

RESPONSE OF OUTFRONT DECAUX STREET FURNITURE, LLC

Best & Final Offer (BAFO)
Sidewalk and Transit Amenities Program (STAP)

StreetsLA
Department of Public Works

August 6, 2021

LOS ANGELES



Part 1: Best & Final Offer Price Proposal

Part 1 accompanies this document

- Capital & Operating Costs
- Revenue Projections Worksheet
- CAPEx Scenarios
- Revenue Share

Part 2: Best & Final Offer Narrative

- I Introductory Note
- II Best & Final Offer Price Proposal Information
- III The Supporting Narrative of the OUTFRONT/Decaux Proposal

The Avenue



Flat 2028



Las Palmas



Wave



Angels Wing



Lantern





Introductory Note

I INTRODUCTION NOTE

OUTFRONT Decaux Street Furniture, LLC ("OUTFRONT/Decaux") is honored to continue to participate in the procurement process for the Sidewalk and Transit Amenities Program ("STAP") and we are excited to present our Best and Final Offer (the "BAFO") to supplement the Response of OUTFRONT/Decaux comprised of a Technical Proposal and a Price Proposal submitted on February 19, 2021 (together, the "Proposal" or the "original Proposal"). The terms noted in the Proposal remain valid unless specifically noted in this BAFO.

Best & Final Offer Narrative

II BEST & FINAL OFFER PRICE PROPOSAL INFORMATION

The following sets out OUTFRONT/Decaux's Best & Final Offer which supplements the Proposal of OUTFRONT/Decaux (comprised of a Technical Proposal and a Price Proposal) submitted on February 19, 2021. This Best & Final Offer, comprised of Part 1 and Part 2, updates and forms part of the information previously submitted as Proposal.

Proprietary Information

OUTFRONT/Decaux has included proprietary information which are trade secrets or other information for which disclosure would result in substantial injury to our competitive position. The information is included for the purpose of evaluating this BAFO and is to be used by the City for such purpose only.

To the fullest extent permitted by the law, such information should not be disclosed by the City to any third parties. Such proprietary information is identified by an asterisk (*), as required by the City in the RFP. The Best & Final Offer Price Proposal is proprietary (and marked as such).

Assumptions

As we noted in the Proposal, the STAP vision is ambitious and, at scale, is both extensive and requires proposers to address comprehensive technical requirements, uncertainty related to current market and business conditions resulting from COVID-19 and challenging regulatory and community requirements. Accordingly, this BAFO is premised upon certain expectations and assumptions noted in our Proposal. In the event that these expectations and assumptions cannot be met, we would welcome a dialogue with the City so that together we can find solutions that can address City goals and create a productive program for both partners and Angelenos.

General Assumptions

The General Assumptions listed on page 120 of the Proposal are deleted and replaced by the following General Assumptions:

- The 10-year term will begin when 90% of the commercial digital displays are installed and connected to power;
- The Performance Criteria noted in the RFP on pages 42 to 43 will be detailed in a quantitative manner in order to be measurable and must address street conditions and onsite social urban realities;
- The City will fund 100% of the capital expenditure (unless we note otherwise in this BAFO);

- The transition period (during which time the designs would be finalized including the choice of additional elements to be agreed between the partners, the street furniture engineered, procurement and manufacturing and installation/construction would occur) will be a reasonable timeframe beginning at the signing of an agreement between the parties;
- Our proposal is to provide 3,000 bus shelters, 146 urban panels, 3,000 trash/recycling bins, 5 interactive kiosks, 5 vending kiosks, 5 eLockers and 1,500 Sunshades for Outdoor Spaces;
- Final site locations will be provided by the City with ample time to survey the locations and prepare and receive proper authorizations and any and all required permits for installation;
- A significant financial down-turn or another force majeure event, such as the current Covid-19 pandemic or the Great Recession (2008), which impacts construction, manufacturing schedule during the rollout period, the sale of advertising or results in a material portion of the population being removed from normal daily life (either as a requirement or a recommendation), will require appropriate contract modifications.

Sales Assumptions

The assumptions listed under Sales Assumptions in the Proposal remain intended as assumptions by Outfront/Decaux and are unchanged by this BAFO.

Design Assumptions

The assumptions listed under Sales Assumptions in the Proposal remain intended as assumptions by Outfront/Decaux and are unchanged by this BAFO.

Technical & Regulatory Assumptions

The assumptions listed under Technical and Regulatory Assumptions in the Proposal remain intended as assumptions by Outfront/Decaux and are unchanged by this BAFO except the assumptions stated regarding permits (Technical and Regulatory Assumption number 1) which is deleted and replaced by the assumption listed below.

- Permits for all digital displays will be provided on the timeline indicated in the RFP, and if not, appropriate contract modifications will be required.

Operating & Expenditure Assumptions

The assumptions listed under Operating Expenditure Assumptions in the Proposal remain intended as assumptions by Outfront/Decaux and are unchanged by this BAFO.

Other Assumptions

The assumptions listed under Other Assumptions in the Proposal remain intended as assumptions by Outfront/Decaux and are unchanged by this BAFO.

III SUPPORTING NARRATIVE OF THE OUTFRONT/DECAUX BAFO

General Rationale Of Our Approach

The commitment of OUTFRONT/Decaux to the goals of the STAP are unwavering – to provide a modern, state-of-the-art, world class street furniture program that enhances the streetscape, expands the public services offered to Angelenos and delivers service excellence daily.

Our proposal includes a thoughtful combination of service amenities to help the City and BSS by StreetsLA address challenges of environmental justice facing Angelenos as we experience intensifying climate change, revenue to the City to support the extension of new public services and a digital network consisting of 810 digital screens across the streetscape to provide accessible public messaging.

The highlights of our proposal include,

- **3000 new bus shelters**, of which only 764 will be installed to provide commercial messaging with the rest providing the public service – a comfortable and shaded place to rest while waiting for the bus and panels to display public and cultural creatives
- **664** with 1 digital screen facing inside the bus shelter, which will also provide public messaging and 1 display to provide static messages
- **100** with 2 static messaging displays
- **146 Urban Panels** with 1 digital screen
- **Other Public Service Amenities**
 - **3000 litter/recycling receptacles**
 - **5 Vending Kiosks**
 - **5 Interactive Kiosks**
 - **5 eLockers**
- **\$100+million guaranteed**, paid to the City over the course of the concession term
- **35% revenue share, increasing to 50% above sales thresholds**, paid to the City
- **Daily maintenance** and complete **program management**
- **Limited commercial advertising**, fewer than 1,700 faces

As long-standing community members, we truly understand the importance of the services we provide to Angelenos and as a measure of our commitment to our stakeholders, **at absolutely no cost to the City** we will:

- Provide **1,500 Sunshades** to provide shade where bus shelters cannot be installed
- Permit our **14 automatic public toilets** as well as **the existing handwashing and hydration stations** to remain in service past the end of the current concession for one year, an estimated value of over \$1.4 million

In our collective experience living and working with the City of Los Angeles, we know that when it comes to public transportation in Los Angeles:

- Nearly 70% of public transit riders in Los Angeles rely on buses as their “go to” mode of transportation.
- Many non-English speaking and low-income communities use public transit, specifically the bus as a primary method of transport

- No single neighborhood is more important than another
- Los Angeles is a multi-cultural environment and an international transportation hub

As we contemplated the possibilities of the Sidewalk and Transit Amenities Program (STAP), we focused on how the built-environment connects to the daily experience of Angelenos. We are keenly aware of the need to provide **Equity** and **Quality** to all while also addressing the environmental issues and climate concerns of those communities that have, until now, been underserved. In order to achieve these goals and work to achieve the STAP goals of providing equity and improving the quality of life for all Angelenos, we will actively and continuously engage with the communities to ensure that the voices of the local constituents are heard, understood and included in the program's design.

In our Proposal we have detailed the range of amenities that we can provide addressing sustainable solutions that expand shade to protect transit riders and others from heat as well as providing real time transit, air quality and temperature data capture and other information and even a range of other potential services. From the start, we have put community at the forefront of our Proposal and have engaged with them to listen and learn – to provide a program that is local, integrated and effective and to prioritize in a manner that meets the needs of those using the services and to respond to the needs of City Council and its constituents on an equitable and granular, site-by-site basis, as well as when addressing larger policy initiatives.

Most importantly, we have the experience and proven track record necessary to effectively and efficiently install and maintain a streetscape program as extensive and complex as that anticipated by the City of Los Angeles. It is not hyperbole to note that we can accomplish the complexity of the build-out and we can also achieve the sales revenue need to expand the services for Los Angeles. OUTFRONT/Decaux's US advertising sales represent approximately 30% of the overall out-of-home market and we operate street furniture concessions in major cities across the country. We have the ability to maximize LA's STAP revenue opportunity, providing the funds necessary to further invest in the streetscape and additional services throughout the term. Building on our experience in LA and elsewhere, we approach this program with the knowledge and experience of what it takes to create and deliver a streetscape network, taking the concept renderings from the page to inventory installation to revenue generation. This knowledge and experience is necessary to create, install and operate – something we have done before in complex urban environments. That knowledge is built into our proposal, we are not simply presenting beautiful designs ... we are offering a system we are fully capable of building, installing and maintaining with virtually no disruption to daily life in Los Angeles.

Responses to the Information Requested by StreetsLA in the Letter

1. Details Regarding How Our Proposal Achieves the STAP Goals

Our Proposal is fully aligned with and achieves the STAP Goals to develop a self-sustaining, world-class sidewalk and transit amenities program providing a broad array of street furniture. Our world-class designs will provide shelter, shade and comfort with a range of designs for 4,500 locations throughout the City and all of our designs include a flexible kit of parts with different elements that can be installed to customize different locations depending upon

community needs and interests. Our proposal provides a guaranteed annual revenue stream amount which can fund an extension of services, at the City's discretion. Through this business model, the program can meet the needs of Angelenos today and provide a future-proofed program addressing the needs tomorrow that we are not yet anticipating.

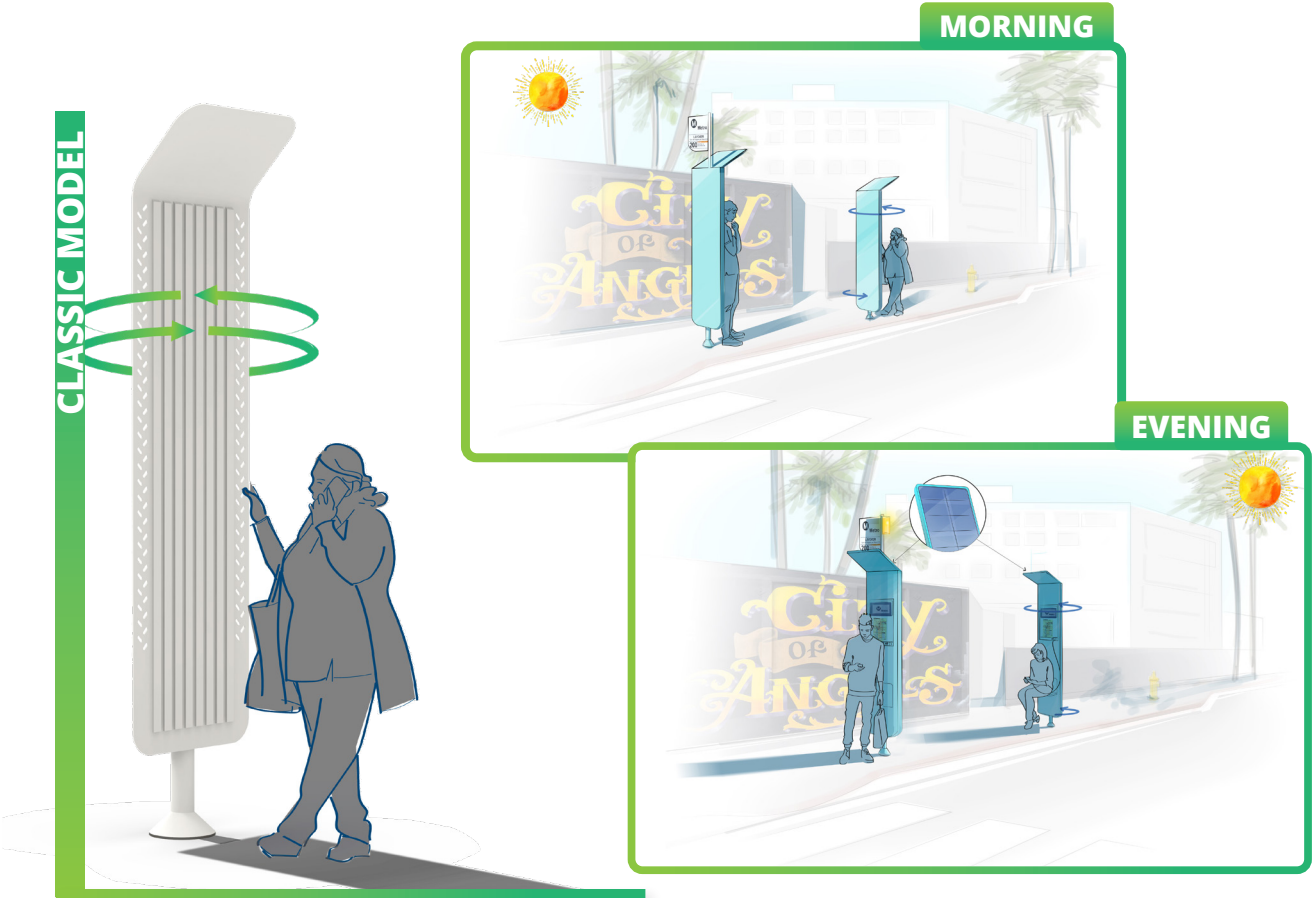
Our Proposal is structured around the goal of expanding shade and providing protection from heat. The requirement for 3,000 new bus shelters is only a beginning for addressing the need for shade and shelter from the heat of a Los Angeles day. In places where the streetscape conditions would not permit the installation of a bus shelter, we specifically-invented the Sunshade which flexibly provides shade throughout the day, regardless of the position of the sun in the sky. As part of our proposal, regardless of any other concession terms, **OUTFRONT/Decaux will provide at no cost to the City 1,500 Sunshades** to expand shade protection to our LA community. This will expand shade protection to 4,500 locations on city streets. In addition, we would welcome working with the City to expand the plant so that every bus stop has shade and to work on installing Sunshades in other heat-impacted areas, should those steps be desired.

THE SUNSHADE FOR OUTDOOR PUBLIC SPACE

See the following links for information:

http://www.outfrontjcdcaux.com/sunshade_for_la

http://www.outfrontjcdcaux.com/ShadeAnalysis_for_LA



Further, in keeping with our commitment to the City and our local communities, we are willing, at no cost, to provide a solution to a pressing City problem and keep our 14 automatic public toilets and handwashing and hydration stations installed and maintained for an additional year while the City addresses this challenge and sorts a solution to providing this important amenity.



And of course, we will provide the reliable daily maintenance that Angelenos are accustomed to in connection with our services. The explicit frame of the STAP is to improve the streetscape and thus, improve the experience of our communities daily, and particularly those communities which have been underserved or over-looked. Our proposal does just that – the amenities we propose

provide protection from the blazing sun and extend shade equity beyond that which was mandated by the STAP request for proposal while also supporting the funding of new services. And, the City knows that we maintain our street services at the highest levels – OUTFRONT/Decaux can candidly state unequivocally that we know the streetscape experience does not end with installing a beautiful design. To meet the STAP goals, there must be ongoing attention and care, for the units in the ground and for the people engaging with the program, and we are that proven partner.

2. Details Regarding How Our Price Proposal Optimizes Revenue Generation

In the Proposal, we described the experience and expertise of the OUTFRONT/Decaux sales team already in place, a team with an extraordinary presence in the Los Angeles market. There is simply no other existing street furniture media organization (let alone any start-ups) in our industry with such a significant commitment to Los Angeles. And as detailed in the Proposal, our leading sales position affords the STAP promotion as part of any out-of-home media buy. Our sales team is organized to address all sales enquiries, through traditional and programmatic channels, capturing national, regional and local media buys and, as discussed in the Proposal and desired in the STAP, we will expand our out-reach to further support local small businesses.

The Proposal as supplemented by this BAFO align our interests with all of the goals of the STAP including in terms of maximizing revenue generation. The amounts we have committed to – which include guaranteed payments as well as significant operating expenditures and capital expenditure through the installation of the 1,500 Sunshades – are not obligations we

take lightly and we will work to fully optimize sales revenue to fund this program. As we have discussed with the City, the laws of supply, demand and related pricing govern the sale of advertising in all markets. An out-of-home program requires an appropriate number of display faces to create an ambitious network, but not so many that the supply overwhelms demand and prices are reduced. It is critical to understand that balance – and the program we are proposing in our Price Proposal as supplemented by the BAFO – maintains just that right level of commercial placement. With our extensive knowledge of the market, we will be able to initiate market demand without supplying such an expansive network that the market price equilibrium is negatively impacted. Moreover, we will include digital and static products to be able to provide display space to the range of commercial advertising interests.

3. Details Regarding How Our Price Proposal is Financially Sustainable without Compromising the Issue of Shade Equity

With our proposal there is no compromise whatsoever with regard to the issue of providing shade equity. We can provide shade at every bus stop (and other locations, should StreetsLA determine that is desirable) through a combination of bus shelters and The Sunshade. Our proposal includes the installation of 3,000 bus shelters and the provision, at no cost to the City, of 1,500 Sunshades. This addition of The Sunshades, at our cost, is included exactly to address the expansion of shade on LA's sidewalks. Purposefully designed in a cost-effective manner, The Sunshade can be installed in locations where bus shelters cannot be installed, and we would welcome discussing how to provide additional units to expand shade and shelter through the bus system.

4. The Measures OUTFRONT/Decaux will Take to Minimize Estimated Digital Electrical Costs

OUTFRONT/Decaux partners are committed to reducing their environmental impact and to continuing to explore innovative sustainable solutions. We have reduced the number of illuminated advertising panels to only 915 locations (20% of the total inventory). We will use LED bulbs where possible, we will utilize screens which have dynamic dimming technology to reduce luminosity in accord with environmental conditions or time of the time, and implement renewable energy sources, including solar photovoltaic panels to offset our energy use, where possible.

5. Descriptions and Justifications for Itemized Administrative Costs

The administration of this program has significant costs which increase as the program installations are made. The costs we have provided include program management, operations and digital managers administrative support, warehouse staff as well as amounts for rent and utilities. The amount included in our BAFO Price Proposal, which represents a reduction from the Price Proposal in the Proposal due to material reductions in maintenance costs as well as electrical costs (as well as other details), also includes the sum of all direct and indirect selling expenses such as sales commissions.

6. An Explanation of How Our Program will Permit Bonusing and Over-Posting which Would Not Negatively Impact STAP revenues

The OUTFRONT/Decaux sales force is the top selling out-of-home industry sales team in the U.S. with a local management team that has over 75 years of combined sales experience, most of that in the LA market. At no time would our sales force utilize a strategy that negatively impacts sales. Out-of-home media (OOH) is a business that is a true example of a market governed by the laws of supply and demand. Pricing is, in many ways, dependent on the level of occupancy (i.e. "sell through" rate) that any OOH sales organization can achieve at any given point in time. The use of "bonus" panels is a standard practice in the industry and one that enables OOH companies to maintain rate integrity while helping to entice client acceptance and to finalize a transaction with a commercial client. As occupancy increases, the use of such bonus lessens. This approach has helped us improve and maintain a reasonable rate structure during good times and bad. At no time do the practices of bonusing or "over posting" of a campaign, which is removed when another campaign is contracted, result in lost opportunities for the sale of advertising or impede any revenue generation.

7. Our Public Engagement Plan Supporting the implementation of STAP (based on our Proposed Schedule)

To fully meet our shared goal of providing a community-focused service program, we know it is essential to understand the characteristics of each community's cultural and ethnic composition and how people live, work and travel in their daily lives. To create an authentic, productive and effective public engagement program will require time and funding and the OUTFRONT/Decaux program includes team members who are familiar with community engagement. This team could engage in inclusive and ongoing discussions with the community throughout the program in partnership with the City. There are issues which the City has identified that we fully expect should be discussed with the community and might well initiate community interest or even concern – such as the use of digital screens and the design of the inventory. We believe, however, it is a question of dialogue around the program from top to bottom and would welcome participating in a City-run engagement program.

Digital technology has many advantages – it is flexible, for example, permitting dynamic content that can change depending upon the time of the day or environmental events and it permits immediate, real-time content to be broadcast. It also permits messaging to be played in multiple slots so that advertising can be limited to certain commercial areas but also produce enough income to permit a program to provide extended services without advertising. This technology is a clear element that must be addressed with the public, as there are some who do not welcome screens in their communities. The Sunshade is an amenity that we would welcome presenting with the City to the LA community. As a low-cost amenity that is available even in sidewalks that cannot permit the installation of a bus shelter, we believe public support for this product will be robust.

We would propose that any engagement plan include both partners – the City and the concessionaire and be undertaken in two phases. The first phase should be an introductory one during the beginning of the STAP, and the next, should be an on-going exchange during the term. In every engagement we suggest including the ability to converse effectively in multiple languages (including translators and physical and digital resources available).

At the onset, we would welcome working with the City through public hearings and smaller community meetings, with community-based organizations and local activists as well as transit riders and other stakeholder-individuals who are not part of any established affiliations, where more granular exchange and discussion can occur. We also suggest that the engagement include enhanced outreach involving efforts to learn from all stakeholders – whether on foot or those who use micro-mobility options and of course, bus riders. Utilizing social media channels, (including Twitter and Instagram) and our website, we can support the City’s efforts to be fully available to those who desire to reach out to us and we would also be happy to use these media to communicate consistently to reach out to the community. Utilizing video, photos, tool kits and data gleaned from our discussions with stakeholders and quantitative tools, our engagement plan will be consistently reporting back so that our program can consistently provide the solutions desired by Angelenos as lifestyles and neighborhoods change. From these discussions the City and the concessionaire would be able to modify and adjust the offerings in order to meet specific community needs, which are idiosyncratic from locale to locale. The engagement could be a feedback loop – the two partners would meet with stakeholders to learn, use that information to structure the program, which, in turn, will impact the life and transit experience of those stakeholders – to whom we would return to discuss further their experience and reactions to the improvements installed. Any public engagement plan we would design would be in concert with the City so that the program would always meet structured to meet the goals of the STAP and the City.



