Work Mapped to Phase II Study Approach & Deliverables

Contracted Scope of Work	Navigant Approach & Deliverables
Task 1: Refine City-owned Property Database	
Identify City-owned properties that are ineligible sites for billboard relocation data, working closely with City staff.	- Worked with City Planning to identify ineligible sites, such as Los Angeles Police Department (LAPD), Los Angeles Fire Department (LAFD), administrative buildings (e.g., City Hall and City Council Offices), Historic Cultural Monument Use buildings, and parcels that fall within the River Implementation Overlay (RIO) District. - Used satellite data and input from stakeholders to identify additional ineligible sites, including proprietary properties (e.g., Los Angeles Harbor, Los Angeles Department of Water and Power, Los Angeles International Airport), LA Housing Authority properties, and LA Bureau of Sanitation facilities.

³ The “Contract with the City of Los Angeles” refers to the Agreement Between the City of Los Angeles and Navigant Consulting, Inc. Re: Amended Digital Signage Financial Analysis Study – (Phase I and Phase II).

Contracted Scope of Work	Navigant Approach & Deliverables
Task 2: Run Geographic & Financial Scenarios	
- Select one Geographic Scenario from the Original Report for the City-wide and Public Options - Create one Geographic Scenario that considers district-specific geographic assumptions based on discussions with PLUM Committee	- Reviewed and amended the geographic assumptions with City Planning and the Steering Committee for one Geographic Scenario (200-foot Buffer) from the Original Report. - Modeled the amended 200-foot Buffer Geographic Scenario (Base Case) in GIS. - Met with three PLUM Committee Councilmembers to discuss and develop district-specific geographic assumptions and analyses. - Modeled the three district-specific Geographic Scenarios based on discussions with Council staff.
- Select four Financial Structures from the Original Report that are most applicable to the City's current policy goals - Calculate financial results based on chosen structures and updated Geographic Scenarios	- Selected revenue-share and fixed in-lieu payment, rent, and up-front payments as the four financial structures in this amended analysis. - Calculated potential revenue options for each Geographic Scenario using the four selected financial structures.
Task 3: Prepare Amended City-wide & Public Option Studies	
Document the City-wide and Public Option Phase II study results in a long-form Word document and a PowerPoint presentation	Created a long-form Word document study (this report) and a PowerPoint presentation provided to the CLA and selected stakeholders.
Task 4: Conduct Stakeholder Meetings	
Conduct two stakeholder meetings with (1) the PLUM Committee and (2) City Council	Navigant will attend these meetings at the request of the Assistant Chief Legislative Analyst.

Phase II Off-site Digital Signage Geographic Analysis

Based on discussions with City staff and the PLUM Committee Council Districts with an interest in specific geographic assumptions (Council Districts 3, 9, and 12), Navigant amended the scenarios used in the Geographic Analysis from the Original Report to develop the Phase II results. The updates from the discussions yielded four new scenarios for Phase II: (1) City-wide Geographic Scenario (Base Case), (2) Council District 3 Scenario, (3) Council District 9 Scenario, and (4) Council District 12 Scenario. Scenarios 2 and 3 are not applied City-wide; however, Scenario 4 assumptions are also used in a supplemental City-wide calculation.

Together, the scenarios illustrate how different policy levers may affect the total number of eligible sign locations. The list below provides an overview of the different levers used in each of the scenarios.

- City-wide Geographic Scenario (Base Case):** This amended scenario is based on the 200-ft. (Residential) Buffer scenario from Phase I and includes updates after discussions with key stakeholders. These updates include: use of the refined city-owned property database, increased buffer restrictions around sensitive use areas, reduced buffer restrictions around freeways and new restrictions around historic cultural monument uses, K-12 private schools, and certain Specific Plan Areas. These updates were made due to more detailed data provided by the City and to better align with the proposed ordinance that is currently being drafted by City Planning. The restrictions used in this Base Case resulted in approximately 5% of eligible land in the entire City for off-site digital signage.
- Council District 3 Scenario:** In discussions with Council District 3, staff indicated a desire to understand levers that would decrease the number of eligible sites for off-site digital signs. Based on these discussions, the Council District asked Navigant to model an increased distance of 700-ft (rather than 500-ft) between signs, specifically in Council District 3. This assumption restricted off-site digital signs to one per block. All other assumptions were identical to the Phase II City-wide Geographic Scenario.
- Council District 9 Scenario:** In contrast to Council District 3, Council District 9 wanted to understand which levers would increase the number of eligible sites for off-site digital signs in certain areas. To accomplish this, Navigant removed sign district buffers, decreased residential buffers to 100-ft, and removed highway buffers for public properties in Council District 9. All other assumptions were identical to the Phase II City-wide Geographic Scenario.
- Council District 12 Scenario:** Rather than looking at specific levers, Council District 12 had an interest in understanding the types of public properties deemed eligible based on the current assumptions and draft ordinance. Thus, Navigant examined all eligible public properties in Council District 12 and a random sample (approximately 10%) of the public properties across the entire City, using satellite imagery from Google Maps, details from the LA Controller's Property Map, and information from web searches.⁴ The goal of this exercise was to show an adjusted public property database by reducing the total number of publicly owned properties based on the portion of ineligible property found in Council District 12 and the City-wide sample. All other assumptions were identical to the Phase II City-wide Geographic Scenario.

The table below provide a summary of the Phase II Base Case results and compares them to the comparable scenario in Phase I.

⁴ Ron Galperin LA Controller, Property Map, http://www.lacontroller.org/property_map.

Table E-2. Overview of Phase II Base Case Geographic Scenario Results and Comparison to Phase I Results

Scenario	Units	City-wide Option	Public Option
Phase II City-wide Geographic Scenario (Base Case)	Sign structure locations ⁵ across the City	1,282	85
Phase I City-wide Geographic Scenario⁶	Sign structure locations across the City	931	243

The differences between the Phase I and II geographic results shown above are driven by the public property refinement process as well as updates to the assumptions applied in Phase I. Refining the City's public property database significantly reduced the number of eligible public properties for off-site digital signage in Phase II. Other assumptions that reduced the number of signs include the enforcement of the River Implementation Overlay (RIO) District, the exclusion of Specific Plan Areas so as not to supersede existing policy, and increases in sensitive-use area buffers (e.g., State/National Parks and Sensitive Ecological Areas). However, the reduction of the highway buffer from 2,000-ft to 660-ft. significantly increased the number of eligible sign locations.

The results from the Council District scenarios are summarized in the table below. These results highlight the significant variability (shown as percentage change from the base case scenario in Table E-2) in potential off-site digital sign locations when different policy restrictions are applied.

Table E-3. Overview of Phase II Council District-Specific Geographic Scenario Results

Phase II Scenario	Units	City-wide Option	Public Option	Percent Change from Base Case
Council District 3 Scenario*	Sign structure locations in Council District 3	33	3	-13%
Council District 9 Scenario*	Sign structure locations in Council District 9	466	51	+210%
Council District 12 Scenario**	Sign structure locations in Council District 12	133	10	0%

*The Council District 3 and 9 Scenarios pertain specifically to those Council Districts and were not applied to the rest of the city.

**The Council District 12 Scenario resulted in the removal of one City-owned property out of the four originally identified as eligible in the Base Case scenario. This property had two potential sign structure sites, which were removed from both the CD 12 scenario and the final Base Case scenario so that the Base Case does not include any known ineligible signs. Given the site was removed from the Base Case scenario, the percentage change is noted as

⁵ Sign structures refer to locations where a site can be located. Each sign structure can have one or two sign faces.

⁶ These are the Approach B results for the 200-foot City-wide and Public Options shared at the PLUM Committee meeting on December 12, 2017.

0%. However, two sign structures were removed from our original Base Case results to reflect the removal of this property.⁷

Council District 12 also asked that Navigant conduct a random sampling of the remaining eligible public properties throughout the City. Navigant examined approximately 10% of these properties and found that 92.5% remain eligible, including properties such as parking lots, vacant lots, animal shelters and railroad right-of-way.⁸ If we apply this eligibility percentage to the Phase II Public Option results for the City (Table E-2) to account for other potential city-owned properties that may be ineligible for off-site digital signs but have not been removed due to data gaps, there are approximately 78 digital billboard placement options on city-owned property, assuming one billboard placement per parcel.⁹

Phase II Off-site Digital Signage Financial Analysis

The revenue structures represented in the Phase II Financial Analysis include four of the payment options identified in the Original Report. These include the City's proposed revenue-share and fixed in-lieu payment structure, rent for off-site digital signs on City-owned property, and an up-front payment option. For rent payments, Navigant assumes an annual rent fee for the use of public property equal to rent payments found in the Chicago and Sacramento case studies. For up-front payments, Navigant assumes three different payment amounts based on the current Los Angeles sign district payment, payments in Fresno, and payments in Sacramento. The annual in-lieu payment options are exclusive of one another, while the rent and up-front payments are additive to the total revenue for the City.

For Phase II, we applied these four financial options from our Original Report to the geographic scenario results, with selected results shown below. Notably, potential revenues for the City vary widely because of the large range of digital sign results from the geographic scenarios, the application of scaling factors from 10%-100% of the total, and assumptions for diverse payment options.¹⁰ Hence, the financial scenarios show the universe of revenue options, all of which require more focused analysis and legal review to implement. As discussed, these numbers are purely illustrative.

The following table includes the Phase II financial results at the 50% scaling factor. Note that some of the annual payment results are presented in ranges, which are based on the range of static sign takedown ratios (2:1 to 9:1¹¹) and the range of peer options used in the rent and up-front payment calculations.

⁷ The Base Case scenario results were adjusted to reflect the removal of the ineligible City-owned property identified by Council District 12. Accordingly, the percent change from the base case is listed as 0%; however, the percent change from our original base case scenario for Council District 12 is -16% (a decrease from 12 to 10 potential signs) for the Public Option.

⁸ Navigant chose to sample 10% of public properties to ensure a representative sample. We used the Biogeography Branch's Sampling Design Tool for ArcGIS to randomly select properties. More information on the tool can be found here: <http://aquaticcommons.org/14676/1/Euja%20and%20Menze%202013.pdf>

⁹ Given that some city-owned parcels may be adjacent to each other and certain facilities may span an area greater than 500-ft in distance, the actual number of sign locations may vary slightly when applying the percentage parcel reduction. See footnote 19 for more information.

¹⁰ Consistent with the Phase I analysis and the PLUM directive, Navigant did not model digital signage adoption or saturation rates. For this reason, Navigant applied a scaling factor (a simple percentage of the total potential) to illustrate how different adoption and saturation rates would affect revenue outcomes.

¹¹ It is important to note that both in-lieu payment options do not have a payment associated with the 9:1 takedown ratio. Accordingly, the lower limit of this revenue structure is \$0 if all potential sign companies opt to take down 9 or more static signs for each off-site digital sign.

Table E-4. Overview of Phase II Base Case Financial Scenario Results – 50% Scaling Factor

Revenue Component	Payment Type	Phase II Base Case Scenario (50%)	
		City-wide Option	Public Option
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$216.3 M	\$0 – \$14.5 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$236.1 M	\$0 – \$15.8 M
Annual Rent		\$6.5 – \$8.1 M	\$6.5 – \$8.1 M
Up-front Payment (One-Time)		\$40.7 – \$116.4 M	\$2.7 – \$7.8 M

Full financial results for the Base Case scenario above and the Council District scenarios can be found in Section 3.2.

1. INTRODUCTION

The City of Los Angeles Office of the Chief Legislative Analyst (CLA) engaged Navigant Consulting, Inc. (Navigant) to conduct an amended policy and financial analysis of off-site digital signage (or billboards) outside of currently defined sign districts.^{12,13} This amended study (Phase II) provides additional analyses that use the same approach outlined in our *Off-site Digital Signage Financial Analysis Study* submitted in November 2017 (Original Report, Phase I) with updated assumptions. Like the Original Report, this analysis examines two off-site digital signage options requested by the Planning and Land Use Management (PLUM) Committee of the Los Angeles City Council: (1) City-wide Option (allowing digital off-site signs on public and private property) and (2) Public Option, allowing digital off-site signs only on public property (specifically, City and Metro-owned property).

1.1 Background

The Original Report is based on the language in the May 31st PLUM directive and identifies the universe of off-site digital sign placements using the best available assumptions and data from the City and publicly-available datasets. By using this data and consulting with City staff, Navigant applied numerous geographic assumptions (e.g., residential and highway buffers) and removed certain City-owned properties (e.g., parks, libraries, K-12 schools, and ecological preserves) defined in the PLUM directive as ineligible for off-site digital signs; however, the property data provided to Navigant did not have the granularity necessary to accurately reflect inappropriate sites for digital signs, such as proprietary department locations, administrative buildings, and sensitive or historic monument uses. Accordingly, these properties were not removed in the Original Report.

Following the submission of the Original Report, Navigant participated in discussions with the offices of the PLUM Committee members. Staff noted that the City-owned properties included in the study should be further filtered to account for sites that are unlikely to be appropriate for off-site digital signs. As a result, Navigant applied additional filters to remove from consideration properties that Navigant and City personnel believe are unlikely to be appropriate for off-site digital signs, which resulted in an approximately 45 percent decrease in City-owned properties eligible for off-site digital signs. These results were presented, with the results from the Original Report, at the PLUM Committee meeting on December 12, 2017 (*Amended Digital Signage Financial Analysis Study – Phase I*).

Navigant and City staff believed that additional properties such as unlabeled proprietary department properties, LAPD and LAFD stations, and other properties inconsistent with the City's policy goals can be identified and further filtered from the results in the Original Report. Accordingly, the December 12th PLUM directive asked for the CLA to report back with an amended financial study that further filters eligible properties as described above (*Amended Digital Signage Financial Analysis Study – Phase II*). PLUM councilmembers at this meeting also expressed interest in applying district-specific assumptions to

¹² An off-site sign is a sign that displays any message directing attention to a business, product, service, etc., which is generally conducted, sold, or offered elsewhere than on the premises where the sign is located.

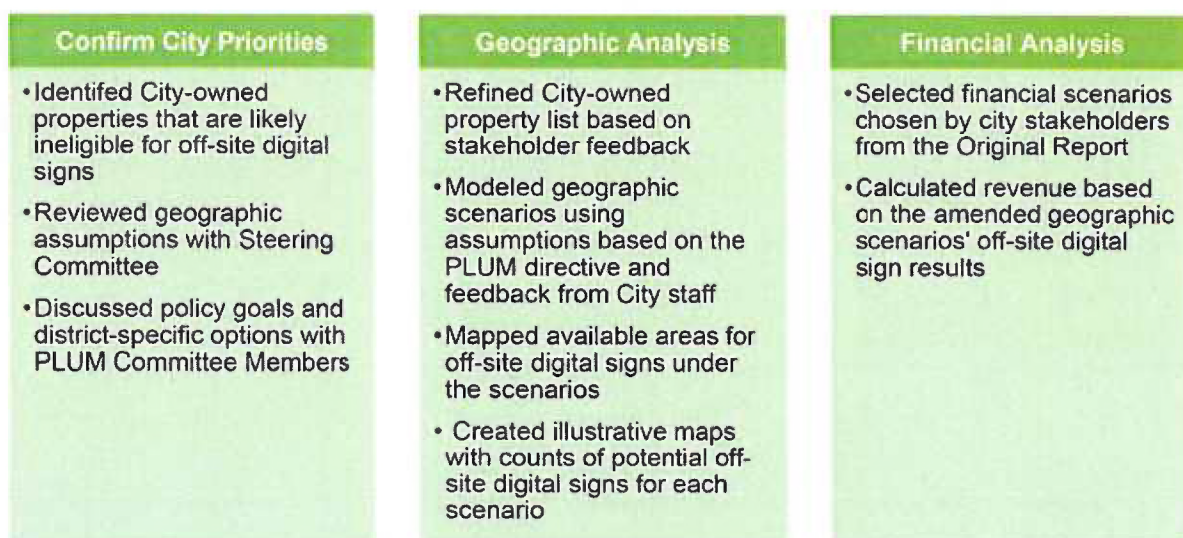
¹³ Sign districts must be created for the placement of off-site signs, and are restricted to C (Commercial), M (Industrial), and most R5 (Large Suburban Residential) zones. Sign district applications are processed by the Department of City Planning, recommended for approval or disapproval by the City Planning Commission, and acted upon by the City Council. Municipal Code Chapter 1 Article 3 Section 13.11 ("SN" Sign District) and Chapter 1 Article 2 Section 12.32 (Land Use Legislative Actions).

our GIS model to understand other off-site digital signage options for their Council Districts. The results from these additional analyses are described in this report.

1.2 Approach

The following figure describes the components of each of the policy, geographic, and financial analyses used to evaluate the Phase II City-wide and Public Options. These components build on one another to ultimately present a set of financial scenarios informing possible future revenues associated with off-site digital signage in Los Angeles.

Figure 1-1. Phase II Study Project Approach



The Original Report showed the upper limit of off-site signage under relocation agreements without regard to critical community and political input. This amended report incorporates input from PLUM Committee member offices but still does not account for other needed community input. Therefore, these scenarios are still designed to illustrate potential outcomes from a range of policy and deployment decisions the City of Los Angeles may consider. This report makes no recommendations, as there are a wide range of options and policy frameworks available to the City depending on what criteria the City Council and the public may desire. Hence, some of the scenarios provided may not be realistic for Los Angeles.

As noted in the Original Report, while some scenarios are more "realistic," none attempt to locate signs accurately on properties. In other words, the mapping activity results in an approximate number of sign locations based on sites that meet the relevant criteria, and not actual proposed signs. Additionally, all the policy options and deployment scenarios available to the City have legal ramifications and other policy constraints. Because of these considerations and complexity, any policy alternative should be thoroughly reviewed with the City Attorney's office for further evaluation.

2. PHASE II OFF-SITE DIGITAL SIGNAGE GEOGRAPHIC ANALYSIS

Navigant estimated the total number of off-site digital signs that could be installed in the City of Los Angeles under amended scenarios for Phase II of the City-wide and Public Options.

2.1 Geographic Analysis Approach

To complete these scenarios, Navigant applied several global assumptions from the PLUM Committee's May 31st directive as specific restrictions for off-site signage outside of sign districts. These include:

- Limited to Industrial (M), Public Facility (PF), and certain Commercial zones and land use designations.
- The minimum distance between off-site digital signs is 500 feet.
- Off-site digital signs are not permitted within 660 feet of freeways, consistent with Caltrans regulations.
- A 200-foot residential buffer applies to all signs.
- A 250-foot sign district buffer applies to the existing sign districts.¹⁴
- A 200-foot sensitive-use area buffer applies to state-designated scenic highways, ecological areas, state and national parks, and the River Implementation Overlay (RIO).
- Public parks, historic civic buildings and monuments,¹⁵ K-12 schools, and libraries are not included in eligible City-owned property.¹⁶
- Historic Preservation Overlay Zones, private K-12 schools, and other specific plans with off-site sign restrictions are not included as eligible property.
- Exclusion from certain Specific Plan Areas, so as not to supersede existing policy.

Navigant, in collaboration with City staff, also developed several additional assumptions for all scenarios under both the City-wide and Public Options, including:

- New or reconstructed digital signs are assumed to be 672 square feet to calculate the total square footage of digital signs in each scenario.
- Single parcels with off-site digital signs are at least 2,500 square feet based on the 50-foot frontage requirement in the current Zoning Code.

¹⁴ Navigant based this assumption off the May 31st PLUM directive, which states that off-site digital billboards should be "250 feet away when adjacent to existing sign districts." To be conservative, Navigant modeled a 250-foot buffer from sign districts, although the current draft ordinance requires new off-site digital billboards to be 250-feet away from any off-site digital sign within the sign district.

¹⁵ Due to data limitations, only historic civic buildings and monuments explicitly identified by the City were removed from our analysis. Navigant sourced this data from the City's GIS datafiles, found here:

https://planning.lacity.org/MapGallery/MapGallery_GISdata/MapGalleryData.htm

¹⁶ Additional City properties were marked ineligible for off-site digital signs. For more detail and a complete list of the properties removed, see Section 2.2.

- According to the OSSPIP data, approximately 65% of off-site digital sign structures are single-facing structures and 35% are double-facing structures.¹⁷ Navigant applied this ratio to the digital sign structures in each scenario to calculate the total number of sign faces.

While Navigant applied these assumptions in the Original Report, some were further refined in this Phase II report as more data was provided. For example, Navigant received updated GIS data on private schools, Specific Plan Areas, and recently approved sign districts. It is also important to note that Navigant did not include the 2,000-foot highway buffer in this amended analysis. This assumption was included in the Original Report because it is in the current Zoning Code, but after review with City staff, it was removed because it is not included in the currently proposed revision of the ordinance.

To address the comments provided in the December 12th PLUM directive, Navigant has also applied additional assumptions and filters to the City-owned property database to further refine the properties eligible for off-site digital signs. These filters are discussed in the next section.

2.2 Refined City-owned Property Database

The original City-owned property database provided by the City included approximately 9,570 parcels. After applying geographic restrictions and removing certain ineligible properties in Phase I, there were 728 remaining city-owned parcels included in our model. To further filter the City-owned property database, Navigant, in coordination with City personnel, identified additional City-owned properties that are not appropriate sites for billboard relocation and that have identifying data. In addition to the parks, schools, and libraries removed in the Original Report, Navigant identified properties associated with the following City entities for removal in this Phase II study:

- Los Angeles Department of Water and Power
- Los Angeles Airport
- Los Angeles City Harbor Department
- Los Angeles Housing Authority
- Los Angeles City Homeless Services Authority
- Los Angeles River Implementation Overlay District Parcels
- Los Angeles Police Department
- Los Angeles Fire Department
- Los Angeles Bureau of Sanitation
- Los Angeles Unified School District
- City Hall and Council District Offices
- Other Civic Buildings identified by City staff
- Sensitive Use Monuments

After identifying this list of ineligible properties, Navigant worked with the GIS team in City Planning and other City stakeholders to compile the locations for these properties. We also used GIS mapping overlay techniques to identify certain previously unmarked properties where appropriate. Once the locations of the ineligible properties were identified, Navigant removed them from our GIS model. Finally, after applying the geographic restrictions described in Section 2.1, there were 545 eligible city-owned properties for off-site digital signage in Phase II. It is important to note that Navigant did not examine every remaining City-owned property in detail. Accordingly, while this database refinement is significantly

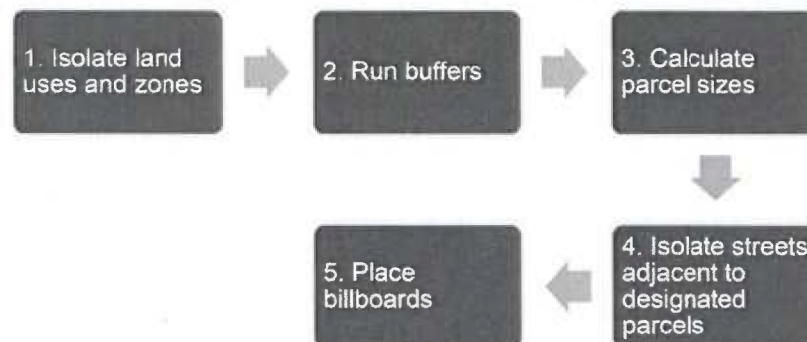
¹⁷ These percentages are based on the OSSPIP data, which included current and former digital sign structures in the City. According to DBS, only 4 of the 98 digital sign structures in the OSSPIP database are currently digital. The others have been converted to static.

more accurate than the Original Report, it is likely that every ineligible property was not removed from the model. However, we believe these results are representative of total sign potential in the City given the geographic assumptions provided in the PLUM directive.

2.3 Geographic Scenario Results – Phase II

To determine the approximate number of signs for each scenario based on the global assumptions outlined above, Navigant used the same GIS model from the Original Report to provide a geographically accurate estimation for the Phase II City-wide and Public Options. This approach leveraged updated GIS data directly from the Los Angeles Department of City Planning, the City Controller's Office, the Mayor's Office, and publicly-available databases. Using this data, Navigant employed the five-step process from the Original Report to determine the total number of signs for each scenario. Figure 2-1 below provides a high-level overview of this process.

Figure 2-1. Geographic Information System Sign Estimation Process



For a detailed description of the methodology associated with each step above and some of the potential limitations associated with the model, please refer to our Original Report.

It is important to note that Navigant calculated the maximum number of off-site digital signs that could be placed within the restricted land use areas in each scenario. Given the City's billboard policy goals, the May 2017 PLUM directive, and the direction of the latest proceedings on this topic, we recognize these numbers may not be realistic for the City of Los Angeles. Accordingly, we also show the scenario results reduced by several scaling factors (50%, 25%, and 10%).

2.3.1 Phase II Base Case Scenario

The Base Case scenario for Phase II is based on the 200-ft. (Residential) Buffer scenario from Phase I and includes updates after discussions with key stakeholders. Specifically, the Base Case reflects the revised global assumptions and the refined city-owned property database described in Sections 2.1 and 2.2.

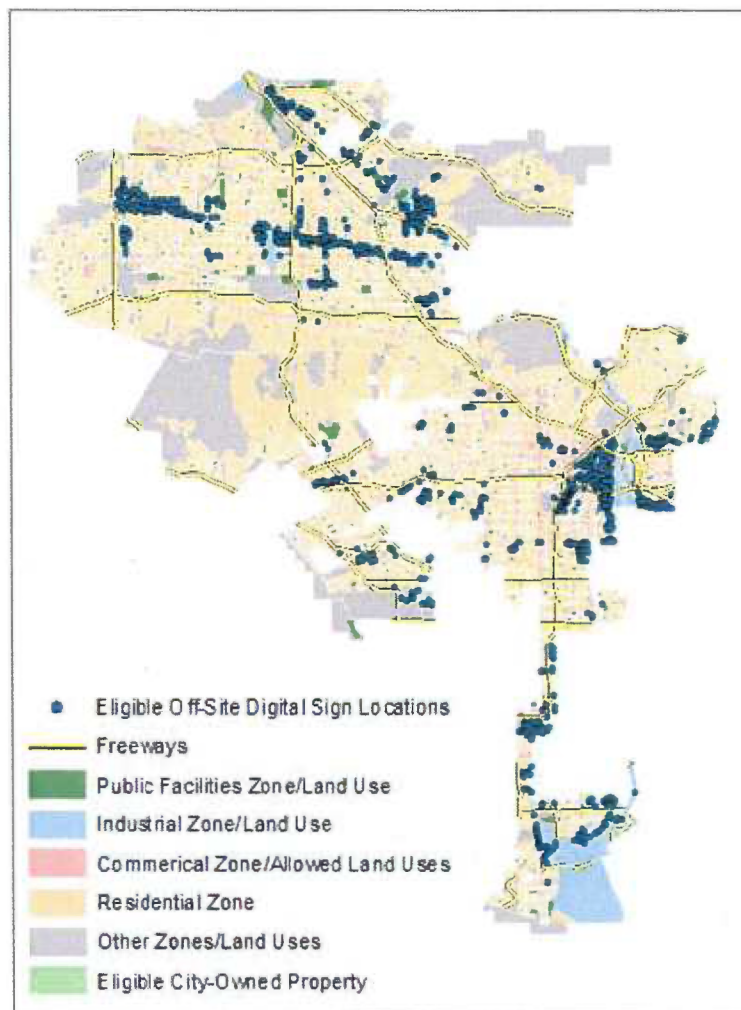
2.3.1.1 City-wide Option – Phase II Base Case

Based on the geographic assumptions described above, Navigant identified 1,282 digital billboard placement options for the City-wide Option (see Table 2-1). Figure 2-2 shows possible billboard placements for a representative section of the GIS map.

Table 2-1. City-wide Option Summary – Phase II Base Case

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	1,282	641	320	128
Total Sign Faces (#)	1,731	865	433	173

Figure 2-2. City-wide Option Map – Phase II Base Case



Note: Due to the scale, the sign structure locations appear to be on top of one another and clustered closely. Navigant ensured that sign structures abide by the 500-ft distance restriction between off-site digital signage locations. Source: Navigant GIS analysis.

The following table provides a breakdown of the City-wide Option results by Council District. These results highlight significant variation in off-site digital sign potential for each Council District.

Table 2-2. City-wide Option by Council District – Phase II Base Case

Council District	Total Potential Sign Structures	Total Potential Sign Faces
1	23	31
2	95	128
3	38	51
4	15	20
5	16	22
6	210	284
7	93	126
8	16	22
9	150	203
10	41	55
11	62	84
12	133	180
13	15	20
14	231	312
15	144	194
Total	1,282	1,731

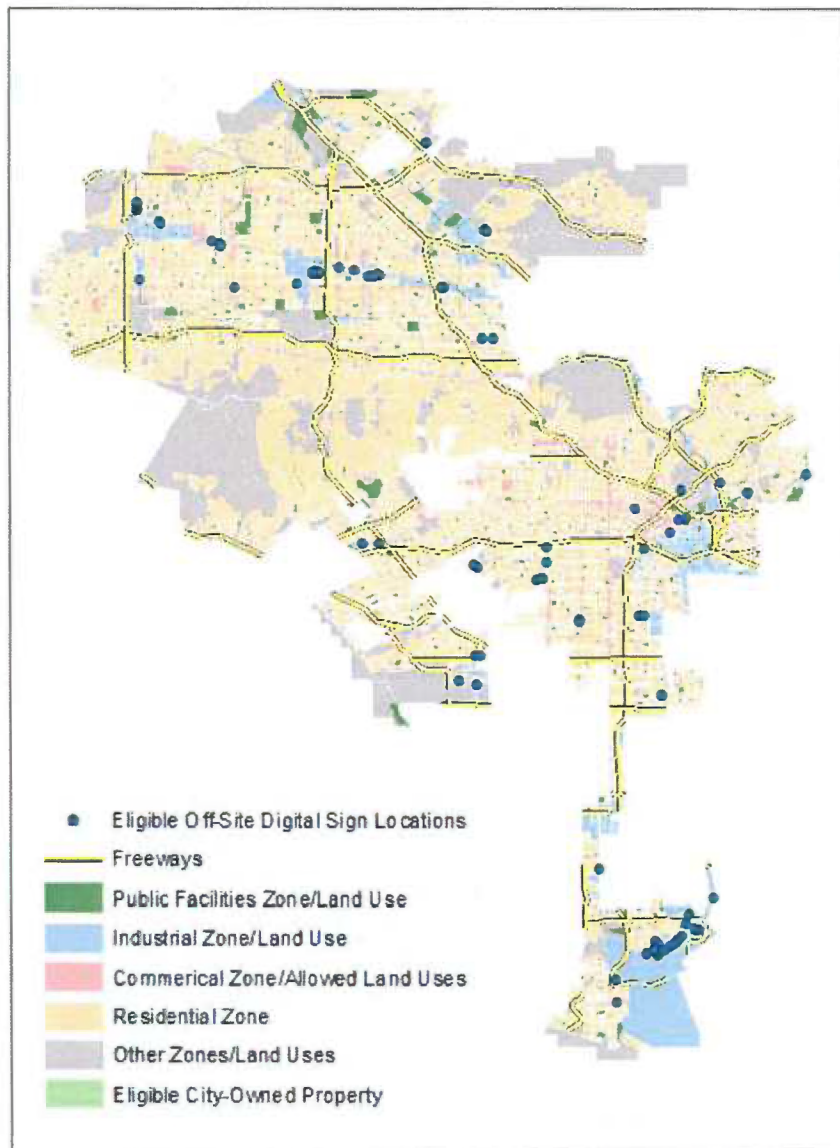
2.3.1.2 Public Option – Phase II

Based on the geographic assumptions described above, Navigant identified 85 digital billboard placement options for the Public Option (see Table 2-3). Figure 2-3 shows possible billboard placements for a representative section of the GIS map.

Table 2-3. Public Option Summary – Phase II Base Case

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	85	43	21	9
Total Sign Faces (#)	115	58	28	12

Figure 2-3. Public Option Map – Phase II Base Case



Note: Due to the scale, the sign structure locations appear to be on top of one another and clustered closely. Navigant ensured that sign structures abide by the 500-ft distance restriction between off-site digital signage locations. Source: Navigant GIS analysis.

The following table provides a breakdown of the Public Option results by Council District.

Table 2-4. Public Option by Council District – Phase II Base Case

Council District	Total Potential Sign Structures	Total Potential Sign Faces
1	4	5
2	9	12
3	3	4
4	0	0
5	0	0
6	12	16
7	1	1
8	5	7
9	3	4
10	5	7
11	6	8
12	10	14
13	0	0
14	5	7
15	22	30
Total	85	115

2.3.1.3 Scenario Comparison

Navigant compared the Phase II results for the City-wide and Public Option, and assessed the differences from our Original Report.

Table 2-5. City-wide and Public Option Scenario Comparison, Total Potential Sign Structures – Phases I and II

Scenario	Phase I ¹⁸	Phase II
City-wide 200-Foot Buffer	931	1,282
Public 200-Foot Buffer	243	85

These differences are driven by the public property refinement process as well as updates to the assumptions applied in Phase I. As shown in Table 2-5, refining the City's public property database

¹⁸ These are the Approach B results for the 200-foot City-wide and Public Options shared at the PLUM Committee meeting on December 12, 2017.

significantly reduced the number of eligible public properties for off-site digital signage in Phase II.^{19,20} Other assumptions that reduced the number of signs included the enforcement of the River Implementation Overlay District, the exclusion of Specific Plan Areas so as not to supersede existing policy, and increases in sensitive-use area buffers (e.g., State/National Parks and Sensitive Ecological Areas). However, the reduction of the highway buffer from 2,000-ft to 660-ft. significantly increased the number of eligible sign locations.

It is difficult to assess how any one city-wide geographic assumption affects a specific council district due to the unique land-use and zoning compositions throughout Los Angeles. For example, freeways intersect Council District 9 along its commercial districts, so the number of sign structures increased due to the reduced highway buffer. In contrast, the River Implementation Overlay District runs through Council District 3 and intersects its commercial district, so the number of sign structures decreased. These differences illustrate that a one-size fits all policy may affect Council Districts in a variety of different ways.

2.3.2 Council District Case Study Scenarios

PLUM Committee Councilmembers have expressed interest in applying district-specific assumptions to our GIS model to understand other off-site digital signage policy options. As part of this Phase II study, Navigant met with three PLUM Committee Council Offices to address any questions regarding our analyses and to provide Council District-specific results based on geographic assumptions that differ from the City-wide and Public Options described above. These scenarios will allow policymakers to further understand the implications of certain policy restrictions on off-site digital signage and their potential impact on revenue opportunities for the City.

A summary of these district-specific results and their impact on off-site digital sign placement are discussed below.

2.3.2.1 Council District 3

Navigant met with Council District 3 to discuss the district's geographic options for off-site digital signage. The district requested that we conduct a district-specific analysis that examined levers to *decrease* the total eligible sign locations. To accomplish this, the City asked Navigant to change the global geographic assumptions to include:

- Updated GIS data to include the Warner Center Sign District.²¹
- Updated GIS data to include the River Implementation District Overlay.
- 700-ft restriction between signs (rather than 500-ft) to limit signs to one per block.

¹⁹ It is important to note that the reduction of one city-owned property does not directly correlate to a decrease in the number of eligible off-site digital signs in the City-wide Option because the GIS approach used places potential sign locations on the adjacent street for this analysis (see Section 2.1). For example, if there is an eligible private property next to a city-owned property that was removed based on the refinement described above, the off-site digital sign will likely not be removed in the City-wide Option because it is still eligible for the neighboring private property.

²⁰ It is also important to note that both city-owned and private parcels do not necessarily correlate one-to-one with the number of potential sign locations, since the placements are modeled on the streets adjacent to properties and not on the properties themselves. This approach ensures that signs are 500 feet apart and that all billboards will be street facing.

²¹ The dataset provided by City Planning for use in the Original Report previously did not include this Sign District.

Based on the geographic assumptions described above, Navigant identified 33 digital billboard placement options for the City-wide Option in Council District 3 compared to the 38 sign structures identified in the Phase II base case (see Table 2-6 and Table 2-2). There are 3 digital billboard placement options for the Public Option in Council District 3, which is the same as the Phase II base case results (see Table 2-7 and Table 2-4).

Table 2-6. Council District 3 City-wide Option Scenario Summary – Phase II

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	33	17	8	3
Total Sign Faces (#)	45	23	11	4

Table 2-7. Council District 3 Public Option Scenario Summary – Phase II

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	3	2	1	0
Total Sign Faces (#)	4	3	1	0

2.3.2.2 Council District 9

Navigant met with Council District 9 to discuss the district's geographic options for off-site digital signage. The district requested that we conduct a district-specific analysis that examined levers to *increase* the total eligible sign locations. To accomplish this, Council District 9 asked Navigant to change the global geographic assumptions to include:

- A 660-ft highway buffer with an exception for City-owned property given that some cities have received exceptions to similar restrictions (rather than applying the 660-ft highway buffer to all eligible properties).
- A 100-ft residential buffer (rather than 200-ft).
- Allowing off-site digital signs in existing sign districts (Expo Park and LA Convention Center).²²

Based on the geographic assumptions described above, Navigant identified 466 digital billboard placement options for the City-wide Option in Council District 9 compared to the 150 sign structures identified in the Phase II base case (see Table 2-8 and Table 2-2). There are 51 digital billboard placement options for the Public Option compared to the 3 sign structures identified in the Phase II base case (see Table 2-9 and Table 2-4).

²² Our base case scenario analysis in Section 2.3.1 does not allow off-site digital signs in existing sign districts, per the May 31st PLUM Directive. Note that Council District 9 specifically requested we change our model assumption to include off-site digital signs in existing sign districts to maximize potential sign placements.

Table 2-8. Council District 9 City-wide Option Scenario Summary – Phase II

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	466	233	117	47
Total Sign Faces (#)	629	315	157	63

Table 2-9. Council District 9 Public Option Scenario Summary – Phase II

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	51	26	13	5
Total Sign Faces (#)	69	35	18	7

2.3.2.3 Council District 12 and Adjusted City-wide Geographic Scenario

Navigant met with Council District 12 to discuss the district's geographic options for off-site digital signage. The district requested that we conduct a district-specific analysis that included a more detailed review of the remaining eligible city-owned property in Council District 12 associated with the Phase II results shown in Table 2-4. Navigant conducted this analysis by examining specific parcels in the LA Controller's Database using assessor identification numbers (AINs), looking up parcel coordinates in Google Maps to leverage satellite data, and searching specific property addresses on the web.

Based on our analysis of the remaining public property in Council District 12, there were four eligible property types associated with the off-site digital sign structures in the Public Option. Using satellite imagery and available data in the City Controller's database, Navigant found these properties have various use types, including parking lots, vacant lots, and an animal shelter. Based on a follow-up discussion with Council District 12, one property was identified as an LADWP property that was not marked in the databases provided to Navigant.²³ Accordingly, we removed this property from the model and believe the remaining properties are eligible and should remain in the GIS model for off-site digital signage. Our original Base Case model identified 12 sign structures for the Public Option in Council District 12. After removing the LADWP property, Navigant identified 10 digital sign placement options for the Public Option in Council District 12 (see Table 2-11) and updated the final Base Case scenario in Section 2.3.1 to reflect the removal of this property.

Table 2-10. Council District 12 City-wide Option Scenario Summary – Phase II

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	133	67	33	13
Total Sign Faces (#)	180	90	45	18

Table 2-11. Council District 12 Public Option Scenario Summary – Phase II

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
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²³ Council District 12 noted that they knew of this property based on internal knowledge of their district.

Total Sign Structures (#)	10	5	3	1
Total Sign Faces (#)	14	7	4	1

Council District 12 also asked that Navigant conduct a random sampling of the remaining eligible public properties throughout the City. Navigant examined approximately 10% of these properties and found that 92.5% remain eligible, including properties such as parking lots, vacant lots, animal shelters and railroad right-of-way.²⁴ If we apply this eligibility percentage to the Phase II Public Option results for the City (Table 2-3), there are approximately 78 digital billboard placement options, assuming one billboard placement per parcel (Table 2-12).²⁵

Table 2-12. Public Option Summary – Phase II ADJUSTED

Percentage of Total	Total Potential	50% of Potential	25% of Potential	10% of Potential
Total Sign Structures (#)	78	39	20	8
Total Sign Faces (#)	105	53	27	11

²⁴ Navigant chose to sample 10% of public properties to ensure a representative sample. We used the Biogeography Branch's Sampling Design Tool for ArcGIS to randomly select properties. More information on the tool can be found here:

<http://aquaticcommons.org/14676/1/Rule%20and%20Menza%202013.pdf>

²⁵ Given that some city-owned parcels may be adjacent to each other and certain facilities may span an area greater than 500-ft in distance, the actual number of sign locations may vary slightly when applying the percentage parcel reduction. See footnote 19 for more information.

3. PHASE II OFF-SITE DIGITAL SIGNAGE FINANCIAL ANALYSIS

Navigant applied financial payment options to our Phase II geographic results for the City-wide and Public Options to calculate the potential revenue that could be generated by maximizing placement of off-site digital signage in the City.

3.1 Financial Analysis Approach

For Phase II, we selected four of the financial options from our Original Report to apply to the geographic scenario results summarized above. This scenario refinement will allow City policymakers to review results that are most applicable to the City's current policy goals rather than the wide range of options based on the peer review completed in the Original Report. The selected financial options include:

City of LA's proposed annual in-lieu payment structure (revenue share and fixed payment):²⁶ The CAO's Office has proposed an annual in-lieu payment structure for relocation agreements that ties existing static billboard takedown ratio options to revenue sharing for newly reconstructed digital off-site signs. This payment structure, also referred to as the "Public Benefit" payment, has been recommended by the PLUM Committee for inclusion in the current ordinance revision. On a percentage revenue-share basis, this framework would require an annual in-lieu payment ranging from 0 to 40% of the sign's annual advertising revenue, depending on the sign takedown ratio (between 9:1 and 2:1), as shown below in Table 3-1. Navigant used publicly available data to estimate an average annual advertising revenue of \$682,500 per digital sign for these revenue share percentages in our financial analysis.²⁷ The CAO's Office also provided a minimum fixed payment option, again depending on the sign takedown ratio, that ranges from \$0 to \$250,000 (see Table 3-2). Both payment structures are included in our financial scenarios. It is important to note that both in-lieu payment options do not have a payment associated with the 9:1 takedown ratio. Accordingly, the lower limit of this revenue structure is \$0 if all potential sign companies opt to take down 9 or more statics signs for each off-site digital sign.

Table 3-1. In-lieu Payment per Square Foot of Digital Sign Reconstruction (Revenue Share)²⁸

Takedown Ratio	Per 1 Square Foot	288-Square Foot Sign	672-Square Foot Sign
9:1	0.0%	0.0%	0.0%
8:1	2.5%	2.5%	2.5%
7:1	5.0%	5.0%	5.0%
6:1	7.5%	7.5%	7.5%
5:1	10%	10%	10%
4:1	20%	20%	20%
3:1	30%	30%	30%

²⁶ The PLUM Committee directive also refers to this payment structure as a "Public Benefit" payment.

Request for Report, PLUM Committee, May 31, 2017, p. 5.

²⁷ This figure is based on a conservative average rent per digital sign in the LA area, using publicly available rent figures from advertising agencies.

²⁸ Attachment 1 to Supplemental Attachment to the Off-site Sign Regulations and Policy Options Report, CAO report to PLUM Committee, November 1, 2016.

2:1	40%	40%	40%
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Table 3-2. In-lieu Payment per Square Foot of Digital Sign Reconstruction (Minimum Payment)²⁹

Takedown Ratio	Per 1 Square Foot	288-Square Foot Sign	672-Square Foot Sign
9:1	\$0	\$0	\$0
8:1	\$37.20	\$10,714.00	\$25,000.00
7:1	\$74.40	\$21,429.00	\$50,000.00
6:1	\$111.61	\$32,143.00	\$75,000.00
5:1	\$148.81	\$42,857.00	\$100,000.00
4:1	\$223.21	\$64,286.00	\$150,000.00
3:1	\$297.62	\$85,714.00	\$200,000.00
2:1	\$372.02	\$107,143.00	\$250,000.00

Annual rent: For off-site digital signs located on City-owned property only, Navigant assumes an annual rent fee for the use of public property equal to rent payments found in Chicago (\$139,259 annually per sign face) and Sacramento (\$112,500 annually per sign face) case studies. This financial structure requires further analysis in the future, based on actual property values and rents at City of Los Angeles-owned properties, which were not available for this study.

Up-front payments: Up-front payments may be paired with annual fees, as seen in the peer review. Since these payments are often negotiated directly with outdoor advertising companies, there is little data available for calculating an up-front payment. This analysis assumes three straightforward options:

1. Payment equal to the current Los Angeles sign district up-front payment: \$134,608 per sign district (for this analysis assumed to be \$134,608 per off-site digital sign face)
2. California peer payment (high): \$65,000 per off-site digital sign face (\$325,000 in up-front payments from five digital billboard faces in Fresno)
3. California peer payment (low): \$47,000 per off-site digital sign face (\$330,000 in up-front payments from seven digital billboard faces in Sacramento)

The revenue estimated from up-front payments is the total for all off-site digital signs installed according to the geographic scenario, over whatever time period all the signs in that scenario are installed. Each payment is a one-time payment per sign face, rather than a recurring revenue stream.

3.2 Financial Scenario Results – Phase II

Navigant applied the revenue structures discussed above to the number of 672-square foot digital sign faces quantified in the Geographic City-wide and Public Option scenarios in Section 2.3. The annual payment options are exclusive of one another (e.g., either fixed or revenue share in-lieu payment), while the rent and up-front payments are additive to the total revenue for the City. Importantly, rent is only applied to potential off-site digital signs associated with City-owned property.

²⁹ Ibid.

3.2.1 City-wide Option Revenue – Phase II

Navigant applied the revenue structures to the number of 672-square foot digital sign faces quantified in the Geographic City-wide Scenario for Phase II, resulting in the potential revenues in Table 3-3.

Table 3-3. Revenue Options for the Phase II Base Case – City-wide Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$432.8 M	\$0 – \$216.3 M	\$0 – \$108.3 M	\$0 – \$43.3 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$472.6 M	\$0 – \$236.1 M	\$0 – \$118.2 M	\$0 – \$47.2 M
Annual Rent		\$12.9 – \$16.0 M	\$6.5 – \$8.1 M	\$3.2 – \$3.9 M	\$1.4 – \$1.7 M
Up-front Payment (One-Time)		\$81.4 – \$233.0 M	\$40.7 – \$116.4 M	\$20.4 – \$58.3 M	\$8.1 – \$23.3 M

The fixed in-lieu payment structure produced potential revenues of up to \$216 million for 50% of digital signs in the City-wide 200-Foot Buffer (base case) scenario for Phase II. The percentage revenue share in-lieu payment structure produced potential revenues of up to \$236 million.

3.2.2 Public Option Revenue – Phase II

Navigant applied the revenue structures to the number of 672-square foot digital sign faces quantified in the Geographic Public Scenario for Phase II, resulting in the potential revenues in Table 3-4.

Table 3-4. Revenue Options for the Phase II Base Case – Public Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$28.8 M	\$0 – \$14.5 M	\$0 – \$7.0 M	\$0 – \$3.0 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$31.4 M	\$0 – \$15.8 M	\$0 – \$7.6 M	\$0 – \$3.3 M
Annual Rent		\$12.9 – \$16.0 M	\$6.5 – \$8.1 M	\$3.2 – \$3.9 M	\$1.4 – \$1.7 M
Up-front Payment (One-Time)		\$5.4 – \$15.5 M	\$2.7 – \$7.8 M	\$1.3 – \$3.8 M	\$0.6 – \$1.6 M

The fixed in-lieu payment structure produced potential revenues of up to \$15 million for 50% of digital signs in the Public 200-Foot Buffer (base case) scenario for Phase II. The percentage revenue share in-lieu payment structure produced potential revenues of up to \$16 million.

3.2.3 Council District Case Study Revenue – Phase II

Navigant also applied the revenue structures discussed above to the number of 672-square foot digital sign faces quantified in the Council District scenarios in Section 2.3.2.

3.2.3.1 Council District 3

Navigant applied the revenue structures to the number of 672-square foot digital sign faces quantified in the Council District 3-specific City-wide and Public Options.

Table 3-5. Revenue Options for the Council District 3 Scenario – City-wide Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$11.3 M	\$0 – \$5.8 M	\$0 – \$2.8 M	\$0 – \$1.0 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$12.3 M	\$0 – \$6.3 M	\$0 – \$3.0 M	\$0 – \$1.1 M
Annual Rent		\$0.5 – \$0.6 M	\$0.3 – \$0.4 M	\$0.1 – \$0.1 M	N/A
Up-front Payment (One-Time)		\$2.1 – \$6.0 M	\$1.1 – \$3.1 M	\$0.5 – \$1.5 M	\$0.2 – \$0.5 M

Table 3-6. Revenue Options for the Council District 3 Scenario – Public Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$1.0 M	\$0 – \$0.8 M	\$0 – \$0.3 M	N/A
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$1.1 M	\$0 – \$0.8 M	\$0 – \$0.3 M	N/A
Annual Rent		\$0.5 – \$0.6 M	\$0.3 – \$0.4 M	\$0.1 – \$0.1 M	N/A
Up-front Payment (One-Time)		\$0.2 – \$0.5 M	\$0.1 – \$0.4 M	\$0.05 – \$0.1 M	N/A

3.2.3.2 Council District 9

Navigant applied the revenue structures to the number of 672-square foot digital sign faces quantified in the Council District 9-specific City-wide and Public Options.

Table 3-7. Revenue Options for the Council District 9 Scenario – City-wide Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$157.3 M	\$0 – \$78.8 M	\$0 – \$39.5 M	\$0 – \$15.8 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$171.7 M	\$0 – \$86.0 M	\$0 – \$43.1 M	\$0 – \$17.2 M
Annual Rent		\$7.8 – \$9.6 M	\$3.9 – \$4.9 M	\$2.0 – \$2.5 M	\$0.8 – \$0.9 M
Up-front Payment (One-Time)		\$29.6 – \$84.7 M	\$14.8 – \$42.4 M	\$7.4 – \$21.3 M	\$3.0 – \$8.5 M

Table 3-8. Revenue Options for the Council District 9 Scenario – Public Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$17.3 M	\$0 – \$8.8 M	\$0 – \$4.5 M	\$0 – \$1.8 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$18.8 M	\$0 – \$9.6 M	\$0 – \$4.9 M	\$0 – \$1.9 M
Annual Rent		\$7.8 – \$9.6 M	\$3.9 – \$4.9 M	\$2.0 – \$2.5 M	\$0.8 – \$0.9 M
Up-front Payment (One-Time)		\$3.2 – \$9.3 M	\$1.6 – \$4.7 M	\$0.8 – \$2.4 M	\$0.3 – \$0.9 M

3.2.3.3 Council District 12 and Adjusted City-wide Geographic Scenario

Navigant applied the revenue structures to the number of 672-square foot digital sign faces quantified in the Council District 9-specific City-wide and Public Options.

Table 3-9. Revenue Options for the Council District 12 Scenario – City-wide Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$45.0 M	\$0 – \$22.5 M	\$0 – \$11.3 M	\$0 – \$4.5 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$49.1 M	\$0 – \$24.6 M	\$0 – \$12.3 M	\$0 – \$4.9 M
Annual Rent		\$1.6 – \$1.9 M	\$0.8 – \$1.0 M	\$0.5 – \$0.6 M	\$0.1 – \$0.1 M
Up-front Payment (One-Time)		\$8.5 – \$24.2 M	\$4.2 – \$12.1 M	\$2.1 – \$6.1 M	\$0.8 – \$2.4 M

Table 3-10. Revenue Options for the Council District 12 Scenario – Public Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%

Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$3.5 M	\$0 – \$1.8 M	\$0 – \$1.0 M	\$0 – \$0.3 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$3.8 M	\$0 – \$1.9 M	\$0 – \$1.0 M	\$0 – \$0.3 M
Annual Rent		\$1.6 – \$1.9 M	\$0.8 – \$1.0 M	\$0.5 – \$0.6 M	\$0.1 – \$0.1 M
Up-front Payment (One-Time)		\$0.7 – \$1.9 M	\$0.3 – \$0.9 M	\$0.2 – \$0.5 M	\$0.05 – \$0.1 M

Navigant also applied the revenue structures to the number of 672-square foot digital sign faces quantified in the Phase II Adjusted Public Option, which is based on the city-owned property sampling results described in Section 2.3.2.3.

Table 3-11. Revenue Options for the Phase II Public Option – Adjusted

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1 – 2:1)	\$0 – \$26.3 M	\$0 – \$13.3 M	\$0 – \$6.8 M	\$0 – \$2.8 M
	Rev. Share In-lieu Payment (9:1 – 2:1)	\$0 – \$28.7 M	\$0 – \$14.5 M	\$0 – \$7.4 M	\$0 – \$3.0 M
Annual Rent		\$11.8 – \$14.6 M	\$6.0 – \$7.4 M	\$3.0 – \$3.8 M	\$1.2 – \$1.5 M
Up-front Payment (One-Time)		\$4.9 – \$14.1 M	\$2.5 – \$7.1 M	\$1.3 – \$3.6 M	\$0.5 – \$1.5 M

OFF-SITE DIGITAL SIGNAGE FINANCIAL STUDY – PHASE I & II SUMMARY

MAY 11, 2018

Confidential and Proprietary



NAVIGANT

AGENDA

1. Introduction

2. Phase I Summary

3. Phase II

- Phase II Approach
- Phase II Summary
- City Database Refinement
- Amended Geographic Scenario Results
 - 1. Base Case
 - 2. Council District Case Studies
- Financial Scenario Results

4. Key Takeaways

INTRODUCTION

The City of Los Angeles Chief Legislative Analyst (CLA) retained Navigant to conduct a policy and financial analysis of off-site digital signs. For this study, Navigant:

- **Examined two off-site digital signage options requested by the Planning and Land Use Management (PLUM) Committee of the Los Angeles City Council**
 1. City-wide Option, which allows digital off-site signs on public and private property
 2. Public Option, which allows digital off-site signs on public property
- **Used a three-pronged approach to estimate the approximate number of signs and their associated revenue**
 1. Peer Review of 24 cities and their relevant policies and revenue structures
 2. Geographic Analysis with 12 scenarios
 3. Financial Analysis with 6 revenue structures
- **Completed the report in two phases (Phases I and II) based on refined City data**

The study illustrates the potential outcomes from a range of policy and deployment decisions the City of Los Angeles may consider. Regardless of which option the City chooses, it should consult with the City Attorney's office for further evaluation.

PHASE I SUMMARY

The Phase I analysis, presented to PLUM on December 12th, 2017, had the following components:

Component	Results
Peer Review	• Approach: Reviewed 24 North American cities to understand policy trends, including Sacramento, Chicago, Fresno, Long Beach, Philadelphia, and Baltimore • Result: Eight in-depth case studies about recent policies and litigation as it relates to off-site digital signage. These case studies informed the geographic and financial analyses.
Geographic Analysis	• Approach: Used data from City Planning, CAO's Office, and DBS to create 12 scenarios total in ArcGIS for the City-wide and Public Options with assumptions based on: • May 31st PLUM directive • Current and proposed sign ordinance • Stakeholder feedback • Result: Resulted in the mapping of a range of potential off-site digital sign placements (including a 200-foot Buffer scenario with 931 and 243 signs for the City-wide and Public Options, respectively).*
Financial Analysis	• Approach: Modeled six financial scenarios: Current tax structure, current street furniture payment, proposed in-lieu payment, revenue share, rent, and up-front payments • Result: Yielded a large range of revenue possibilities. The current tax provided the lowest opportunity for revenue, while the peer-based revenue share structures provided the greatest.

**After presenting the Phase I results, City staff asked that we further refine the City's database of City-owned property to more accurately reflect properties that are eligible for off-site digital signs given the City's policy goals.*

PHASE II APPROACH

- The December 12, 2017 PLUM directive requested an amended financial study (Phase II) that removes additional City-owned properties to more accurately reflect the potential for off-site digital signage.
- Some PLUM Councilmembers also expressed interest in having a customized scenario for their Council District to account for their priorities.
- Navigant used the following approach to complete Phase II of this study:



PHASE II SUMMARY

The Phase II study made several changes from Phase I (the Original Report):

Update Type	Changes
City Database Refinement	• Approach: Added additional restrictions to city-owned property and removed ineligible sites based on City data and/or satellite imagery, where possible • Result: Reduced the number of parcels by 25% compared to Phase I Approach B (from 728 to 546)
Amended Base Case	• Approach: Revised the Phase I Scenario (200-ft Residential Buffer) to include: • Reduced highway buffers • Increased sensitive use buffers • Updated data (e.g., city properties, private schools, specific plans, RIO, and sign districts) • Result: Increased city-wide potential digital billboard sites by 37% (from 931 to 1,282) and reduced public digital billboard sites by ~64% (from 243 to 85)
Council District-Specific Case Studies	• Approach: Met with three PLUM Committee Council Districts (3, 9, and 12) to include the following case studies: • CD 3: Scenario to <u>decrease</u> the potential for sites • CD 9: Scenario to <u>increase</u> the potential for sites • CD 12: Scenario to <u>further examine the eligible public properties</u> • Result: Three case studies show how differing priorities affect off-site digital sign potential
Financial Analysis Update	• Approach: Updated four scenarios from Phase I: two annual in-lieu payment types, annual rent, and up-front payments • Result: The financial results are consistent with the new geographic results. The City-wide Option provides significant revenue opportunities.

PHASE II CITY DATABASE REFINEMENT

For the Phase II study, Navigant removed additional city-owned properties from eligibility based on available data from the City, satellite imagery, random sampling, and publicly-available information.

This led to a 25% reduction in public property from Phase I (728 parcels) to Phase II (545 parcels).

No.	City Property Type Removed
1	Parks and libraries
2	LADWP facilities
3	LAPD and LAFD stations
4	LAUSD K-12 Schools
5	LA Harbor properties
6	LA Housing Authority properties
7	LA City Homeless Services Authority properties
8	Los Angeles Bureau of Sanitation Property (e.g. Water Treatment Plants)
9	Historical Cultural Monument Uses/Historic Preservation
10	Certain administration buildings (e.g. City Hall, Council Offices)
11	Properties that fall within the River Implementation Overlay
12	Properties within or marked as LAX land uses

PHASE II GEOGRAPHIC BASE CASE RESULTS

Base Case Model Parameters:

1. All Global Assumptions from Phase I (200-ft Residential Buffer Scenario)
2. Refined city-owned property database
3. Updated Sign District, River Implementation Overlay District, and Specific Plan Area Data
4. Decreased highway buffers from 2,000-ft to 660-ft
5. Increased sensitive-use area (e.g. scenic highways) buffers



Base Case Key Takeaways:

1. The refined City-owned property database significantly reduced the potential for off-site digital signs in the Public Option.
2. Despite the city database refinement, reducing the highway buffers to 660 feet increased the potential for off-site digital signs in the Citywide Option.
3. Due to the unique zoning and land use composition of each area, the changes in assumptions affect each Council District differently.

Phase II Base Case Results, Total Potential Sign Structures

Scenario	Citywide Option	Public Option
Phase I	931	243
Phase II Base Case	1,282	85

PHASE II GEOGRAPHIC BASE CASE RESULTS BY COUNCIL DISTRICT

The base case results by Council District highlight the variability in off-site digital signage potential based on the unique land use and zoning composition of each district.

Phase II Base Case Results by Council District, Total Potential Sign Structures

Council District	Citywide Option	Public Option
1	23	4
2	95	9
3	38	3
4	15	0
5	16	0
6	210	12
7	93	1
8	16	5
9	150	3
10	41	5
11	62	6
12	133	10
13	15	0
14	231	5
15	144	22
Total	1,282	85

PHASE II GEOGRAPHIC COUNCIL DISTRICT CASE STUDY RESULTS



Council District 3: Decrease Signs

- Increased sign district distance restrictions to 700-ft
- Improved Sign District data (to include the Warner Center)
- Improved River Implementation Overlay District data



Council District 9: Increase Signs

- 100-ft Residential Buffers
- Removed highway buffer for public property
- Allowed sign districts for consideration



Council District 12: Examine City-owned Property

- Examined all eligible City-owned parcels in Council District 12
- Randomly sampled ~10% (53 parcels) of the remaining eligible City-owned properties across all districts and reduced the potential sign structures by the proportion of ineligible signs from the sample (Phase II Adjusted scenario)

Scenario	City-wide Option	Public Option
CD 3 Base Case	38	3
CD 3 Specific	33	3
CD 9 Base Case	150	3
CD 9 Specific	466	51
CD 12 Base Case	133	10
CD 12 Specific	133	10
Phase II Base Case	1,282	85
Phase II Adjusted (CD 12 Analysis)	1,282*	78

* Analysis assumes the ineligible City properties removed for this scenario neighbor eligible private properties, and thus do not impact the Citywide Option results.

Note: Unless otherwise noted Navigant used all other Phase II base case assumptions

OVERVIEW OF PHASE II FINANCIAL OPTIONS

Navigant modeled four of the revenue options from our Original Report (Phase I) based on the PLUM Committee's proposed structure and options from the peer review:

Potential Revenue Structures

- Used proposed structure for relocation agreements (2:1 – 9:1)
- Applied fixed in-lieu payments
- Applied revenue-share percentages (0% – 40%) to an approximate average revenue of \$682,500/year per digital sign

Annual In-Lieu Fee (Fixed & Shared Rev.)



- Limited to city-owned properties
- Assumed an annual rent fee based on Chicago (\$139,259 per sign) and Sacramento (\$112,500 per sign)
- Requires further analysis to account for real property value and rent in Los Angeles

Annual Rent



- Used the following up-front payments per sign:
 - LA current Sign District payment of \$134,608
 - CA Peer – High (Fresno): \$65,000
 - CA Peer – Low (Sacramento): \$47,000

Up-Front Payments



Note: The annual in-lieu payment options are exclusive of one another, while the rent and upfront payments can be additive to total revenue for the City.

PHASE II FINANCIAL ANALYSIS BASE CASE RESULTS

Phase II Base Case Results – City-wide Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1* – 2:1)	\$0 – \$432.8 M	\$0 – \$216.3 M	\$0 – \$108.3 M	\$0 – \$43.3 M
	Rev. Share In-lieu Payment (9:1* – 2:1)	\$0 – \$472.6 M	\$0 – \$236.1 M	\$0 – \$118.2 M	\$0 – \$47.2 M
Annual Rent		\$12.9 – \$16.0 M	\$6.5 – \$8.1 M	\$3.2 – \$3.9 M	\$1.4 – \$1.7 M
Up-front Payment (One-Time)		\$81.4 – \$233.0 M	\$40.7 – \$116.4 M	\$20.4 – \$58.3 M	\$8.1 – \$23.3 M

Phase II Base Case Results – Public Option

Revenue Component	Payment Type	Annual Payment for each Scaling Factor			
		100%	50%	25%	10%
Annual Payment	Fixed In-lieu Payment (9:1* – 2:1)	\$0 – \$28.8 M	\$0 – \$14.5 M	\$0 – \$7.0 M	\$0 – \$3.0 M
	Rev. Share In-lieu Payment (9:1* – 2:1)	\$0 – \$31.4 M	\$0 – \$15.8 M	\$0 – \$7.6 M	\$0 – \$3.3 M
Annual Rent		\$12.9 – \$16.0 M	\$6.5 – \$8.1 M	\$3.2 – \$3.9 M	\$1.4 – \$1.7 M
Up-front Payment (One-Time)		\$5.4 – \$15.5 M	\$2.7 – \$7.8 M	\$1.3 – \$3.8 M	\$0.6 – \$1.6 M

*Note: There is no payment associated with the 9:1 takedown ratio in the proposed ordinance. If all potential sign companies opt to take down 9 or more static signs for each off-site digital sign, there would be no annual payment

KEY TAKEAWAYS

- ***Policy (Geographic) Takeaways***

- **Phase I Comparison.** The impact of the updated Base Case scenario assumptions vary significantly by Council District due to the unique land use composition and parcel eligibility in each district.
- **Public Option.** After further refining the City-owned property database, the Public Option provides significantly fewer potential off-site digital sign options for the City than the City-wide Option.
- **Council District Specific Scenarios.** The Council District results highlight the impact of changes to various policy levers for off-site digital signage.

- ***Financial Takeaways***

- **Revenue Option Comparisons.** The City-wide Option provides significant revenue opportunities for the City and does not exceed the maximum number of signs needed to remove all existing signage at the 2:1 takedown ratio.
- **Future Revenue Study.** These results provide the total potential for off-site digital signage according to a defined set of policy restrictions; a detailed review of each individual property and its potential value for off-site digital signs may further reduce revenue opportunities for both the City-wide and Public Options.

APPENDIX A: PEER REVIEW DETAILS

Confidential and Proprietary

NAVIGANT

PEER REVIEW FINDINGS SUMMARY

Navigant reviewed relevant policies and revenue structures from 24 peer cities to understand common trends and ultimately create relevant geographic and financial scenarios for the City of Los Angeles

Policies

- Zoning Restrictions
 - Generally stricter than static signs
- Permitting
 - Conditional Use Permits
 - Annual Permits
- Removal Requirements
 - Range from 2:1 and 21:1
 - May be required or negotiated
- Design Standards
 - Messages
 - Sizes
 - Lighting

Revenue Structures

- Taxes & Fees
 - Excise Tax
 - Commercial Use Tax
 - Business Revenue Tax
 - Application / Permitting Fee
 - Relocation Fee (Upfront Payment)
- Rent
 - Applies to City property
 - Often negotiated with prospective billboard owner
- Revenue Sharing
 - Ranges from 3-70%
 - Often negotiated with rent

Based on our findings, annual payments, rent, and revenue sharing agreements are most applicable to the City and the proposed ordinance revisions

PEER REVIEW TAX & FIXED FEE STRUCTURES

City	State	No. Digital Signs	Tax Type	Tax Amount	Potential City Revenue (\$/year)
Philadelphia	PA	20	Excise	7%	\$2,500,000
Pittsburgh	PA	10+	Excise	10%	\$2,000,000 - \$4,000,000
Toronto	Canada	50	Fixed Fee	\$25,679/sign/year	\$11,000,000
New York City	NY	Unknown	Rent	7%	Unknown
Baltimore	MD	Unknown	Excise	\$15/square foot	Unknown

PEER REVIEW REVENUE SHARE STRUCTURES

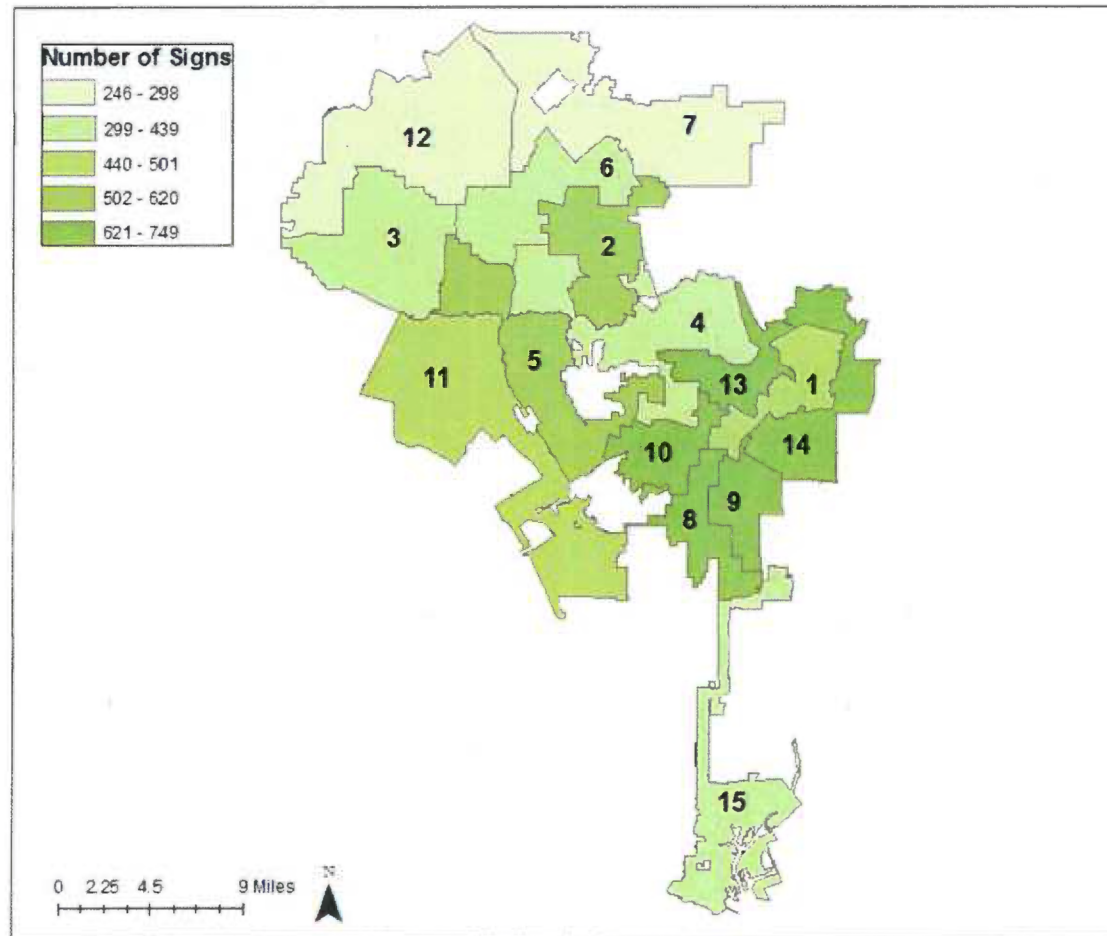
City	State	No. Digital Signs	Upfront Payment (\$)	Rent or Fee (\$/year)	Revenue Share (%)*	Potential City Revenue (\$/year)
Chicago	IL	60	\$15,000,000	\$8,705,263	30-50%	\$22,823,065
Miami	FL	30+	\$5,000,000	\$0	3%	\$4,300,000
New Westminster	Canada	4	Unknown	Unknown	Unknown	\$1,086,957
Santa Clarita	CA	3	\$0	\$0	65%	\$500,000
Fresno*	CA	5	\$100,000	\$130,000	35%	\$378,000
Metro LA - City of Downey	CA	1	\$0	\$0	70%	\$225,000
Santa Ana	CA	0	\$0	\$0	60%	\$200,000
Las Vegas	NV	5	\$10	\$0	25-50%	\$150,000+
Oakland	CA	1	\$1,000,000	\$0	30%	\$150,000
Metro LA - City of Long Beach	CA	2	\$0	\$100,000	22-30%	\$133,333
Newark	CA	2	Unknown	Unknown	Unknown	\$100,000
Anaheim*	CA	2	\$0	\$0	25%	\$80,000
Hawthorne	CA	1	\$125,000	\$0	55%	\$55,000
St. Petersburg*	FL	6	\$0	\$0	15%	\$50,000
Sacramento*	CA	13	\$330,000	\$180,000	30%	Unknown
Glendale	AZ	2	\$0	\$125,000	33-40%	Unknown
Glendale	CA	2	\$0	\$0	12-15%	Unknown
San Antonio	TX	13	\$0	\$0	0%	\$0
Long Beach	CA	3+	\$0	\$0	0%	\$0

APPENDIX B: GEOGRAPHIC ANALYSIS DETAILS

Confidential and Proprietary

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EXISTING SIGNS BY COUNCIL DISTRICT

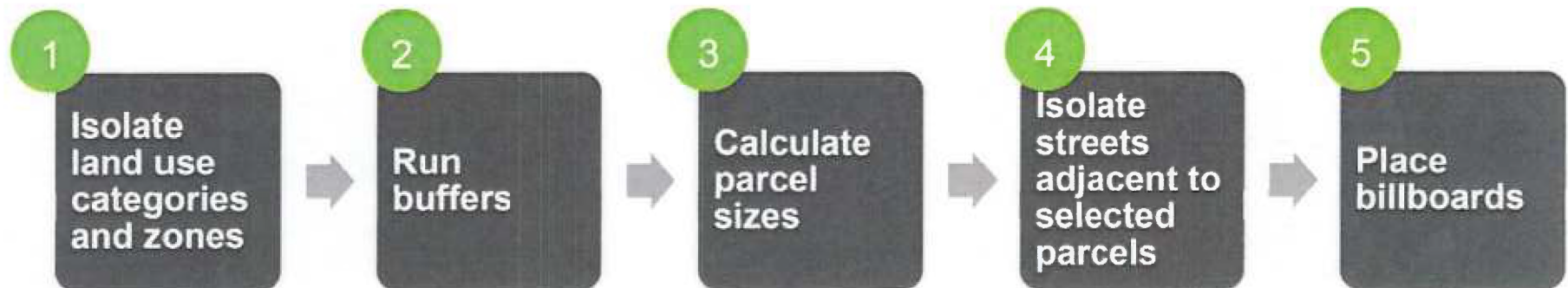


Council District	Signs (#)	Percent of Total (%)	District Ranking
1	501	6.3%	8
2	615	7.7%	7
3	368	4.6%	13
4	414	5.2%	11
5	620	7.8%	6
6	413	5.2%	12
7	298	3.7%	14
8	698	8.8%	4
9	713	9.0%	2
10	693	8.7%	5
11	477	6.0%	9
12	246	3.1%	15
13	705	8.9%	3
14	749	9.4%	1
15	439	5.5%	10
Total	7,949	100%	

GEOGRAPHIC ANALYSIS APPROACH SUMMARY

Based on the assumptions and scenarios, Navigant created a five-step Geographic Information Systems (GIS) model and approach for determining off-site digital sign placements

- The model used data directly from the Los Angeles Department of City Planning, the Mayor's Office, and publicly-available databases
- Navigant used this approach to create both the City-wide and Public Option scenarios



PHASE I GEOGRAPHIC ANALYSIS ASSUMPTIONS

After reviewing relevant peer policies, Navigant identified the following assumptions to apply to this study's off-site digital signage analysis scenarios:

May 31st PLUM Directive

- The minimum distance between off-site digital signs is 500 feet
- Specific land use designation and zone restrictions; 100-200 ft. residential buffer
- Off-site digital signs are not permitted along state-designated scenic highways or in the Historic Preservation Overlay Zone
- Public parks, historic civic buildings and monuments (if identified by the City), ecological preserves, schools, and libraries should not be included in City-owned property
- 250 ft. sign district buffer applies to existing sign districts

Other Assumptions

- Minimum of 660 ft. away from the highways per Caltrans restrictions
- 2,000 ft. highway buffer does not apply to public property (Public Facilities and City- and Metro-owned property) based on the current Sign Code
- 100 ft. buffer around sensitive areas, including ecological areas and state and national parks, based on proposed on-site sign restrictions
- Parcels with off-site digital signs must be at least 2,500 sq. ft. (based on 50 ft. frontage requirement in current Sign Code)
- Proportion of single and double-facing off-site digital signs in OSSPIP database is applied to new digital signs to find total number of sign faces (65% and 35%, respectively)

PHASE II GEOGRAPHIC SCENARIO ASSUMPTIONS – BASE CASE

Through discussions with City staff, Navigant has applied the following assumptions to all off-site digital signage analysis scenarios for Phase II:

- Buffers
 - * 660 ft. for highways per Caltrans restrictions
 - * 200 ft. around sensitive use areas, such as ecological areas, state/national parks, and River Improvement Overlay (includes the LA River itself and any adjacent areas designated as part of the overlay)
 - 200 ft. around Residential Zones
 - * 200 ft. around state-designated scenic highways
 - 250 ft. around existing Sign Districts
- Restricted from the following areas/buildings:
 - Public parks
 - K-12 public and *private schools
 - Libraries
 - * City administration buildings (e.g. City Hall and Council District Offices)
 - Historic Preservation Zones (HPOZ) and * Historic Cultural Monument Use Buildings/Areas
 - * Proprietary property (e.g. LA DWP, Harbor, and Airport buildings)
 - * LAPD/LAFD stations
- Other considerations:
 - Restricted to M and PF zones and land uses and certain C zones and land uses, as outlined in the PLUM directive
 - 500 ft. distance between signs
 - Parcel requirement of 2,500 sq. ft. or greater (based on 50 ft. of frontage in current/proposed code)
 - Proportion of double facing to single facing signs is 65% and 35% based on current OSSPIP data

**New or updated geographic assumption for Phase II*

APPENDIX C: FINANCIAL ANALYSIS DETAILS

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OVERVIEW OF FINANCIAL OPTIONS

Navigant modeled a variety of different revenue options based on the PLUM Committee's proposed structure and options from the peer review:

City of Los Angeles Current & Proposed Annual Revenue Structures

- Used the existing tax rate of \$3.56 per thousand on annual gross receipts from advertising agencies
- Calculated an average static-sign revenue of \$71/sq. ft.
- Doubled the average to \$142/sq. ft. for digital signs

Current Tax



- Leveraged the height and width of the street furniture structures and revenue to estimate an annual revenue of \$26.27 per sq. ft. of static advertisements
- Doubled the average to \$52.54/sq. ft. for digital signs

Current Street Furniture Payment



- Used proposed structure for relocation agreements
- Applied fixed in-lieu payments
- Applied revenue-share percentages (2.5%-40%) to an approximate average revenue of \$682,500/year per digital sign

Proposed In-Lieu Payment*



**Used in the Phase II analysis*

OVERVIEW OF FINANCIAL OPTIONS

Peer-Based Annual & One-Time Revenue Structures

- Based revenue-sharing % on peer cities, which range greatly
- Used 15%, 30%, and 65% given this range
- Applied revenue share to average revenue of \$682,500/year per sign

Peer Based Revenue-Share*



- Limited to city-owned properties
- Assumed an annual rent fee based on Chicago (\$139,259 per sign) and Sacramento (\$112,500 per sign)
- Requires further analysis to account for real property value and rent in Los Angeles

Rent*



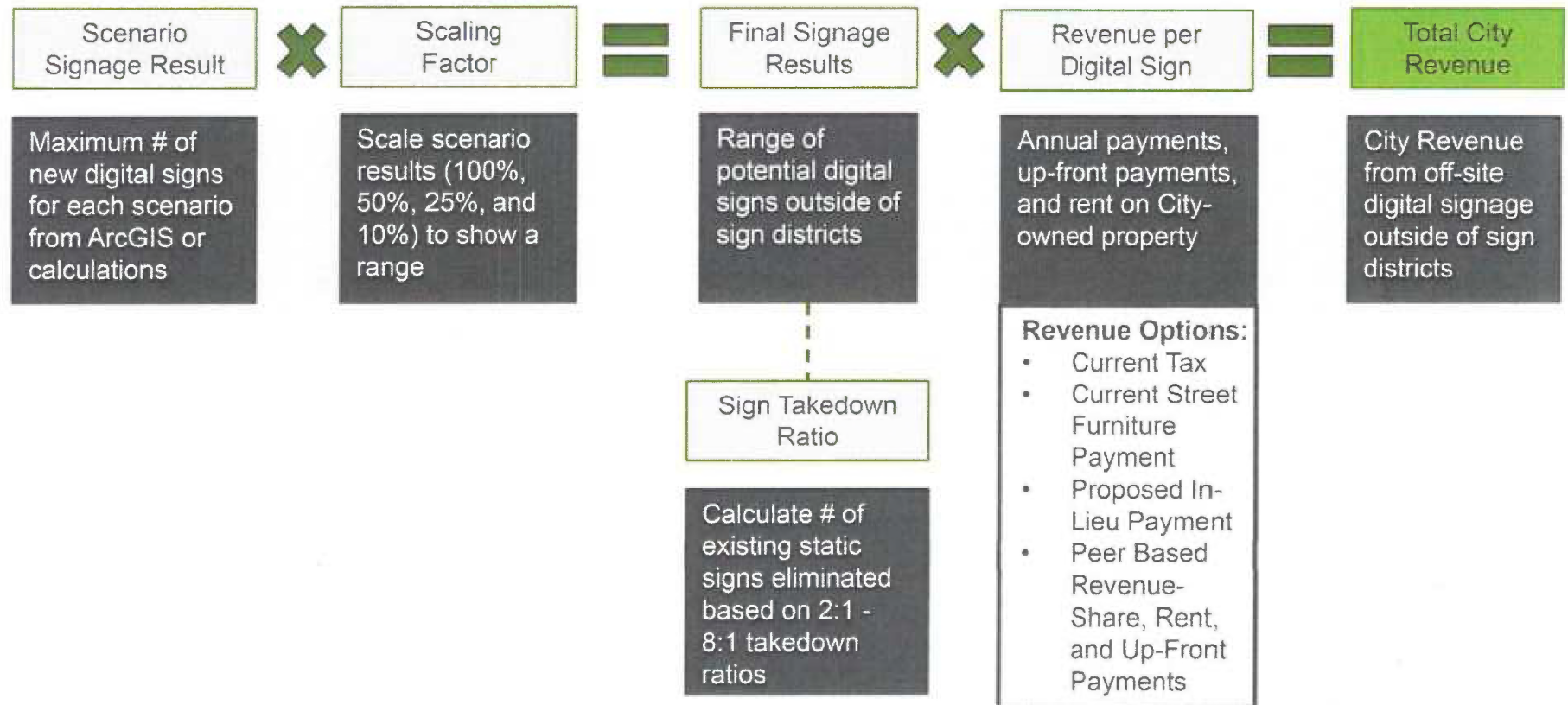
- Used the following up-front payments per sign:
 - LA current Sign District payment of \$134,608
 - CA Peer – High (Fresno): \$65,000
 - CA Peer – Low (Sacramento): \$47,000

Up-Front Payments*



**Used in the Phase II analysis*

FINANCIAL ANALYSIS APPROACH



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