



Board Report

File #: 2015-1626, **File Type:** Agreement

Agenda Number: 18.

**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2016**

SUBJECT: BILLBOARD LICENSE AGREEMENT

ACTION: AUTHORIZE EXECUTION OF A BILLBOARD LICENSE AGREEMENT WITH CLEAR CHANNEL OUTDOOR

RECOMMENDATION

CONSIDER authorizing the Chief Executive Officer to execute a **thirty year (30-year) License Agreement with Clear Channel Outdoor (“CCO”) for the installation and operation of a digital outdoor advertising structure at Division 11** located at 1011 Carson Street in Long Beach at a minimum annual lease rate of \$120,000.

ISSUE

Allvision LLC (Allvision) and Metro staffs have negotiated a License Agreement with CCO to provide for the construction and operation of a digital billboard on Metro property at Division 11.

Approval of the License Agreement requires board approval.

DISCUSSION

On March 31, 1980, the Los Angeles County Transportation Commission, predecessor in interest to Metro, entered into a lease agreement with Patrick Media, Group, Inc., predecessor in interest to Clear Channel Outdoor (CCO), to provide for the construction, maintenance and operation of eight (8) billboard structures at Division 11 in Long Beach as shown on Attachment “A”. Because of the existence of high voltage catenary lines in the area where the billboards are physically located, CCO is only permitted access to the billboards to change ad copies and perform maintenance of the structures when power to the maintenance yard is turned off. This has resulted in disruptions to on-going rail operations at the maintenance facility.

The construction and operation of the proposed digital billboard will resolve the operational issues once the digital billboard has been installed and the eight existing structures are removed. Access to service the digital billboard area will be needed infrequently for maintenance and repairs since changes to ad copy are performed remotely. The new License provides for removal of the eight billboard structures within sixty days (60) of final execution of the License.

The proposed digital sign will be installed on a structure in the northern area of the 20-acre Project site adjacent to Interstate 710 as shown on Attachment “B”. The proposed sign includes two 48 feet wide by 14 feet tall displays mounted on a 48 foot tall pole with the overall height being 55 feet-above the adjacent grade. Operations staff has approved the location.

The City of Long Beach (City) has granted CCO a Conditional Use Permit for the billboard on the Project site in return for CCO agreeing to remove eleven (11) billboard structures throughout the City of Long Beach, containing 5,376 square feet of billboard panels. This includes the removal of six (6) of the eight (8) structures on Metro property containing 3,288 sq. ft. of billboard area and five (5) structures on private properties that were designated by the City containing 2,088 sq. ft. of billboard faces. The two remaining static panels will be converted into a two-sided digital structure.

Revenue Proposal

The term of the proposed License is thirty years. CCO will pay Metro twenty-two percent (22%) of the gross revenue that it receives from the sale of media on the digital billboard for the first year of the License term graduating to thirty-percent (30%) of the gross revenues by the beginning of the eleventh (11th) year. CCO will pay a minimum annual rental of One Hundred Twenty Thousand (\$120,000) Dollars, payable at \$10,000 per month. Under the existing license agreement, CCO pays Metro a fixed annual rent of Seventy-One Thousand Two Hundred Sixty-Eight (\$71,268) Dollars.

CCO has agreed to remove existing signs from both Metro and private property as part of their entitlement with the City and will be giving up existing revenue in order to make this program achievable. The proposed 30-year term is an industry standard and the proposed 22% revenue share for this transaction, which grows to 30% by the eleventh year, is considered market rent for similar digital billboard transactions on public property.

The License Agreement is expected to generate a minimum of \$4 million in new general fund revenue to Metro over the thirty-year term of the License Agreement. A summary of the proposed terms of the License Agreement is included in Attachment “C.”

DETERMINATION OF SAFETY IMPACT

This Project will improve safety because after the digital billboard has been installed, access to the area will only be needed infrequently for maintenance and repairs. The Billboard will be used to enhance safety by displaying Metro transit messages and emergency alerts.

FINANCIAL IMPACT

The License Agreement is expected to generate a minimum of \$4 million in new general fund revenue over the thirty-year term of the License Agreement.

Metro Board approved Board Motion 48.1 on September 26, 2013 (Attachment D), directing the CEO to preserve all revenues generated by digital billboard contracts for use by Metro Operations. As a first priority, this revenue is to be used for service improvements and enhancements within the corridor (sub region) where the billboard is located.

ALTERNATIVES CONSIDERED

The alternative is to not approve the License Agreement. This alternative is not recommended because the placement of the digital billboard will improve safety and eliminate disruptions to operations at the maintenance yard. The digital sign will be used to display Metro transit messages and safety alerts in addition to commercial advertising. The digital sign is also expected to produce a minimum of \$4 million in additional revenues over the term of the License Agreement.

NEXT STEPS

Finalize and execute a License with CCO, subject to County Counsel approval as to form. CCO constructs the billboards and begins advertising sales. The remaining process is expected to take approximately six (6) months.

ATTACHMENTS

Attachment A - Location of Existing Clear Channel Billboards

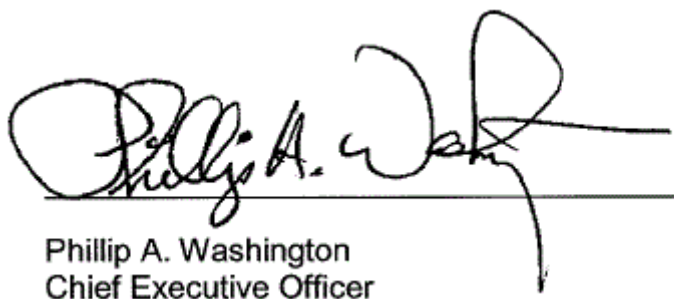
Attachment B - Location of New Digital Billboard Structure

Attachment C - Summary of License Agreement Key Terms

Attachment D - Board Motion 48.1

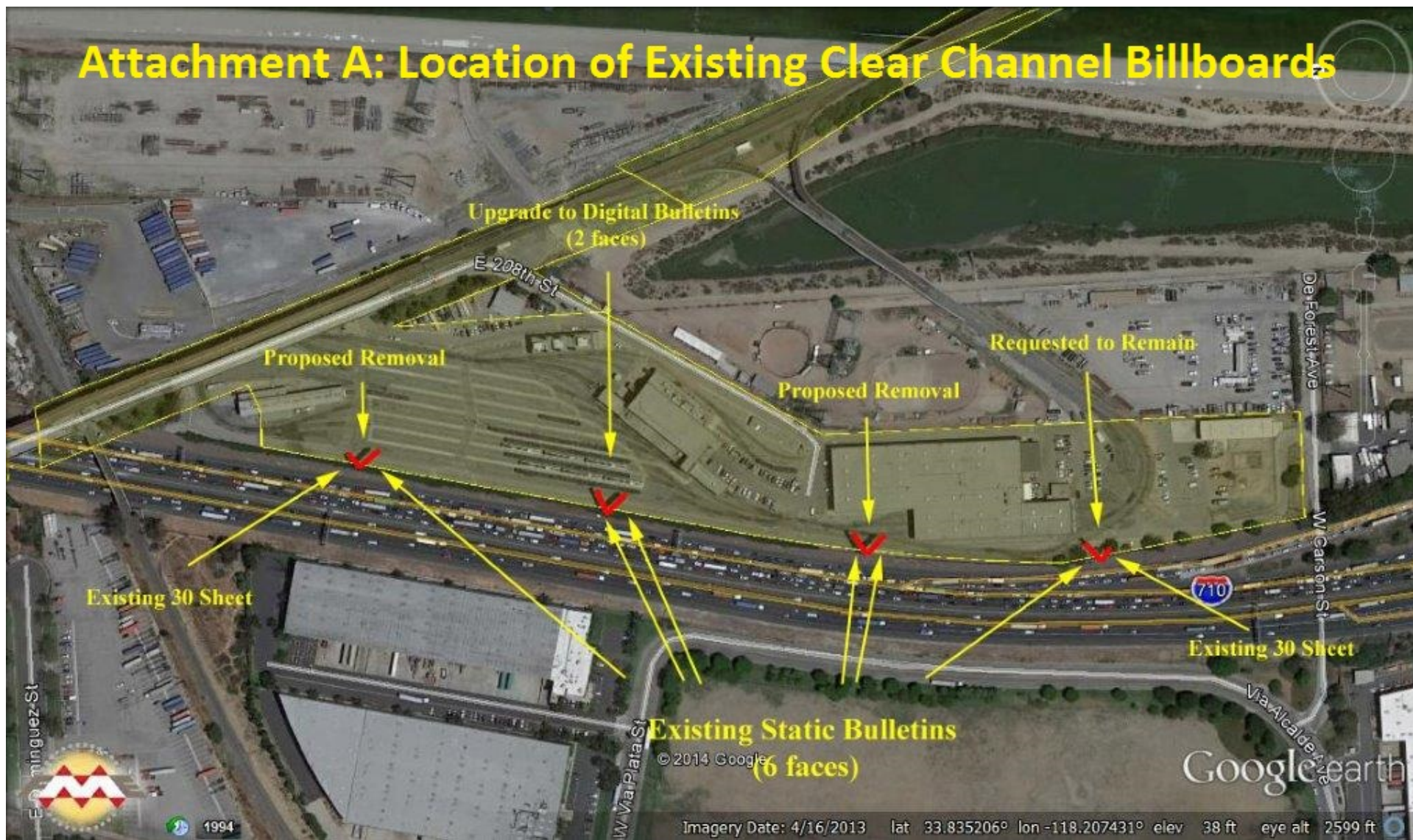
Prepared by: Thurman Hodges, Director, Real Property Management (213) 922-2435
Velma C. Marshall, Deputy Executive Officer Real Estate, (213) 922-2415

Reviewed by: Calvin E. Hollis, Interim Chief Planning Officer, (213) 922-7319

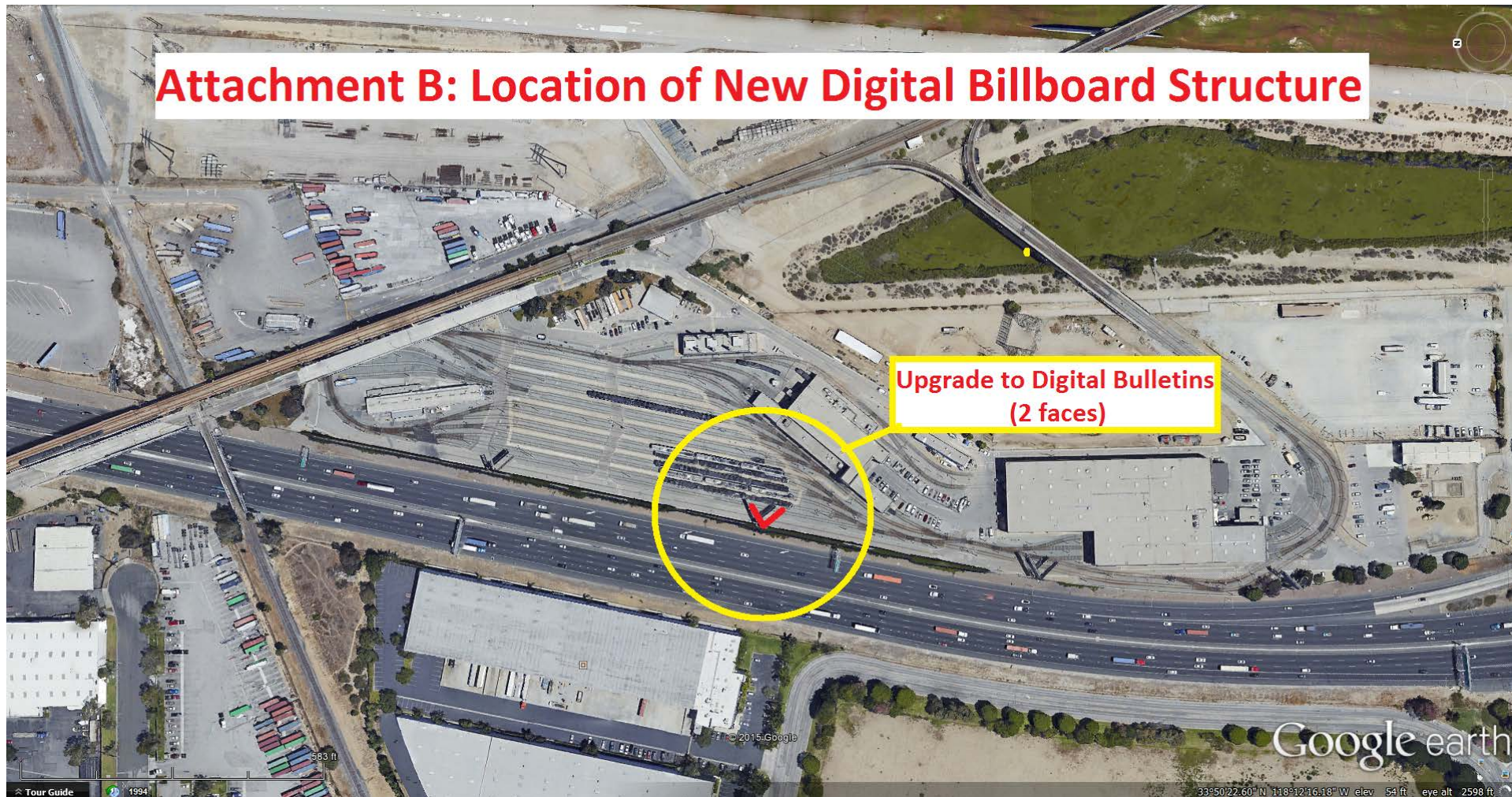


Phillip A. Washington
Chief Executive Officer

Attachment A: Location of Existing Clear Channel Billboards



Attachment B: Location of New Digital Billboard Structure



ATTACHMENT C

SUMMARY OF LICENSE AGREEMENT KEY TERMS

Project	The Project is the development, installation, management and operation of the digital display billboards on MTA property located at 1011 Carson Street, Long Beach, California.
Term	The term of the License Agreement is thirty (30) years commencing on the date that the billboard structure is constructed and ready for operation.
Rent	CCO shall pay Metro a fixed annual rental in the amount of One Hundred Twenty Thousand (\$120,000) Dollars for the first five years of the License term.
Metro Revenue Share	CCO shall pay Metro an amount equal to Twenty-two Percent (22%) of total annual advertising revenue received by CCO during the first year graduating to Thirty Percent (30%) by the beginning of the eleventh year.
Indemnification	CCO agrees to indemnify and hold the LACMTA harmless from all claims, liabilities and damages resulting from its use of the digital billboard.
Metro Advertising	CCO shall provide to Metro with one regular ad on one billboard face for transit messages based on space availability. If any ad space remains unsold, CCO shall display Metro Ads on request.

AMENDING MOTION TO ITEM #48:

MOTION

DIRECTORS ANTONOVICH AND DUBOIS

AS AMENDED BY KNABE

The revenue stream to be generated by the contract with Allvision LLC for digital advertising billboards has been recommended by staff to go into the general fund. Given the nexus between this contract and Metro Operations and the need for expanded and enhanced bus and rail operations, it is vital that the revenue generated by digital billboards be dedicated for use by Metro Operations, with a priority to be provided to service improvements and enhancements for the more than 41 million bus and rail riders that use the Metro system monthly.

WE THEREFORE MOVE that the Board direct the CEO to preserve all revenues generated by this digital billboard contract for use by Metro Operations. As a first priority, this revenue is to be used for service improvements and enhancements throughout the system within the corridor (subregion) where the billboard is located.