

To: Michael P. Ford, Manager, Parking & Mobility Division (City of Oakland)
Date: January 20, 2022
From: IKE Smart City (Jessica Burton, Clay Collett, Jibran Shermohammed)
Re: IKE Smart City Kiosk Implementation in the City of Oakland

INTRODUCTION

The City of Oakland (the “City”) would benefit by partnering with IKE Smart City (“IKE”) for interactive wayfinding kiosks (“Kiosks”) notwithstanding its existing agreement with Clear Channel Outdoor, or any other outdoor advertising company, for the sale of advertisements on bus shelters. Advertising-funded Kiosk programs and other advertising-funded street furniture programs (including bus shelters) can co-exist in the City right-of-way (“ROW”) without the two programs undermining each other’s revenues or objectives. In fact, when successfully implemented, both programs together can deliver a greater overall public benefit and higher civic revenues to the City. This is due in large part to the different characteristics of bus shelters and interactive Kiosks, as well as the different sub-market each occupies within the larger out-of-home advertising (“OOH”) industry. As demonstrated in this memorandum, many of the largest media markets across the country have successfully deployed multiple advertising-funded street furniture programs that are operated by different vendors. Permitting IKE will enable Oakland to maximize the financial and social benefit from its ROW as the sixth largest media market in the country.

ANALYSIS

I. Bus shelters and interactive Kiosks deliver distinct social benefits and require distinct operational expertise.

Bus shelters and Kiosks are different products that deliver different benefits to the public and thus require different operational expertise. Bus shelters principally deliver physical benefits to transit users, offering shade and shelter to bus stop routes in exchange for the opportunity to advertise on the physical bus shelter structure, typically through static advertising panels, as-is the case in the City. The number and location of bus shelters is often a function of bus stop routes and point-of-origin locations. To be successful, a bus shelter operator must work closely with the transit provider and focus on services needed by the transit-riding public to enhance the use of mass transit. The primary operational expertise required by bus shelter operators is the ability to adjust shelter locations due to route adjustments, as well as physical maintenance of shelters.

In contrast to the physical nature and benefits of bus shelters, Kiosks are comprised of dual-sided digital, interactive screens that offer an array of software-centric features to the public. These features include wayfinding and navigation, real-time transit and multi-modal trip planning information, promotion of local business, access to social services and civic resources information, an active WiFi hotspot, and more. For a Kiosk deployment to be effective, an operator must ensure that the data on the Kiosks is always up to date and constantly push software updates that keep pace with advancements in technology. IKE has built an in-house software development team that designs and builds software applications that respond to these needs. For

example, as soon as a new restaurant opens or closes, the Eat & Drink application is updated to reflect this information without human intervention. By way of further example, if a city elects to receive 311 reports from Kiosks, the IKE software team develops an integration of the IKE 311 application with the city's 311 database to allow the public to submit 311 reports through the Kiosk. While it is critical for the IKE team to ensure that Kiosks are physically well kept, the expertise required to operate and maintain a Kiosk network requires a significantly different set of skills and experience than bus shelters.

The location of Kiosks within the City is driven by Kiosk usefulness, with Kiosk siting focusing on areas with high pedestrian and vehicular traffic, in the urban core where wayfinding and WiFi services, for example, will be most accessed. Finally, Kiosks also display digital advertising on both screens that are regularly scheduled and refreshed, creating opportunity to generate increased, consistent revenue for the City in contrast to traditional static advertising models.

II. Digital street furniture is a worthwhile investment in Oakland for IKE.

Bus shelter networks must consist of a large number of physical units spread all across the City to fulfill the promise of equitable access, shade, and shelter for bus riders across the City. In a City like Oakland, which has a significant bus passenger population, bus shelters can number into the hundreds, and the quantity of street furniture that must be maintained for the bus riding public will track accordingly. This results in a large maintenance obligation and limits the ability of the bus shelter media provider to make an upfront capital investment in things like digital screens. Without digital advertising panels, the bus shelter media company is limited to static advertisements which are only able to display a single advertiser at a time and thus generate significantly less revenue than digital signs.

In contrast, IKE Kiosks require a more targeted approach to siting in order to be effective because IKE's primary benefit is to deliver directory services to support local businesses and residents exploring commercial districts. Accordingly, significantly fewer Kiosks than bus shelters are required—or desired—to effectively deliver services to the public. While each IKE Kiosk costs more to install than bus shelters, the need for fewer Kiosks enables IKE to incur the higher per unit capex required to launch a digital Kiosk network. Further, IKE's digital screens allow IKE Kiosks to generate more revenue than bus shelters on a per unit basis because each Kiosk can display multiple advertisers at a time.

III. Multiple cities across the country have successfully deployed multiple advertising-funded street furniture programs operated by different vendors.

Multiple cities across the country have more than one operator of street furniture installed in the public ROW which hosts an advertising component, including many high-ranking media markets according to the Nielsen Designated Market Area rankings ("DMA Rankings"). According

to the 2021 DMA Rankings, San Francisco-Oakland-San Jose regional area ranks number six behind New York, Los Angeles, Chicago, Philadelphia, and Dallas-Fort Worth, respectively.¹

These rankings signify in part the high demand for OOH inventory in these markets, as well as the potential for OOH companies to demand higher rates for such opportunities. Advertising dollars are often spent based on the supply of opportunities in a market, such that having multiple unique OOH offerings can draw advertising spending out of neighboring geographic areas. For example, a healthy portfolio of high-value OOH opportunities in Oakland may draw advertising budget commitments out of San Francisco and Los Angeles and into Oakland, particularly for premium assets like Kiosks. A healthy portfolio of ROW-based OOH opportunities—if thoughtfully and successfully deployed—can therefore increase the overall value of the ROW to the City in terms of revenue generation opportunities.

Given this economic incentive, it is common for high-value media market cities to have more than one street furniture provider that hosts advertising within the public ROW and at transit stops/destinations, specifically bus shelters. Many cities have allowed multiple OOH-funded street furniture programs into the ROW, with the result being an overall increase in civic revenues generated by these programs.

The following is a non-exhaustive list of cities which have more than one OOH-funded street furniture product. Within this list, we have also identified active IKE markets or cities which are in the process of procuring interactive Kiosks.

City	Nielsen DMA Ranking (2021)
New York, NY	1
Jersey City, NJ	1 (NYC)
Newark, NJ	1 (NYC)
Los Angeles, CA	2
Santa Monica, CA**	2 (Los Angeles)
Culver City, CA**	2 (Los Angeles)
Chicago, IL	3
Philadelphia, PA	4
Dallas, TX	5
San Francisco, CA	6
Atlanta, GA*	7
Houston, TX*	8
Washington, DC	9
Boston, MA	10
Phoenix, AZ**	11

¹ 2021 DMA Rankings can be found here: <https://oaaa.org/Portals/0/Public%20PDFs/OAAA%202021%20NIELSEN%20DMA%20Rankings%20Report.pdf>

Tempe, AZ*	11 (Phoenix)
Denver, CO*	16
Miami, FL*	18
Cleveland, OH*	19
Miami Beach, FL*	18 (Miami)
Baltimore, MD*	28
Columbus, OH*	33
Milwaukee, WI	37
Louisville, KY	49
Memphis, TN	51

* – IKE Smart City deployed or contracted
 ** – Active interactive kiosk procurement process

CONCLUSION

Clear Channel Outdoor operates over 100 bus shelters throughout the City. These shelters consist of a static advertising component, with a portion of the revenues generated by advertising on the shelters shared with the City. We believe that, based on the analysis provided above, there is a great opportunity for the City to not only increase the overall public benefit delivered to residents of the City through deployment of a network of interactive Kiosks in the City, but also generate additional revenues to the City while operating the Kiosks alongside the bus shelter program.

Specifically, IKE proposes the installation of fifty (50) digital interactive wayfinding Kiosks installed in the ROW. Kiosks would be spaced appropriately from the shelters as to avoid the appearance of cluttering the sidewalk. IKE’s software-centric wayfinding, discovery and safety benefits would supplement and complement the physical benefits offered by bus shelters and other ROW programs, without cannibalizing advertising revenues required to maintain such programs. Rather, the addition of a network of premium OOH assets in Oakland would increase overall advertiser interest in the market and increase the total advertiser spend in the market.

Based on a fifty (50) unit network and a 35% net revenue share with the City, we estimate annual average income to the City to be in the range of \$1,400,000 to \$1,600,000 over a twenty-year term. [REDACTED]

[REDACTED] These projections are conservative in nature and are based on our experience across the country in cities that are within similarly situated DMA markets. [REDACTED]

Finally, we have seen strong reception in terms of early ad sales for the Berkeley IKE Kiosks, which signals significant unmet demand for the San Francisco-Oakland-San Jose DMA. Introducing IKE into the market will enable Oakland to receive the financial benefits commensurate with its status as a member of one of the largest media markets in the country.
