

**CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE**

Date: May 19, 2016

To: Honorable Members, Planning & Land Use Management Committee

From: Vincent P. Bertoni, AICP, Director of Planning
Miguel Santana, City Administrative Officer
Sharon M. Tso, Chief Legislative Analyst

Subject: **Land Use/Zoning Regulations and Revenue Analysis for Signs
outside Sign Districts**

On April 19, 2016, your Committee instructed the City Planning Department, City Administrative Officer, and Chief Legislative Analyst to submit a joint report regarding the necessary land use controls/regulations for off-site signs outside of sign districts, and revenue analysis. This instruction was in response to a draft City Planning Commission ordinance and City Attorney prepared ordinance to enact new criteria for the establishment of sign districts.

Currently, the Zoning Code prohibits off-site signs except in sign districts, or as part of a specific plan, development agreement, or a relocation agreement entered into pursuant to state law. Both versions of the proposed ordinance limit off-site signs to within sign districts, but further refine where and how a sign district can be established. The policy question as to whether off-site signs should be allowed outside of sign districts was addressed by the City Planning Commission in its action, dated January 12, 2016, which disapproved allowing off-site signs outside of sign districts, but left the door open to further study of the prospect of allowing off-site signs on publicly-owned property outside of sign districts.

Your Committee requested additional information in order to evaluate regulatory tool options and revenue benefits related to allowing off-site signs outside of sign districts. The following information is in response to your Committee's April 19, 2016 instructions:

Issue #1 - Off-site sign regulations to minimize impacts to residential areas:

Off-Site Signs outside of Sign Districts

Off-site signs can be divided into two categories: digital and non-digital (static). Digital signs contain electronic displays with content that can be changed remotely. Compared to non-digital signs, digital signs permit a rotation of commercial messages, and are more flexible in their operation and maintenance. Consequently, digital signs generate significantly more revenue than their static counterparts. Though proponents contend that digital signs are more aesthetic, they nevertheless generate additional light pollution and have a higher potential for creating traffic hazards. Because of their added impacts, more restrictive land use regulations than those applied to static signs would be appropriate if digital signs are considered for locations outside sign districts.

Currently, the Zoning Code prohibits off-site signs, whether digital or nondigital, unless specifically permitted pursuant to a relocation or development agreement, Specific Plan, or a sign district. All versions of the proposed sign ordinance allow off-site signs only when specifically permitted within a **Tier 1 Sign District** (large districts that are at least 15 acres or 5,000 linear feet of street frontage, except in the Greater Downtown Housing Incentive Area where they can be 2,640 linear feet of street frontage) and can be located only in areas designated as “Regional Center” or “Regional Commercial” (R5 of C Zones); or a **Tier 2 Sign District** (smaller districts that are at least 5 acres or 100,000 square feet of non-residential floor area if not in a Regional Center, or 3 acres or 50,000 square feet of non-residential floor area if in an area designated as “Regional Center” or “Regional Commercial”), but can be located in most parts of the City.

The following are options for land use regulations if off-site signs are allowed outside of sign districts:

Location

Limiting consideration of locations for off-site signs outside of sign districts may be linked to General Plan land use designations. The General Plan land use designation categories itemized below, for properties zoned C (Commercial), M (Industrial), or PF (Public Facilities), may be appropriate locations for off-site signs outside of sign districts.

- General /Highway Oriented Commercial - includes diverse strip retail, services, offices, and auto-oriented uses, and is generally zoned C2. Also included is some manufacturing, which is allowed in the Commercial Manufacturing Zone.
- Community Commercial - business areas serving surrounding neighborhoods.

- Regional Center Commercial - the focal point of regional commerce, identity, and activity serving multiple neighborhoods and communities.
- Industrial - areas for production of goods and related support businesses and services. Residential uses are prohibited.
- Public Facilities - public uses on publicly-owned property.

The following designations apply to more sensitive locations and represent options for where off-site signs likely would remain prohibited:

- Residential - no commercial or manufacturing uses permitted.
- Neighborhood/ Limited Commercial - business areas serving daily needs of surrounding residences.
- Historic Preservation Overlay Zones.
- Specific plan areas which prohibit off-site signs.
- Public parks.
- Civic buildings.

The locations of potential permitted land use categories are shown on accompanying maps, eliminated areas within a 500-foot radius from selected sensitive uses. Photos of aforementioned land use designations are also provided in order to illustrate typical development characteristics.

Distance from Sensitive Uses:

Another option for regulating off-site signs outside of sign districts would be to prohibit off-site signs within a buffer radius of sensitive uses, such as those listed below. Currently, the Zoning Code still contains pre-billboard ban restrictions for off-site signs (those having sign areas greater than 80 square feet) within 200 feet of a residentially zoned lot. The proposed ordinance prohibits off-site signs in a Tier 1 Sign District from being located within 500 feet of these sensitive uses:

- Residential zones.
- State or national parks.
- Ecological preserves.
- River Implementation Overlays.
- Scenic overlays.

A larger buffer radius for digital than for non-digital signs may be appropriate.

Current Standards

Notwithstanding the current ban of off-site signs outside of sign districts, there are existing Code provisions that regulate off-site signs. Generally, off-site signs are limited to 800 square feet in area and 42 feet in height, must be at least 8 feet above the ground and as previously mentioned, at least 200 feet from a residentially zoned lot (for sign areas greater than 80 square feet). They are also subject to spacing requirements. Those provisions are retained in all versions of the proposed ordinance in order to regulate legal, nonconforming signs as well as new off-site signs should the ban be lifted in the future. Provisions also regulate freeway exposure for all signs, including off-site signs. Generally, no signs are permitted within 2,000 feet of a freeway, unless the Department of Building and Safety determines that the sign will not be primarily viewed from a main traveled roadway of the freeway or an on- or off-ramp.

Additional Standards

In addition to the provisions that currently regulate off-site signs, the following additional provisions are important components to further reduce negative impacts:

- Tie any new off-site signage to the take-down of existing sign area. Sign reduction could be required to be less than, equal to, or greater than the sign reduction requirement within a Tier 1 Sign District. Per the proposed ordinance, sign reduction requirements for Tier 1 Sign Districts differ by version:
 - Version B requires that a new off-site sign be offset by a reduction of more than one square foot of existing off-site sign area, or more than two square feet of existing sign area if the new off-site sign has a digital display.
 - Version B+ requires a reduction of five square feet of existing off-site sign area, or more than 10 square feet of existing sign area if the new sign has a digital display.
- Consider a maximum number of relocations and off-site static and digital signs outside of sign districts.
- Caps could be allocated by the City's 7 Area Planning Commissions, 37 Community Plan Areas, or 15 Council Districts.
- Community benefits also may be provided as part of off-site static and digital signs outside of sign districts, selected from a menu. Possible items on the menu could include:
 - Streetscape improvements.
 - Public art programs.
 - Community public benefit programs.
 - Public transportation programs.

- Funding for safety-related maintenance or upgrades for transit-related services, including charter buses, dial-a-ride, or other public transit service.
- Funding for safety-related purchase, lease, or rental of transit-related equipment, including buses, trucks, transit shelters, or street furniture.
- Funding consultant studies, City staff costs, land acquisition, design or construction of sidewalks, curb improvements, speed humps, street resurfacing, traffic lane or pedestrian marking and signage, and beautification projects needed to improve conditions for users of the public right-of-way.
- Public safety, public service, and/or emergency messaging.
- Additional components for signs with digital displays outside of sign districts
 - Illumination/brightness standards should be consistent with developed for sign districts.
 - Hours of operation limits.
 - Restrictions on animation and refresh rates.
 - More restrictive spacing requirements (distance between signs) than for non-digital off-site signs.
 - More restrictive message frequency than in sign districts.

Policy Options: Private Property vs. City-Owned Property

As part of its recommendation to retain all prohibitions on off-site signage on private property outside of sign districts, the City Planning Commission recommended further analysis of the policy of permitting off-site signage on city property only. This policy discussion will continue. This section of the report seeks to identify land use regulations for consideration as part of such a policy.

Off-site signs could be permitted outside of sign districts in all locations meeting the above land use criteria, or could be limited to only those properties which are under City ownership.

Allowing off-site digital signs on City-owned properties has the potential of achieving take-down of many existing off-site signs citywide, as well generating a potential revenue source for the City. However, to date, no specific analysis has been presented detailing the legal basis, amounts and mechanisms for these revenues, if any. City-owned properties are numerous and varied, ranging from small random parcels used for placement of equipment to acres of public open and recreation space. An inventory of all City-owned properties would assist in identifying reasonable, potential City-owned locations for off-site digital signs. Parks, civic buildings, and other similar sites could be filtered out as unsuitable City-owned locations.

Off-site digital signs on City-owned property could be subject to the same standards as off-site digital signs on private property, including whatever buffer radius might be selected, to further filter suitable locations. However, since each of these signs would be allowed by an agreement pursuant to a City contract, site-specific standards could be negotiated on a case-by-case basis, with the citywide standards as a baseline.

Other Cities

Other cities, such as Sacramento and Chicago, have policies for digital signs on city-owned properties, summarized below, which can be further reviewed and employed as appropriate. In addition, West Hollywood is in the process of analyzing digital signage on city-owned property.

Sacramento:

In Sacramento, digital signs are allowed on city-owned properties adjacent to a freeway in any commercial zone or industrial zone (no more than six on each city-owned facility), with an agreement to fund public benefit projects.

Chicago:

In Chicago, City-owned digital off-site signs which sell advertising space are exempt from general zoning regulations and subject to special standards of size and height. Separation from existing signs, specific zones, waterways, public parks, lakefront protection districts, and designated major streets and roads is required.

West Hollywood:

West Hollywood has selected a city-owned property on the Sunset Strip as the location of “The Sunset Strip Spectacular Pilot Creative Off-Site Advertising Sign”, which is intended to be a “technologically advanced, engaging, one-of-a kind, billboard structure”. West Hollywood is currently evaluating proposals and, at this time, has selected four finalists.

Other Topics for Future Reports

The above discussion addresses potential land use control/regulation options that could be employed in conjunction with allowing off-site signs, both digital and nondigital, on properties outside of sign districts. These options could be set as “by-right” development standards with which a proposed off-site sign must comply.

Other topics to address in future reports include the following:

- **Process**

Further analysis will be required to address how off-site signs outside of sign districts could be allowed. They could be allowed “by right”, as a use limited by compliance with certain performance standards, or as part of a discretionary approval by the Planning Department. An open ended discretionary approval process that allows exceeding any “by right” standards that may be developed is not recommended.

- **Digital Displays on Facades and Rooftops of Historic Buildings within Existing Sign Districts**

Version A of the proposed ordinance includes a provision which would allow digital displays on facades of historic buildings if authorized by the Director of Planning. The provision was disapproved by the City Planning Commission. However, the PLUM Committee indicated a desire to revisit this item and consider allowing digital displays on rooftops as well.

- **Pre-1986 Mural Signs**

Version A of the proposed ordinance includes a provision which would allow the copy on certain pre-1986 mural signs to be changed using a vinyl material approved by the Department of Building and Safety that is affixed to the existing wall. The provisions was disapproved by the City Planning Commission. However, the PLUM Committee indicated the possibility of revisiting this item.

- **On-Site Digital Signs outside of Sign Districts**

Allowing on-site digital signs outside of sign districts poses unique challenges. As part of a citywide digital sign policy, digital sign controls are required for both off-site and on-site digital signs. The draft sign ordinance as approved by the City Planning Commission prohibits both on-site and off-site digital signs outside of sign districts. As with any new off-site digital sign program, neighborhood protections are required for on-site digital signage as well. It is inherently difficult to visually distinguish a digital on-site sign that advertises a myriad of products sold on the premises from an off-site sign. The lure of significant advertising revenue could serve as an incentive for business owners to take full advantage of on-site digital signage, resulting in a proliferation of digital signs citywide. The retention of strong land use controls may be required to curb the signage and/or lessen its aesthetic and traffic safety impacts.

Issue #2 CAO to provide revenue analysis that includes the amount of fees collected Citywide from all existing billboards signs in recent years and broken down to annual and per sign averages:

Currently, business taxes on gross receipts (gross receipts) are the City's only on-going unrestricted source of revenue from companies that rent and place media on the billboards or the property owners charging rent for the billboards on their property. Companies that rent and place media on the billboards are taxed at a rate of \$3.56 per thousand. Property owners charging rent for the billboards on their property taxed at a rate of \$1.27 per thousand. Plan check, inspection, and Off-Site Sign Periodic Inspection Program (OSSPIP) fees collected by the Department of Building and Safety (DBS) only recover the costs of providing these special services. Modifications to the City's sign/billboard ordinances that exclude community benefits or revenue-sharing will not significantly impact the City's revenue.

Billboard rates vary throughout the City based on location, number of panels, in-market impressions, reach, and frequency. Based on these factors, each billboard is assigned a Gross Rating Point (GRP) or Total Rating Point (TRP). These terms refer to the total number of circulation or impressions delivered by a media schedule expressed as a percentage of a market population. GRP levels are expressed on a daily, weekly or monthly basis. GRPs are typically calculated in one of two ways: 1) Percent Reach x Average Frequency within a campaign period and 2) Total circulation (impressions) within a campaign period / base population x 100.

The four-week total rate for a billboard in Los Angeles ranges from \$138,000 to \$1,008,000. Major sporting events, award shows, or holidays may add additional premiums to these rates. Based on the billboard data provided by the Department of Building and Safety, the Office of Finance was able to provide the aggregate reported gross receipts from companies that rent billboards and place media on the billboards for the prior three years. The gross receipts ranged from \$164.8 million to \$196.3 million which generated between \$580,000 to \$700,000 per year in revenue for the City. Accurate per sign averages are not available because business tax gross receipts and payment data is confidential, therefore, specific location or taxpayer information cannot be released pursuant to the Municipal Code's Business Tax provisions. Furthermore, providing an aggregate per sign average based on the number of signs currently paying the gross receipts tax does not account for location, number of impressions, number of faces/panels, or other factor that may influence the rate. The rate for a single-faced static sign in Sylmar is unlikely to be the same rate as a similarly sized single-faced static sign in Hollywood.

Revenue Generation in Other Cities:

The information below provides revenue generation examples for some of the other cities mentioned in this report.

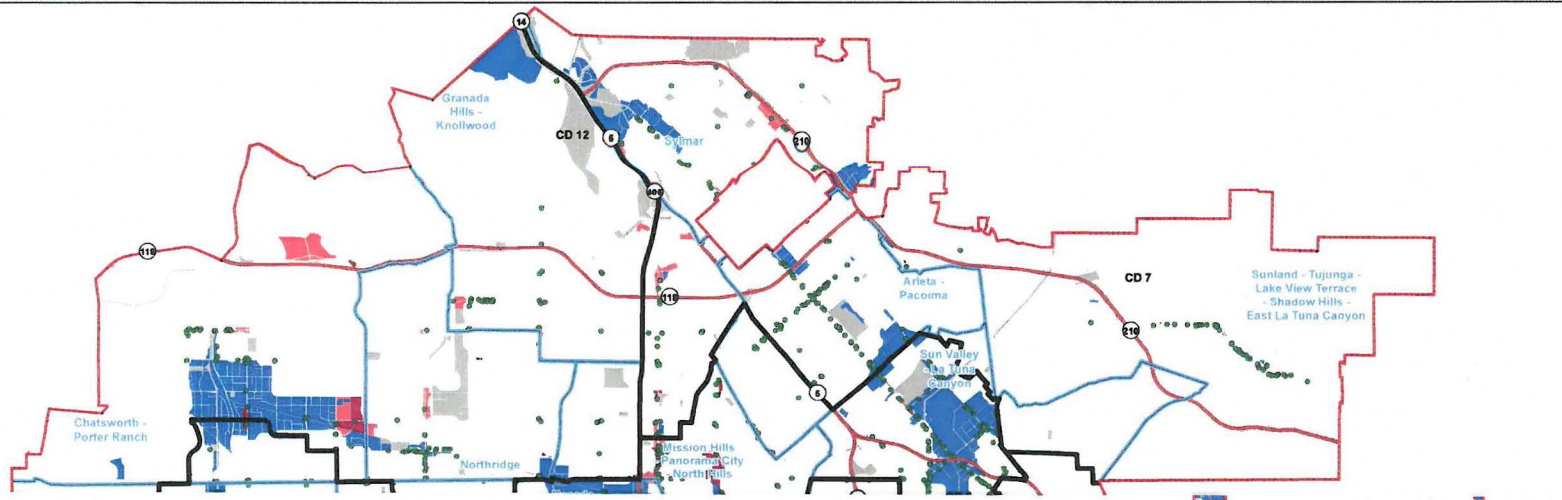
- **West Hollywood, CA** – Generates \$136,500/year.
- **Fresno, CA** – Revenue sharing agreements will generate a minimum of \$4 million over the next 10 years in lease payments, including a one-time “signing bonus” of \$325,000.
- **Glendale, CA** – Allows limited use of digital billboard signs with revenue sharing of 12-15%.
- **Sacramento, CA** – Billboard permits generate \$360,000/year. Information on the value of associated community benefits are not readily available.
- **Chicago, IL** – Over 1,300 registered billboards provide approximately \$1 million in revenue to the City in fees and fines. The Chicago Digital Network, which represents 34 sites along the City’s expressways, brought in over \$15 million in 2013 and is projected to bring in more than \$155 million over the life of the 20-year contract.

As requested, this report provides options relative to land use controls/regulations for off-site signs outside of sign districts, revenue analysis that includes the amount of fees collected Citywide from all existing billboards signs in recent years, and revenue figures for what other cities collect annually and the mechanisms they employ.

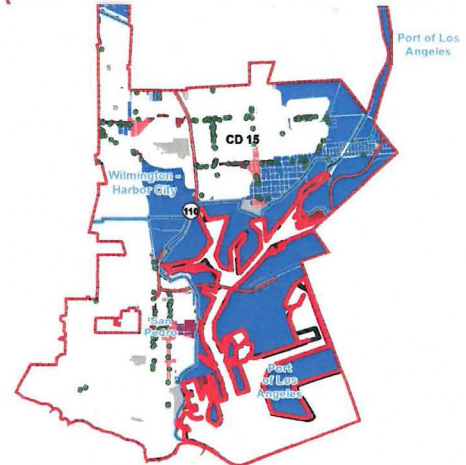
If we can be of further assistance, please let us know.

Attachments:

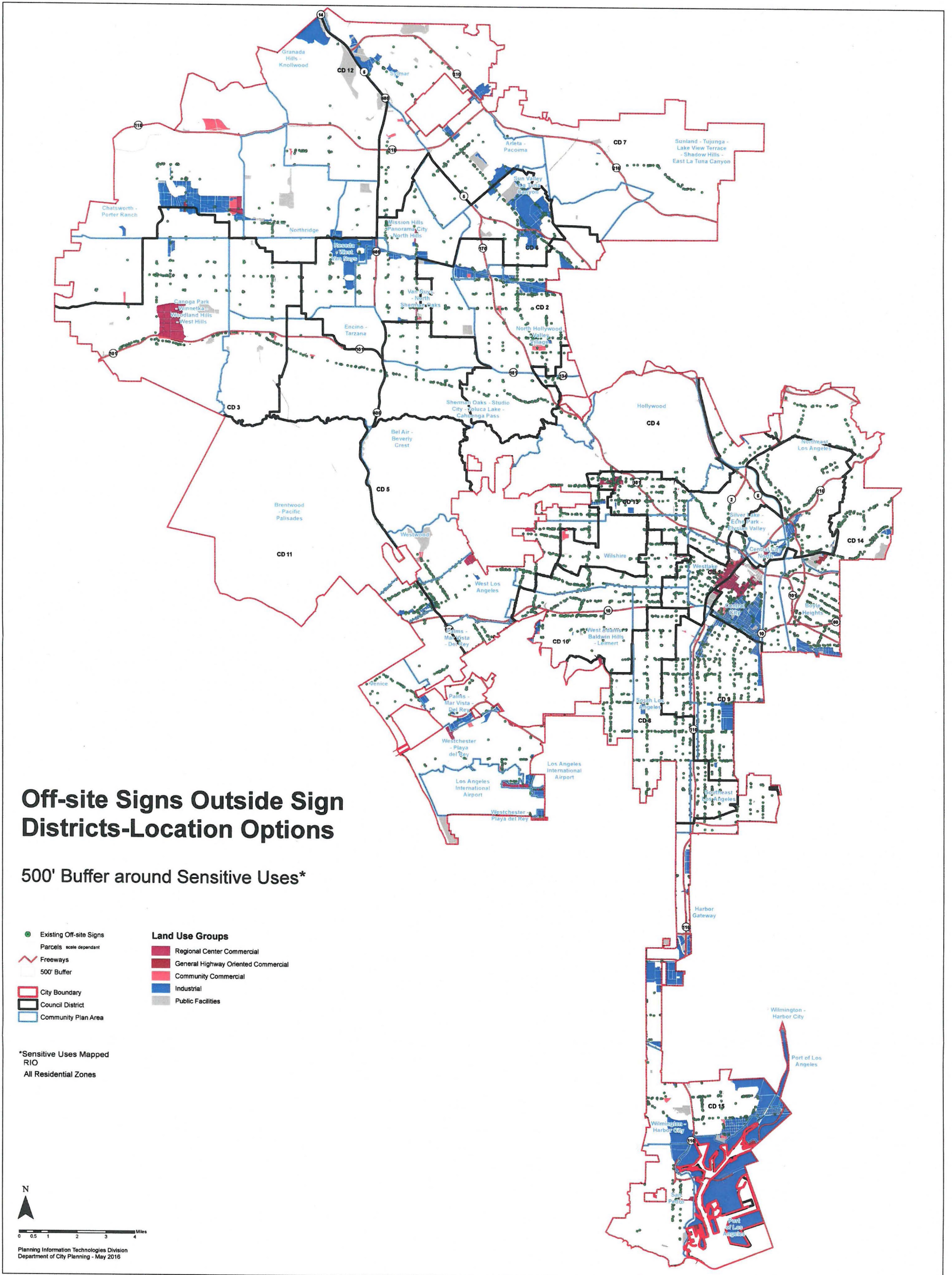
1. map of location options - 500’ from all R zones
2. map of location options - 500’ from single-family zones
3. photos of typical land uses (12 photographs)



*Sensitive Uses Mapped
 RIO
 Single Family Zones



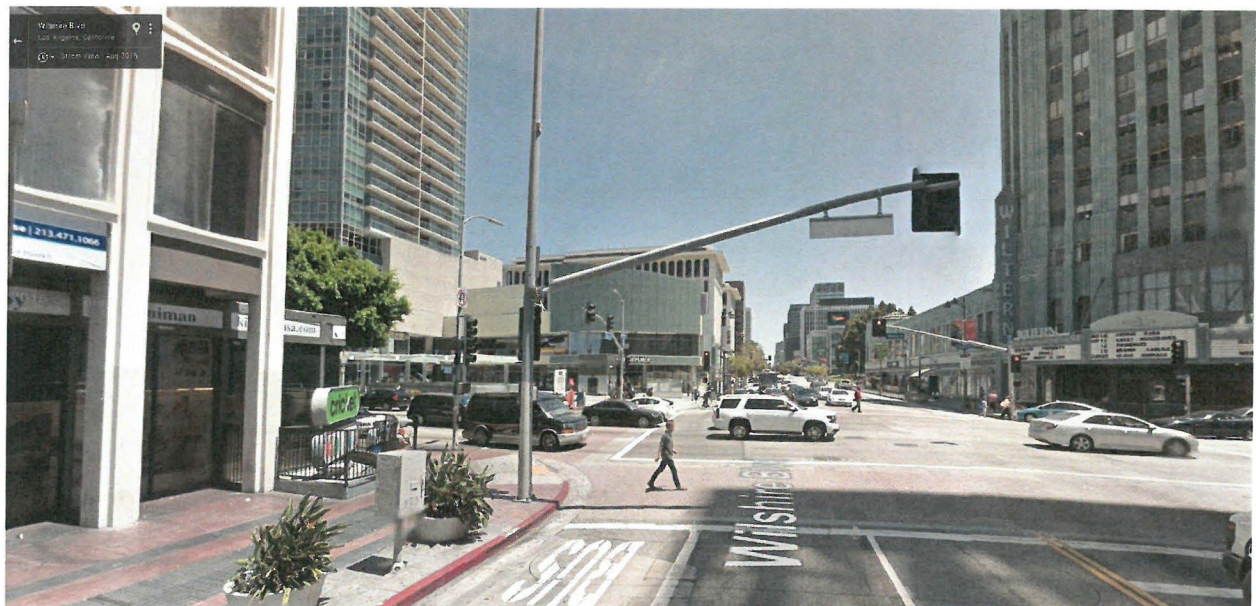
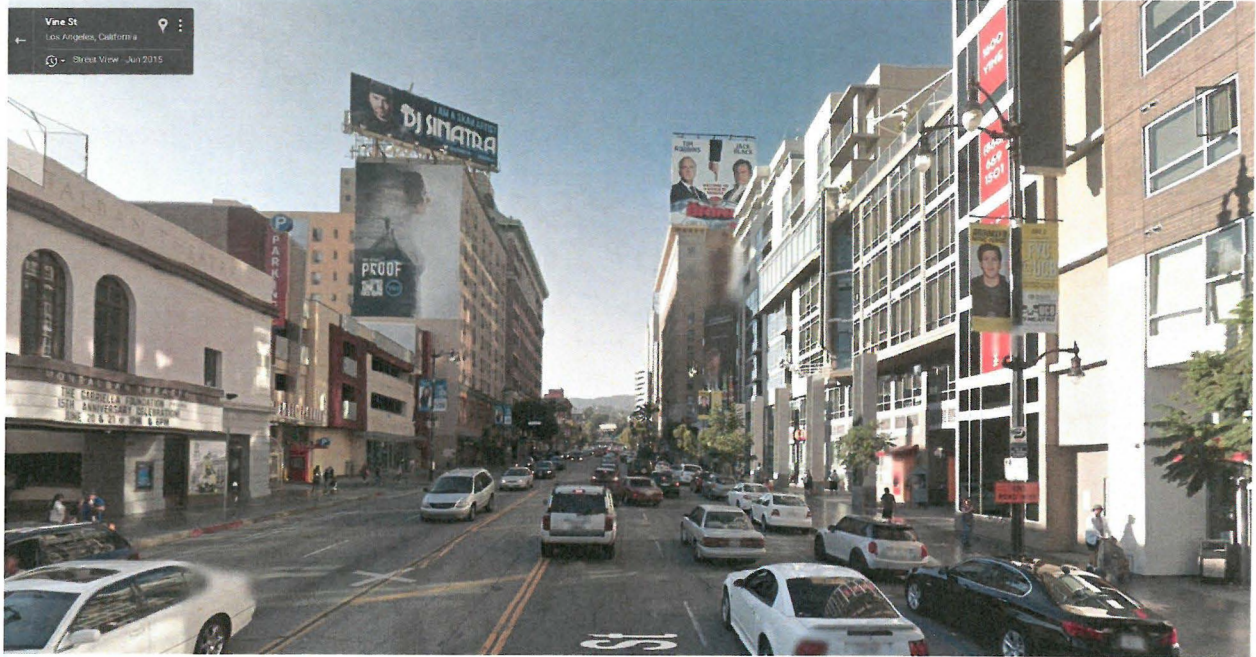
Planning Information Technologies Division
 Department of City Planning - May 2016



Public Facilities



Regional Commercial



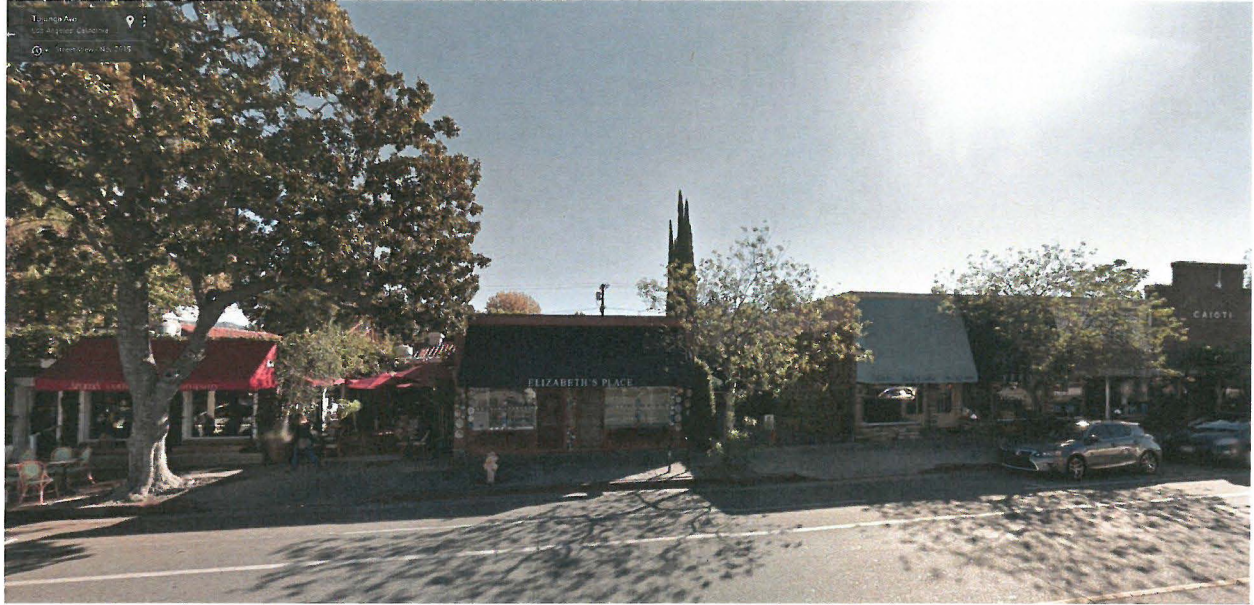
General/Highway Oriented Commercial



Community Commercial



Neighborhood Commercial



Industrial

