



City of Arts & Innovation

Financial Performance and Budget Committee

TO: FINANCIAL PERFORMANCE AND BUDGET COMMITTEE MEMBERS **DATE: JULY 8, 2020**

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT **WARDS: ALL**

SUBJECT: PSP20-0007 REVIEW OFF-SITE ADVERTISING REGULATIONS AND POLICIES INCLUDING OFF-SITE ADVERTISING ON CITY-OWNED SITES ALONG FREEWAYS AND OFF-SITE ADVERTISING/GATEWAYS ON CITY ARTERIAL RIGHTS-OF-WAY AS A POSSIBLE SOLUTION TO GENERATE REVENUE TO ADDRESS THE CALPERS CHALLENGE AND FINANCIAL IMPACTS ASSOCIATED WITH COVID-19 - DIRECT SUBMITTAL

ISSUE:

Review existing and potential policy options related to off-site advertising on City-owned sites along freeways and off-site advertising/gateways on City arterial rights-of-way; and provide staff with direction for future policy as possible solutions to generate revenue to address the CalPERS Challenge and financial impacts associated with COVID-19.

RECOMMENDATIONS:

That the Financial Performance and Budget Committee:

1. Review options for off-site advertising on City-owned sites along freeways and off-site advertising/gateways along City arterial rights-of-way as possible solutions to generate revenue to address the CalPERS Challenge and financial impacts associated with COVID-19; and
2. Provide staff with direction on preparing policies and next steps related to off-site advertising on City-owned sites along freeways and off-site advertising/gateways along City arterial rights-of-way for City Council consideration.

BACKGROUND:

The Federal Highway Beautification Act of 1965 (FHBA) requires that States receiving federal funding for the highway (freeway) system control outdoor advertising adjacent to freeways. In California, the FHBA is implemented through the Outdoor Advertising Act (ODA, California Business and Professions Code Sections 5200, et seq.), which establishes regulations and permitting procedures for outdoor advertising adjacent to State and Interstate freeways administered by the California Department of Transportation (Caltrans).

The ODA covers off-site outdoor advertising within 650 feet of any Caltrans right-of-way. All off-site outdoor advertising in these areas, including static and digital advertising, requires a permit issued by Caltrans and must meet a number of criteria to be eligible for such a permit. Criteria include, but are not limited to:

1. Must not be located within the Caltrans right-of-way or a stream or drainage channel;
2. Must be located in a Commercial or Industrial Zone;
3. Must be located within 1,000 feet of an existing business activity;
4. Must have local approval (such as local zoning approval and building permits); and
5. Must not be located adjacent to a designated Scenic Highway or a Classified Landscaped Freeway.

A freeway segment is considered a Classified Landscaped Freeway if any portion is, or may in the future be, landscaped with ornamental vegetation such as lawns, trees, shrubs and other planting designed to improve the appearance of the freeway. In the City of Riverside, approximately 85% of freeways are designated Classified Landscaped Freeways by Caltrans. As of April 2020, the longest continuous segment extends along State Route 91 from just east of La Sierra Avenue to the State Route 60/State Route 91/Interstate 215 interchange. Recently, three off-site advertising signs were placed along the west bound lanes of State Route 91 at Sherman Indian High School, which, as a federal facility, was exempt from the requirements of the ODA. As a point of note, outside of the Classified Landscaped Freeway at Sherman Indian High School, one off-site advertising sign has been placed along Magnolia Avenue which was exempt from local codes and regulation since it is a federal facility.

Classified Landscaped Freeway segments may be declassified, thereby making the segment eligible for an ODA permit if certain criteria are met, including, but not limited to:

1. Caltrans does not maintain or plan to maintain the ornamental landscaping;
2. The landscaping does not require reasonable maintenance (including watering, mowing, weed control or litter removal);
3. The Classified Landscaped Freeway segment is less than 1,000 feet long; or
4. The Classified Landscaped Freeway segment has gaps in landscaping larger than 200 feet.

In the City of Riverside, prior to 2005, off-site advertising signs were permitted in the C-3 (General Commercial) and M-2 (Industrial) Zones subject to certain site location and development standards. In 2005, off-site advertising signs were prohibited in Riverside as set forth in Title 19 – Zoning (Chapter 19.623) to reduce their negative visual and aesthetic impacts on the City's residential neighborhoods, business districts, residents and visitors.

DISCUSSION:

The City is facing fiscal challenges stemming from external circumstances such as increasing public employee pension obligations and declining revenues associated with the COVID-19 pandemic. Because of these challenges, opportunities to generate additional revenues are being explored by the City. The City owns properties and rights-of-way that are situated in highly visible locations adjacent to freeways and major arterials.

In an effort to identify revenue-generating opportunities for the General Fund, the City is exploring potential revenue generation from: 1) off site advertising signs at City-owned sites along freeways; and 2) off-site advertising/gateways on City arterial rights-of-way.

Policy Approaches in California

To understand what other jurisdictions in the State are doing as it relates to off-site advertising signage and revenue generation, staff researched several across the State.

Sacramento – The City of Sacramento currently prohibits off-site outdoor advertising on private property. An exception to this prohibition, adopted in 2014, allows digital off-site advertising signs on City-owned sites under specific conditions subject to an agreement requiring funding contributions to the City to fund certain activities and projects. Specifically, the Sacramento Municipal Code authorizes placement of up to six digital off-site advertising signs on City-owned properties directly facing a freeway subject to a funding agreement requiring the digital sign operator to contribute 40 percent of the cost of designing and constructing a City-owned sports arena. The off-site advertising signs must also comply with City and State regulations governing the size, location, display duration and other characteristics of the digital signage and must comply with the ODA and FHBA. This provision appears to be specifically designed to accommodate the sports franchise with which the City partnered to construct this arena and no other entity, and is not a revenue generation scheme, but part of a complex development agreement.

Corona – The City of Corona prohibits off-site outdoor advertising, except when authorized by a relocation agreement in circumstances where Public Works projects have necessitated the removal and relocation of an existing, legally authorized billboard. The most recent extension of the State Route 91 Express Lanes throughout the City necessitated the relocation of many preexisting off-site advertising signs to accommodate the freeway expansion, at which time some of these structures were upgraded from static to digital displays.

Irvine – The City of Irvine also prohibits all off-site outdoor commercial advertising. An exception in the Irvine Municipal Code exempts off-site advertising “erected or caused to be erected by the City”. This enables the City to establish off-site outdoor advertising structures for revenue generation or other purposes, while remaining in compliance with the Irvine Municipal Code. Any such facilities would necessarily need to comply with the ODA and FHBA as appropriate.

Hawthorne – The Hawthorne Municipal Code generally prohibits new off-site advertising signs on private land. The City owns two electronic reader board signs located within the City’s public right-of-way which display public information, promotions for City-sponsored and co-sponsored events and programs and paid off-site advertisements. Since the City-owned signs are located within the Hawthorne Boulevard and Crenshaw Boulevard rights-of-way, they are not subject to the City’s off-site advertising prohibition. Instead, the City has adopted a detailed Electronic Signage policy that controls the type of commercial messaging that will be accepted, among other requirements. The City entered into a contract with a third-party outdoor advertising company to market the available advertising space and manage the operation and maintenance of the signs.

Existing Conditions

Off-Site Advertising Signs in the City of Riverside

There are roughly 75 existing privately-owned off-site advertising signs located across the City, including several located in prominent freeway-visible locations. These are primarily concentrated along Interstate 215 between the 60/91/215 Interchange and the northern City limit; State Route

60/Interstate 215 between the University of California – Riverside and the southern City limit; and State Route 91 between La Sierra Avenue and the western City limit. As needed, the City pursues abatement of structures placed illegally or for those whose approvals have lapsed.

Electronic Reader Boards along Freeways

In Riverside, there are also two former Redevelopment Agency-owned electronic reader boards located along freeways that were installed in 2003 and 2008, respectively. With redevelopment agencies being eliminated by the State, under the Outdoor Advertising Act, the City is able to maintain these signs provided that Caltrans accepts the City's "good cause" for their continuation. The City owns and operates one at the Riverside Marketplace (generally at Vine Street and Mission Inn Avenue) and owns one at University Village that is operated by the property owner through a lease agreement. The advertising rights are set to expire on January 1, 2023 unless the City requests and is granted another extension from Caltrans. The electronic reader boards are required to display public service messages and may host paid advertisements only from businesses located within the boundaries of the former Redevelopment Project Area in which they are located.

Similarly, in the Riverside Auto Center, between Adams and Jefferson, an electronic reader-board has been installed to advertise Riverside Auto Center businesses and display public service messages. This electronic reader board is owned and managed by the Riverside New Car Dealers Association, the Business Improvement District (BID) representing the Riverside Auto Center. Advertising on this reader board is limited to businesses located within the boundaries of the Auto Center BID and is subject to a Caltrans ODA permit.

Off-Site Advertising/Gateways on City Arterial Rights-of-Way

Riverside does not currently have a program for off-site advertising/gateways on City arterials.

Potential Options

Staff researched and evaluated potential options for revenue generation as it relates to off-site advertising signs and off-site advertising/gateways on City arterial rights-of-way. Each option is assessed, and the advantages and disadvantages have been identified for further consideration. Potential revenue generation and actions to move forward are also identified for each option. Sample images are provided on Attachment 1.

Option 1 - Maintain the Prohibition of Off-Site Advertising Signage

The City could continue the current approach prohibiting off-site advertising signs. This would maintain the prohibition of any new off-site advertising signs on private property pursuant to Title 19 – Zoning (Chapter 19.623). While City projects are not subject to Title – 19 Zoning, no new off-site advertising signs would be pursued or off-site advertising signs on City-owned sites. The City-owned electronic reader boards along the freeways would remain in place. For the University Village and Riverside Marketplace signs, the City would continue to make the annual request from Caltrans and then seek an extension from Caltrans that they remain in place past the January 1, 2023 expiration date. The Riverside Auto Center electronic reader board would continue as currently operated.

Advantages and Disadvantages

The advantage of maintaining the prohibition of off-site advertising signs is limiting the negative visual and aesthetic impacts of outdoor advertising. With the exception of existing legacy off-site advertising signs, and the new off-site advertising signs placed at Sherman Indian High School, the City's freeways are free from the visual clutter that sometimes results from off-site advertising signs.

The disadvantage of this option is that it does not provide any additional revenue to the City.

Potential Revenue Generation

There would be no added revenue generation potential with this option.

Actions to Move Forward

This option requires no action. Off-site advertising would continue to be prohibited in Riverside and existing off-site advertising would continue to operate.

Option 2 – Allow Off-Site Advertising Sign on City-Owned Sites along Freeways Only

The City could choose to allow off-site advertising signs along freeways on City-owned sites only. Off-site advertising signs could include conventional, single or double sided, digital or static off-site advertising signs. The off-site advertising signs could be located along State Route 60, Interstate 215 and State Route 91, provided that the location is eligible for declassification as a Classified Landscaped Freeway. Staff identified all City-owned sites along the three freeways and then, using criteria such as the site size, freeway adjacency, freeway visibility and existing development, narrowed the potential sites to eight (Attachment 2). The potential sites include:

Site	Address	Zoning	Use	Responsible Department	Potential For Declassification
1	9501 Indiana Ave.	CR	Vacant	Public Works	Low
2	3472 Farnham Pl.	R-1-7000	Vacant	Public Works	Low
	3473 Farnham Pl.	R-1-7000	Vacant	Public Works	Low
	9384 Martha Way	R-1-7000	Vacant	Public Works	Low
3	3416 Central Ave.	R-1-7000	Vacant	Riverside Public Utilities - Electric	Low
4	3255 Panorama Rd.	R-4	Vacant	RPU Water	Moderate
5	3575 Vine St.	CR	Parking Lot	Public Works	Moderate
6	Fairmount Park Golf Course	PF	Golf Course	Parks, Recreation & Community Services	Moderate
7	860 E. La Cadena Dr.	R1, I	Palmyrita Well Treatment Plant	Riverside Public Utilities - Water	High
8	Quail Run Park	RC	Vacant	Parks, Recreation & Community Services	Moderate

The feasibility of these sites has not been studied in terms of market viability and are presented as examples only. While all sites are Classified Landscape Corridors, sites with a low potential for declassification of a Landscaped Freeway segment are those that are adjacent to actively

maintained ornamental landscaping. Declassification would require consent from Caltrans to cease maintenance and potentially remove the existing landscaping which could take a long time. There is no certainty that Caltrans would approve such a request.

Advantages and Disadvantages

By allowing off-site advertising signs along freeways on City-owned sites only, the City can generate revenue while limiting the number of off-site advertising signs along the freeways.

The disadvantage of this option is the negative visual and aesthetic impact that off-site advertising signs will have on the appearance of the City to residents, visitors and passersby. While the City, as the owner of the off-site advertising property sites, might be able to exercise some degree of control over the content of paid advertisements by a third party, there also is a risk that certain content could be perceived to reflect negatively on the City.

Potential Revenue Generation

Depending on how the City structures the ownership of the off-site advertising signs, revenue generation could vary. The preferred method would be for the City to lease all or portions of sites to third parties who would install and operate off-site advertising signs. Staff does not recommend that the City pay to install advertising signs since they are both expensive to install and maintain.

Until the City identifies partners for future off-site advertising, and entertains proposals from different sign companies, the specific revenue cannot be determined. Based upon research and interviews with billboard companies, staff believes each off-site advertising sign could generate around \$30,000-\$60,000 per year based on its location, traffic volume, how many public service messages the City wishes to include, whether single or double sided, whether digital or static, its placement and other factors. These factors would be assessed in a detailed market analysis that would need to be prepared should this option be chosen.

Actions to Move Forward

Because off-site advertising agreements can be complex, the City would require a consultant to assist in the development of policy and evaluation and market analysis of potential sites for off-site advertising. The City would also need to identify and initiate a partnership with an outdoor advertising company or companies.

An analysis of each site will need to be completed including potential impacts related to light and aesthetics. This could include rezoning and general plan amendments in some cases to place them in a commercial or industrial zone as required by the ODA. For Site 8, a ballot measure would be required by Proposition R and Measure C. In all cases, an environmental review would also be required for each site.

Each of the City-owned sites would require a Caltrans ODA permit for placement. Because they are all located adjacent to a Classified Landscaped Freeway, the City would have to request that Caltrans declassify the sections of Classified Landscaped Freeway where the off-site advertising signage would be located. Each section would need to be evaluated for eligibility for declassification based on Caltrans criteria as described in the Background of this staff report. City staff can undertake and complete this request, although there is no assurance that Caltrans will approve the declassification of the freeways.

An amendment to Title 19 - Zoning Code would also be needed to exempt City-owned sites from the prohibition of off-site advertising signs. City staff can undertake and complete this amendment.

Option 3 – Develop a Program to Allow Off-Site Advertising/Gateways on City Arterial Rights-of-Way

The City could explore a program to allow off-site advertising/gateway signs only on City arterials. The signage program would consist of electronic reader boards in the median, targeting automobile traffic, and kiosks at the crosswalks targeting pedestrians. The gateways would reflect the neighborhood character and would be designed as both a gateway and for advertising.

There are three types of gateways that the City could consider. These include Regional Gateways, Local Gateways, and Local Activity Nodes, as defined in General Plan 2025 (Attachment 3). Each type of gateway would have their own characteristics related to the size, location, number and type of signage in both the median and at the pedestrian crosswalks. This would require a comprehensive signage program be developed for the identified locations for the program. Additional locations not included in the General Plan 2025 could be considered based on more current patterns of local activity or requests from the community.

Advantages and Disadvantages

The advantages of this approach include the opportunity to tie revenue-generating advertising space with placemaking and community identity enhancements to the public realm. A certain amount of advertising space or display time could be reserved for local businesses or City programming. This approach also includes the advantage of lower visual and aesthetic impacts, especially from freeways, due to the smaller scale. The City would also be able to create gateways into neighborhoods and strengthen their unique identities.

Disadvantages include potential competition for space with other public realm improvements, such as landscaping and street furniture, as well as utility, communication, and traffic infrastructure. This approach would take more time to develop, be capital-intensive to deploy and could result in lower revenue generation potential because of a more limited audience.

Potential Revenue Generation

The cost of the signage program would be borne by the sign company. The potential revenue generation will vary based on the type, number, size and audience reach of the locations chosen. As a comparison, the City's existing freeway reader boards lose money since they generate very little revenue and maintenance expenses typically exceed revenues. In the case of the Riverside Marketplace sign, this is low because eligible advertisers are limited to businesses within a former Redevelopment Project area and very few have been willing to pay a monthly advertising fee. While not generally the preferred option for outside advertisers, it is anticipated that the City could realize revenue from a comprehensive arterial rights-of-way program with a major third-party outdoor advertising sign company that would be willing to provide a monthly or annual fee to the City and pay for the sign maintenance.

In Hawthorne, where they have erected off-site advertising signs of approximately 200 square feet each, resembling freeway-oriented signs, they generate between \$30,000-\$50,000 per sign annually. The City would want to explore attractive, gateway signage, so the revenue generation potential could be lower because the size of the median signs would be reduced.

Actions to Move Forward

The City would require a consultant to assist in the development of the sign program. This should include preparation of the policy and economic feasibility study for each of the potential gateways (Regional, Local and Local Activity Nodes). As part of the study, the specific gateways should be identified for future consideration based on auto and foot traffic, profile and economic return potential. The City might also need to identify and initiate a partnership with an outdoor advertising company or companies as part of this study.

An analysis of each gateway identified as a potential location in the economic study would be required. This analysis would determine any possible physical opportunities and constraints in the rights-of-way. Based on this analysis, designs could be developed for each gateway, in conjunction with the outdoor advertising company identified in the economic study.

FISCAL IMPACT:

There is no fiscal impact associated with reviewing the potential options for City-owned sites along freeways and off-site advertising/gateways along City arterial rights-of-way and providing staff with direction. However, there would be a fiscal impact should there be a need to hire a consultant to assist in the development of a sign program. Staff has not obtained any third-party proposals for these services, so those costs are unknown at this time. Allowing outdoor advertising signs on City owned property could result in additional positive revenue to the General Fund.

Prepared by: David Welch, Community & Economic Development Director
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Sample Images of Options
2. Potential Off-Site Advertising Signs on City-Owned Sites along Freeways
3. Potential Off-Site Advertising/Gateways on City Arterial Rights-of-Way
4. Presentation