

**SUMMARY REPORT PURSUANT TO  
CALIFORNIA GOVERNMENT CODE SECTION 52201  
ON THE  
PROPERTY LEASES  
BY AND BETWEEN THE  
CITY OF RIALTO, THE RIALTO HOUSING AUTHORITY,  
AND  
LAMAR CENTRAL OUTDOOR LLC**

The following Summary Report sets forth certain details of the proposed Property Leases (“Leases”) between the City of Rialto and or the Rialto Housing Authority (individually either entity is referred to as the “Lessor”) and Lamar Central Outdoor LLC (“Lessee”). The purpose for the Leases is to generate revenue from Lessor owned property fronting the 210 Freeway and on major City arterial highways.

The Leases grant the Lessor with site control and, if Lessor obtains all governmental approvals, requires the Lessor to Lease to the Lessee a small portion of three separate and distinct properties (the “Leased Premises”). The Lessee shall construct and operate digital displays on the Leased Premises (the “Project”).

**BACKGROUND STATEMENT**

The following Summary Report is based upon information contained within the Leases, and is organized into the following four sections:

Salient Points of the Leases: This section includes a description the major responsibilities imposed on the Lessor and the Lessee by the Leases.

Cost of the Leases to the Lessor: This section details the total and net cost to the Lessor associated with implementing the Leases.

Estimated Fair Market Value of the Interests to be Conveyed: This section estimates the fair market value of the interests to be conveyed taking into account the development requirements and conditions imposed on the Project.

Consideration Received and Comparison with the Established Value of the Site: This section describes the compensation and other public revenues and expenses that accrue to the Lessor, and explains any difference between the compensation to be received and the established value of the Site.

Creation of Economic Opportunity and Public Purpose: This section explains how the Leases will assist in creating economic opportunity in the City.

## **SALIENT POINTS OF THE LEASES**

### **A. Project Description**

The proposed display locations are located on the following sites:

1. The City owned property immediately north of the Rialto Senior Center (zoned for Regional Commercial uses in the Gateway Specific Plan) (APN # 0132-102-13). The Leased Premises encompass 625 square feet at the northwest corner of the 10,726 square foot parcel along with certain appurtenant rights.
2. The Rialto Housing Authority owned property immediately to the east of the Telacu Senior Citizen Housing Project on Foothill Boulevard (zoned residential in the Foothill Boulevard Specific Plan) (APN # 0128-081-47). The Leased Premises encompass 625 square feet of the 14,764 square foot parcel along with certain appurtenant rights.
3. The 7.2 acre City owned property along the 210 Freeway that was the subject of the Property Lease approved by the City Council on April 23, 2019 – this would add a second display on that Freeway Incubator zoned site (APN # 1119-241-02). The Leased Premises encompass 2,500 square feet of a 7.2 acre parcel along with certain appurtenant rights.

Conceptual illustrations of the digital displays proposed for these Sites are attached hereto as **Exhibit B**.

The proposed Project includes construction and operation of a dual sided digital display facing the major roadways, including supporting structures, illumination facilities and connections on the footprint authorized by the Leases. The Lessor proposes to grant a non-exclusive license and utility easements over the Sites allowing access to the Leased Premises from the most suitable location once it develops for other purposes and the parties agree to cooperate to identify the least invasive method of servicing the Leased Premises.

### **B. Lessor Responsibilities**

The Leases requires the Lessor to perform as follows:

1. The Lessor grants a Lease term of 20 years, with option by the Lessee to extend for an additional 10 years – all commencing on the Commencement Date that is the first day of the first calendar month upon completion of the Display.

2. The Lessor conditions the Leases upon and subject to Lessee's ability to obtain at Lessee's sole cost (i) any and all required entitlements and approvals from the City or other applicable governmental agencies, including those required under California Environmental Quality Act (Public Resources Code Sections 2100 *et seq.*) ("CEQA"), for Lessee's construction, use, and operation of the Sign and its Appurtenant Rights (as defined below); and (ii) any and all required approvals from the California Department of Transportation (including the California Department of Transportation Outdoor Advertising Division ("Caltrans")) that may be necessary in order to allow for the construction and installation of the Sign on the Leased Premises. The Lessee shall have 12 months after the Effective Date of the Leases to obtain all required entitlements and permits, with the City Administrator/Executive Director authorized to grant one four month extension. Either party may terminate the Leases if the entitlements and permits cannot be secured within the allowable periods.
3. The Lessor shall grant Lessee exclusive use of the Leased Premises to construct, maintain and operate a V shaped double digital displays visible to traffic on the adjacent roadways.

**C. Lessee Responsibilities**

The Leases impose the following additional responsibilities on the Lessee:

1. Lessee shall lease Sites #1 and #2 above from the Lessor for the greater of (1) a base rental of \$25,000 per year per sign or (b) 25% of the gross advertising revenue for each sign. The base rental shall adjust every 5 years in accordance with the CPI, but in any event not to exceed 20% of the gross advertising revenue in the immediately preceding year.

Lessee shall lease Site #3 from the City for the greater of (1) a base rental of \$40,000 per year per sign or (b) 25% of the gross advertising revenue for each sign. The base rental shall adjust every 5 years in accordance with the CPI, but in any event not to exceed 20% of the gross advertising revenue in the immediately preceding year.

1. The Lessee shall be solely responsible for applying for and obtaining all land use entitlements. The Leases provides a period of 12 months to secure land use entitlements, subject to extension for cause for an additional 4 months.
2. The Lessee shall pay all customary planning, permit and processing fees, development impact fees imposed by the City or other regulatory agencies, all Fair Share Fees imposed by the City or other regulatory agencies.

3. The Lessee shall complete normal and customary due diligence investigations including title reviews, environmental site assessments, soil testing and development feasibility.
4. Lessee shall pay for any Leasehold title insurance and other costs related to the Leases transaction, and also provide liability insurance and indemnities as required by the Leases.
5. Lessee shall pay all operating costs associated with the operation of the display, including all utilities and personal property or possessory interest taxes.
6. Lessee shall allow the City to use the display to advertise City events or public service announcements at no charge not less than 3 times each year. The Lessee may provide alternative displays in close proximity to the City subject to City approval.
7. Lessee shall prepare and maintain proper records subject to audit by the Lessor.

#### **COST OF THE LEASES TO THE LESSOR**

On April 6, 2018 the City acquired Site #1 above for the base purchase price of \$175,000. The City also abated and demolished the structures on the Site at a cost of \$9,800. The City's total investment in Site #1 is \$184,800.

On June 4, 2008 the Rialto Housing Authority acquired the 3.6 acre Site #2 for \$1,200,000. On July 22, 2010, the Rialto Housing Authority then conveyed 3.3 acres to Telacu Housing Rialto II, which created a residual parcel of approximately 14,764 square feet. The RHA's residual investment in Site #2 is therefore approximately \$113,000.

On December 16, 2018, the City acquired the 7.2 acre site and it is valued at its acquisition cost of \$2.3 million.

The Lessor will have no direct cost associated with implementation of the Leases, as the Leases require the Lessee to bear all costs associated with the permitting, construction, and operation of the facility. The City

#### **ESTIMATED FAIR MARKET VALUE OF THE INTERESTS TO BE CONVEYED**

The Lessor will provide an exclusive use area of approximately 625 square feet (for Site #'s 1 and 2) and approximately 2,500 square feet (for Site #3) and a non-exclusive license for access purposes across the remainder parcels. The Lessor and Lessee shall cooperate to provide access with minimal impacts to operations on the remainder land. The fair market value of the

Leased premises is estimated at \$20,000 based upon the underlying land value. It is assumed that the occupancy of the Leased Premises will not impair the adjoining land value.

#### **CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE OF THE SITE**

Based on the Leases for Site #'s 1 and 2, the Lessor will Lease each of the Premises for the greater of \$25,000 per year or 25% of the gross advertising revenue. The estimated revenue is \$25,000 per year. The City/RHA's potential return on investment is therefore substantial at the minimum rent standard. The City/RHA may still derive economic value from the remainder parcels in addition to the rental income from the digital displays.

Based on the Lease for Site #3, the Lessor will Lease the Premises for the greater of \$40,000 per year or 25% of the gross advertising revenue. The estimated revenue is \$100,000 per year based upon expected gross advertising revenues of \$400,000 per year. The City's return on investment is therefore substantial, even at the minimum rent standard. The City may still derive economic value from the remainder parcels in addition to the rental income from the digital displays.

#### **CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE**

The Lessor identified the Sites as a potential site for future commercial uses, consistent with the zoning and general plan designations. The Leases will generate significant general fund revenues for the Lessor and provide highly visible public display opportunities for the City.