

**UNLOCK THE MYSTERY OF YOUR BILLBOARD GROUND
LEASE TO MAXIMIZE YOUR INCOME AND PROTECT YOUR
INTERESTS.**

The book your billboard company does not want you to read!



By Frank Rolfe

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INTRODUCTION AND DISCLAIMER

This book is intended to give you, the property owner, an accurate look at the billboard business and how it impacts your lease and property. This book has been written from the perspective of the property owner. I have made no attempt to put a positive “spin” on issues as a billboard company would prefer I do. What I am going to tell you is based on 14 years of experience as one of the largest owners of billboards in the Dallas/Ft. Worth market, as well as the Los Angeles market. If you are a billboard company employee reading this book, then I apologize for leaving out your side of the story and the fundamental parts of your sales pitch, but that is not my purpose here. It is your job to present your side of the story to the property owner.

This book is based on some substantial generalities. Every billboard and property is different. Since I cannot address every individual property, I’ve had to work with averages. That being said, nothing in this book is set in stone, and I’ve tried to perpetually remind the reader that these are guidelines, and it may be possible that a certain condition on your property makes it more or less valuable than what I have written here. That will be a business decision that you have to make.

Let me say from the onset that most billboard company employees are wonderful people. Sure, there are a few bad apples, but by and large they are an affable and honest group. A lot of the issues in this book deal with the corporate policy or mentality which these wonderful people must work under and like any job they are held accountable for meeting certain company goals and procedures. When this happens, don’t blame them. It’s just their job.

With many areas of the country now in moratorium on new billboard construction, it is important to remember that a win/win approach is essential – you are stuck with your existing billboard company and they are stuck with you. Your goal in

negotiating is to get the best deal you can, but a “take it or leave it” stance is counterproductive and ill advised. By reading this book, hopefully you can be a more educated negotiator, and improve your position. It certainly cannot hurt on that front. However, be reasonable and don’t “shoot for the moon”, both sides have to make money in any deal for it to be successful.

As you will see in the book, the billboard industry is more complex than it seems, and there may be certain items more important to you than others. So you will need to “customize” my lessons to meet your own goals and strategies. And you should always, without fail, have an attorney read and review any documents before you ever sign them. I cannot emphasize that enough. I’ve seen people ruin the value of their real estate because they didn’t want to spend \$500 with an attorney. That’s the worst decision of all.

If, after reading the book, you still have questions, please feel free to contact us at www.outdoorbillboard.com.

MARKET DYNAMICS AND WHAT CREATES VALUE

The billboard business dates all the way back to the Egyptians, who put ads on rocks. But in all these centuries it never really went anywhere financially, because anyone who wanted a billboard could just make their own and put it somewhere out in the countryside. But all that changed with Ladybird Johnson’s Highway Beautification act in 1973. This legalization paved the way, although it was intended to do the opposite, for the creation of an industry that could generate serious profits and bring outdoor advertising into a legitimate career.

By limiting the supply of billboards on highways, this new legislation introduced a new wrinkle into an old industry – supply and demand. As advertisers demand for billboards intensified over the years, it made the price of billboards go up, since few new ones could be built. And as the price went up, so did the dollars

available to build bigger and better sign structures. Telephone pole construction gave way to steel monopole. Sheets of plywood gave way to giant panels up to 20' x 60' in size (that's about the footprint of a house).

Being a billboard landowner is big business. There are probably 50,000 to 100,000 billboard landowners in the U.S., and the sum of their payments is in hundreds of millions of dollars per year. Collectively, without their land and permission, there would be no billboard industry at all.

A billboard company acts as, effectively, a middleman between landowner and the advertiser. Some landowners have built and operated their own signs, and without hardship, so the notion that the billboard company is essential is false. However, it is far beyond the reach of most landowners, both financially and operationally, to "cut out" the middleman. The billboard company brings to the table the capital to build and operate the sign, plus the expertise in renting it and, very important to note, a lot of risk that the landowner does not share.

It stands as a given that supply and demand are what create a billboard's value, and that the landowner is a main ingredient in the business model. Additional sources of value for a billboard are the visibility, size, location, speed of traffic, and hundreds of subtle nuances. It is important to take into account the whole picture in getting a fair picture of the value of the billboard and the land it sits upon. A sign on a major highway sounds valuable until you find that it is completely hidden behind a grove of trees. So the first step in understanding your billboard ground rent's value is gathering all of the necessary information.

GATHERING DATA

Before you can talk or think intelligently about your billboard, you must do some homework, and gather a lot of data. Here are some of the most important items.

MARKET AD RATES

What are similar signs renting for in your market? To perform this analysis, you will have to ascertain what similar billboards cost from the perspective of the advertiser. Your first step is to call the local billboard companies, including your own, and inquire as to whether they have any billboards for lease in the market and what the rental rates are. This information is normally freely dispensed by the sales people. Often, they will send you a “kit” that shows their current available signs and rates. You must drive out and look at these signs and see if they are similar in location and visibility to yours. Each one that is “apples to apples” counts as a market comp. If you do your homework effectively, you will probably end up with three of four comps.

Two important notes on these comps: First, ask the salesperson if this is a “net” or “gross” price. A “gross” price includes a 16.66% ad agency commission discount, which the billboard company will not receive and does not really count as rent. A “net” price is actually the amount the billboard company will receive. The other note is that many billboard companies today bill not by the month, but by the four week period – effectively a 13 month year. So you need to take this into account when calculating the annual revenue the billboard generates.

Also, beware of oversimplifying what is a comp. A 14' x 48' sign on a highway with 200,000 cars a day going by is not the same as one with 20,000 cars a day, even though they are the same size. Be realistic in your comparisons.

Of course, to compare signs you first must know what you have to compare. You will need to measure your sign, at least enough for an accurate guess. You can measure the width from the ground using a tape measure. Most billboards fall into a standard size based on width. The standard widths and their corresponding heights are:

60'x 20' 48'x 14' 40'x 10' 36'x 10'6" 24'x 12' 10'x 5'

OTHER SIGN GROUND RENT COMPS

Surely, you are not the only landowner with a billboard on your road. A great way to find out what your ground rent should be is to ask your neighboring property owners what they get in ground rent. Of course, they may not be with the same company as you – but that may be a blessing in determining fair rent. A newly constructed sign may be the best bell-weather of current values. Most of your neighbors will not take offense at your calling and asking – on the contrary, they would like your data as well!

If you are going to use this data, it must be accurate. People have a notorious track-record of over-inflating their income. Additionally, if your neighbor has a business on his land, you need to make sure that you are talking with the owner, as the store manager or employees will not have the actual ground rent numbers. If you come across any wildly out of line numbers, they should be disregarded. And, as we cannot emphasize enough, it must be apples to apples. If the guy down the street has a 20'x 60' monopole sign on his property, he should be receiving much more ground rent than you with your 12'x 24' on wooden telephone poles.

LAWS

What creates the value in your land with a billboard, as we have already discussed, is the scarcity created by state and city ordinances that restrict billboard construction and renovation. To have a good handle on your options, it is important that you become a master of these laws. You need to start with the laws of the state you are in. You should contact the resources shown below to get the state sign ordinance:

Alabama Department of Transportation
1409 Coliseum Boulevard
P.O. Box 303050
Montgomery, Alabama 36130-3050
334-242-6358
www.tdot.state.tn.us

Alaska Department of Transportation & Public Facilities
Office of the Commissioner
3132 Channel Drive
PO Box 112500
Juneau, AK 99811-2500
907) 465-3901
www.dot.state.ak.us

Arizona Department of Transportation
205 South 17th Avenue, MD 612E
Phoenix, AZ 85007
(602) 712 - 7316
FAX
(602) 712 - 3257
www.dot.state.az.us/

Arkansas Department of Transportation
P.O. Box 2261
Little Rock, Arkansas 72203
501-569-2000
www.ahtd.state.ar.us

California Department of Transportation
1120 N Street Room 2221 (MS-52)
Sacramento, CA 95814
Telephone: (916) 654-4245
FAX: (916) 653-2134
www.dot.ca.gov/

Colorado Department of Transportation
4201 E. Arkansas Avenue
Denver, CO 80222
303-757-9011
www.dot.state.co.us

Connecticut Department of Transportation
2800 Berlin Turnpike
Newington, CT 06131-7546
www.ct.gov/dot

Delaware Department of Transportation
800 Bay Road , P.O. Box 778
Dover, DE 19903
302-760-2080 or 800-652-5600
www.deldot.net

District Department of Transportation
2000 14th Street, NW, 6th Floor
Washington, DC 20009
(202) 673-6813
www.ddot.dc.gov/main.shtm

Florida Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450
(850) 414-4100
www.dot.state.fl.us/

Georgia Department of Transportation
No. 2 Capitol Square, S.W.
Atlanta, Georgia 30334
(404) 656-5267
(404) 463-6336 Fax
www.dot.state.ga.us/

Hawaii Department of Transportation
Aliiimoku Building
869 Punchbowl Street
Honolulu, HI 96813
www.state.hi.us/dot

Idaho Transportation Department
3311 W. State Street · P.O. Box 7129
Boise, ID 83707-1129
208) 334-8000
www.itd.idaho.gov/

Illinois Department of Transportation
2300 S. Dirksen Pkwy.
Springfield, IL 62764
(217) 782-7820
www.dot.state.il.us

Indiana Department of Transportation
100 N. Senate Ave. Room IGCN 755
Indianapolis, IN 46204
Phone: (317) 232-5533
www.ai.org/dot/

Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010
Telephone: 515-239-1101
Fax: 515-239-1639
www.dot.state.ia.us

Kansas Department of Transportation
Dwight D. Eisenhower State Office Building
700 S.W. Harrison Street
Topeka, KS 66603-3754
785) 296-3566
www.ksdot.org/

Keytucky Department of Transportation
200 Mero Street, Mail Code E6-S1-00
Frankfort, KY 40622
Phone: 502-564-3730
Fax: 502-564-2277
www.kytc.state.ky.us

Louisiana Department of Transportation
Red River Waterway Commission
5941 Highway 1 Bypass
Natchitoches, LA 71457-2625
318-352-7446
www.dotd.state.la.us/

Maine Department of Transportation
Child Street
16 State House Station
Augusta, ME 04333-0016
(207) 624-3000
Fax (207) 624-3001
www.state.me.us/mdot

Maryland Department of Transportation
7201 Corporate Center Dr.
Hanover, Md. 21076
888-713-1414
www.mdot.state.md.us

Massachusetts Highway Department
10 Park Plaza, Suite 3170
Boston, MA 02116
TEL: (617) 973-7800
FAX: (617) 973-8040
www.magnet.state.ma.us/mhd/home.htm

State Transportation Department
425 W. Ottawa St.
P.O. Box 30050
Lansing, MI 48909
517-373-2090
www.michigan.gov/mdot/

Minnesota Department of Transportation
Central Office
Transportation Building
395 John Ireland Boulevard
Saint Paul, MN 55155
Phone: 651-296-3000
www.dot.state.mn.us/

Mississippi Department of Transportation
P.O. Box 1850
Jackson, MS 39215-1850
601) 359-7001
www.mdot.state.ms.us/

Missouri Department of Transportation
Central Office
105 W. Capitol Avenue
Jefferson City, MO 65102
1-888 ASK MODOT
(1-888 275 6636)
www.modot.state.mo.us

Montana Department of Transportation
2100 W Broadway
PO Box 7039
Missoula, MT 59807-7039
Phone: 406.523.5800
Fax: 406.523.5801
www.mdt.mt.gov/

Nebraska Department of Transportation
1500 Hwy. 2, P.O. Box 94759
Lincoln, NE 68509-4759
402-479-4512
www.dor.state.ne.us

Nevada Department of Transportation
1263 South Stewart Street
Carson City, Nevada 89712
Telephone: 775-888-7000
Fax: 775-888-7115
www.nevadadot.com/

New Hampshire Department of Transportation
John O. Morton Building
7 Hazen Drive
Concord, NH
03302-0483
Telephone: (603) 271-3734
Fax: (603) 271-3914
www.state.nh.us/dot/

Department of Transportation
P.O. Box 600
Trenton, NJ 08625-0600
www.state.nj.us/transportation/

New Mexico Department of Transportation
Bokum Building
142 West Palace Ave
2nd Floor
P.O. Box 1269
Santa Fe, New Mexico 87501
www.nmshtd.state.nm.us

New York State Department of Transportation
3407 State Route 3614855
Jasper, NY
607-792-3387
www.dot.state.ny.us

North Carolina State Department of Transportation
1500 Mail Service Center,
Raleigh NC, 27699-1500
919-733-2520
www.dot.state.nc.us

North Dakota Department of Transportation
608 East Boulevard Avenue
Bismarck, ND 58505-0700
701-328-2500
www.dot.nd.gov/

OHIO DEPARTMENT OF TRANSPORTATION
1980 W. BROAD ST
COLUMBUS, OHIO, 43223
www.dot.state.oh.us

Oklahoma Department of Transportation
200 N. E. 21st Street
Oklahoma City, OK 73105
405- 521-2001
www.okladot.state.ok.us/

Oregon Department of Transportation
355 Capitol St. NE
Salem OR 97301-3871
888-ASK-ODOT
www.odot.state.or.us/

Pennsylvania Department of Transportation
Keystone Building
400 North Street
Harrisburg, PA 17120
General Information: 717-787-2838
www.dot.state.pa.us/

Rhode Island department of Transportation
Two Capital Hill
Providence, RI 02903
401-222-6510
<http://www.dot.state.ri.us/publications/>

South Carolina Department of Transportation
Attention: OSOW Permit Office
P.O. Box 191
Columbia, SC 29202
877- 349-7190
www.dot.state.sc.us/

South Dakota Department of Transportation
Aberdeen Region Office
PO Box 1767
Aberdeen, SD 57402-1767
605-626-2244

Pierre Region Office Rapid City Region Office
104 S. Garfield
Pierre, SD 57501
605-773-3464

Mitchell Region Office
PO Box 1206
Mitchell, SD 57301-7206
605-995-8129

Rapid City Region Office
PO Box 1970
Rapid City, SD 57709-1970
605-394-2244
www.sddot.com

Tennessee Department of Transportation
James K. Polk Building
505 Deaderick Street Suite 700
Nashville, TN 37243-0349
Phone: 615.741.2848
www.tdot.state.tn.us/

Texas Department of Transportation
125 East 11th Street
Austin, Texas 78701
512-416-2901
www.dot.state.tx.us/

Utah Department of Transportation
4501 South 2700 West
Mail Stop 141200
Salt Lake City, UT 84114-1200
801-965-4000
www.sr.ex.state.ut.us

Vermont Department of Transportation
One National Life Drive
Montpelier, VT 05633-5001
802-828-5324
www.aot.state.vt.us

Virginia Department of Transportation
VDOT Annex Bldg.
1401 E. Broad Street, 11th floor
Richmond, Virginia 23219
804-786-4871
www.virginiadot.org

Washington State Department of Transportation
Transportation Building
310 Maple Park Avenue SE
PO Box 47300
Olympia WA 98504-7300
360-705-7000
www.wsdot.wa.gov/

West Virginia Department of Transportation
Building 5
1900 Kanawha Blvd, East
Charleston WV, 25305-0330
Phone: 304-558-2822
Fax: 304-558-0454
www.wvdot.com/

Wisconsin Department of Transportation
4802 Sheboygan Avenue - Room 501
Madison WI 53702
608- 266-3813
www.dot.state.wi.us

Wyoming Department of Transportation
5300 Bishop Blvd
Cheyenne, WY 82009-3340
307-777-4375
www.dot.state.wy.us

Once you fully understand the state ordinance, you now need to learn the local ordinances. In some instances, such as when you are in the county but not city limits, the state ordinance is the only one to learn. However, if you are in a city, you need to learn that ordinance as well. Start off by calling City Hall and getting a copy of their sign ordinance. You will find that sign ordinances cover two areas: premise and non-premise. You are interested in the non-premise category (premise is for property signs such as “McDonalds” or “Larry’s Mufflers”).

Be sure to get the written ordinance, as it may differ from what you are told on the phone – the city employee may not have a mastery of the laws themselves!

If the ordinance says that signs are no longer allowed, or that based on the spacing you cannot put another one back if you remove the current one, then don’t be alarmed – that’s the case about 80% of the time. That just means that you have no choice but to work with your existing billboard company to get a fair lease. If you can build a new sign in the exact location of the existing sign, then you may have a better negotiating arsenal, including bidding between two or

more companies. **However, be advised that the if you are unreasonable in your negotiations, the current billboard company or incumbent may try to move the sign to a neighbor and block any new construction on your property, so it is really not an even match.**

STRUCTURE SIZES AND CONFIGURATIONS

As noted earlier, most billboards fall into standardized sizes. These sizes have a direct result on how much a billboard rents for. The bigger the sign, generally, the bigger the ad rent. These are the standard sizes for billboards, as well as the name they are generally called:

| | |
|------------|-----------------|
| 14'x 48' | bulletin |
| 20'x 60' | spectacular |
| 10'6"x 36' | junior bulletin |
| 10'x 40' | no nickname |
| 12'x 24' | 30 sheet poster |
| 5'x 10' | 8 sheet poster |

It is possible, particularly in older parts of the U.S., to find signs that do not meet any of these sizes. Don't panic if yours does not. It still has plenty of value. However, it will not be able to reach the biggest rates (unless you are in Time Square or Hollywood Blvd.) without being part of the standardized crowd.

In addition to standardized sizes, there are also several standard structure configurations, with the approximate value ranked from most to least:

Steel monopole

Steel multipole

Steel I-beam

Wooden multipole

While the ad face is the most important, the configuration also tells us what kind of importance the sign has. In almost all cases, the billboard company will pay more to keep a steel monopole than a wooden multipole.

Another important consideration is how many ad faces are on your sign. Some signs only have one, which others may have up to four, stacked two per side. The more faces, obviously, the more potential revenue and, therefore, the more potential ground lease payment you can get.

If your sign has more than one face, and even if it only has one, you will also want to take note of the angle of the sign face to the street called in the industry the “V”. The bigger the “V” (sharper angle to the street) the more value, as the sign can be read for a longer time by the occupants of the car. The least amount of “V” is called a back to back. It has no “V” at all – the two faces are straight perpendicular to the road. This is never as valuable as a sign that has a deep “V” or sharp angle aimed at the street. When viewed from the ground, a sign with a large “V” looks like a “V” – that’s where the name came from!

The final consideration on your sign is lights. Without lights, the sign cannot be seen at night. This reduces greatly its desirability for most advertisers. Although it’s light late in the summer, it gets dark at 5:00 in the winter, and the value to commuters is negligible. A sign with lights can easily bring more than double

compared to a sign without lights. So it is important that you know this item. It is easy to see if a sign has lights from the ground, even if they are turned off. Billboard lights look like huge boxed set about 4 feet from the billboard face, or they can be fluorescent tubing that is easily spotted running parallel to the ad faces but several feet from them. You cannot always tell from overhead power lines – some signs have underground power connection.

TRAFFIC COUNT

The sheer number of viewers who see your billboard daily has a huge impact on its ad rate. You can obtain this number from the state office mentioned earlier, or from the city in which your property is located in. It is normally described in cars per day. A tremendous traffic count, near the optimal range of the spectrum is about 200,000 cars per day. That would be one of the top freeway counts in the U.S. However, counts can be as low as 10,000 per day and still have good value. In most major cities, a count of 100,000 per day is pretty standard for a highway.

When you are looking at comps for your sign, be sure to compare similar traffic counts. Otherwise, you are just kidding yourself. This is one of the key drivers of values, and there is no way that a sign with a traffic count of 20,000 will be worth the same as a count of 100,000.

There is however, an exception to this rule. Quantity of cars is one thing, but in some markets an equal consideration is “quality” of traffic. For example, some of the most valuable billboards in the U.S. are on surfaced streets in Los Angeles, such as Hollywood Blvd. and Sunset Blvd. These signs can rent for huge amounts, although the traffic count is anything but impressive. The reason is that they reach almost all of the movie producers and stars in Hollywood. So don't forget to also consider the quality of your traffic.

MARKET OCCUPANCY

Another important source of value is market occupancy – how many vacant signs are nearby? Obviously, your sign is less valuable in a market that is a wash in vacancy. This impacts your negotiating posture in two ways. First, it may lower the ad rates to meet the oversupply of ad faces. Secondly, the billboard company may seriously consider removing a billboard in a weak market, so your negotiating room is greatly diminished.

There is no secret to tapping the vacancy in your market. Driving around, any sign that is blank is vacant. But don't miss some other vacancies that are not so readily obvious:

*Public service messages are normally vacant signs, whether the message is from a charity or the sign company themselves. If the sign was rented, it would have a paying customer on it.

*Signs that have messages that are out of date are really vacant. For example, a Ringling Brothers Circus ad that is dated March is really empty if the current date is after the date of the show.

*Ads that are in poor condition. If a sign is rented, the ad face looks sharp and new. Even on a three-year lease, the ad remains polished. If you see an ad that has a tear through it, or is horribly faded, it's a good bet that it is really vacant.

MARKET FUNDAMENTALS

Is the location of your sign booming or declining? Is the city you are in on the path of growth, or has it seen better days? These are important issues to consider, too. If the town is seeing double-digit annual growth, and has great demographics, it will be worth more long term to the billboard company than a

location in an area that is blighted. There is no greater example of this than in Los Angeles, California. Neighborhoods there have often gone up and down several times, and the difference in ad rates is astounding. One section of Sunset Blvd, can be worth more than 10 times what it is just a few blocks down. So be sure to take a realistic view of your location and what the future holds.

OTHER

These are the basic categories of data you need to compile. But there is never too much information in life. If you have some other ideas of what may create value with your sign, then by all means investigate them, every sign is different, and don't forget it.

UNDERSTANDING THE GROUND RENT FORMULA FROM THE BILLBOARD COMPANY'S POINT OF VIEW

The proforma of a billboard has only a few line items. It looks something like this:

INCOME

| | |
|---|----------|
| Ad rental [2 sides at \$1,000 per 4 weeks, net] | \$26,000 |
|---|----------|

EXPENSES

| | |
|--|-------|
| Ground lease (20% of revenue) | 5,200 |
| Production of ad (est. \$1,000/face x 2 x 2 changes) | 4,000 |
| Electricity | 3,600 |
| Insurance | 500 |
| Property Tax | 1,000 |
| Repair and maintenance | 1,000 |

NET INCOME

\$10,700

Now, before you think that the billboard company is making all kinds of money, consider this. The billboard still has some big bills to pay out of their share of the money. Namely all of the administrative and sales costs, such as salaries and commissions. They also have to worry about vacancy – signs are seldom always full. And they have to coordinate the production of the ads, check on the lights periodically, check for damage after storms, and always run the risk the sign will be permanently rendered useless due to construction of a building that might block it, or a new tree that is planted.

And on top of that, they have to pay the debt service on the sign structure itself. Assume that the above example is a monopole 14'x 48' at a cost of \$50,000 to build. Then it would take about 5 years to pay it off before all the aforementioned costs – more like 10 years or more after you include these “soft” costs.

THIS IS CLEARLY NOT A GET RICH QUICK SCHEME ON THE PART OF THE BILLBOARD COMPANY.

I want you to study this proforma for a minute. Do you notice what the single biggest cost for the sign is? That's right, the ground rent. And what is the only variable cost on the statement, one that can be negotiated? Again, only the ground rent. So that's why billboard companies are so obsessive about driving a hard bargain on ground rent – it's the only thing they have any control over!

Now, you may say that you have read the publicly held billboard companies statements and they are wildly more profitable than what I've shown here. That's because out of every group is normally an aberration where the ground rent is way too low for the revenue level.

For example, let's assume that someone had a billboard on a major freeway that was built in 1975. At that time, the ads rented for \$300 per month, and the fair ground rent at that time was \$1,200 per year. Fast forward thirty years, and the ground rent has continued at \$1,200 per year because the landowner never paid any attention to ad rates, but now the sign is bringing in ad rates of \$3,000 per face per month. This sign is fully paid for and brings in about \$60,000 per year plus. As you can see, and these examples are everywhere, the real profit for a billboard company is to have a very, very low ground rent that was locked on based on old-time ad rents, and then raise those rates to new highs.

Most of the time, billboard companies know that rent is too low, but you cannot blame them for trying to keep it low. That's just American business. But you don't want to be the negligent landowner in this example.

Now, when it is time to renegotiate your billboard ground rent for a renewal, of course, the billboard company is going to try and leave things status quo. And if you question them, they will offer you a slight increase over the low rent. But deep down, they are terrified that you will spend some time looking into what other landowners are receiving, and doing more detailed due diligence. Since they know what the real ground rent should be, they normally cave-in pretty quick when faced with an educated landowner.

Most billboard companies shoot for a target of 15% to 20% of the gross revenue. And you know what (as shown in the above example) that's fair! The key is to get the commitment based on this real percentage, not based on 1975 financials. In some instances, where the billboard is hugely valuable, they may go higher on the percent – maybe as high as 50% on the primest real estate in the U.S. But unless your land is that hot, forget anything much more than 15% to 20% - 25% tops.

A deal based on 15% to 20% of the real gross revenue is a fair deal for everyone, as long as this amount is CONSTANTLY READJUSTED BASED ON NEW RATES AND INFLATION. Going back to our 1975 example, a 10 or 20 year lease, without any adjustments for inflation or ad rate increases, is guaranteed to be a bad deal for you (unless you really believe that there will be no inflation – ha!). It is your job to ensure that your ground lease contains provisions to re-adjust constantly based on inflation. These types of re-adjustment come in three different types:

- **GUARANTEED BASED RENT WITH INFLATION ADJUSTOR.** Under this scenario, your ground rent re-adjusts based on CPI (consumer price index) each year. You have a guaranteed amount coming in with inflation protection.
- **PERCENTAGE OF AD RENT.** Under this scenario, you get a percent of ad rent so, as it increases over time, so does your ground rent. The danger of this scenario, unless you tie it to the guaranteed base rent (base vs. percentage), is that the sign might stand empty for years and you get nothing.
- **ANNUAL GROUND LEASE, TO BE NEGOTIATED EACH YEAR.** It's a big pain in the neck, but it may be worth it on those valuable signs or in markets that are booming.

It is your careful attention to inflation that is, or is more important, than obsessing on beating 15% to 20% of gross. I have seen more people lose on this misstep than all the others combined.

Now that you have a clearer picture of how all the parts work. Let's put it together and see where you are at.

PUTTING IT ALL TOGETHER

I am going to assume now that you have gathered all of your data. You know what similar signs rent for, and what your neighbors with identical signs are getting for ground rent. You know how bad the vacancy in your market is, and the size and configuration of your structure. And you are an expert on the local and state laws. Only after you have mastered these steps, are you ready to negotiate your ground rent.

You probably have a great idea of what the ground rent should be. Now you just have to get the billboard company to agree to it. What do you do?

The first step is making sure you have a handle on when the term of your lease expires. Be sure that you have read all the fine print (maybe have your attorney do it) and have plenty of time to negotiate. You don't want to start the process two days before it rolls over. If you do, I guarantee the sign company will come up with some type of delay and you will roll over for another term of ten or twenty years. I would start the process with at least 6 to 12 months left on the existing lease. That gives you plenty of time to meet, talk, think and meet again.

The first step is to set up a face-to-face meeting with the billboard company representative. Phone calls and letters won't work. The goal is to meet them and let them know that you are an expert on this sign and won't be easily duped. Hopefully, you will also have some type of personal report so it will make it harder for the billboard company to play hardball or be unreasonable.

In that first meeting, reel off all the information you have gathered, from the ad rents to neighboring owners income. The goal is to convince the billboard person that you are no idiot and want a fair deal. Normally, your mastery will blow them away, since most landowners are unprepared and easily duped. Nothing will be accomplished in this first meeting except for you to set the initial impression that

you are a formidable competitor. The billboard person will say they need time to consider your proposal (more like talk to their boss on what to do).

Next will come either a call or letter with an offer. It will be filled with telemarketer meaningless preamble on how tough times are or whatever. Try not to fall asleep during this meaningless corporate exercise. Then comes the offer. Of course it's low – they figure you are going to counter-offer, which you are. That's just normal business isn't it?

If this offer is near to your target than you are fine, because it probably is easily increased if you are ready to sign a lease. However, if it is not, then you need to have a soul-searching conversation with yourself. At what price would you prefer to have the sign off your property? And are you firm on that?

First, have the billboard company explain why their offer is lower than market. Maybe you made mistakes when you were gathering the data. Maybe you were comparing apples to oranges. Share your data with them and have them show you your mistake. If you did mess up the data gathering, then admit it and move on. Given the correct data, is their offer acceptable?

If you still are not happy, then ask to meet with their boss. This step almost always causes some type of movement. The billboard person really doesn't want their manager involved, so they may up the rate just to get you to shut up. If not, then go ahead with the meeting.

In the meeting, again show all the data you compiled. And remember to always act like an ally, not the enemy. You and the sign company are stuck together and, like a bad marriage, you need to hold it together for the sake of the kids (in this case, billboards). See if the manager will make amends.

If not, then you are at the final stage which is to either accept their offer or tear the sign down. There really are no other options. They are not going to sell you the sign structure, and a UFO is not going to beam down a new manager that will give you what you want.

If it were me, I'd keep the sign on a short lease, and then try again next year. Once the sign is down, it's gone forever, and I personally don't like that option. That's a lose/lose option as far as I can see.

Now assuming you are one of the lucky majorities, and their offer is fair and acceptable. Do you sign that lease? NOT YET. Let me go over with you a host of other issues that you need to address to protect your rights and property.

These will need to be added into the lease as well.

OTHER FINANCIAL CONSIDERATIONS AND OPTIONS

Even if the company has offered you a fair and acceptable ground rent, there are a few additional financial concepts you should explore.

One of which is selling the company a perpetual easement to keep the sign on your property. Instead of annual or monthly rent, you will receive one cash amount. This option should really only be considered if having the sign on your property will never cause any problem with selling the land. You would be an idiot to ruin the value of your high-rise office building site with a billboard in the middle of it. If the sign will never cause any harm, then you might consider this option seriously.

Right now, many sign companies are offering ridiculously high amounts for this option. Why? Don't ask me. I've seen offers that are as much as a 1% cap on

income – astounding! It, of course, never hurts to ask what this amount would be in your case.

The next thing to consider is to ask for a signing bonus. If your sign is highly desirable, they may be happy to give you \$1,000, \$5,000 even \$10,000 just to sign the lease. Again, it never hurts to ask.

You might also want to ask about the possibility of receiving five to ten years in advance on a ten year lease. I've seen this done and it at least gets you significant locked-in cash up front, particularly important if you need the money.

The final idea, only if applicable, is to sell them the entire land. This option is only of value if your land is nearly worthless and their offer is far higher than the sum of the land plus the perpetual easement we just discussed. It is rare, but it does happen occasionally.

Now let's examine a whole lot of other lease considerations.

UNDERSTANDING LEASE TERMS AND THE IMPACT ON YOUR PROPERTY, AND HOW TO PROTECT YOUR INTERESTS

Once you have agreed to a ground rent amount that is satisfactory to you, there are still some very important considerations that can negatively impact your property if you do not give them careful consideration.

LEASE LENGTH

The billboard company will always be seeking a very long lease term. If it was up to them it would last 1,000 years with a 1,000 year long option. Why? For three reasons, first, they don't want to take the time to renegotiate the lease every year or so. That would require hiring more staff just to renegotiate existing leases,

which is not an income producing function. Secondly, they are hoping to have a huge aberration between the ground lease payment and the ad revenue (remember my example of a billboard built in 1975 and the economic reality 30 years later). If they can get you to agree to a ground lease payment that does not adjust for inflation, it's a sure bet that this aberration is almost guaranteed just a short time down the road. Finally, the billboard company may want to sell out someday, and the value of their leases (which are their only real assets) will be evaluated and priced based on how many years are left on the leases.

This being said, long leases are not in the best interests of landowners. First, they can cause underpayment of ground lease unless inflation is factored in. Renegotiating a ground lease every year is probably no big deal for you, so the hiring issue does not hold true for the landowner. Finally, it can cause serious impact to the marketability of the property if the sign precludes development and cannot be removed during the lease.

There are, however, some times when a long lease is an asset to the landowner.

- When you are trying to use the billboard income in a refinancing or sale, the length of the lease is an important asset -- the longer the lease, the more value you will receive (assuming the lease is a fair one).
- When a location faces a risk to its visibility, you may want to lock in the billboard company before the impact is known. For example, if there will be significant road construction in the area, you might end up blocked from view for some period. However, this will not give you any help if the lease allows for the company to remove the sign in the event of blockage.
- When you are about to die and your heirs are incompetent, and you want to put the income in a trust.

So what is the correct lease length? That is entirely your call. Assuming that the lease is a fair one with inflation protection, then it all boils down to your personal concerns and convictions. The important point to consider is that the LENGTH IS NEGOTIABLE! Nowhere is it set in stone what it has to be. The length on the submitted lease is only a starting spot for negotiation – not a national law.

THE OPTION TRIGGER

The billboard company, like any other lessee, wants the lease to quietly renew unless you terminate it. That way, if they're lucky, they can continue on for years before you even notice that the income has not been discussed for several decades. This kind of a trigger, however, is not really in the interests of the landowner.

The kind of trigger you need is one in which you must be notified and agree to an extension in writing, NOT an automatic one. I cannot imagine any scenario in which the automatic extension is good for you. I have seen cases where people suddenly discover they have a billboard on their property at a ridiculously low ground rent (normally in an estate), and then find that it has automatically renewed for 15 years so there is nothing they can do about it.

Have your attorney come up with a trigger that is not hidden and in your favor.

REMOVAL OF SIGN AND TERMINATION OF LEASE OPTIONS

Billboards are a risky venture, and to mitigate this risk, billboard companies try to insert two conditions in the lease which better protect their interests – BUT UNFORTUNATELY NEITHER ONE HELPS YOU AT ALL!

The first condition is that, in the event that the sign is blocked or unable to be rented, they can remove it with a short period of notice. This is very dangerous item for several reasons:

- This may cause you harm when you go to sell or refinance the property, because the income may not be viewed as solid, and of far lesser value.
- This can be used as a negotiating lever by the billboard company against you in perpetuity. During slow economic times, the company may want to REDUCE your ground rent, or force you to make other leases changes under the threat of removal of the sign.

So what do you do about this?

The billboard company is well within its rights to ask for such an item, because obviously there is no economic reason to keep a \$50,000 billboard on a piece of land, and make payments to you on it, if it cannot be rented. So about all you can do is try to negotiate out of it. If you tell the company that you won't agree to the lease unless they strike that provision, then maybe they will. If the billboard is a renewal lease, tell them that the sign has been there for years and that there is little chance of such a problem arising. Or argue that they have already paid it off years ago, so their risk is minimal.

It never hurts to ask. And if you can get it out of your lease, you may be really happy you did some day.

Now it is time to put the shoe on the other foot. You may someday want to get the sign removed for your property so that it can be developed, or a new buyer may just not like signs and make removal of the sign a condition of closing. So what do you do?

Billboard companies normally have language to address this concern, since it is probably the most discussed item in the lease, BUT BEWARE OF THEIR LANGUAGE.

Often the billboard company has a standard insertion that does NOT give you the right to remove the sign like you intended. You need to have your attorney look at it. What will work for you is a provision that you can cancel in the event of development or resale of the property. On the development side, that is a very fair request on your part. To make it fair and legitimate, you might insert that there is a condition to exercising this provision, such as obtaining a permit for development. I don't think that's an unfair request. No sane person would hamper the development of a piece of land over a billboard rent check. And nobody, after a first attempt, will try to stop you from including this in the lease.

The ability to cancel upon sale is a much different matter. If the billboard is in jeopardy of being terminated over nothing more than a sale of the land, then it might not be worth building in the first place. Few billboard companies will agree to this concept, and rightfully so. Would you risk building a \$50,000 sign with nothing more than a day-to-day lease? Because really that's all they have with a "on sale" clause. You can ask for it if you want to, but I wouldn't give it to you, and neither will most companies. As the owner, you have to take some risk, and this is it.

AD CONTENT

This is a section that causes more unhappiness than virtually any other in the lease. It's sad that all leases do not include it, because it should be common sense.

In your ground lease you should have a provision that no competing advertising copy can be on the sign. For example, if you own a Ford dealership, the

billboard on your property cannot advertise Chevrolet. You would think that this goes without saying, but it happens all the time if you are not protected in your lease. Why? Because the first location a competitor wants to have is right next to his/her competition, to direct that traffic away from the competition and over to his/her store. By coupling that with the sales department's drive to keep the signs rented you have the basic recipe for disaster. I don't think that the billboard company will give you much grief with this insertion, but be sure to have YOUR attorney draft or review it.

You might also want to consider any other scenario you think is not to your liking. For example, if you have a church on your land, you might want to restrict liquor ads, and obviously, topless bars and XXX bookstores. It is up to you to decide what needs to be restricted. However, you have to be reasonable and have a good reason for it.

BLOCKAGE

There is always the possibility that your sign will be blocked by a tree, another sign, a new building – any one of hundreds of items. So what happens when that arises?

It makes no sense for the billboard company to keep a \$50,000 asset with no income tied up on your own property, so I don't know how you could rationalize removing this option by the billboard company. However, what if only one side of the sign is affected on a two-sided sign? That could be open to negotiation and inclusion in the agreement.

The billboard lease may want you to warrant that YOU will not block the sign with anything on your own property. This is not an unreasonable request, but you will probably want to add "within your control". Why? What if you lease the land to

someone and they build an obstruction but your lease with them does not stipulate blockage. You would be in a bad position!

MAINTENANCE

There is nothing uglier than an unkempt billboard, with weeds growing up the base and a big rusted steel pole. It can destroy your property value. As a result, you need some stipulation in the lease for the company to warrant minimum maintenance standards.

These may include that the sign pole be free of rust and no grass or weeds growing up the pole exceeding 6" in height. Mowing and edging around the sign is definitely something you need to discuss and address – it is often forgotten by both parties. You may also want to include the right to approve the color of the pole. I have seen, through ownership changes, poles being repainted some pretty awful colors, such as purple. I wouldn't want a huge purple pole on my property! Normally, the only paint scheme that is essential to the billboard company is the "skirt" of the sign (the portion under the ad, where the nameplate is located).

DEFAULT BY BILLBOARD COMPANY FOR NON-PAYMENT OF RENT

Yes, it does happen. Often smaller billboard companies get behind on their bills – they even go bankrupt! You have to address what will happen in this scenario.

There is nothing worse than having a big, ugly billboard on your property and not getting paid a dime for it. You cannot allow this to happen to you. Probably the best teeth you can put in this provision is that in the event that you don't get paid, you get the sign for free. Of course, even if the company agreed to this, you would be in probably a second lien or worse position, and their bankruptcy filing could wipe you out anyway. But you need some type of severe penalty and

rights to get it removed if you don't get paid. THIS IS ONE THING TO REALLY HAVE YOUR ATTORNEY FOCUS ON. It happens more times than you would think, especially in a recession (which I think is coming any day now).

DEFAULT BY COMPANY FOR ANY OTHER ITEM UNDER THE LEASE

Just like the financial problem, you need a safeguard to make sure the company does what it promises. This could be in the form of a financial penalty, such as \$100 per day starting three days after notice has been given in writing as to the default, or some other type of construction. Maybe it gives you the option to terminate the lease. Whatever it is, make sure it's in there and that your attorney has written or approved it.

Once you have reviewed and dealt with all these issues, there are still some more important things to consider. Sorry if you're getting tired by now.

UNDERSTANDING AND MIGITAGATING RISKS

REMOVAL OF SIGN BY FUTURE DEVELOPMENT

Many signs that are removed years later due to development could easily have remained on the property, generating perpetual income. The mistake many landowners (and billboard companies) make is not using some strategy on where to locate the sign. Of course, with required spacing between signs, sometimes the location is fixed and cannot be changed. However, on most properties, the initial location of the billboard is not fixed. And can be most anywhere on the property. In that case, you need to choose a location that would be theoretically safe. For example, locate the sign on the side property line, not smack in the middle of the tract. Of locate it near a street or easement that you cannot build on later. A little advance work may save you hundreds of thousands of dollars in lost income down the road, you may get some significant money for the value of

the billboard lease if the sign can remain post-development. What part of your property is the least likely to be developed down the road? That's where to put the billboard.

REMOVAL BY CITIES OR INDIVIDUALS

Billboards are not much loved by anyone who is not getting paid to love them – basically the billboard company and the landowner. Occasionally, a city or other group may rise up to demand their removal. Normally, legal and financial challenges preclude this. But occasionally, a wealthy town or individual may buy up a bunch of billboards and tear them all down. When this happens, there is not a lot you can do about it. In one instance, a wealthy individual obsessed with cleaning up the visual image of his town, bought out all the landowners rights under the sign lease and then tore them down – the landowners were compensated. Other times, the group may buy the sign themselves and tear them down. Although this is a very unusual event, you could theoretically safeguard your lease against this type of removal, an “at-will” removal for no occupancy or blockage reason. Ask your attorney.

REMOVAL BY GOVERNMENTAL AUTHORITY

In some markets, billboards are protected from removal by the requirement of amortization to the sign company (normally 36 times gross rents). However, this does not give the landowner any protection. If a condemnation should require removal of the billboard on your property, be sure and fight for you fair compensation. Have the value of the sign lease appraised, and fight to get it. You will need an aggressive attorney.

DAMAGE TO PROPERTY FROM BILLBOARD

A billboard is a big, heavy instrument and, when pieces fall off, the result can be

catastrophic. A single panel on a billboard can crush the roof of a car if it lands right. As a result, you must make sure that the billboard company has plenty of insurance to protect you. Make sure you have the required insurance as well. Sometimes the entire sign can fall down due to faulty construction or a heavy wind. Be protected. The losses can be enormous, maybe the destruction of your entire building.

DAMAGE TO INDIVIDUALS FROM BILLBOARD

Sure, the billboard may fall on your own property, but what if it falls and kills or injures an individual on your property. Are you covered by insurance for this (very possible) scenario? Talk to your insurance agent andquire satisfactory insurance from the billboard company. The losses can be staggering (imagine it landing on a school bus) so make sure you are protected – no exceptions.

BIRD PROBLEMS

Birds like to sit on friendly, tall objects, and billboards are no exception. In most cases, bird droppings fall on raw land and, while nobody likes this, it's no big deal. However, if the sign is located above a structure, or even parking, it can cause a huge nuisance. While there are no 100% solutions to getting birds not to sit on the sign there are several products such as "hot foot" or big fake owls that do help out. If it is important to you, put in a provision that anti-bird action will be taken. You might even require the company to do periodic clean up of bird droppings.

NOISE PROBLEMS

Billboards do make noise. They don't talk, but they groan, pop, crack and make other disturbing sounds when it is windy. If this is a problem for you, be aware of it before you sign the lease as it is mostly incurable. If the sign is right by your

bedroom window you may have to ask yourself if the income is worth it. You might stipulate that the sign company has to make repairs to keep it quiet. Normally, it's a loose panel or something that moves in the wind.

EFFECTS OF SHADOW AND LIGHTING

A billboard can have some unusual lighting effects. It casts a big shadow in the summer and the daylight, and it is incurable. If this shadow negatively impacts your property by hurting the visibility of a tenant, then you have a problem. Be sure to know what the impact of the shadow will be, because there is no solution. Similarly, billboard lights can throw a whole lot of ambient light around. That's ok, unless someone is trying to sleep nearby (maybe there is a fourplex on your land). Be sure to understand the impact of the ambient light on your property. Sometimes the lights can be "shielded" to minimize, but not remove the problem.

NEGATIVE AESTHETIC IMPACT

Billboards are ugly. Anyone who does not agree is either lying, blind or works for a billboard company. The only thing that makes them attractive is money, so the landowner may see them in a new light, but nobody else does.

There is a negative impact on your property from having a billboard. The arguments of how it is an asset, besides financially are ludicrous. So let's just assume they are ugly and move on.

How will this affect your property? If your property is commercial and of general commercial appearance, then it probably won't affect it at all. However, if your land is residential, or is tied to some activity that is related to aesthetics (think golf course) then it could be a really big deal. The first important decision here is that there is no way you can let that sign stay on your land if you are not receiving money. You must be guaranteed money coming in the door to make

up for that ugly sign. Make sure that you have a guaranteed base amount of rent, not just a percentage of revenue. In addition, make sure your attorney has you adequately protected in case of financial default by the company.

Also, make sure you have thought through all the negatives when deciding on your ground rent. For example, if it makes the corner apartment un-rentable due to lighting and noise, then you better be getting enough land rent to cover this loss. Think big picture!

EFFECT ON NEIGHBORS

Everybody will hate you when you have a billboard on your land. This is always true. If having good neighborly relations is important to you, then give this careful consideration. Do you care if the industrial building owner next door likes you? Probably not, but if you are building a sign in your commercially zoned but unknown backyard of your subdivision, don't expect to get a lot of Christmas party invitations. This is not normally an applicable problem, but you know where I am headed with this.

CONCLUSION

I bet you didn't think that a billboard ground lease was so complicated. Many people don't understand even a portion of the gravity of the process – and now you are educated! There is no better way to screw up your land and your life than a bad billboard lease. Now you have the ammunition to not make this common mistake.

This book requires a lot of thought on your part. I can't emphasize enough how important it is to think about each and every section and what the ramifications are to your property. That's right, you have to customize all of this information to meet your needs.

Once you are an expert at everything, it is time to call a good attorney. One who is an expert on contracts is a great start. One who can help you negotiate with the billboard company may be even better. You definitely need some legal advice before you ever sign a contract – just ask those who didn't get the proper advice and later regret it.

When negotiating your ground lease, please remember that in 80%+ of the cases, you are stuck with the existing billboard company and they are stuck with you. You need to reach a win/win solution to ensure a long term success for both parties. You will note that a lot of the things in the lease, as I have presented here, are perfectly fair for the billboard company to ask.

Don't over negotiate, and don't try to put them in a corner that is untenable. Win/win negotiating is about the "golden rule". Don't get too carried away with yourself – signs do get torn down on a regular basis from landowners who are just plain unreasonable.

Well, now you have the tools, it is up to you to make a successful execution of the task at hand. Good luck.

If you ever have any questions, you can always find us at OutdoorBillboard.com.

We are as friendly in real life as we are in this book, and just as direct.

BONUS CHAPTER

HOW TO APPROACH BUILDING A BILLBOARD ON YOUR PROPERTY FROM A-Z

So you're interested in having a billboard built on your property to pick up some extra income? This chapter is designed to guide you through the many considerations and steps necessary to start and complete this process.

IS YOUR LOCATION LEGAL FOR THE CONSTRUCTION OF A BILLBOARD?

The first step in deciding whether or not a billboard can be built on your property is to learn the laws regarding this. There are two laws you have to worry about – state statutes and local, city ordinances. For a complete list of state ordinance sources, please refer to that section earlier in this book. For the local laws, you will need to call your city hall and ask them. It is important with the local folks to see the ordinance in writing, otherwise you may just be told some urban legend that the city employee doesn't really understand.

To ascertain your legality, you will also need to learn your property zoning, as well as the distance from your property to the next closest billboard in each direction on the same side of the road as you.

Once you have reviewed the ordinances and your property specifics, and if you still appear to be legal, then it is time to move on to the next step.

WHERE WOULD YOU PUT IT

If your property is legal for a billboard, where on the property should it go? The key considerations are visibility (best place to see it from the road) and non-intrusion to the operation of your property (the middle of your driveway is a bad

idea). Pick a location on the side of the property line, if possible, or a non-usable area such as next to a creek.

HOW MUCH MONEY SHOULD YOU DEMAND FOR GROUND RENT

For this one, you will need to review the entire contents of this book. It is a very time consuming and thought provoking process to ascertain a fair amount.

SHOULD I USE A BILLBOARD COMPANY OR BUILD THE SIGN MYSELF?

For most landowners, building their own sign is a bad idea. Unless you have \$50,000.00 cash and the best location in the world, you will probably have a tough time financing and operating a billboard. Renting the space is a lot harder than it looks. So unless you have a location in a major city with fantastic visibility, I would not even give this a second thought.

If, however, you are convinced that you should be the owner/operator of the sign, then here are some suggestions.

- Talk to a bank first before you get too committed to this idea. The bank may shoot you down almost immediately, and you can save yourself a lot of wasted effort. Most banks are very negative about making loans on billboards, and with just one sign you are way too small for a larger bank that does such loans.
- Consider hiring another billboard company just to manage and rent your sign. Some guys will do this, and at least it gets you up to speed as far as renting the space goes. Figure on paying 25% of gross for this service (nearly the same as the ground rent you would receive if you let the billboard company build it).

The only time that you would want to consider building the sign yourself, in my opinion, is if you have a really hot location, and you want to sell the ground lease and permit to another company for big money.

Here's how it works. You will need to set up another entity with the name "Outdoor" on the end of it. Then do a ground lease between yourself as property owner and yourself as owner of the billboard company. Pull your permit in the "outdoor" name. Then package and sell these two items to a real billboard company. Is this it worth it? Well, considering that a hot location might sell for \$100,000.00+ and has no impact on your ground rent (even better you can design your own ground lease with all the things you want in it, to be assigned to the buyer), I'd say it is. Again, this is only for those rare, super valuable locations. Otherwise, this concept is a waste of time.

HOW DO I FIND A COMPANY TO RENT THE GROUND SPACE FROM ME TO BUILD A BILLBOARD?

All right, so you've decided to let a real billboard company build and operate the sign and pay you a ground lease. Now the challenge is to find the right company and get the best offer.

To find a list of candidates, you can visit OutdoorBillboard.com to get a list of Billboard Companies. You can also consult your local yellow pages under the section "Advertising – Outdoor". This, unfortunately, is your whole sea of prospects. No non-local company is going to move to your town for one sign.

You should make a spreadsheet of these local prospects and their addresses and phone numbers.

The next step is to call each one and ask if they would be interested in a billboard location on your property. Most everyone will say yes, and then set up a meeting with them to discuss it. Meetings are the key – this is too important to be delegated to phone or mail.

At the meeting appear like a nice guy that wants the best deal, but is fair. If you appear to like a competitive bid situation, a lot of companies will get turned off and not even make an offer. Let them know you are not bidding it around the whole town (which you really are) but have narrowed down your list to just two people (even though it's probably 10).

Delay and stall for a time until all the offers are in. Offers should be in writing and may even be in the form of a lease for you to review. Once you have the group together, pick the top two or three and counter them to see what happens. Tell each one “the other guy bid slightly more than you, but I like you better, can you match them”? See how high you can go.

As addressed in this book, you may also want to consider a signing bonus or selling a perpetual easement. Review that chapter in this book for more details.

Once you have a clear winner, have an attorney review your lease. I promise that you will regret it later if you don't. Not that I like attorneys, but I hate seeing people mess up their lives by trying to go it alone and not use professional help.

NOTE; IF YOU DECIDE TO BUILD THE SIGN YOURSELF, THEN THERE ARE MANY ISSUES TO RESOLVE SUCH AS WHAT SIZE TO BUILD, HOW TO RENT THE AD SPACE, ETC. ALL OF THIS IS COVERED IN FRANK ROLFE'S BOOK ENTITLED “BIG BUCKS FROM BIG SIGNS”.