

Kiosk Advertising Program

Dallas City Council

August 3, 2005

Background

- **February 4, 2004, the City Council was briefed on sign Kiosks and directed staff to conduct research and develop alternatives on providing Kiosks citywide as part of a City program**
- **February 11, 2004, the City Council, by Resolution No. 04-0561 authorized a moratorium until June 10, 2004, on the acceptance of applications for permits or certificates of appropriateness for Kiosk or Kiosk signs to be located in the City. This moratorium was extended on three occasions.**
- **June 2, 2004, the City Council was briefed on findings from research of other cities to assist with proposals for providing Kiosks citywide.**

Background

- **August 4, 2004, the City Council was briefed on coordinated street amenity advertising programs**
 - Council instructed staff to develop an RFP for a citywide Kiosk program
- **March 9, 2005, by Ordinance No. 25926 the City Council amended the Downtown Special Provision Sign District to prohibit additional private sign Kiosks. The ordinance did allow for existing private Kiosks to be relocated subject to revised locational criteria (300 ft separation).**

Evaluation Criteria

- Based on Council direction, city staff developed specifications that would take the following evaluation criteria into consideration:
 - 30% - Financial Projections:
 - Proposed minimum annual guarantee
 - Percentage of gross revenues and reasonableness
 - Additional street amenities to be provided
 - 30% - Experience and Capability of the Proposer
 - Demonstrated related experience and capability
 - Advertising sales track record
 - Quality of references.
 - 20% - Financial Strength
 - Quality of financials.
 - Quality of references.
 - 20% - Quality of Advertising Plan:
 - Quality of marketing plan.
 - Reasonableness of management plan.
 - Reasonableness of quality and quantity of Kiosks
 - Clarity of plan

Proposal Request

- A request for proposals was issued on March 8, 2005
- Proposals due by April 8, 2005
- Received 5 proposals
 - Clear Channel Outdoor
 - Reynolds Outdoor Media
 - Medias & Regis America, Inc.
 - Viacom Outdoor
 - Quorum/Media Choice
- Committee reviewed proposals and determined additional information was needed for a consistent evaluation
- Each vendor used different assumptions/projections making it difficult to compare potential revenues

Revised Request

- On June 2, 2005, requested revised financial proposals from all five vendors
- The City gave each proposer ad costs and vacancy assumptions and:
 - Asked for greater detail on quantity of amenities
 - Asked for more up-front money (\$1million minimum)
 - Asked for only 15 and 20 year deals
 - Requested maximum minimum annual guarantee (MAG) rather than projected potential revenues
- Revised proposals were received June 10, 2005

Proposal Evaluation

- Committee reviewed revised offers and based on the offers recommended Quorum, Inc. as the best overall offer to the City
- Staff recommendation was communicated to Council in the form of a briefing that was distributed on June 17, 2005
- City staff recommended approval of an action item on the Council's June 22, 2005 agenda
- Based on the Council briefing, Procurement Services was approached by one of the proposers indicating the importance of future growth above the 300 advertising faces offered in the specifications
 - Clear Channel Outdoor stated they would provide a larger portion of their Minimum Annual Guarantee (MAG) as an up front payment for potential growth in the 300 advertising faces
 - Additionally, Medias & Regis America, Inc. approached Procurement Services with an offer to provide all of the MAG in one up-front payment
 - Based on the significant MAG in the proposals (\$5m-\$15.8m), BDPS made the recommendation to the City Manager to delete the action item scheduled on the Council's June 22, 2005 agenda to request Best and Final Offers

2nd Revised Request

- Based on this feedback from the vendors, it was determined that it was in the City's best interest to ask for another Best and Final from all vendors to make sure we received the maximum financial benefit
- On June 28, 2005, requested Best and Final financial proposals from all five vendors
 - Requested the maximum up-front money to the City
 - Requested proposers to clearly indicate any increase in MAG, by year, offered for any advertising faces over the 300
 - Proposers were instructed that this would be their final offer to the City
- Revised proposals were received July 8, 2005
- The Revised Best and Final offers resulted in an increase in guaranteed money for the term of the agreement

Recommendation

- Evaluation committee evaluated the proposals and recommends Viacom Outdoor as the best overall proposer based on a more advantageous offer to the City
- Viacom was 2nd overall on the first proposal, and the increase in the signing bonus and MAG resulting in the shift in ranking
- Viacom financial considerations
 - \$21,325,000 guaranteed over twenty years
 - \$5,000,000 at contract signing
 - \$1,575,000 allowance for street furniture
 - \$14,750,000 over 20 years as a Minimum Annual Guarantee (MAG)
 - Largest percentage of Net Revenue above MAG
 - 37% - If occupancy rate and projected sales are reached, the City could receive an estimated \$34m over 20 years
- Both total value and a net present value analysis were used
 - Rankings were the same for either analysis

Financial Evaluation

	MRA	Clear Channel	Viacom	Quorum	Reynolds
<i>Upfront Payment</i>	\$11,000,000	\$4,500,000	\$5,000,000	\$1,500,000	\$6,000,000
<i>MAG</i>	\$500,000	\$0	\$14,750,000	\$11,550,000	\$2,446,960
<i>Total (MAG + Upfront)</i>	\$11,500,000	\$4,500,000	\$19,750,000	\$13,050,000	\$8,444,696
<i>Street Furniture</i>	\$500,000	\$0	\$1,575,000	\$895,000	\$607,500
Total Value w/Street Furniture	\$12,000,000	\$4,500,000	\$21,325,000	\$13,945,000	\$9,052,196
<i>Amt for Additional Advertisement Faces beyond 300</i>	\$270.00/ea	\$714.29/ea	\$3083.75/ea Avg.	\$1812.50/ea Avg.	\$1,200.00/ea
Average Percentage of Net Revenue	0%	15%	37%	31%	0%

Total Value w/Street Furniture (NPV)	\$11,883,095	\$4,500,000	\$17,501,965	\$10,956,535	\$8,295,929
---	---------------------	--------------------	---------------------	---------------------	--------------------

Recommendation

- 20 year partnership based on the significant capital expenses by Viacom of 8.5m
 - \$5 million up front payment to City
 - \$2 million Kiosk design, production and installation
 - \$1.575 million in street furniture
- Similar successful street furniture advertising programs
 - Boston – 20 Year
 - Chicago – 20 Year
 - Los Angeles – 20 Year
 - San Francisco - 20 Year

Changes in Market

- To ensure the City received the maximum for the term of the agreement and to take into account changes in market, we required the proposers to include a percentage over the MAG for each year
 - City will receive the greater of the MAG or the percentage of net revenue each year of the contract
 - As proposer increases ad rates or increases Kiosk occupancy rates, City is protected with percentage of net revenue provision in contract

Viacom Outdoor

- Viacom Outdoor is a subsidiary of Viacom Inc., a publicly held company listed on the New York Stock Exchange
- Viacom Inc. one of the world's largest media conglomerates with a market capitalization of approximately \$60 Billion and annual revenues in excess of \$20 Billion

– Viacom well-known brands include:



- Dallas Radio
 - KVIL, KLUV, KRLD, KOAI, KBAY, etc.
- Viacom Outdoor's financials have been reviewed and approved by the City Auditor's office

Viacom Outdoor

- Largest out-of-home advertising company in North America
- Provides Mall Directory Kiosk advertising services to more than 500 major shopping malls nationwide
- Currently manages more than 34,000 sidewalk based advertising panels in North America
- Maintains full service sales/marketing office in 58 U.S. cities
 - Dallas area - Sells and maintains 950 freeway bulletins and 145 advertising panels at 9 area malls
 - Over 1,600 US employees located in 58 markets nationwide

Number of Kiosks and Location

- Viacom Outdoor will install 300 advertising panels
 - Offer 2 and 3 panel Kiosk depending on location with one dedicated panel on each Kiosk for way finding or other City information
- Locations of Kiosks to be negotiated and agreed upon by City
 - City has final say in location
 - In areas with special interest, neighborhood input could be requested on design/location
- If additional number of Kiosks are agreed upon during the term of the contract, the City will receive \$3,084 per additional panel face added to the current minimum annual guarantee

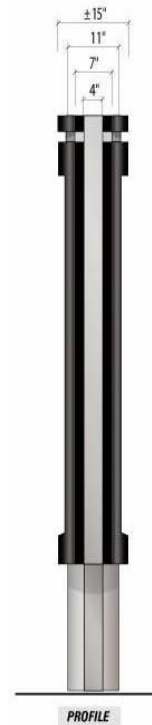
Kiosk Design

- Viacom Outdoor has submitted conceptual Kiosk designs with original proposal but all designs are subject to modification to meet City approval or needs
- Kiosk plans will go through a process similar to other requests for structures on public right-of-way which will include a review by Public Works, Development Svc., Property Management, etc.
- The City will have will have final approval of design prior to production of Kiosk
- Sign ordinance amendment is scheduled for the August 10, 2005 Council Agenda authorizing Kiosk program

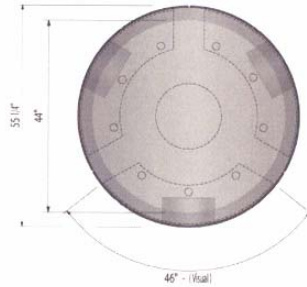
Kiosk Designs

- Kiosk designs will be a combination of two and three sided Kiosks depending on the size/location of right-of-way
- Each Kiosk will contain public service information or maps (way finding)
 - Public service information will be in place until maps are developed and installed in all Kiosk
 - Maps can be changed twice annually at no cost to the City

Kiosk Designs



Kiosk Designs



TOP VIEW • Scale: 1/2" = 1'-0"

Item 1
ROUNDED COLUMN
 OPTION "5"



SIDE ELEVATIONS • Scale: 1/2" = 1'-0"

ROUNDED AD COLUMN

Three (3) faces Ad column fabricated from aluminum painted "Patriot silver" & black powder coated process c/w curved laminated glass.

Backlit "Star" logo

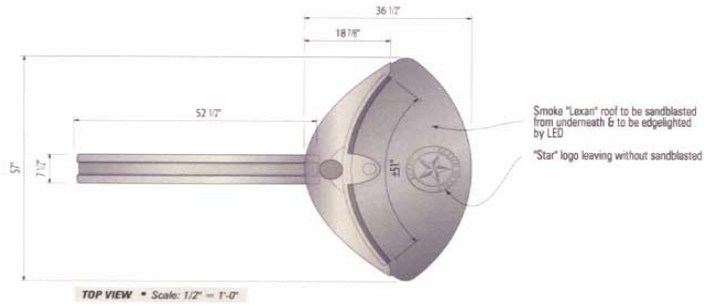
Two (2) Ad faces to be backlit with fluorescents

One (1) Map face to be backlit with fluorescents



BACK ELEVATION • Scale: 1/2" = 1'-0"

Kiosk Designs



Item 1

2-SIDED COLUMN
OPTION "1"



TWO (2) SIDED AD COLUMN

Ad column fabricated of 5" diam aluminum post, frame extrusion c/w tempered glass

Smoke "Lexan" roof to be sandblasted & to be edge-lighted

Overhead lighting LED fixture

Two (2) Ad faces to be backlit

One (1) curved face with city map & info



Street Furniture

- Viacom Outdoor proposed \$1,575,000 for street furniture
 - 100 Benches
 - 100 Trash receptacles
 - 50 Newspaper racks
- The City can choose any combination of agreed upon amenities not to exceed \$1,575,000

Street Furniture Samples

As part of the proposal, Proposers were asked to submit an allowance and a type(s) of street amenity. Most submitted trash receptacles, benches and newspaper stands. City will approve style of furniture.



Amenity Location Criteria

- Benches shall be located in areas with high pedestrian traffic
- Trash receptacles will only be located in areas where there is an agreement for trash collection with neighborhood associations or other civic groups
- Newspaper racks will be located only in downtown retail core
- Staff will work with Council on location of amenities
- All locations must be approved by the City
- Review of locations will follow that of any license agreement for structures in the right-of-way

Kiosk Location Criteria

- Kiosks are to be located in mixed use, retail and entertainment areas where there is substantial pedestrian and slow moving vehicle traffic
- Kiosks are prohibited in non-business zoning districts
- Designs for Kiosks located in Historic Districts must be approved by the Landmark Commission
- All locations must be approved by the City. Review of locations will follow that of any license agreement for structures in the right-of-way
- Kiosk locations must:
 - Not be located in visibility triangles
 - Not interfere with utilities
 - Provide adequate pedestrian and handicap clearance

Contract Compliance

- The Contractor will be solely responsible for:
 - Installation
 - Maintenance of Kiosk and immediate surrounding area
 - Weekly inspections includes repair due to vandalism or accident, graffiti removal and litter control
 - 24/7 Emergency Response phone number
 - Negotiating its own advertising contracts
 - Payment to all subcontractors for services rendered
- The City requires that the Contractor secure a payment and performance bond of \$500,000 renewable annually for the term of the contract
- Development Services is responsible for contract compliance

Advertising Program

- The Kiosk program is intended to be a partnership between the City and the Contractor
- All Kiosks will have contact information so the public may direct comments and/or complaints
- The Contractor shall cooperate with the City in responding to any complaints in a timely manner
- The Contractor agrees to be considerate and responsible for the advertising contents it allows to be displayed based on community standards
- Contractor will carefully place ads that may directly compete with adjacent businesses
 - No ad for another department store in front of Neiman Marcus

Next Steps

- Recommend approval of an action item on the Council's August 10, 2005 agenda