

City of Sacramento

Legislation Details (With Text)

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Title: Second Amendments to Digital Billboard Lease Agreements with Clear Channel Outdoor, LLC
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Date	Ver.	Action By	Action	Result
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Title:
Second Amendments to Digital Billboard Lease Agreements with Clear Channel Outdoor, LLC

File ID: 2020-00989

Location: Citywide

Recommendation:

Pass a Motion authorizing the City Manager or the City Manager's designee to execute Second Amendments to four Digital Billboard Leases (City Agreements 2010-0525, 2010-0526, 2010-0527, and 2010-0528) with Clear Channel Outdoor, LLC.

Contact: Melissa Anguiano, Deputy Director, (916) 808-5864, Office of Innovation and Economic Development Department

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Second Amendment to Billboard Lease (2010-0525)
- 3-Second Amendment to Billboard Lease (2010-0526)
- 4-Second Amendment to Billboard Lease (2010-0527)
- 5-Second Amendment to Billboard Lease (2010-0528)

Description/Analysis

Issue Detail: On May 11, 2010, City Council approved four Digital Billboard Leases (City Agreements 2010-0525, 2010-0526, 2010-0527, and 2010-0528) with Clear Channel Outdoor, Inc., the

predecessor in interest to the current tenant, Clear Channel Outdoor, LLC (CCO). CCO operates the four digital billboards on City-owned sites located at the north side of Interstate 80 east of Northgate Boulevard (APN: 237-0031-36), Business 80 and Fulton Avenue (3630 Fulton Avenue, APN: 254-0310-002), west side of Highway 99, south of Mack Road (APN: 117-0170-067), and west side of Interstate 5 south of Richards Boulevard (240 Jibboom Street, APN: 001-0190-015) (the “Digital Billboards”). Each lease term is for 25 years, with an option to extend for five years for 30 years total.

The leases provide for periodic monthly rent adjustments based on lease year revenues. The leases also provide for temporary adjustments in monthly rent during any time CCO's advertising revenues from the Digital Billboards have decreased because of an event as described in the leases, including a force-majeure event. CCO's advertising revenue from the Digital Billboards has decreased because of the COVID-19 pandemic and the resulting state and local stay-at-home orders. These events have resulted in a material reduction in the flow of vehicle traffic adjacent to the Digital Billboards and qualify as a force-majeure event under the leases.

In accordance with leases and due to the COVID-19 pandemic, CCO has requested a temporary monthly rent adjustment for the rent period covering March 2020 through August 2020. Based on CCO's evidence of decreased revenue, the parties have agreed that CCO will pay to the City a revenue share equal to 30% of net advertising revenues received during such period, payable within 30 days following the end of such period.

This reduced rent period will terminate if 30% of the aggregate monthly net revenue from all four Digital Billboard is \$94,158.12 (current aggregate monthly rent amount) or more for two consecutive months. The attached lease amendments extend the reduced rent period beyond August 2020 if (a) the City and COO agree in signed writing or (b) 30% of the aggregate monthly net revenue is less than \$94,158.12 for the last month of the reduced rent period.

Policy Considerations: The recommendations in this report are consistent with section 3.68.120 of the City Code regarding amendment of existing leases.

Economic Impacts: None

Environmental Considerations: The recommendations are administrative, organizational and fiscal matters that do not constitute a “project” under the California Environmental Quality Act (CEQA) Guidelines section 15061(b)(3). The activity is covered by the general rule that CEQA applies only to projects which have the potential to cause significant effect on the environment.

Sustainability: None

Commission/Committee Action: None

Rationale for Recommendation: COVID-19 has had significant impacts on many business

operations and services. Accepting the proposed temporary rent adjustment will provide economic relief to COO that has been impacted by COVID-19, while allowing the City to continue collecting some rent revenue for the Digital Billboard leases. Thirty percent of net advertising revenues during the reduced rent period is consistent with the monthly rent schedule outlined in the lease terms.

Financial Considerations: In aggregate, the four digital billboards currently generate \$94,158.12 in monthly revenue. The revenue from these leases go to the City's General Fund in an effort to maintain a balanced budget. Based on CCO's advertising revenues for March, April, May, and June, we expect the aggregate monthly rent of \$94,158.12 for the Digital Billboards to be reduced by between \$30,000-\$55,000 a month.

Local Business Enterprise (LBE): None