



# DEVELOPMENT PROPOSAL

January 27, 2022

Re: REQUEST FOR PROPOSAL (RFP) THE USE OF CITY-OWNED REAL PROPERTY TO DEVELOP, CONSTRUCT, OPERATE AND MAINTAIN ELECTRONIC MESSAGE CENTER BILLBOARD SIGNS RFP NO.: 21-024A

Subject to Contract

Dear Ms. McCall,

OUTFRONT Media LLC (“OUT” or “OUTFRONT”) is very honored to be involved in the procurement process. It was a pleasure meeting you and interviewing with the evaluation team. We are very thankful for the time and effort you have all put in to make this a successful project.

OUTFRONT is submitting a revised compensation proposal. You will see that our projected revenue has remained the same as we firmly believe that this is an accurate representation of where the revenue will land. Our data and industry knowledge is guiding this number and we believe it is best to set realistic expectations of revenue to avoid surprises in later years. To show how committed we are to landing this deal, OUTFRONT will be adjusting their one-time payment from \$500K to \$750K, increasing our starting MAG from \$650k to \$750k, and increasing our revenue share from 60% to 65%. We believe that OUTFRONT is the perfect partner for this project. Having constructed many of the most valuable outdoor advertising displays in the nation’s largest markets, we believe that the City of Fountain Valley has the opportunity to dramatically increase advertising revenues through the tasteful deployment of this new sign in a key location. We are a turn-key provider with more expertise building OOH signage than any other operator in the region. We can easily bring this new EMC sign to market taking lead in the process from construction through sales. No other firm has the experience necessary to safely and quickly bring this sign to life nor the sales expertise to execute this project successfully.

If you have any questions regarding our response, please feel free to reach out to me directly. Thank you again for your time and are hopeful for the opportunity to work with the City of Fountain Valley.

Sincerely,



Katie Metz

Real Estate Manager

katie.metz@outfront.com

323-276-7255

## BUSINESS PROPOSAL & FINANCIAL PLAN

### Financial Offer:

We believe that the EMC sign located at 10955 Ellis Avenue represents an elite advertising opportunity, one that will command significant revenues from the world's leading brands and local Fountain Valley firms alike. We project this sign will generate more than \$46 million in gross revenues over the 15-year term (\$118.4 million including the (3) 5-year extensions, 30 total years). The City's share of these revenues is projected to be more than \$29.9 million over the 15-year term (\$76.9 million over the 30-year term), with more than \$12.4 million in guaranteed revenue (\$28.9 million over the 30-year term). OUTFRONT is a "turnkey" provider: the significant revenue streams come at no additional expense or burden to the City.

In exchange for the exclusive right to design, construct, maintain and manage the EMC sign on the City's property, OUTFRONT is excited to offer the greater of

- i. a minimum annual guarantee ("MAG") growing at 10% every 5-years or;
- ii. 65% percent of revenues received from the sale of advertising

The MAG will insulate the City against fluctuations in the advertising industry (or the economy as a whole), while the revenue share will ensure that the City receives the current, market value for the signage on its property. The EMC sign is projected to sell at \$15k a spot, with an 80% occupancy rate. The first year the sign is operational we project revenue to be close to \$2.2 million including a 3-month ramp up period.

The MAG and revenue share, outlined in the pro forma on the next page, will commence once the location is constructed and ready to receive advertising. **Additionally, the one-time payment of \$750k will be made to the City once we have received all entitlements.**

OUTFRONT will pay for the CAPEX of this entire project, with an estimated cost of \$750k.

**Important to note is that guarantees are only as valuable as the firm that stands behind them. In our 81-year history, we are proud to have never failed to meet the commitment of a government partner. Additionally, our 700-person+ sales team, the largest in the industry, has deeper relationships with the world's leading brands than does any other firm. As such, our 65% of revenues is more valuable than other firms' 70% or even 75% of revenues due to the massive reach of our sales team.**



# BUSINESS PROPOSAL & FINANCIAL PLAN CONT.

## Updated Pro Forma Years 1-15:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Projected Annual Revenue*	\$2,184,000	\$2,570,900	\$2,648,027	\$2,727,468	\$2,809,292
Revenue Share to City of Fountain Valley	65%	65%	65%	65%	65%
Projected Total Annual Revenue Share	\$1,419,600	\$1,671,085	\$1,721,218	\$1,772,854	\$1,826,040
Minimum Annual Guaranteed Rent**	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Projected Overage Due to City of Fountain Valley	\$669,600	\$921,085	\$971,218	\$1,022,854	\$1,076,040

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Projected Annual Revenue*	\$2,893,571	\$2,980,378	\$3,069,789	\$3,161,883	\$3,256,739
Revenue Share to City of Fountain Valley	65%	65%	65%	65%	65%
Projected Total Annual Revenue Share	\$1,880,821	\$1,937,246	\$1,995,363	\$2,055,224	\$2,116,880
Minimum Annual Guaranteed Rent**	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000
Projected Overage Due to City of Fountain Valley	\$1,055,821	\$1,112,246	\$1,170,363	\$1,230,224	\$1,291,880

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Projected Annual Revenue*	\$3,354,441	\$3,455,075	\$3,558,727	\$3,665,489	\$3,775,453
Revenue Share to City of Fountain Valley	65%	65%	65%	65%	65%
Projected Total Annual Revenue Share	\$2,180,387	\$2,245,799	\$2,313,172	\$2,382,568	\$2,454,045
Minimum Annual Guaranteed Rent**	\$907,500	\$907,500	\$907,500	\$907,500	\$907,500
Projected Overage Due to City of Fountain Valley	\$1,272,887	\$1,338,299	\$1,405,672	\$1,475,068	\$1,546,545

Disclaimer: Strictly confidential, non-binding, and pending corporate or board review.

- \*Assumes a three (3) month ramp-up period with 3% growth per annum thereafter
- \*\*10% growth every 5-years
- Please note any inconsistencies are due to rounding

# BUSINESS PROPOSAL & FINANCIAL PLAN CONT.

## Updated Pro Forma Years 16-30:

	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
Projected Annual Revenue*	\$3,888,717	\$4,005,378	\$4,125,540	\$4,249,306	\$4,376,785
Revenue Share to City of Fountain Valley	65%	65%	65%	65%	65%
Projected Total Annual Revenue Share	\$2,527,666	\$2,603,496	\$2,681,601	\$2,762,049	\$2,844,910
Minimum Annual Guaranteed Rent**	\$998,250	\$998,250	\$998,250	\$998,250	\$998,250
Projected Overage Due to City of Fountain Valley	\$1,529,416	\$1,605,246	\$1,683,351	\$1,763,799	\$1,846,660

	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25
Projected Annual Revenue*	\$4,508,089	\$4,643,331	\$4,782,631	\$4,926,110	\$5,073,894
Revenue Share to City of Fountain Valley	65%	65%	65%	65%	65%
Projected Total Annual Revenue Share	\$2,930,258	\$3,018,165	\$3,108,710	\$3,201,972	\$3,298,031
Minimum Annual Guaranteed Rent**	\$1,098,075	\$1,098,075	\$1,098,075	\$1,098,075	\$1,098,075
Projected Overage Due to City of Fountain Valley	\$1,832,183	\$1,920,090	\$2,010,635	\$2,103,897	\$2,199,956

	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30
Projected Annual Revenue*	\$5,226,110	\$5,382,894	\$5,544,380	\$5,710,712	\$5,882,033
Revenue Share to City of Fountain Valley	65%	65%	65%	65%	65%
Projected Total Annual Revenue Share	\$3,396,972	\$3,498,881	\$3,603,847	\$3,711,963	\$3,823,322
Minimum Annual Guaranteed Rent**	\$1,207,883	\$1,207,883	\$1,207,883	\$1,207,883	\$1,207,883
Projected Overage Due to City of Fountain Valley	\$2,189,089	\$2,290,998	\$2,395,965	\$2,504,080	\$2,615,439

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- \*Assumes a three (3) month ramp-up period with 3% growth per annum thereafter
- \*\*10% growth every 5-years
- Please note any inconsistencies are due to rounding

## CAPEX Estimated Breakdown:

	ESTIMATED COST
LED Screens (2 Faces - 14'x48')	Approx \$350K
Installation	Approx \$100K
Fabrication	Approx \$100K
Electrical	Approx \$75K
Engineer	Approx \$6K

	ESTIMATED COST
City and State Permits	Approx \$20k
CEQA	Approx \$50k
Cladding	Approx \$45K
Misc	Approx \$4k
<b>Total</b>	Approx \$750k

# 10955 ELLIS AVENUE (I-405)

14'x48' EMC Sign  
(2) LED Faces

