

Large Format Digital Electronic Signs on City-Owned Property

| City Council

| Item 8.7

| June 17, 2025

Blage Zelalich, Deputy Director

City Manager's Office of Economic Development and Cultural Affairs

Kevin Ice, Assistant to the City Manager, Director of Real Estate

City Manager's Office of Economic Development and Cultural Affairs

| Project Background

- ❖ **September 2018:** Approval of new City Council Policy 6-4 allowing programmable signs and signs displaying offsite commercial speech on City-owned property. Staff directed to release two RFPs, one for signs in the downtown core and one for freeway-facing signs.
- ❖ **December 2022:** Phase 1 – Notice of Intended Award to Orange Barrel Media for six signs on five downtown City-owned sites.
- ❖ **March 2023:** Phase 2 - Notice of Intended Award to Clear Channel Outdoor, LLC for Hwy 87 and W. Mission St. and 1404 Mabury Rd. sites and Outfront Foster Interstate, LLC for Hwy 87, 65 feet north of Willow St., pending project-level environmental clearance.
- ❖ **February 2025:** City Council approved Phase 1, signs in downtown core.
- ❖ **Today:** City Council action on Phase 2, freeway-facing signs.

| Media Company Background

❖ Clear Channel Outdoor, LLC

- ❖ Bay Area roots dating back to 1901
- ❖ Longest-serving outdoor advertising company in California
- ❖ 200+ municipal contracts and 16 transit contracts in the United States
- ❖ 370 airport contracts worldwide, including San José Mineta International



❖ Outfront Foster Interstate, LLC

- ❖ Joint venture of Outfront Media LLC and Foster Interstate Media Inc. formed in 2018
- ❖ Outfront Media operates 56 digital billboards in the Bay Area, 2,300 nationwide
- ❖ Foster Interstate is a leading developer of billboard projects throughout the United States
- ❖ Outfront Media is publicly traded with \$6.9B Enterprise Value, \$1.8B Revenue, \$302M Cash Flow

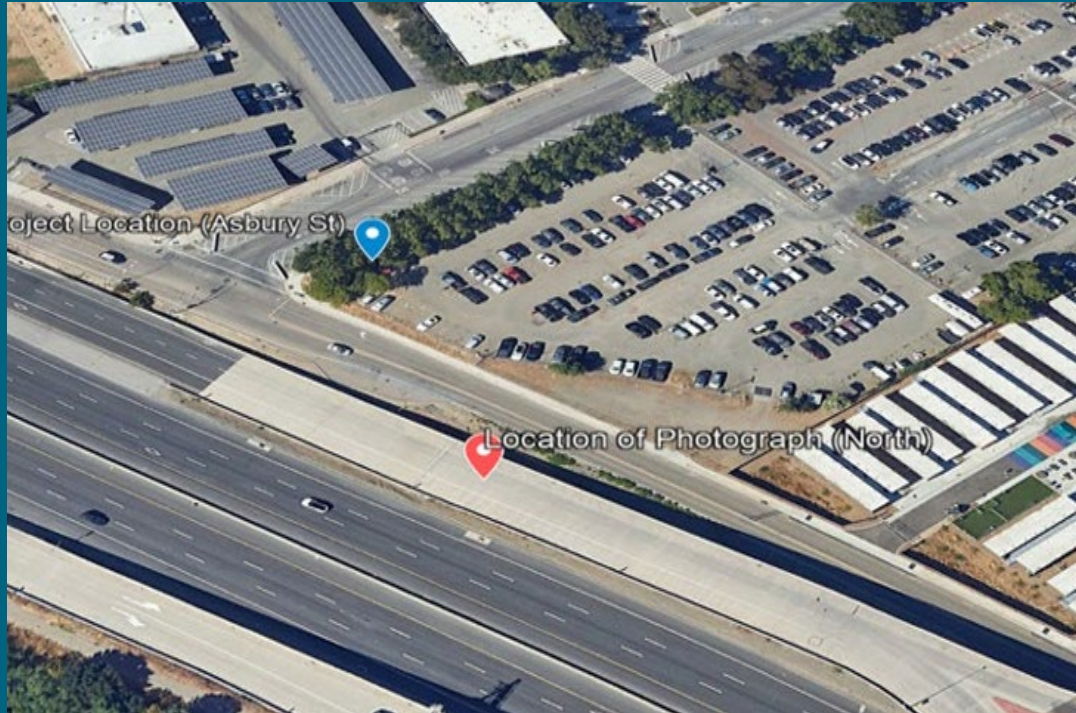


| Environmental Analysis and Public Notice

- ❖ **February 2024 - January 2025:** Project-level Initial Study/Mitigated Negative Declarations for Electronic Signs on City-Owned Property - W. Mission St., Mabury Rd. and Willow St. prepared.
- ❖ **February 5 - March 7, 2025:** Public circulation of CEQA documents for Willow St. site.
- ❖ **February 12 - March 21, 2025:** Public circulation of CEQA documents for the W. Mission St. and Mabury Rd. sites.
- ❖ No comments received raised new issues about either project's CEQA impacts or provided substantial evidence supporting a new or more severe impact that would change the conclusions disclosed in the IS/MNDs.
- ❖ **May 2025:** A notice of the public hearing was published in the San José Post - Record on May 7, 2025 and mailed to owners and tenants of all properties located within 1,000 ft. of each proposed sign on May 9, 2025.
- ❖ **June 6, 2025:** City posted Response to Comments documents for both projects online to respond to comments received during circulation of environmental documents.

Site Location: Clear Channel Outdoor, LLC

Hwy 87 and W. Mission St.



Single-faced proposed billboard, view north

Site Location: Clear Channel Outdoor, LLC

1404 Mabury Road

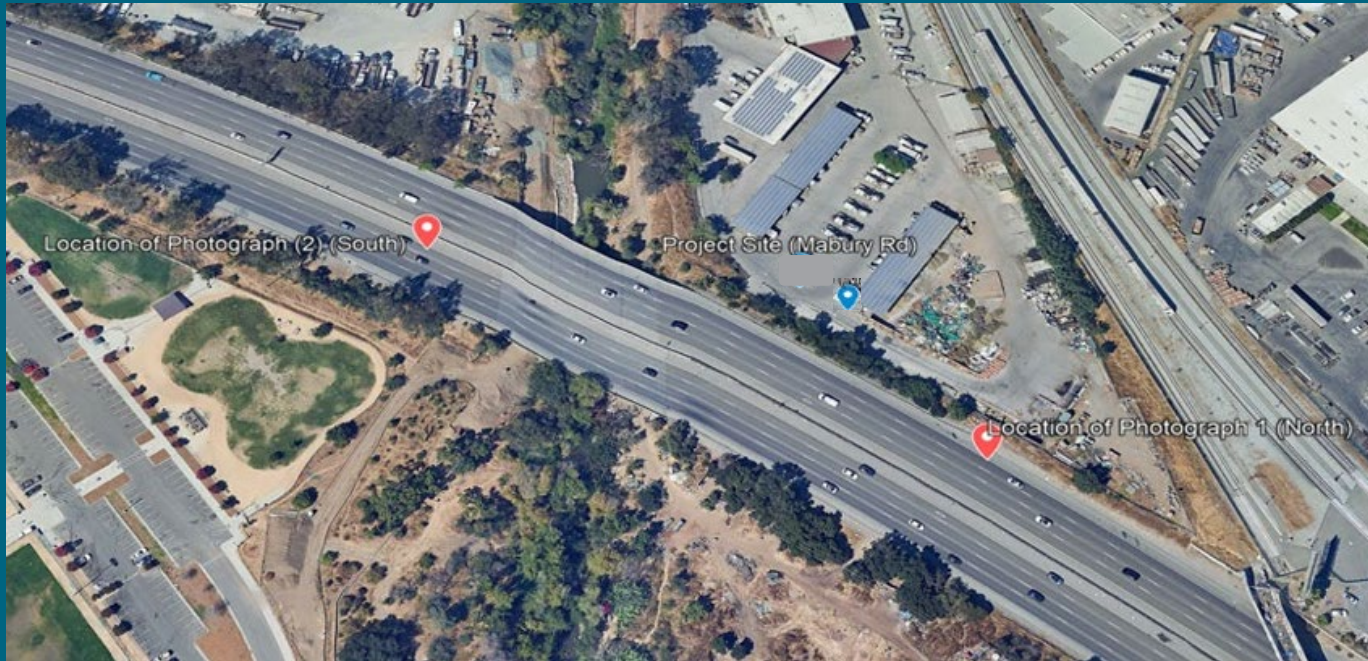


Photo 1 - Proposed billboard, view east



Photo 2 - Proposed billboard, view west 6

| Site Location: Outfront Foster Interstate, LLC

Hwy 87 and Willow St.



View 1

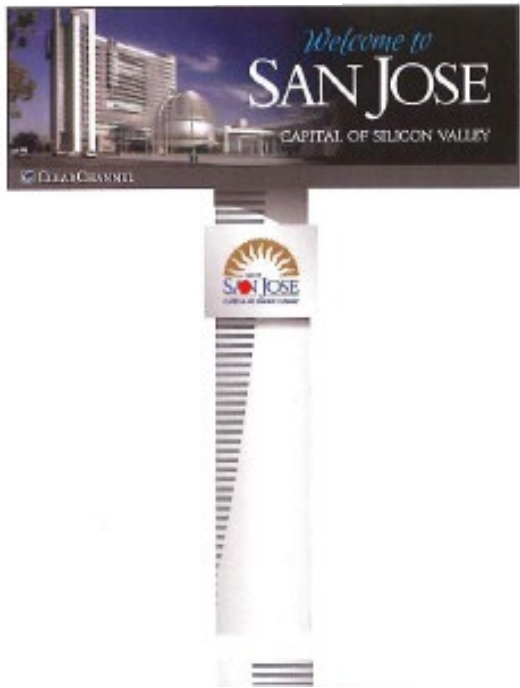


View 2



View 3

| Proposed Sign Designs



Clear Channel Outdoor, LLC



OutFront Foster Media

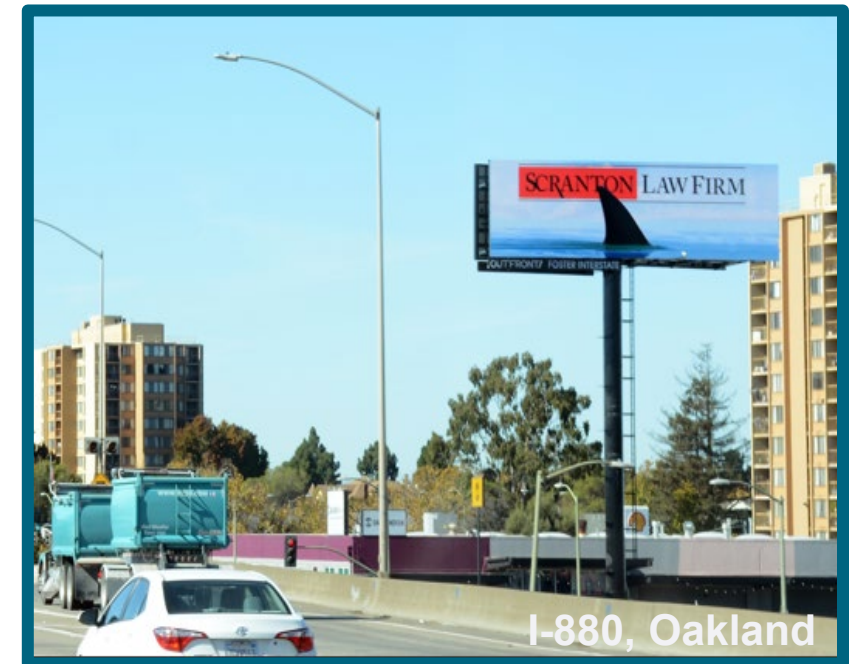
Key Lease Terms

Term

- ❖ Initial term of 10 years.
- ❖ Two additional five-year periods, at City's option.
 - ❖ Companies must meet renewal criteria.
- ❖ Companies cannot transfer ownership of the signs without City approval.
- ❖ City will assume ownership of signs in the event of abandonment.

Rent

- ❖ Payment to the City shall be a percentage of gross revenue, established via RFP responses.
 - ❖ Clear Channel paying 45% of gross revenue.
 - ❖ Outfront Foster paying 40% of gross revenue and \$100k start up fee.
- ❖ Payments must meet the Minimum Annual Guarantee.
 - ❖ MAG escalates starting in year 6.
 - ❖ Outfront Foster paying higher annual escalation rate.



| 20 Year Revenue – Minimum Guarantee and Lessee Projections

Location	20 Year Total Minimum Guarantee to City	Years 1–10 Minimum Guarantee	Extension 1 Years 11–15 Minimum Guarantee	Extension 2 Years 16–20 Minimum Guarantee	20 Year Total Projected Revenue Share to City
Hwy 87 and W. Mission St.	\$4,980,643	\$2,267,787	\$1,289,331	\$1,423,525	\$6,459,784
1404 Mabury Rd. (double-sided sign)	\$8,999,220	\$3,573,508	\$2,578,662	\$2,847,051	\$12,919,567
HWY 87 and Willow St. (double-sided sign)	\$7,398,690	\$3,325,000	\$1,886,601	\$2,187,088	\$8,650,000
Total	\$21,378,552	\$9,166,294	\$5,754,594	\$6,457,664	\$28,029,351

| Key Lease Terms - General Sign Operations

- ❖ Sign operation must abide by City Council Policy 6-4.
 - ❖ Prohibits illumination between midnight and 6:00 am.
 - ❖ Prohibits motion.
 - ❖ Certain content prohibitions.
- ❖ Media company is responsible to pay for all utilities, maintenance, repair, and site restoration.
 - ❖ Requires graffiti removal within 48 hours and all other repairs within 7 days of notice.
- ❖ Signs will be independently metered and powered using 100% renewable energy.
- ❖ City will receive free use of 12.5% of time to present non-commercial messages.
- ❖ City shall control use of the signs in any local, state, or national emergencies.

| Key Lease Terms - Advertising Content Prohibitions

- ❖ Violence, unlawful goods or services, unlawful conduct, demeaning or disparaging material.
- ❖ Profanity, obscenity, nudity, or “Adult” goods or services.
- ❖ Alcohol, firearms, tobacco, or cannabis related products.
- ❖ False, misleading or deceptive content.
- ❖ Political content.
- ❖ Religious content.
- ❖ Content adverse to the commercial interests of the City; or that disparages the City.
- ❖ City graphics, logos or representations without City’s express written consent.

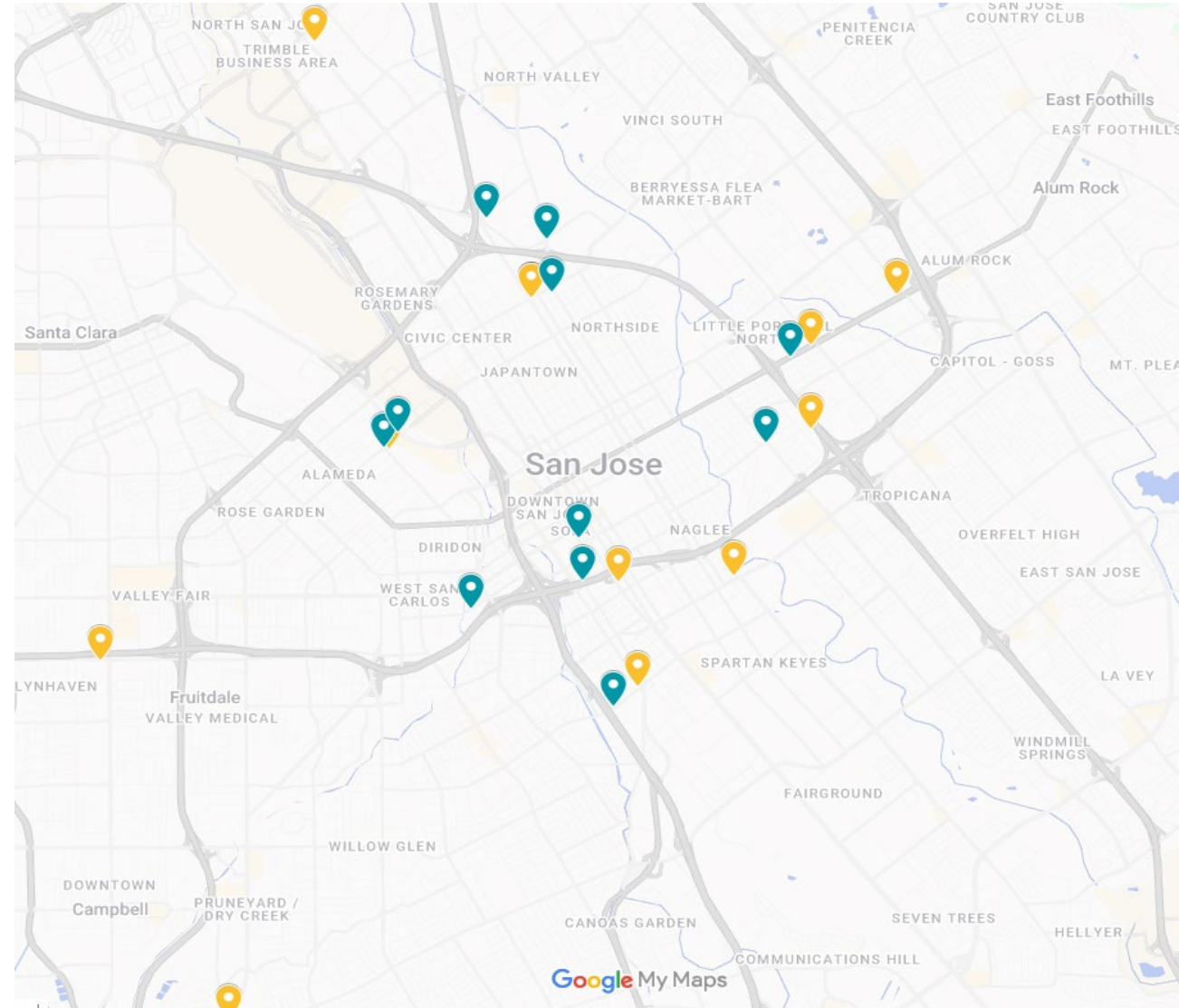
| Community Benefit

❖ Billboard removal at 6:1 ratio

- ❖ Clear Channel Outdoor proposes takedown of 12 structures, 19 faces in CD 1,3, 4, 5, 6 and 9 and proximate to CD 7
- ❖ Outfront Foster proposes takedown of 12 structures, 16 faces, in CD 3, 5, 6 and 7
- ❖ Requirement for existing signs to be taken down before or at the same time as installation of new signs

❖ Tree replacement at 5:1 ratio

- ❖ Potential removal of two trees at Hwy 87 and W. Mission St.
- ❖ Ten replacement trees will be planted



Staff Recommendation

- ❖ Adopt a resolution certifying the Initial Study/Mitigated Negative Declaration for the signs on the West Mission Street and Mabury Road Road sites;
- ❖ Adopt a resolution certifying the Initial Study/Mitigated Negative Declaration for the sign on the Willow Street site;
- ❖ Adopt resolutions authorizing the City Manager, or her designee, to negotiate and execute lease agreements with Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC.

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