

## TRANSMITTAL

TO Council	DATE  01-05-18	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 4

At its Special meeting held on December 21, 2017, the Municipal Facilities Committee adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize GSD to negotiate and execute a new billboard lease between the City and the Lamar Companies for City-owned property located at 1901 North Highland Avenue. The new lease will replace an original lease that has operated on a month-to-month basis since its execution on December 1, 1974. The new lease agreement includes provisions to ensure the appropriate rental increase would apply for conversion to a digital sign, if permitted, based on the final policy adopted by the City for offsite digital signs (CF11-1705). The General Fund will receive annual rental revenues at a base rate of \$2,520, with three percent annual escalations.



Richard H. Llewellyn, Jr.  
Interim City Administrative Officer  
Chair, Municipal Facilities Committee

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ERIC GARCETTI  
MAYOR

December 21, 2017

Honorable City Council  
City of Los Angeles  
c/o City Clerk  
Room 395, City Hall  
Los Angeles, CA 90012

Attention: John White, Legislative Assistant

**REQUEST FOR AUTHORIZATION TO NEGOTIATE AND  
EXECUTE A NEW LEASE AGREEMENT WITH THE LAMAR COMPANIES**

The Department of General Services (GSD) requests authority to negotiate and execute a new lease with The Lamar Companies (LAMAR) for a single-faced junior poster sign located on City-owned vacant property at the intersection of Highland and Franklin Avenues.

**BACKGROUND**

The property is located at 1901 North Highland Avenue, Los Angeles, California 90068. Two billboard signs owned by LAMAR and Clear Channel Outdoor, Inc. (CCO) sit on the property. The property is located in a tourist area with major attractions, shopping and entertainment venues. The 101 Freeway is easily accessible via two access points within one-half mile of the property along Highland to the north and Franklin to the east. The property sits outside of the Hollywood Signage Supplemental Use District and the Community Redevelopment Agency Hollywood Redevelopment Area. Therefore, the use of the signs for off-premise advertising is considered to be a legal non-conforming use of the property.



LAMAR has a ground lease on which they own and operate a single faced 10' x 7' illuminated junior poster, marketed as a "City Lights" panel. The sign is lighted and supported by a steel post and is in good to fair condition. The sign face is parallel to Highland and perpendicular to Franklin. The sign has good visibility and read time to westbound traffic on Franklin turning either north or south onto Highland. The weekly Traffic Audit Bureau (TAB) Eyes On Impressions (EOI) for the sign is 163,286.

There are a number of billboards located in the immediate vicinity including the double-sided CCO billboard on the property, a larger south facing bulletin and a double-faced junior poster on the adjoining property to the north. To the south of the site on Highland Avenue there are multiple large format signs known as bulletins, wallscapes and spectaculars; bulletins are the largest and among the most impactful standard sized media formats; wallscapes are elaborate ads that are either painted or attached directly to exterior building surfaces; spectaculars are unique advertising structures and solutions that are erected in mass consumer locations such as Times Square and Atlantic City. These signs are considered to be higher quality due to their larger size than the LAMAR poster.

A short term renewal of this lease is recommended. Council District 4 (CD 4) staff has advised that two projects are planned for the site commencing within a three to six year timeline. The first, to enhance traffic flow, is a road widening project of Highland Avenue where 12 feet of frontage would be taken from the sidewalk extending into the lot. The second project is to convert the lot into a cul-de-sac that would further enhance the Franklin and Highland intersections. Both projects will render this on-site billboard to be unusable as it will have to be removed for either project. CD 4 advises that funding has not yet been secured for either project so that lease renewal needs to contain flexible terms for extension and termination.

The term proposed to LAMAR is for a month-to-month rolling renewable lease with a termination clause of not more than 30 days available to both the City of Los Angeles (City) and LAMAR. The lease would contain a provision requiring LAMAR to vacate and remove the billboard structure at their cost upon termination of the lease. Renewing the lease will allow the City to continue to generate revenue and establish a provision that ensures the City captures site remediation costs specifically related to the billboard structure.

LAMAR's original lease agreement began on December 1, 1974 and is a month-to-month term. This lease does not expire unless a 30-day notice is given by the lessor. There has not been a renewal or renegotiation of the original terms and conditions since its inception. The current lease rate is \$30/month (\$360/year).

As part of the appraisal process to determine a new rental rate for these billboards, the net advertising income generated by the sign faces during the last three years is as follows:

<b>Year</b>	<b>Occupancy Rate</b>	<b>12 Month Advertising Income</b>
2014	100 percent	\$6,900
2015	100 percent	\$7,550
2016	96 percent	\$8,600
2017	100 percent	\$8,950
<b>Three Year Average</b>		<b>\$8,367</b>

According to the General Manager of LAMAR's Los Angeles Market office, during the last three years, the face has been sold to only two advertisers under long term contracts. It is currently sold out through the end of 2017.

BILLBOARD ORDINANCE

Due to the location of the billboard, the current ordinance prohibits alterations, enlargements, and conversion to a digital display of legally existing off-site signs. The Department of City Planning advises a proposed revision to the existing Billboard Ordinance is being developed to allow for digital conversion. If the proposed revision is approved and this billboard becomes eligible for digital conversion, GSD will initiate a lease amendment at fair market value and bring the proposed amendment back for Municipal Facilities Committee, Council and Mayor approval.

MARKET ANALYSIS

GSD ordered an appraisal review for LAMAR's single-sided billboard on the property in August 2017. Based on the market data, the standard advertising industry ground lease rate is 30 percent of the three year average revenue generated by each billboard face. Applying the 30 percent rate to LAMAR's three year average advertising revenue of \$8,367 resulted in an annual lease income of \$2,520 (\$210/month). [ $\$8,367 \times .03 = \$2,520$ ]. This increase represents an over 600 percent increase over the current rate.

The proposed lease agreement will contain the following:

TERMS AND CONDITIONS

LOCATION:	1901 N. Highland Ave
LANDLORD:	City of Los Angeles
TENANT:	The Lamar Companies
USE:	Single-sided billboard
SQUARE FEET:	N/A
TERM	Month-To-Month
OPTION TERM:	N/A
RENTAL RATE:	\$210/month (\$2,520/year)
ESCALATIONS:	3% annually increases on lease anniversary date.
ADDITIONAL RENT:	N/A
HOLDOVER OPTION:	N/A
SECURITY DEPOSIT:	No security deposit required.
UTILITIES:	All utilities will be paid by tenant and separately metered.
TENANT IMPROVEMENTS:	Any Tenant Improvements will be at the sole cost of the tenant.
MAINTENANCE:	All maintenance, custodial & utility costs are the tenant's responsibility.

**TERMINATION:** 30-day termination by either party requiring lessee to vacate and remove billboard structure at the lessee's sole costs.

**DIGITAL CONVERSION OPTION:** Pursuant to any changes and/or updates to the City's Billboard Ordinance allowing static billboard conversion to digital billboard, the City will consider an amendment to the lease, subject to Council approval, converting the monthly rental rate to a fair market value digital billboard rate(s).

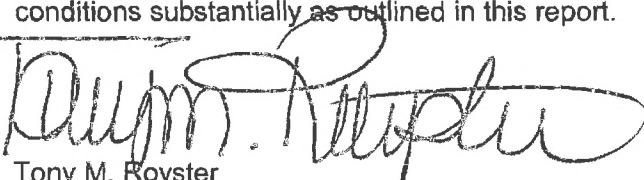
Under the current lease terms, the tenant pays an annual rent of \$360 (\$30/month).

FISCAL IMPACT

The annual base revenue generated to the General Fund from this billboard will be \$2,520 (\$210/month). This results in an initial annual increase of \$2,160 over the current lease.

RECOMMENDATION

That the Los Angeles City Council authorizes the Department of General Services to execute a new lease agreement with The Lamar Companies to operate a single-sided advertising billboard located at 1901 North Highland Ave, Los Angeles, California 90068 under the terms and conditions substantially as outlined in this report.



Tony M. Royster  
General Manager