



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Chris Burton
Lee Wilcox

SUBJECT: See Below

DATE: May 27, 2025

Approved

Date:

6/5/25

COUNCIL DISTRICT: Citywide

SUBJECT: Actions Related to Large Format Digital Electronic Signs on City-Owned Property

RECOMMENDATION

- (a) Adopt a resolution certifying the Initial Study/Mitigated Negative Declaration for the Electronic Signs on City-Owned Property Initial Study – West Mission Street and Mabury Road sites project (SCH #2025020244) and adopt the related Mitigation Monitoring and Reporting Plan, in accordance with the California Environmental Quality Act, as amended.
- (b) Adopt a resolution certifying the Initial Study/Mitigated Negative Declaration for the Electronic Signs on City-Owned Property Initial Study – Willow Street site project (SCH #2025020020) and adopt the related Mitigation Monitoring and Reporting Plan, in accordance with the California Environmental Quality Act, as amended.
- (c) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute lease agreements and any necessary supporting agreements with Clear Channel Outdoor, LLC, for two City-owned properties in San José for the installation of two large format digital signs, consisting of a total of three active sign faces, each lease for a ten-year initial term with up to two additional five-year renewal terms upon satisfaction of certain tenant-controlled renewal criteria, and with a required payment of 45% of gross revenue generated, but in no instance less than the minimum guaranteed payments for the twenty-year term amounting to:
 - (1) Highway 87 and West Mission Street: \$4,980,643; and
 - (2) 1404 Mabury Road: \$8,999,220.

- (d) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute a lease agreement and any necessary supporting agreements with Outfront Foster Interstate, LLC, for one City-owned property APN 264-48-126 at Highway 87 and Willow Street in San José for the installation of one large format digital sign with two active sign faces, with a ten-year initial lease term and up to two additional five-year renewal terms upon satisfaction of certain tenant-controlled renewal criteria, and with a required payment of 40% of gross revenue generated, but in no instance less than the minimum guaranteed payment for the twenty-year term amounting to \$7,398,690.

SUMMARY AND OUTCOME

Acceptance of the recommendations above will allow for the placement of three large-format, free-standing, freeway-facing digital signs on three City-owned properties in San José. The minimum guaranteed revenue generated from the leases associated with these three locations over the twenty-year term is \$21,378,553. The City's share of projected revenue, based on Clear Channel Outdoor, LLC's and Outfront Foster Interstate, LLC's projections, is \$28,029,351 over the twenty-year term.

BACKGROUND

The placement of freeway-facing, large-format digital signage on City-owned property seeks to utilize digital technologies that allow real-time emergency and non-emergency notifications and City messaging to residents and generate revenue opportunities for the City.

From 2016 to 2018, the Planning, Building and Code Enforcement Department and the City Manager's Office of Economic Development and Cultural Affairs completed analyses and multiple rounds of engagement and discussion with community stakeholders, media/signage companies, and tenants in City-owned facilities around the placement of digital signage on City-owned property.

On September 25, 2018, the City Council approved [City Council Policy 6-4 \(Signs on City-Owned Land\)](#), allowing billboards, programmable electronic signs, and signs displaying off-site commercial speech. The City Council Policy 6-4 identifies 17 City-owned sites that could potentially accommodate up to 22 signs. A program-level California Environmental Quality Act (CEQA) analysis was completed for the 17 sites. Staff was directed to prepare and release a request for proposals for building-mounted digital signs in downtown and free-standing freeway-facing signage on City-owned property. The work was divided into two separate processes, the Select Sites process and the Alternative Sites process, beginning in 2019. In March 2020, the COVID-19 pandemic redirected City staff priorities to managing emergency relief programs that prioritized human health and quality of life for San José's most vulnerable residents,

including providing critical assistance to the small business community in San José. These efforts delayed any significant progress of digital signage-related efforts for two years.

The City Council approved the placement of large-format digital signage at four City-owned locations in downtown San José (Select Sites process) at its meeting on February 25, 2025. The staff recommendations in this memorandum are focused on the Alternative Sites process.

In the Alternative Sites process, the City issued a request for proposals to install, operate, and manage free-standing, freeway-facing digital commercial advertising signs on two City-owned properties – parking lots located at Highway 87 and West Mission Street (APN 259-04-019) and 737 North San Pedro Street (APN 259-06-054). The request for proposal also provided the ability for a proposer to propose signage on alternative sites that meet criteria outlined in City Council Policy 6-4 and Title 23 of the San José Municipal Code.

The City received one proposal to place a digital, commercial sign in the parking lot at Highway 87 and West Mission and 19 other proposals for 18 unique sites. The City's evaluation team concluded the proposal evaluation process pursuant to Section 14 of Request for Proposal #OED60-19-2, and recommend award of a contract for a digital, commercial, free-standing sign at three locations.

The City rejected all other proposals submitted, pursuant to the established process, because they did not meet the outlined site selection criteria. Of the 18 sites, the City's evaluation team reviewed two site proposals, nine were not City-owned sites (submitted proposals did not provide adequate proof of City ownership of these sites), and seven others had a variety of non-conformance issues including being located within 100 feet of a designated riparian corridor, being in a public right-of-way where off-premise signage is not consistent with state law, or having a residential or other non-compliant zoning designation.

In 2023, staff began environmental clearance-related work, including executing funding agreements with the selected proposers for City staff time and conducting appropriate environmental reviews for each sign. Staff also began discussions regarding the logistical and technical parameters of the signs in each location and negotiating lease terms.

ANALYSIS

Three free-standing digital signs are proposed at three City-owned, freeway-facing locations in San José. The three locations are Highway 87 and West Mission Street (APN 259-04-019), 1404 Mabury Road (APN 254-01-004), and Highway 87 and Willow Street (APN 264-48-126) (Attachment A).

Environmental Considerations and Clearance

Two freeway-facing locations are proposed to be cleared under a single Initial Study/Mitigated Negative Declaration (ER23-052 for Highway 87 and West Mission Street and 1404 Mabury Road – Clear Channel Outdoor, LLC). The scope of work for an Initial Study/Mitigated Negative Declaration was provided to the City from consultant FirstCarbon Solutions in June 2023, and the consultant submitted the formal project description in February 2024. Public circulation of the environmental document began on February 12, 2025, and concluded on March 21, 2025. Ten emails and letters were received during the public circulation period.

The third freeway-facing location is proposed for clearance under a separate Initial Study/Mitigated Negative Declaration (ER23-130 for Highway 87 and Willow Street – Outfront Foster Interstate, LLC). The scope of work for an Initial Study/Mitigated Negative Declaration was provided to the City from consultant FirstCarbon Solutions in May 2023, and the consultant submitted the formal project description in February 2024. Public circulation of the environmental document began on February 5, 2025, and concluded on March 7, 2025. Twenty-five emails and letters were received during the public circulation period.

CEQA does not require formal responses to comments received on an Initial Study/Mitigated Negative Declaration; however, the City prepared a Response to Comments document for each of these two projects. Comments received on both projects touched on topic areas including, but not limited to, the introduction of new lighting sources during nighttime, including visual impacts from new lighting on biological resources and the Lick Observatory; the signs' negative contribution to general aesthetics within the City; energy use; human health and driver safety; and conformance to the City Council Policy 6-4, San José Municipal Code, and other regulations for digital signs. Comments received on the Outfront Foster project also included the effect of increased lighting near residential areas and driver and pedestrian safety due to the location near the freeway interchange.

Responses to comments on the merits of both projects (or generalized comments and opinions on electronic signs), economic/fiscal effects, or other non-environmental concerns are not responded to in the Response to Comments documents. The Response to Comments documents will be posted to the project-specific websites for the [Clear Channel project](https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/environmental-review/environmental-review-documents/electronic-signs-on-city-owned-property-freeway-sites)¹ and for the [Outfront Foster project](https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/environmental-review/environmental-review-documents/electronic-signs-on-city-owned-property-willow-street-site)² on the City's Environmental Review Documents website prior to the City Council meeting.

¹ <https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/environmental-review/environmental-review-documents/electronic-signs-on-city-owned-property-freeway-sites>

² <https://www.sanjoseca.gov/your-government/departments-offices/planning-building-code-enforcement/planning-division/environmental-review/environmental-review-documents/electronic-signs-on-city-owned-property-willow-street-site>

Proposed Lease Terms

Key terms of the three recommended leases are as follows:

Term

- The term of each lease is 10 years and may be extended for up to two additional five-year extension periods if Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC, respectively, remain in good standing with the following renewal criteria:
 - Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC, respectively, have never been in default of their applicable lease(s).
 - Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC, respectively, have responded to any written requests for maintenance of their respective signs and sign faces within 24 hours following their receipt of such request from the City.

Rent

- The rent on the Clear Channel signs at Highway 87 and West Mission Street (one sign face) and 1404 Mabury Road (two sign faces) is 45% of gross revenue generated, provided that in no event will the payment to the City be less than the minimum annual guarantee for any given year. The table below provides the cumulative income the City will receive based on the annual minimum annual guarantee for the term indicated in the column header.
- The rent on the Outfront Foster sign at 385 Willow Street (two sign faces) is 40% of gross revenue generated, provided that in no event will the payment to the City be less than the minimum annual guarantee for any given year. The table below provides the cumulative income the City will receive based on the minimum annual guarantee for the term indicated in the column header.

Location	20-Year Total Minimum Guarantee	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
Highway 87 and West Mission Street	\$4,980,643	\$2,267,787	\$1,289,331	\$1,423,525	\$6,459,784
1404 Mabury Road	\$8,999,220	\$3,573,508	\$2,578,662	\$2,847,051	\$12,919,567
Highway 87 and Willow Street	\$7,398,690	\$3,325,000	\$1,886,601	\$2,187,088	\$8,650,000
Total	\$21,378,553	\$9,166,295	\$5,754,594	\$6,457,664	\$28,029,351

Sign Operation

- Sign operation must abide by City Council Policy 6-4, including content limitations and prohibiting illumination between the hours of midnight and 6:00 a.m.
- Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC, respectively, will install connections and pay for all utilities required to operate the signage at each location.
- The City will receive free use of 12.5% of the display time, to present its own non-commercial messages and artwork on all three signs (a total of five sign faces). City use time is equivalent to one out of eight rotating advertising slots, each slot lasting eight seconds, or approximately seven minutes of advertising every hour. The eight-slot rotation cycles continuously through the eighteen hours per day that the sign will be illuminated.
- Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC, respectively, are responsible for all maintenance and repair of the signs and restoration of the affected property(ies) upon termination of the lease agreement.
- The City shall have the right to preempt the use of the signs in the event of federal, state, national, or city emergencies.
- The signs will be independently metered, with the option for the use of submeters on individual signs, at the City's sole discretion and only as available and deemed feasible by City staff, and only until permanent meters are installed, but in no case for any longer than two years after the given sign is made operational. Any installation and removal of submeters, breakers, and power lines, and any power used through the submeter(s) shall be at the Lessee's sole expense.
- The signs shall be powered using 100% renewable energy provided by San José Clean Energy.

Billboard Removal

- Per City Council Policy 6-4, Clear Channel Outdoor, LLC and Outfront Foster Interstate, LLC shall each be required to remove six existing large-format static billboard faces located in San José for every new digital large-format billboard face that is installed on City-owned property before the start of commercial operations.
- The proposed takedown locations are outlined in Attachment B and coincide with the removal criteria outlined in Section 23.04.450 of the San José Municipal Code and included in the Alternative Sites Request for Proposals.

Tree Replacement

- If applicable, a minimum tree replacement ratio of 5:1 shall be required for each tree removed for installation of a new free-standing, large-format digital sign. Trees will be planted in prioritized San José neighborhoods that lack adequate tree canopies and will be maintained for three years by the media company.

Should City Council approve the recommendations in this memorandum, staff and both media companies will work toward the installation of signage in all freeway-facing locations by February 2026.

EVALUATION AND FOLLOW-UP

Should City Council approve staff's recommendations, staff will negotiate and execute lease agreements and any necessary supporting agreements with Clear Channel Outdoor, LLC, and Outfront Foster Interstate, LLC, consistent with the recommendations in this memorandum. Both companies will proceed in securing the necessary City permits associated with the removal of the existing signs and installation of the proposed signs.

COST SUMMARY/IMPLICATIONS

The total guaranteed revenue to the General Fund for all three leases over the initial 10-year lease term is \$9,166,295. Guaranteed revenue over the first five-year extension period is \$5,754,594, and guaranteed revenue over the second five-year extension period is \$6,457,664. Total minimum guaranteed revenue over the full 20-year lease term for all three leases is \$21,378,553. Revenues from these leases are expected to be received by the City starting towards the end of fiscal year 2025-2026 and will be incorporated into the 2026-2027 Base Budget and 2027-2031 Five-Year Forecast and Revenue Projections document.

COORDINATION

The memorandum was coordinated with the City Attorney's Office and City Manager's Budget Office.

PUBLIC OUTREACH

Pursuant to the Sign Approval Process outlined in City Council Policy 6-4, a notice of the public hearing was mailed to the owners and tenants of all properties located within 1,000 feet of each proposed sign location on May 9, 2025, and a notice of the public hearing was published in the San José Post - Record on May 7, 2025. Additionally, this memorandum will be posted on the City's Council Agenda website for the June 17, 2025, City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Initial Study/Mitigated Negative Declaration, File No. ER23-052, Electronic Signs on City-Owned Property Initial Study – West Mission Street and Mabury Road sites.

Initial Study/Mitigated Negative Declaration, File No. ER23-130, Electronic Signs on City-Owned Property Initial Study – Willow Street site.

PUBLIC SUBSIDY REPORTING

This item itself does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

CHRIS BURTON

Director, Department of Planning,
Building, and Code Enforcement



LEE WILCOX

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For questions, please contact Blage Zelalich, Deputy Director, City Manager's Office of Economic Development and Cultural Affairs, at blage.zelalich@sanjoseca.gov or (408) 535-8172, Kevin Ice, Assistant to the City Manager, Director of Real Estate, City Manager's Office of Economic Development and Cultural Affairs, at kevin.ice@sanjoseca.gov or (408) 535-8197, and Cort Hitchens, Planner III, Department of Planning, Building, and Code Enforcement, at cort.hitchens@sanjosecagov or (408) 794-7386.

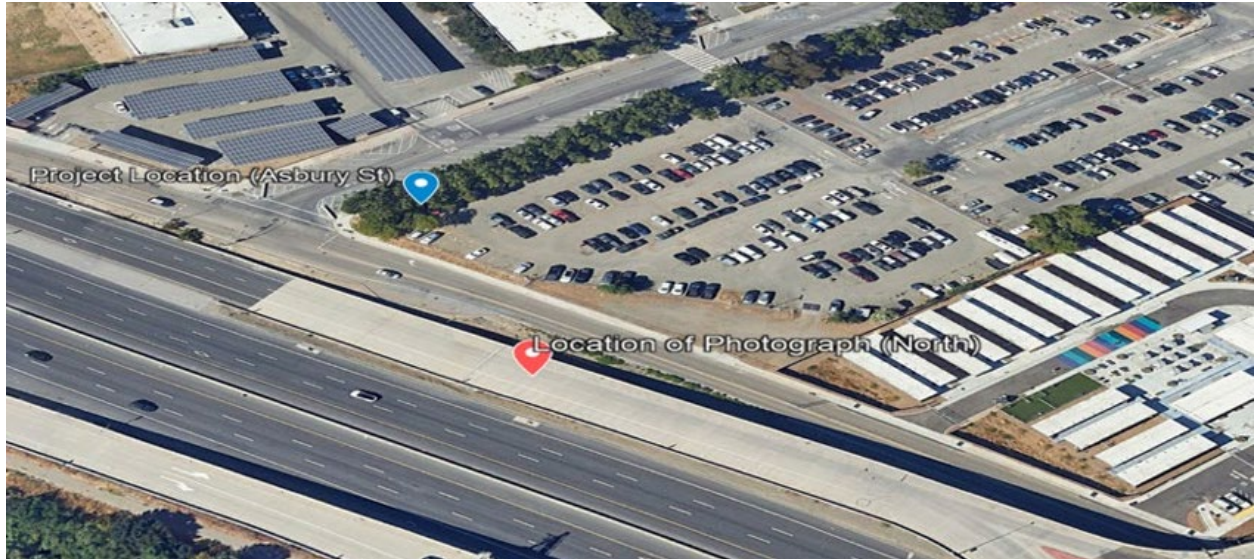
ATTACHMENTS:

A - Proposed Large-format Digital Sign Locations

B - Proposed Billboard Removal Locations

Proposed Large-Format Digital Sign Locations

Clear Channel Outdoor – Hwy 87 and West Mission St.



Hwy 87 and West Mission St. proposed billboard, view north

Clear Channel Outdoor – 1404 Mabury Rd.



Photo 1 - Proposed billboard, view east

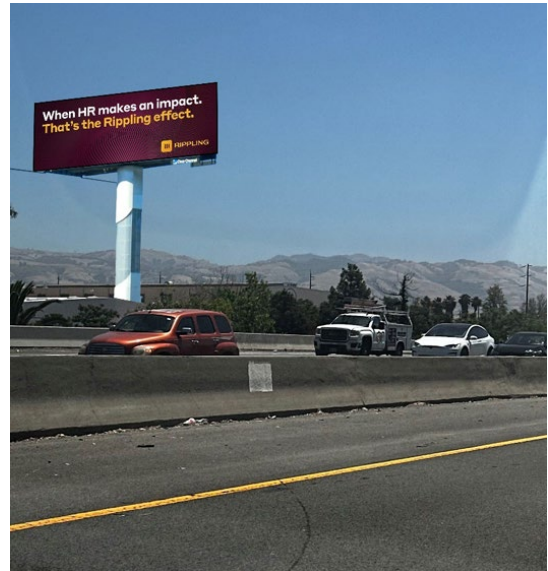


Photo 2 - Proposed billboard, view west

Outfront Foster Interstate – Hwy 87 and Willow St.



View 1



View 2



View 3

Proposed Billboard Removal Locations

Table 1 – Clear Channel Outdoor (18-face removal requirement)

Location	Faces	City Council District
3120 Moorpark Ave. at Winchester Blvd.*	2	1
452 E. Hedding St. at N. 10 th St.	1	3
452 E. Hedding St. at N. 10 th St.	2	3
629 Keyes St. at Senter Rd.*	1	3
Bonita Ave. at Danube Wy. on US 101*	2	3
First St. & Union St.	1	3
1399 Vine St. at Alma Ave.	1	3**
372 E. Trimble Rd.	2	4
1751 Alum Rock Ave. at King Rd.	1	5
2255-2257 Alum Rock Ave. at Scharff Ave.	2	5
670 Stockton Ave. at W. Taylor St.	2	6
2608 Bascom Ave. at Union Ave.	2	9
Total	19	

*Locations with only sign structure currently installed

**Proximate to border of Council District 7

Table 2 – Outfront Foster Interstate (12-face removal requirement)

Location	Faces	City Council District
Market St. and San Salvador St., Southeast corner	1	3
Park Ave. and Barack Obama Blvd., Southeast corner	1	6
Julian St., south side, 250 ft west of Stockton Ave.	2	6
Alum Rock Ave., south side, 150 ft west of 33rd St.	2	5
Almaden Ave., west side, 50 ft north of Edwards St.	1	3
Taylor St., north side, 375 ft east of Stockton Ave.	2	6
Old Bayshore Highway, East Side, 500 ft south of Gish Rd.	1	3
Williams St., north side, 125 ft west of 24th St.	2	3
13th St., west side, 125 ft north of Vestal St.	1	3
Oakland Rd., west side, 175 ft north of Commercial St.	1	3
Auzerais Ave., north side, 175 ft west of Lincoln Ave.	1	6
Alma Ave., south side, 175 ft east of SR-87	1	7
Total	16	