

## AGENDA ITEM NO. 10

### CITY OF HAWTHORNE City Council AGENDA BILL


For the meeting of February 13, 2024

Originating Department: City Manager

City Manager:

  
Vontray Norris

City Attorney:

  
Robert M. Kim

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#### SUBJECT:

**RESOLUTION NO. 8451, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HAWTHORNE, CALIFORNIA, APPROVING THE MUNICIPAL MESSAGE CENTERS DEVELOPMENT AND LEASE AGREEMENT BETWEEN THE CITY OF HAWTHORNE AND WOW MEDIA, INC.**

#### RECOMMENDED MOTION:

Staff recommends that the City Council Adopt Resolution No. 8451, Approving the Municipal Message Centers Development and Lease Agreement Between the City of Hawthorne and WOW Media, Inc. and Authorize the City Manager to Execute the Agreements and any Minor Amendments Thereto.

#### DISCUSSION:

Within the boundaries of the City of Hawthorne are two major freeways, the Interstates 405 (San Diego Freeway) and 105 (Glenn Anderson Freeway). The construction of the 105 Freeway took close to 10 years and was finally completed in 1993. The 105 Freeway goes through parts of the City and cuts-off the northern section and is a source of blight and economic downturn. The City continues to combat homeless camps adjacent to the freeways on the Caltrans owned lots on both 105 and 405 Freeways. The 105 Freeway also brings challenging hurdle to provide quick emergency response due to the freeway's blockage of direct path to the residents on the north side of the freeway. Although the freeways serve an important purpose and are an essential infrastructure serving the greater Los Angeles area by its direct connection to LAX International Airport and the new stadiums in Inglewood, they have not resulted in a benefit to the Hawthorne communities.

The neighboring City of Inglewood has completed the Sofi stadium and has almost completed the Intuit Dome. During their events, the City of Hawthorne bears the burden of congested streets and lack of parking space. The completion of the Intuit Dome will add to the congestion. The City

of Hawthorne is a pass-through to the stadiums and the LAX airport and have not seen benefits of its close proximity.

The combined effects of Resolution No. 8451 and Ordinance No 2248 would turn around the stated negative impacts caused by the freeways and the stadiums, allowing the City to redeem some benefits by providing public messaging, marketing and promotion of the City and the local businesses and create revenues through third party advertisements.

Resolution No. 8451 is an agreement with WOW Media, Inc. ("WOW") for WOW to lease certain city owned properties near the freeways and develop Municipal Message Centers ("MMC"). There are three targeted MMC locations with each MMC consisting of two LED electronic signs. The three approximate locations are Rosecrans & 405, El Segundo & 405 and Crenshaw & 105.

Once developed, the MMC would display emergency messaging, advertisements, municipal messaging that encourages investment, shopping and visits to the City. MMC structures would display "City of Hawthorne" along with the City seal. Advertisements for the small businesses in the City would be given a 75% discount.

The term of the agreement is for 20 years with four options of 5 years each for a total 40 years. After the lease expires, the City would gain the ownership of all 6 LED signs. During the term of the agreement and after the signs are operational, WOW would pay the City the following lease payments:

- Initial Bonus of \$100,000 per face (Currently projected 12 faces or \$1.2 Million)
- Minimum Monthly Rent of \$9,000 per month per face (Current Projection of \$1.296 Million Annually)
- 50% Advertisement Revenue share with WOW after their Recoupment of the Development Costs.

#### Assembly Bill 1869

The City of Hawthorne has gained the support of the state representatives in Sacramento for this project. After several exchange of communications with the City's staff and Assemblywoman McKinnor's office, on July 18, 2024, Assembly Member McKinnor introduced AB 1869 under the title of "Outdoor Advertising Displays: City of Hawthorne." Coauthored with Senator Bradford, AB 1869 expressly provides for the City of Hawthorne's developments of MMCs to be exempt from the Department of Transportation's (Caltrans) regulations of advertising displays within view of the freeways.

#### **ECONOMIC DEVELOPMENT STRATEGIC PLAN:**

Aside from the above listed potential increases in City revenues, the MMC would spotlight the City as the destination for visitors, business investments and developments. The marketing opportunities through the MMC would be a major contribution to the economic development of

the City. The small business owners in the City would be provided with an advertisement tool that could reach a market of great number of consumers for a fraction of the cost. The MMC would become a resource to send City's messages for City events and to invite visitors.

**FISCAL IMPACT:**

All of the City's costs associated with the lease and development, including the cost for consultant are to be paid by WOW that will eventually be reimbursed through the expected advertisement revenue. Once developed and operational, under the current plan, an initial bonus revenue to the General Fund in the amount of \$1.2 Million, an annual minimum guaranteed rent revenue into the General Fund in the amount of \$1.296 Million.

The 50% Advertisement Revenue share for the additional City revenue would depend on the size of the LED billboards. For the 1,200 square ft. signs, at 50% sale of the advertisement capacity, the revenue share is expected to start in year 3 (after WOW recoups its development costs) with the City's share of the annual revenue estimated to be \$7,308,414. For the 3,500 square ft. signs, assuming advertisement sales at 50% of capacity, beginning in year 4 (after WOW recoups its development costs), the City's annual share of the revenues would be \$18,260,028. A combination of 1,200 and 3,500 square ft. signs, at 50% sale of the advertisement capacity would mean an increase of City's annual revenues in the range of \$7,308,414 to \$18,260,028.

**NOTICING PROCEDURES:**

72 hours posted notice pursuant to the Ralph M. Brown Act

**ATTACHMENT(S):**

1. Resolution No. 8451
2. Municipal Message Center Development and Lease Agreement - WOW