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October 10, 2013

Council of the City of Los Angeles
Planning and Land Use Management (PLUM) Committee
200 North Spring Street
Los Angeles, CA 90012

Re: **Report on Citywide Sign Ordinance and Digital Off-Site Signage Options**
Council File 08-2020, 11-1705, 11-1705-S1

Honorable Members of the Planning and Land Use Management (PLUM) Committee,
Councilmembers Jose Huizar, Gilbert A. Cedillo, and Mitchell Englander:

On March 26, 2013, PLUM directed the Department of City Planning to report back on possible alternatives to permit the location of digital billboards outside of Sign Districts. The Department has reviewed the input gathered through the City's Billboard and Visual Landscape Visioning Group, and has consulted with the Office of the City Attorney and with several other cities that have adopted programs that allow digital billboards in exchange for removal of existing billboards and/or revenue sharing to fund City services.

This report outlines three policy options for the regulation of digital billboards outside of Sign Districts. Depending on the direction provided by PLUM and the City Council, this report further provides a plan for the establishment of a dedicated Sign Unit, which would further explore these options. The Sign Unit would work with stakeholders and City departments, study the digital billboard programs of other cities, draft any resulting policy or legislation and oversee its implementation. This report further describes the proposed citywide sign ordinance, which provides a regulatory context for any new digital billboard program by setting forth several critical legal and policy updates to the current sign regulations.

This report is presented in conjunction with the Office of the City Attorney's revised draft of the proposed citywide sign ordinance, because the two documents are closely linked. The proposed sign ordinance will provide a long-awaited overhaul of the city's sign regulations. In particular, the ordinance will bring the City's handling of Sign Districts (and within them, digital off-site signs) into line with court rulings. In recent years, the City has spent a great deal of money defending itself against sign litigation, which threatened to invalidate the city's off-site sign ban as well as its sign regulations as a whole. Having prevailed in some key decisions, the City may continue to allow off-site signs as exceptions to the citywide ban, but only through a limited number of strictly controlled Sign Districts.

The ordinance presents a solid foundation from a legal as well as a policy standpoint, allowing off-site signs principally Downtown and in other regional commercial centers where they are the most appropriate, and keeping them away from single-family neighborhoods. Upon this

foundation, further programs may be considered that maintain and support the legal defensibility and sound policy set forth by the citywide ordinance.

Citywide Sign Ordinance

The first fundamental building block of the current regulatory system for off-site signs in Los Angeles was the citywide ban on off-site signs, enacted in 2002. After a series of court battles, the ability of the City to grant limited exceptions to that ban has been affirmed. However, the courts have clarified that there must be strict protection of the First Amendment rights of all sign owners, which means that the City's sign regulations can only regulate "time, place and manner" of signage display, rather than regulating the content of a sign's message.

It also means that exceptions to the ban cannot continue to be granted "willy-nilly", to use the words of the court. There must be clear, objective standards that govern where Sign Districts can be located, as well as clear, objective requirements for how they are reviewed and approved. In addition, the proposed sign ordinance's rules on the size and location of Sign Districts are designed to limit their proliferation. Under today's sign code, virtually the entire City could be converted into Sign Districts, which might cause the courts to question the validity of the City's ban in the first place. The proposed restrictions limiting new Sign Districts to a small number of designated areas make sure that what is intended to be a limited exception does not swallow the general rule, that off-site advertising is banned.

In response to the numerous lawsuits challenging the City's off-site sign ban, PLUM has spent the last four years working with the Department of City Planning, Office of the City Attorney, and Department of Building and Safety to revise the City's rules governing signage, including off-site signs and Sign Districts. Before this revision, the city's sign code had not been comprehensively re-written since 1986.

The proposed citywide sign ordinance would allow new digital and static billboards only in Sign Districts, which would be located in the downtown area and regionally significant commercial centers. Each new Sign District would have to be legislatively adopted, with its own environmental review and analysis, public engagement, consideration by the City Planning Commission, adoption by the Council, and approval by the Mayor.

In exchange for the right to put up new billboards, the proposed ordinance requires public benefits, such as the removal of existing billboards and, in some cases, the provision of community beautification measures. Furthermore, new Sign Districts would have to comply with specific standards (including limitations on sign brightness) intended to protect residential neighborhoods, scenic highways, state and national parks, and the Los Angeles River. Finally, the ordinance ensures its own enforceability through tough new administrative civil penalties that may be imposed on sign companies that violate the off-site sign regulations.

Once the new citywide sign ordinance is adopted, further programs and/or regulations may be developed that build upon its legal and policy foundation. One such potential program could involve digital billboards, technically referred to as digital off-site signs, in locations outside of Sign Districts. The Planning Department has begun to look into the potential options, with input from the Billboard and Visual Landscape Visioning Group, a gathering of key stakeholders formed at the direction of PLUM this past spring.

Billboard and Visual Landscape Visioning Group

This Visioning Group convened three times from February to March 2013, and was composed of approximately forty stakeholders representing a diverse range of viewpoints on off-site sign issues. Recognizing that off-site signs have been a polarizing issue in Los Angeles, Planning staff ensured that roughly equal proportions of people were invited to represent neighborhood perspectives from throughout the city, as well as business and sign industry perspectives. Representatives with design perspectives were also included. The purpose of the Visioning Group was to consider the issue of digital billboards in Los Angeles, whether they should be allowed outside of Sign Districts, and what form such a policy could take. The Planning Department contracted with an experienced consultant, KH Consulting Group, to facilitate the Group's meetings and synthesize the input, which KH presented to PLUM on March 26, 2013.

The overall conclusion that KH and staff drew from the Group's meetings was that the issue of digital off-site signs in Los Angeles continues to be a complex and highly polarized issue, and that development of any digital billboard program outside of Sign Districts would require considerable outreach, research, and coordination to work out the details. Numerous ideas and perspectives were raised at the Group's meetings that warrant further exploration by a dedicated Sign Unit. There was also substantial disagreement among the Group members as to whether digital off-site signs should be allowed outside of Sign Districts at all.

Drawing from input from the Visioning Group as well as its initial research on other cities, the Department has identified three basic policy options, as discussed below.

Digital Off-Site Signs: Three Policy Options

There are three possible policy directions for digital off-site signage outside of Sign Districts:

1. A continuation of the current regulatory system, in which digital billboards are allowed only within Sign Districts;
2. A "public option", in which digital billboards are allowed outside of Sign Districts only on publicly owned properties; and
3. A "public/private option", in which digital billboards are allowed outside of Sign Districts on both public and private properties.

Policy Option #1 – Current Regulatory System

The first option would maintain the basic structure of the current regulatory system, with amendments per the proposed citywide sign ordinance after it is adopted by the City Council. The citywide ban on all billboards would remain in effect, with new billboards only allowed within a limited number of Sign Districts. Billboards would remain in existing Sign Districts, principally in downtown and Hollywood; while the proposed citywide sign ordinance would further restrict new Sign Districts to the city's major hubs of commerce and transport, including regional centers, LAX, and the Port of Los Angeles. The existing City program allowing non-digital off-site signage on street furniture would also remain.

This option is favored by some community groups and members of the public, who are opposed to any new off-site signage (particularly digital off-site signage) outside of Sign Districts. This

option would also create a relatively low level of environmental impact, in terms of aesthetics, traffic safety and other considerations, compared to the other two options.

On the downside, this option would not enable the City to maximize the benefits of removing existing off-site signs and obtaining other public benefits, including revenue sharing to fund City services, which could be made possible by allowing new digital off-site signs outside of Sign Districts.

Policy Option #2 – The Public Option

Option 2 would allow new Digital Public Message Boards that display a certain amount of off-site advertising outside of Sign Districts on publicly owned land only, specifically land under the control of the City of Los Angeles. This option presents several advantages for the City. As the owner of the property where the Digital Public Message Boards would be placed, the City would have a certain amount of leverage as the “landlord” to negotiate community benefits and revenue sharing arrangements that would be most advantageous to the City.

Community benefits could include removal of existing off-site signs, where a larger amount of existing signage would be removed than new signage would be constructed. Currently, there are almost 6,000 off-site signs throughout the City, and the vast majority cannot be removed without providing “just compensation” to the sign owner, according to state law. Other community benefits intended to reduce blight, beautify neighborhoods, and improve traffic safety could also be favorably negotiated.

Policy Option #3 – The Public/Private Option

Option 3 would allow new digital billboards outside of Sign Districts on both publicly owned and privately owned properties. This option would include a greater number of properties for consideration as sites for digital off-site signs, and thus may create a greater potential for revenue and community benefits to the City, if the City can exert sufficient influence over the sign agreement negotiation process to garner such benefits.

On the downside, the City’s control over the digital signage sites on private property would be less than under Option 2. It may thus be a more complex process for the City to negotiate favorable terms for sign reduction, community benefits and/or revenue sharing. It may also be more difficult for the City to reach favorable agreements on public service and emergency announcements, and ensure that such agreements are followed.

Another potential downside of Option 3 is that the greater number of potential sites could lead to a greater proliferation of digital off-site signs throughout the City. This could potentially increase the impacts on aesthetics, traffic safety, and other concerns that have been frequently raised by community members and groups, and might further lead to legal challenges that could, as they have in the past, threaten to invalidate the City’s ban on off-site signs.

Legal Considerations

The Office of the City Attorney has advised that there are important legal considerations that should be taken into account, in regard to the three options outlined above. They will be submitting a confidential report to PLUM and the City Council shortly on this matter.

Discussion

The three policy options discussed above present an intriguing range of possibilities for Los Angeles, a city which contains one of the largest off-site sign markets in the world. The impact of any new digital off-site sign program would likely be far-reaching and long-lasting. The potential revenue figures could easily reach into the tens of millions of dollars or perhaps beyond, and the benefits in terms of existing off-site sign removal and other community benefits could be considerable. At the same time, allowing digital off-site signs outside of Sign Districts could potentially create significant impacts on the city's visual landscape as well as on driver safety. The potential benefits to the City, as well as the potential detriments, are substantial. The input received during meetings of the City's Billboard and Visual Landscape Visioning Group highlighted this polarity of perspectives and considerations.

Such a potentially significant program should be considered carefully by City staff as well as by stakeholders. If directed by PLUM and the City Council, the Planning Department can prepare to launch a new Sign Unit, discussed in detail starting on page 7. A dedicated Sign Unit could give this matter the time and attention it requires, and develop any new regulations or policies.

Any endeavor to develop a digital billboard program for the City of Los Angeles must consider the lessons already learned by other cities that have undertaken such programs. The next section contains a summary of the Department's initial research on these other cities.

The Experience of Other Cities

A number of other cities have implemented programs that allow digital off-site signage, either through a reduction in existing off-site signage, payments to or revenue sharing with the City, or a combination of the two. Two of the cities, Chicago and Sacramento, have implemented programs that limit new digital billboards to City property, with robust revenue sharing provisions. Other notable program features of other cities include pilot programs, a lottery system to allocate sign locations to applicants, and a variety of restrictions on location, size and spacing. Key features of digital billboard programs from seven cities are outlined below.

Chicago

- Up to 60 digital sign faces at 34 locations are allowed on City property, principally along expressways (pending state approval). One sign company consortium was selected to operate the network.
- One out of every eight sign messages must contain a public service announcement. During emergencies, the City may take full control of the network to broadcast public messages.
- Fees guaranteed to the City will be \$15 million in 2013 and \$155 million over the life of the 20-year contract.
- The City's share of revenue is on a sliding scale of 30% to 50%. For projected total sign revenue of \$663 million over 20 years, the City would get \$276 million (42%).
- Over time, the City pays back construction costs of \$41.8 million.

- No take-down of existing billboards or other mandatory community benefits or beautification measures are required.

Sacramento

- Up to four digital billboards on City property facing freeways are allowed.
- The selected sign company (Clear Channel) must remove 17 existing, legal nonconforming billboards.
- The City will receive an initial payment of \$330,000 and then \$720,000 over five years.

San Antonio

- A one-year pilot program in 2008 allowed 15 digital off-site signs on private property. Thirteen were constructed.
- The required sign reduction ratio ranged from 2:1 to 4:1 for different types and sizes of signs. (For each new square foot of digital billboard sign area, two to four square feet of existing billboard sign area were required to be removed.)
- There was no revenue sharing component.
- Size and location restrictions included a maximum sign area of 672 square feet per face, minimum 2,000 foot spacing between billboards, no two billboards within the same line of sight, and other setback and location restrictions.

Dallas

- A sign reduction ratio of 6:1 was considered, but 3:1 was ultimately approved.
- Digital billboards may only be installed in existing billboard locations along freeways, and must be at least 1,000 feet from homes.
- Up to 100 digital billboard faces are allowed within 3 years.

Orlando

- A pilot program, adopted in 2010, allows new off-site signs along freeways in industrial and commercial districts.
- The required sign reduction ratio is 4:1 in terms of sign area, and one sign panel must be removed for each sign panel constructed.
- There is no revenue sharing component.

Oakland

- A 2009 ordinance allowed three new digital billboard faces on private property along freeways.

- A sign company paid \$1 million to the City, which helped to fund community programs for the redevelopment of a military base.

Miami

- New program applies to mural signs, which include off-site signs displayed flat against blank building walls.
- In the 2007 pilot program, ten outdoor advertising companies were selected through a lottery to install murals at a total of 35 sites in certain commercial districts. Each paid an application fee of \$10,000 to \$30,000, and each mural incurs a monthly fee of \$1 per square foot.
- The pilot program was extended to run indefinitely, and further expansions are being considered.

There is much to be learned from the experiences of other cities, in terms of the programs they have adopted as well as the successes and challenges encountered in the implementation of those programs. This initial research on other cities indicates a potential wealth of information that should be delved into further by a new Sign Unit.

Sign Unit

If the City Council directs it, the Department of City Planning can launch a new Sign Unit as early as January 2014. The initial staffing of the Sign Unit would conduct policy work to analyze the option selected by Council, either Option #2 or #3. There is sufficient funding in the Department's current budget to launch the Sign Unit. The Sign Unit's initial mission would be to analyze the selected option and develop new proposed regulations governing digital off-site signs outside of Sign Districts.

Work in support of the Sign Unit's second main purpose, the review of individual Sign District applications, would commence after the Department receives sufficient funding for project review staff from application fees for requested Sign Districts.

The Sign Unit's policy work would begin with three dedicated staff and three contracted functions, which may be performed by up to three contractors. The staffing/contractual services, work program, and projected timeline of the Sign Unit are outlined below.

Staffing & Contractual Services

General Fund resources in the amount of \$400,000 would cover the staffing of the Sign Unit's policy work for the second half of Fiscal Year 2013-14. Since the Department only has funding to finance the Sign Unit for six months, continuation of the Sign Unit for the anticipated two to three years needed to complete this policy work program would require additional General Fund appropriations in subsequent Fiscal Years.

Sign Unit staffing would consist of three full-time staff as follows:

- 1 City Planner – to lead the research, outreach, coordination and development of a potential new program to allow digital off-site signs outside of Sign Districts.

- 1 City Planning Associate – to assist in the research, outreach, coordination and development of a potential new program to allow digital off-site signs outside of Sign Districts.
- 1 GIS Analyst – to conduct geographic analysis and create map products showing potential locations for new digital off-site signs, removal of existing off-site signs and/or provision of community benefits. Analysis will include sign locations, neighboring zones and uses, distances from sensitive uses, proximity to other off-site signs, etc.

The Department would also contract with consultants to perform two specialized tasks:

- *Environmental Impact Review* – to prepare the EIR that will be required for any new proposed ordinance that would allow digital off-site signs outside of Sign Districts. The EIR would include a traffic safety analysis.
- *Financial Analysis* – to analyze any potential revenue-sharing and/or community benefit agreement/s, to ensure that the City is getting the best deal possible that will provide maximum benefit to the City and its residents.

The allocation of funds among full-time staff and contractors may be somewhat fluid, depending on the bids of contractors and the actual extent of outreach and coordination required from full-time staff. The Department requests that some funding flexibility be built into the program, and that the City Council authorize the Department to transfer an appropriation of up to \$200,000 from Contractual Services to Salaries. After the first year, further funding for the Sign Unit in subsequent years would be included in the Department's annual General Fund budget requests.

An additional resource of the Sign Unit would be a re-assembled Billboard and Visual Landscape Visioning Group, previously brought together in February 2013 at PLUM's direction to provide City staff with a wide range of essential perspectives on the issue of digital off-site signs in Los Angeles. The Visioning Group includes a broad cross-section of interests on this topic, including the most vocal and involved neighborhood and community groups, billboard companies, business groups, design professionals, and other interested parties.

Work Program: Policy Work

The Sign Unit's policy work on off-site digital signs outside of Sign Districts would include the following tasks:

- Research and develop proposed legislation for digital off-site signs outside of Sign Districts. Work with the City Attorney's office; community and sign industry stakeholders; Neighborhood Councils; environmental, financial and sign agreement advisory consultants; and the Fire, Police and General Services Departments.
- With the help of consultants, perform all technical studies, site analysis and value assessment, and any necessary mapping. The consultant team would directly prepare the traffic safety analysis and Environmental Impact Report.
- In developing a proposed policy framework, consider the full range of public benefits, to include the following: take-down of existing, legally nonconforming billboards; community beautification measures including blight reduction and traffic safety; a public service

announcement program including a City override feature during public safety emergencies; and revenue sharing with the City of Los Angeles.

- In developing a proposed policy framework, develop a fair program that allows all sign companies to compete for digital off-site sign rights. Consider the development of an allocation formula to allow proportionate allocation of signage rights.
- Investigate the pros and cons of hiring a Sign Agreement Advisor, to act as the City's chief agent and negotiator to oversee establishment of any digital off-site sign program outside of Sign Districts. The Sign Agreement Advisor would draw upon specialized experience in similar sign programs to negotiate terms for sign take-downs and public benefits including community beautification, public service announcements, and revenue sharing on terms favorable to the City. The Sign Agreement Advisor would also supervise execution of contract terms as well as permitting and construction of new digital off-site signs outside of Sign Districts.
- Consider regulatory ideas brought up during the three meetings of the Billboard and Visual Landscape Visioning Group, including the consideration of economic need of a particular community or neighborhood when selecting sites for digital off-site signs with revenue sharing agreements.

In addition to the work on digital off-site signs described above, the Planning Department also recommends that the Sign Unit look into the question of how digital on-site signs should be regulated. Currently, these signs are allowed by-right with little regulation. Under the proposed citywide sign ordinance, digital on-site signs are subject to the same time, place and manner restrictions as digital off-site signs, but have no regulations specific to this sign type. Digital on-site signs employ similar technology as digital off-site signs, at a smaller scale but with potentially a more widespread impact, as they are allowed on any commercial property in the City.

Work Program: Sign District Application Review

Once staffing of this function is funded by application fees, the Sign Unit's application review work will include the following tasks:

- Provide centralized review of all Sign District applications, to include holding hearing officer hearings, conducting associated CEQA review, working with applicants and the public, and preparing staff reports for review by the City Planning Commission, PLUM Committee, and City Council.
- Utilize Sign Unit GIS staff to generate maps required for Sign District review and adoption, as well as for consideration of citywide digital signage issues and potential sites for digital signage location and off-site sign reduction. GIS Staff will also implement any adopted ordinance(s) into ZIMAS.

Timeline

The Sign Unit's policy work is expected to take roughly two to three years to complete. This is an appropriate amount of time to conduct adequate outreach, research, coordination and environmental review for a potentially groundbreaking new digital signage program. An estimated timeline of the Sign Unit's policy work projected over two years is as follows:

Year 1

Nov-Dec 2013	Interviews conducted, staff selections made
Jan 2014	Sign Unit launched with core full-time staff
Jan-Feb 2014	RFPs posted; consultant team interviewed and selected
Mar-Apr 2014	Integration of all new staff and consultants; research review; outreach planning; initial study for EIR
Apr 2014	Release Notice of Preparation for EIR
May-June 2014	First round of outreach meetings, including meeting with the Billboard and Visual Landscape Visioning Group
July-Aug 2014	Analysis of input from outreach meetings, further research, legal consultation, coordination with other City departments, and drafting of written analysis.
Aug 2014	Complete environmental studies and analysis of existing conditions
Sep 2014	Progress Report to PLUM
Oct-Dec 2014	Drafting of policy or regulatory language, incorporating direction from PLUM. Include input from additional stakeholder meetings, if requested.
Dec 2014	Publish Draft EIR

Year 2

Jan 2015	Present draft ordinance to CPC at public hearing
Jan-Feb 2015	Incorporate direction from CPC
Mar 2015	Respond to DEIR comments
Mar 2015	Approval from CPC
Apr 2015	Present draft ordinance to PLUM at public hearing
Apr-May 2015	Incorporate direction from PLUM
June 2015	Publish environmental Mitigation Monitoring Program
June 2015	Present revised ordinance to PLUM at public hearing
July-Aug 2015	City Attorney's Office reviews draft ordinance and EIR
Sep 2015	Release Final EIR
Sep 2015	Present revised ordinance to PLUM and City Council at public hearings
Sep-Oct 2015	Incorporate direction from Council
Nov 2015	Present revised ordinance to Council at public hearing
Dec 2015	Ordinance adopted

Following the initial two to three years of policy development work, at least one additional year will be required for the Sign Unit to oversee implementation of any adopted ordinance. A contracted Sign Agreement Advisor could be instrumental in managing the implementation of the ordinance, advising the City in its negotiation of agreements governing revenue sharing, sign reduction, and/or community benefits obtained with the approval of any new digital signage. Each of these agreements will also require a public review process and will likely also require legislative approval.

Recommendations

The Department recommends that PLUM take the following actions:

1. Approve the proposed citywide sign ordinance and associated environmental review, and forward both to the City Council for review;

2. Adopt this report;
3. After reviewing the forthcoming information from the Office of the City Attorney, select one of the three options presented in this report;
4. If Option #2 or #3 is selected:
 - a. support the launching of the new Sign Unit in January 2014, to further research and develop Council's selected policy option for digital signs outside of Sign Districts; and
 - b. authorize the Department to transfer up to \$200,000 from Account 3040 (Contractual Services) to Account 1010 (Salaries, General).

Conclusion

Now that the City has received favorable rulings in several court cases, the permitting of new off-site signs can be allowed in a controlled fashion within Sign Districts. The new citywide sign ordinance will establish this baseline for the legally defensible and well-reasoned placement of off-site signs in a way that encourages commercial vitality while protecting single-family neighborhoods and designated natural spaces. With this regulatory foundation in place, the further potential of digital off-site signs in Los Angeles may be considered, if PLUM and the City Council choose to do so. As with any major sign issues in the City, such a process can be expected to be neither quick nor easy, but the potential impacts to the City, both positive and negative, would warrant a thorough analysis and sufficient outreach. A Sign Unit composed of three dedicated policy staff, plus essential contracted support, would provide the depth of study needed to develop sound policy and regulations for any such program.

For further information, please contact me at (213)978-1272 or Daisy Mo of my staff at (213)978-1338.

Sincerely,

MICHAEL J. LOGRANDE
Director of Planning



ALAN BELL, AICP
Deputy Director of Planning