



# Digital Freeway Sign Program

City Council Study Session  
May 22, 2007



# Staff Report -- Topics

- Origin & Purpose
- History
- Proposal
- Three Key Issues
- Fiscal/Economic Impact
- Next Steps
- Additional Information
  - Media Management Services, Inc.
  - Arts Council for Long Beach



# State of the Industry

- Fastest growing advertising medium after Internet
- Attracting attention from major players – Clear Channel, Cisco, Google
- Industry transitioning from static to digital – driven by technology
- Legislation (AB830) moving through Sacramento now



# Origin & Purpose

- As a part of the Structural Deficit Reduction Strategy, Council requested City Manager to explore additional revenue opportunities
- Category to explore was advertising, marketing and sponsorship
- One proposal was digital freeway signs
- Purpose: create an additional no-tax, no-fee, no-cost revenue stream for City



# History

- City Manager Office directed the Economic Development Bureau to structure and bring to Council for consideration
- Reviewed initial work and analyzed concept
- Issued RFP June 2006 to solicit a proposal advantageous to the City
- Sole responder was Media Management Services, Inc.



# Media Management Proposal

- Construct, install and operate double-faced, high resolution digital freeway signs for outdoor advertising
- Enter into a 50/50 net revenue sharing agreement with City



# Financial Basis

- Concept based on value of freeway corridors in Long Beach for outdoor advertising.
- Long Beach is excellent market: many freeways, lots of traffic.
- 405 Freeway (350,000 cars/day) has the highest per capita commuter income in southern California.
- Total ridership for all freeways in Long Beach estimated at 750,000 cars per day.



# Basic Description

- Proposal for six digital freeway signs – (four on 405, one on 710, one on 91)
- Signs to advertise businesses, their goods and services located in Long Beach redevelopment project areas
- Developer finances all costs, then shares net revenue 50/50 with City
- Expected annual City revenue \$1.5 million





# What Have Other Cities Done?

- Comparison with other jurisdictions (Bell Gardens, Buena Park, Carson, Commerce, Covina, Garden Grove, Inglewood, Lawndale, Lynwood, Los Angeles, South Gate, Ventura, Victorville)
- Return to cities usually small annual fee – less than \$30,000
- Purpose of signs: “monument” sign for a city or specific shopping center
- Researched and found no other city in CA or USA that approaches revenue sharing agreement of Media Management proposal



# Three Issues

- Financial
- Legal
- Appropriateness



# Financial

- No leasing, construction, maintenance or management costs to City
- Net revenue divided 50/50 with City
- City revenue estimated at \$1.5 million per year, with \$15 million to City over 10 years.
- Additionally, 20% of advertising time on the network of freeway displays, with estimated value of approximately \$700,000 per year, be allocated to the City



# Legal/California

- California's Outdoor Advertising Act regulates digital freeway signs for outdoor advertising
- Act has a provision to encourage economic development in redevelopment areas
- Signs in redevelopment areas considered "on-premise" signs for all the businesses in RDA area.
- Concept: freeway advertising increases purchasing in project areas and boosts economic investment
- Signs require approval by CALTRANS following concurrence by RDA



# Legal/Long Beach

- Long Beach Municipal Code Section 21.52.229 allows electronic message center signs subject to a CUP, specific development standards including area, height, display, location and projection.
- Design subject to approval by the Department of Planning & Building and the Planning Commission.
- Long Beach Municipal Code Section 16.55 specifically prohibits any reference or depiction of sexual activities; obscene acts, gestures, or words; sale or use of alcohol or tobacco products; or the sale or use of illegal drugs or paraphernalia.



# Appropriateness Issue

- Concerns that digital freeway signs do not add value to the urban landscape.
- Obvious examples of unattractive signs
- Also, examples of how this technology being used to define a presence in urban environment – Tokyo, Manhattan



# Appropriateness: Arts Proposal

- To mitigate concerns, developed the Arts Proposal:
  - Funds generated by digital freeway signs be used as ongoing revenue stream to support arts and culture in Long Beach
  - Portion of City's time on the sign network be used to display and promote arts and culture in Long Beach.



# Arts Proposal

- Basis of concept:
  - Investment in arts and culture strengthens a community
  - Displaying art would be novel & beneficial
  - PR benefit: Long Beach becomes “City of Art”
- Economic development rationale:
  - Arts & culture a principal driver for economic development in any urban center
  - Arts draw people; people invest in community
  - Arts & culture provide a reason to live, work, play in Long Beach





# Sign Content

- Content subject to CA & Long Beach requirements
- Displays static image – no animation
- 20% of sign time to City – every 5<sup>th</sup> message throughout day is City's
- Portion of City time used to display or promote arts and culture in Long Beach
- Final approval of all content by City
- Make design as simple as possible – a “flat screen”
- Ancillary benefit: brands and promotes Long Beach



# Arts Funding by City

- City provides funding to various arts & cultural institutions and activities
- FY 2007: \$300,000 to Arts Council for grants to arts organizations and artists in Long Beach
- FY 2007: \$569,000 to support City's museum, the Long Beach Museum of Art
- Reductions in both LBMA and Arts Council funding
- Upcoming obligation -- City has legal obligation to retire \$3.1 million bond used to expand LBMA
- LBMA has been paying interest, but principal of \$3.1 due in 2009



# Use of Revenue – Arts Proposal

- 45% of annual revenue used to retire \$3.1 million bond obligation associated with LBMA expansion
- 45% of annual revenue to Arts Council for grants to arts & cultural organizations in Long Beach
- 10% of annual revenue to City as administrative fee
- Following repayment of bond obligation, 90% of annual revenue to Arts Council for grants to arts and cultural organizations in Long Beach



# Fiscal Impact

- Expected revenue to City is \$1.5 million annually
- Frees up approximately \$6.1 million in General Fund for other purposes over next ten years :
  - Provides source to meet \$3.1 million bond obligation other than General Fund
  - Provides source for Arts Council grants other than General Fund (10 years x \$ \$300,000 = \$3.0 million)
- Provides approximately \$7 million of value in marketing for City of Long Beach (free ads on signs)



# Next Steps

- Negotiate detailed agreement between City and Media Management (schedule, revenue schedule, audit, content approval process, exact size and brightness, upgrades, etc.)
- Council approval of agreement
- Redevelopment Agency Board concurrence to CALTRANS.
- Planning Commission and Council approval
- CALTRANS approval

# Example

