

Staff Summary

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| Subject Extension of Advertising Licenses |
| Department REAL ESTATE |
| Department Head Name JEFFREY B. ROSEN |
| Department Head Signature  |
| Project Manager Name |

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|-----------------------------|
| Date MAY 22, 2017 |
| Vendor Name |
| Contract Number |
| Contract Manager Name |
| Table of Contents Ref. # |

| Board Action | | | | | |
|--------------|-------------------|---------|----------|------|-------|
| Order | To | Date | Approval | Info | Other |
| 1 | Finance Committee | 5/22/17 | X | | |
| 2 | Board | 5/24/17 | X | | |
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| Internal Approvals | | | |
|--------------------|--|-------|-----------------|
| Order | Approval | Order | Approval |
| | | 1 | Legal <i>HJ</i> |
| 3 | Chief of Staff <i>AME</i> | | |
| 2 | Chief Financial Officer <i>[Signature]</i> | | |
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AGENCY: MTA New York City Transit, MTA Metro-North Railroad and MTA Long Island Rail Road

LICENSEE: Outfront Media, Inc. ("Outfront") and Intersection Design and Technology Inc. ("Intersection")

ACTIVITY: Advertising

ACTION REQUESTED: Extension of Licenses

COMMENTS:

Pursuant to various licenses that are scheduled to expire on June 30, 2016, (a) Outfront (as successor to CBS Outdoor Group Inc. and Van Wagner Transportation Advertising LLC) is currently licensed to sell advertising throughout the MTA's subway, commuter rail and bus systems, including certain "On the Go" kiosks, and (b) Intersection (as successor to Control Group, Inc.) is currently licensed to sell advertising on certain other On the Go kiosks. Under the terms of the applicable license agreements (the "Existing License Agreements"), Outfront and Intersection sell available advertising space to brands and media buyers, post or electronically display the ads (and customer information in the case of digital displays), collect the associated revenues, absorb various operating expenses and pay to the MTA specified percentages of their gross receipts.

The traditional "outdoor" advertising industry is evolving rapidly, as participants are preparing to make large-scale (and highly capital-intensive) transitions from printed media to digital displays in order to take advantage of the ever increasing quality and decreasing costs of such displays, meet competition from advertising on mobile devices, automate advertising sales and facilitate improved targeting of audiences. And that externally-driven dynamic has in turn not only created the potential for advertising in the MTA's facilities to generate significantly increased revenues but also presented the MTA with an opportunity to leverage licensee-financed investment to dramatically improve the MTA's ability to provide timely and location-specific travel-related information to its passengers.

At the MTA Board's October, 2016 meeting, the Board authorized the extension of the Existing License Agreements to June 30, 2017. In the staff summary for that meeting, it was explained that there was a request for proposals ("RFP") process underway for firms interested in entering into new license agreements (the "New

Staff Summary

FINANCE COMMITTEE MEETING Advertising Licenses (Cont'd.)

License Agreements"), to replace and take effect upon the expiration of the Existing License Agreements. It was anticipated that the award of those new agreements would be completed prior to the extended expiration date of the Existing License Agreements. However, although substantial progress has been made and the RFP process is close to completion, competitive contract negotiations with finalists are ongoing and it would be contrary to the MTA's interests to present a recommendation of award to the Board until such negotiations have concluded. Staff is committed to presenting a final recommendation to the Board by no later than the Board's September meeting.

In the meanwhile, MTA's ability to ensure uninterrupted ad sales will be threatened if we do not extend the Existing License Agreements on a short-term basis as needed to facilitate such sales by Outfront and Intersection and implement seamless transitions between the Existing License Agreements and the New License Agreements. Accordingly, MTA Real Estate is seeking an additional Board authorization to extend the expiration date of the Existing License Agreements, by up to three months, while reserving the right to terminate sooner upon not less than 30 days' notice to the licensees. Because of the seasonality of ad sales, and the uncertainty in the market as to whether Outfront will be the successor concessionaire (and thus the remaining duration of its control over MTA advertising concessions), Outfront is at greater risk with respect to achieving the minimum annual guarantee with this latest extension. For these reasons, the proposed extension agreement will eliminate the minimum annual guarantee provision as of July 1, 2017 in the subway and bus/commuter rail related Existing Licenses Agreements with Outfront during the extension period of those licenses. There is no minimum annual guarantee in the On the Go kiosk licenses with Outfront and Intersection.

In addition, if and when one or more of the subway, commuter rail and bus concessions that are currently licensed to Outfront were to be awarded to another concessionaire pursuant to the RFP, it is important that there be a smooth transition between concessionaires. To that end, MTA Real Estate seeks authorization to allow Outfront to continue to sell advertising during such a transition if a new concessionaire is awarded a license and to provide for compensation to Outfront for such sales provided that Outfront cooperates in good faith to facilitate such a transition.