

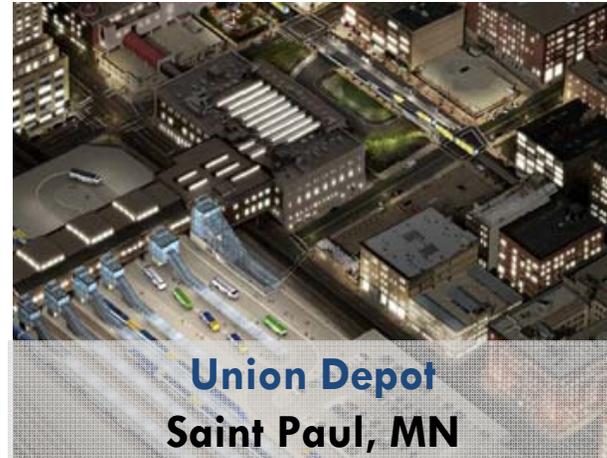
TRANSBAY TRANSIT CENTER MASTER LESSEE PROCUREMENT  
TJPA BOARD OF DIRECTORS PRESENTATION  
DECEMBER 10, 2015

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# HR&A Advisors

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HR&A Advisors is an industry-leading economic development and real estate consulting firm with over three decades of experience serving public and private clients throughout North America.



# Transbay Transit Center Master Lease Overview

**Opportunity**

**Goals**

**Deal Structure**

**Scope**

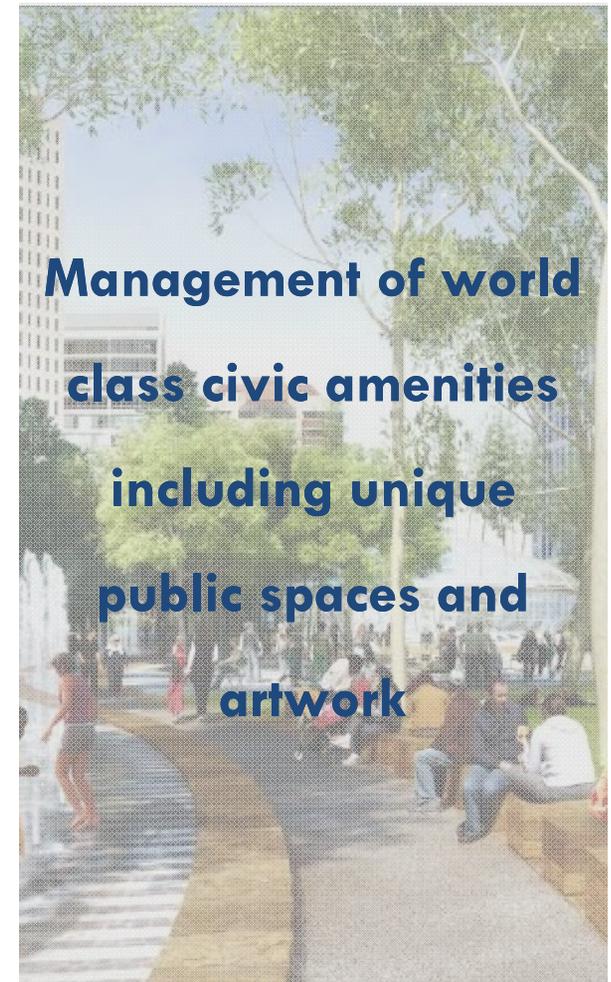
Key RFP Content

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# Opportunity

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The Transbay Transit Center presents a unique opportunity to the private sector:



# Opportunity: Growing Market



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## Goals

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- 1. Operate a clean, safe and well maintained Transit Center, befitting a world class transit facility.** The Master Lessee will ensure high standards of operations and maintenance for the benefit of the Transit Center's visitors and subtenants.
- 2. Deliver a visionary program that reflects local character and context.** The Master Lessee will have an ambitious vision for the retail, digital, and events program within the Transit Center, and the experience necessary to lead a team to execute the concept.
- 3. Ensure a high quality user experience within this new civic facility.** The Master Lessee should ensure that its program complements, and builds upon the Transit Center's unique and engaging features to become a hub of neighborhood activity.
- 4. Maximize the economic value of the Transit Center.** The Master Lessee will maximize the value of the facility by executing a premier commercial program that generates a return to the Master Lessee and revenues to the TJPA.

# Deal Structure

PUBLIC

PRIVATE



**DIRECT**



**ASSET MANAGER**



**MASTER LEASE**



**JOINT VENTURE/  
DISPOSITION**



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## Deal Structure: Master Lease Benefits

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### Attracts Private Sector Capital

- Private sector will provide critical capital contributions for tenant improvements, O&M, and capital replacements
- Master lessee will leverage existing industry relationships to achieve economies of scale

### Ensures High-Quality Performance

- Leverages private expertise and efficiencies in leasing, management, and development
- Brings together area expertise under ML umbrella

### Reduces TJPA Burden

- Minimizes TJPA management while retaining control
- Deal structure incentivizes master lessee to reduce O&M cost
- Significantly reduces public risk in O&M

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## Scope

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The RFP includes a scope for Phase 1 components and the right to negotiate involvement in future Phase 2 operations.



Fit-out, leasing, and management of **facility-wide retail space**



Development and operation of a high-quality **promotional platform**



Management and production of **private and public events**



Facility **operations and maintenance and capital improvements**

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## Scope: Multidisciplinary Expertise

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# Transbay Transit Center Master Lease Overview

## **Key RFP Content**

**Revenue Opportunities**

**Financial Terms**

**Retail Approach**

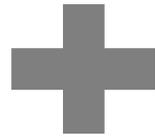
**Evaluation and Selection**

**RFP Process and Timing**

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# Revenue Opportunities

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Revenue Opportunities: The Master Lessee will operate 103,300 SF of retail in Phase 1 and up to 60,000 SF of retail in Phase 2.

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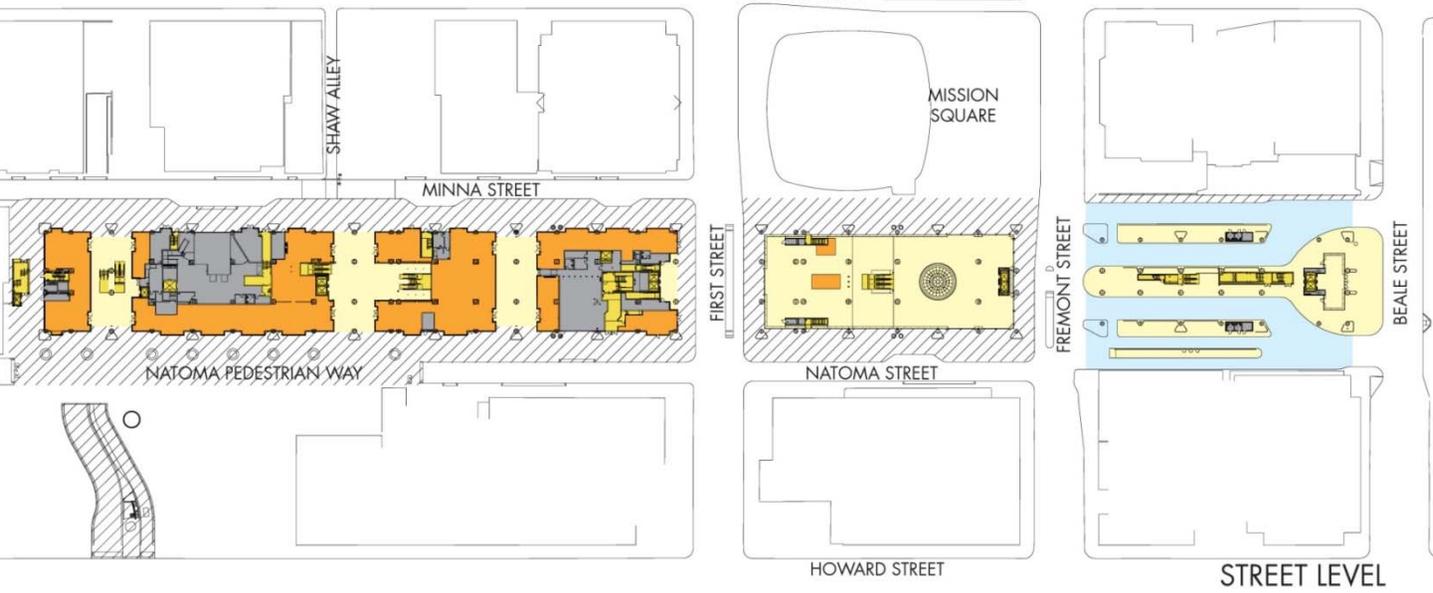
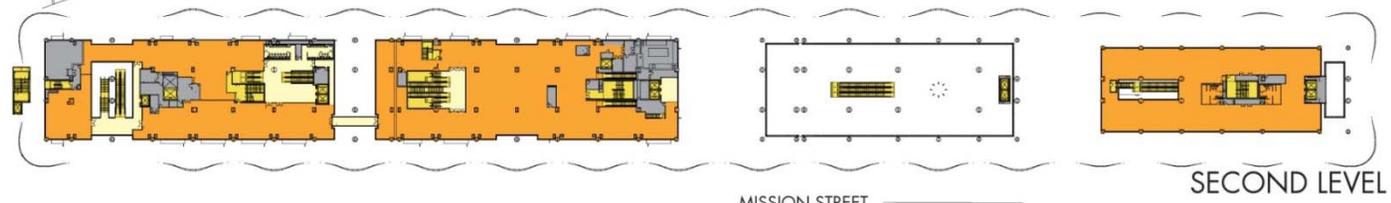
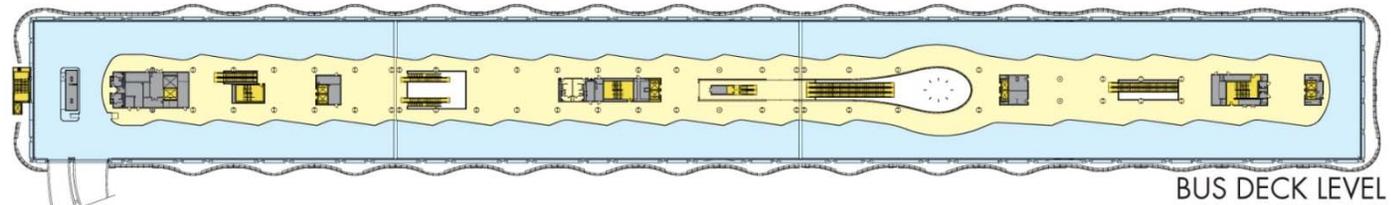
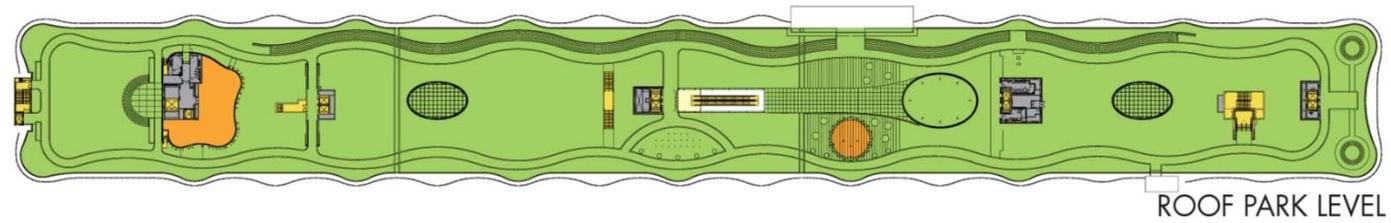


**Grand Central Terminal Market**  
**New York, NY**



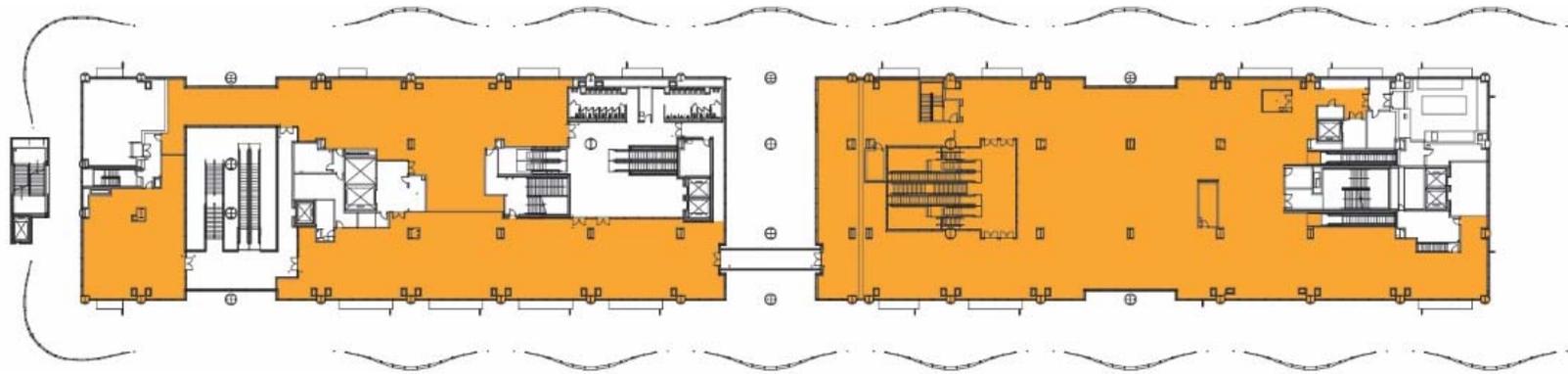
**Terminal Bar, Denver Union Station**  
**Denver, CO**

Revenue Opportunities: The Master Lessee will operate 103,300 SF of retail in Phase 1 and up to 60,000 SF of retail in Phase 2.



- COMMERCIAL SPACE
- TRANSIT SPACE
- UNUSED TRANSIT SPACE
- OPEN SPACE
- PUBLIC CIRCULATION
- VERTICAL CIRCULATION
- BACK OF HOUSE
- SIDEWALK

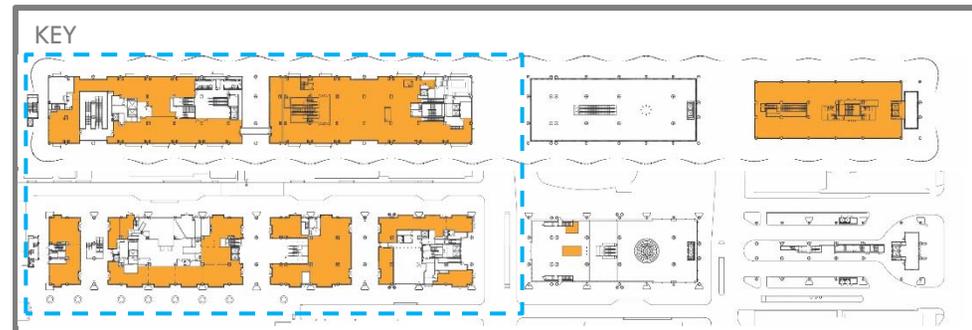
# Revenue Opportunities: Ground & Second Levels at West



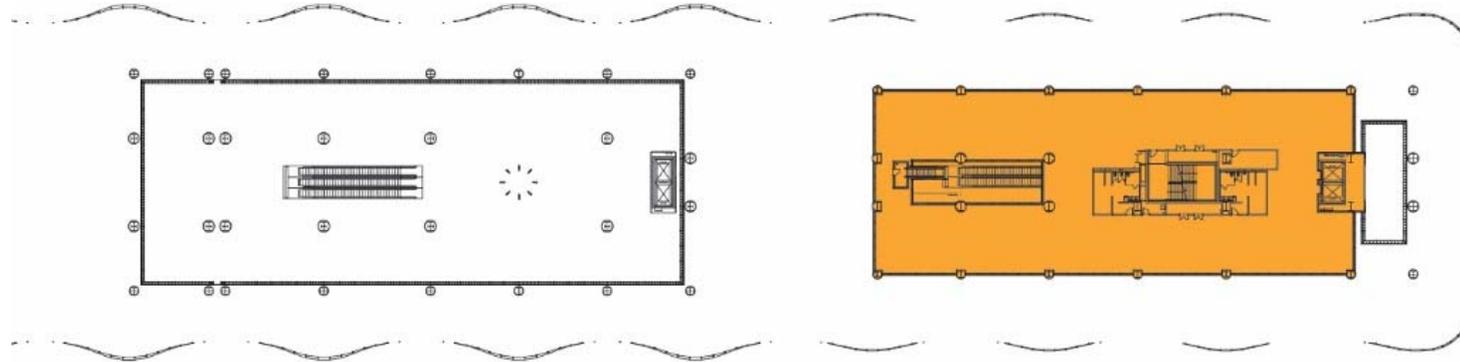
SECOND LEVEL



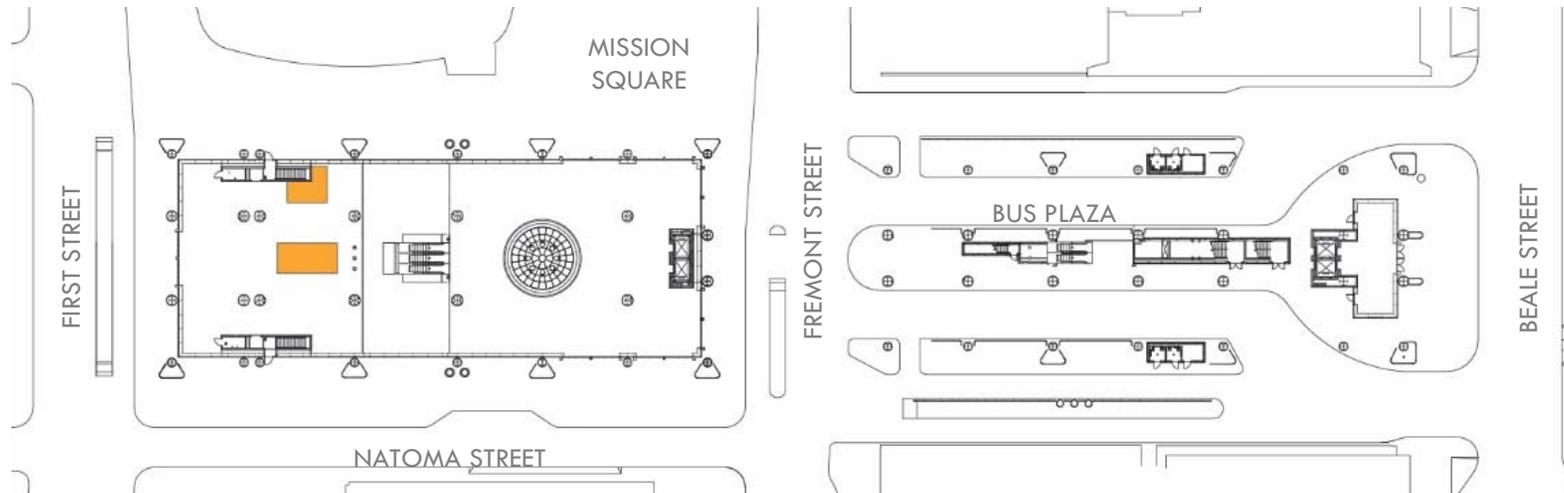
GROUND LEVEL



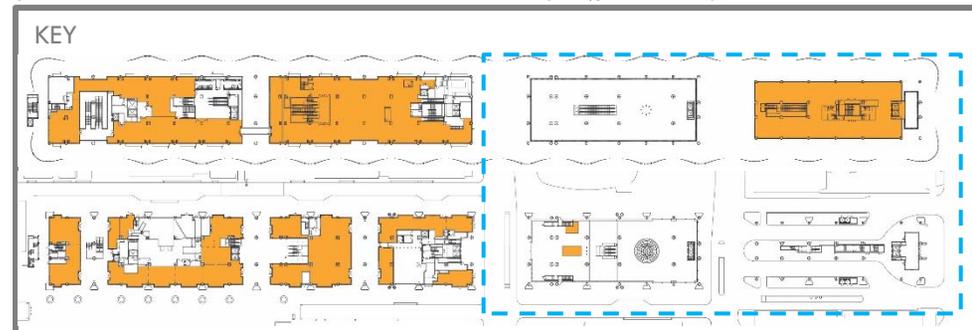
# Revenue Opportunities: Ground & Second Levels at East



SECOND LEVEL



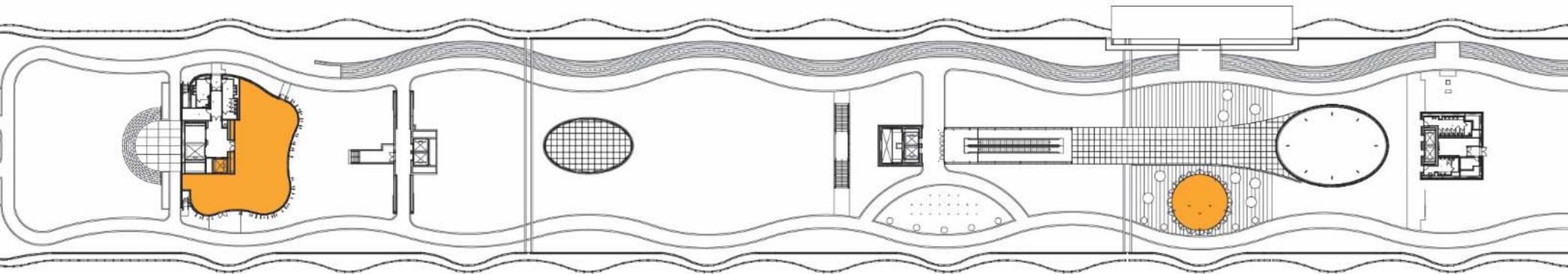
GROUND LEVEL



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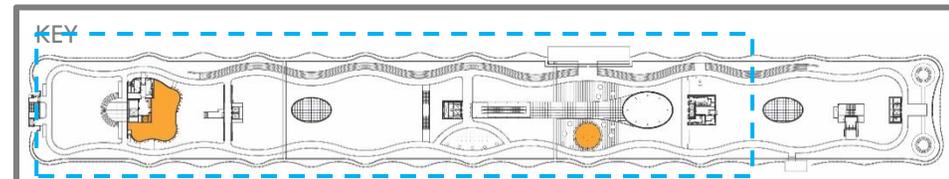
# Revenue Opportunities: Roof Park Level

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RESTAURANT

CAFE



# Natoma Pedestrian Way



# Natoma Pedestrian Way



# Grand Hall



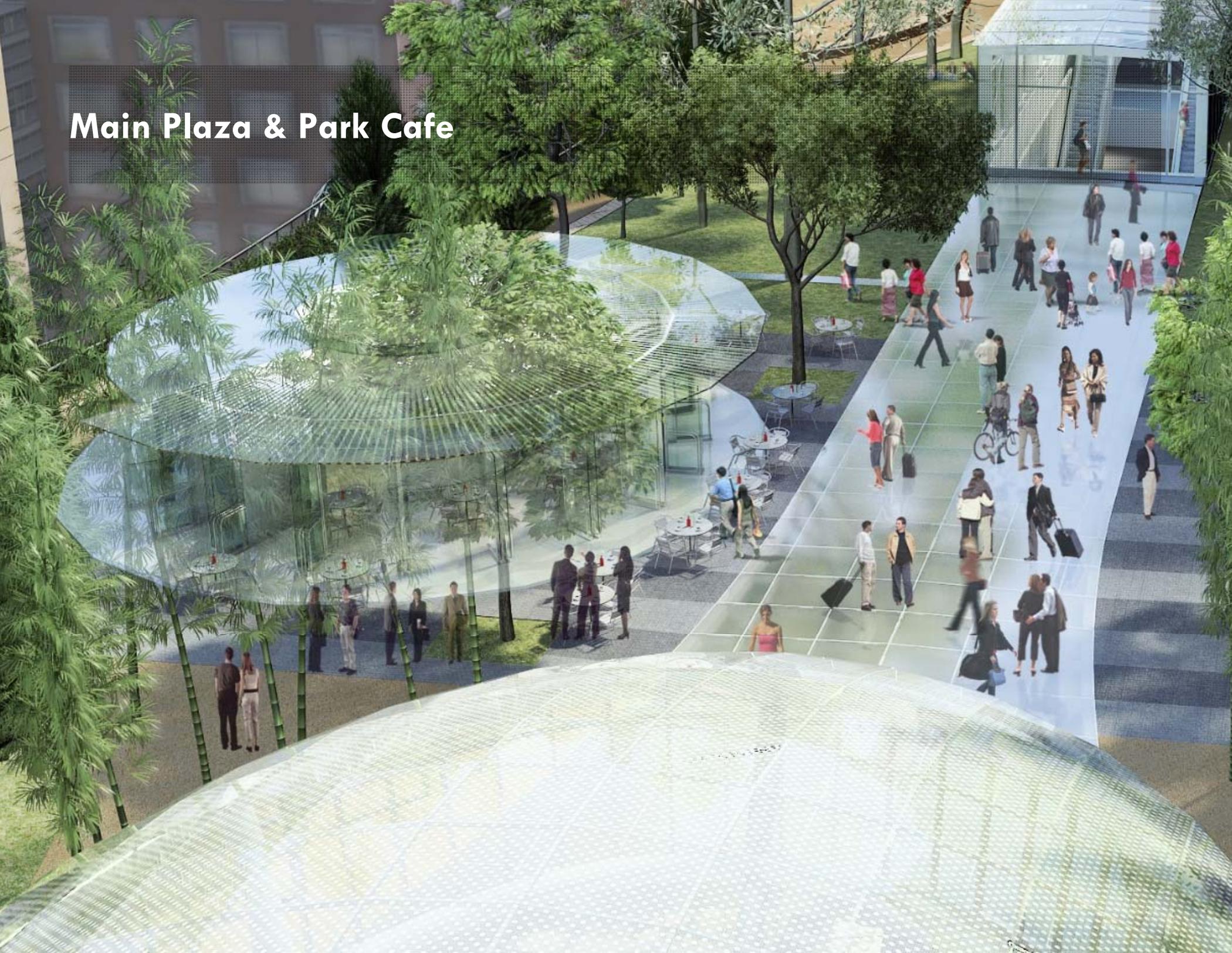
# Grand Hall



# Park Restaurant



# Main Plaza & Park Cafe



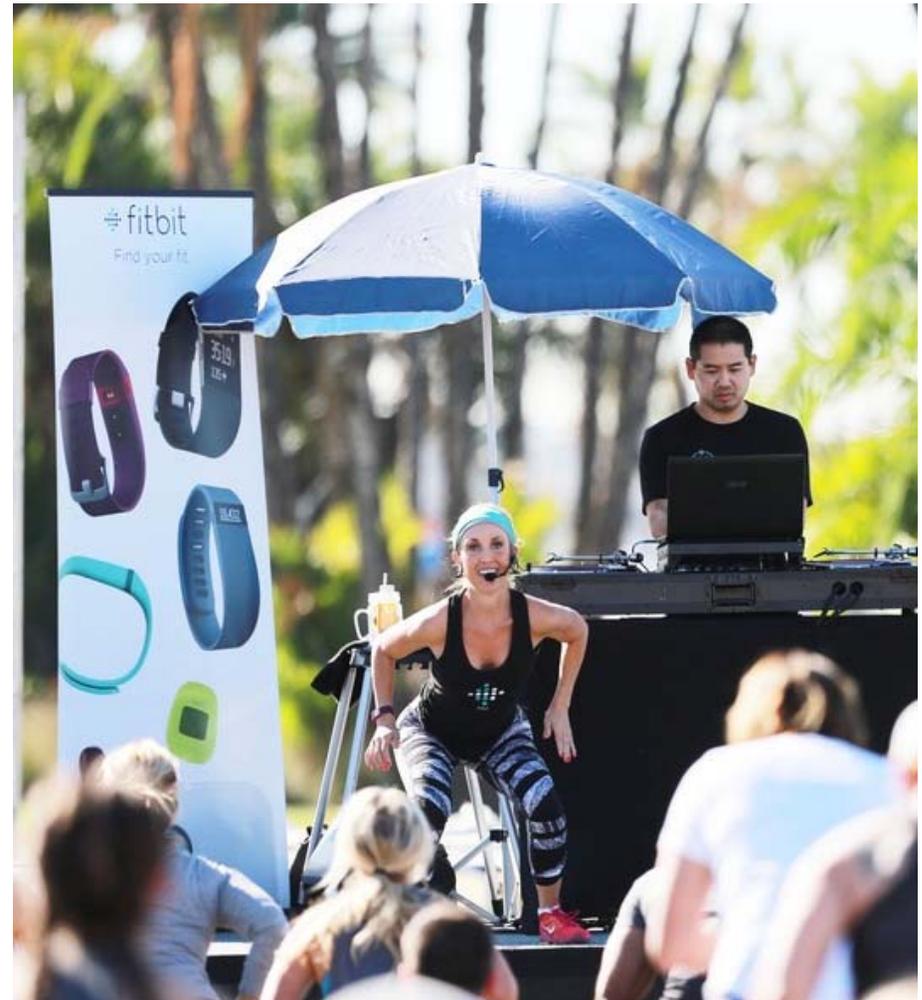
# Park Cafe



Revenue Opportunities: The Master Lessee will operate a promotional platform with availability for advertising and sponsorship.



**Brookfield Place  
New York, NY**



**Fitbit Sponsored Fitness Class  
Various Locations**

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## Defining the Promotional Platform

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Integrates media, technology, and architecture into a single system to be utilized by sponsors.



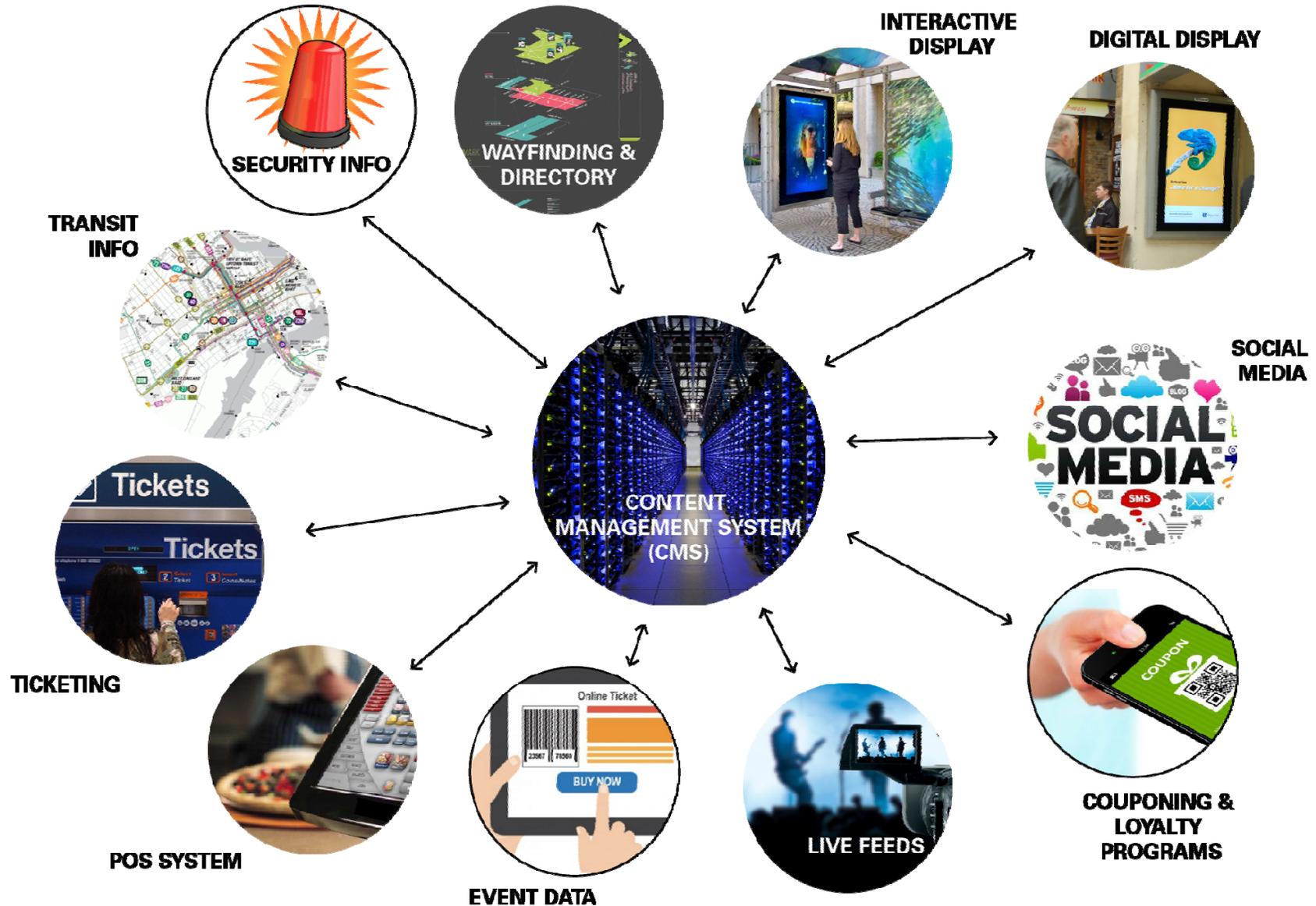
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## Defining the Promotional Platform (cont.)

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1. Deliver value to advertisers through exclusivity, dominance, and immersion.
2. Create ideal advertiser-to-consumer engagement by focusing attention and increasing dwell time.
3. Possible at this top-tier location due to high traffic expectations and excellent demographics.

# Content Management System (CMS)



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## Goals and Objectives of the Promotional Platform

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1. Maximize advertising, sponsorship, and naming revenue for the TJPA.
2. Position the property as the premiere advertising opportunity within the San Francisco Bay Area for reaching a desired audience.
3. Increase the desirability of the retail assets.
4. Attract and maintain media sales partners.
5. Provide passengers with relevant transit and wayfinding information.
6. Provide passengers, local workers, and neighborhood residents with an immersive experience that connects them with premium and local brands.
7. Integrate the assets into the architectural design.

# Promotional Platform Assets



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## Promotional Platform: Cost and Revenue

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**While some upfront investments may be required, per terms to be negotiated through the RFP process, the Master Lessee will bear all hard and soft costs related to:**

- All newly proposed assets
- All modifications to existing assets

**The estimated gross annual revenue from this investment is significant and will be used to offset the cost of operating and maintaining the Transit Center.**

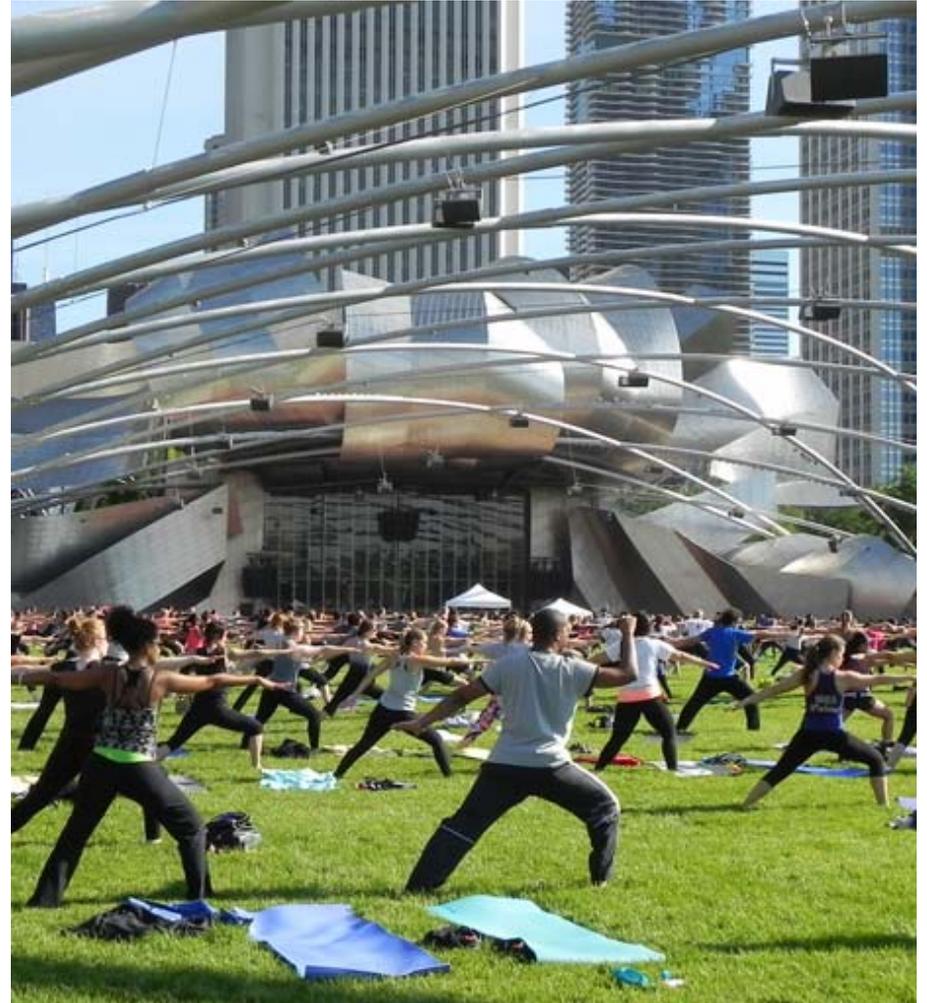
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Revenue Opportunities: The Master Lessee will program public and private events throughout the facility.

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**Bryant Park Holiday Market  
New York, NY**



**Yoga in Millennium Park  
Chicago, IL**



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## Financial Terms: Flow of Funds

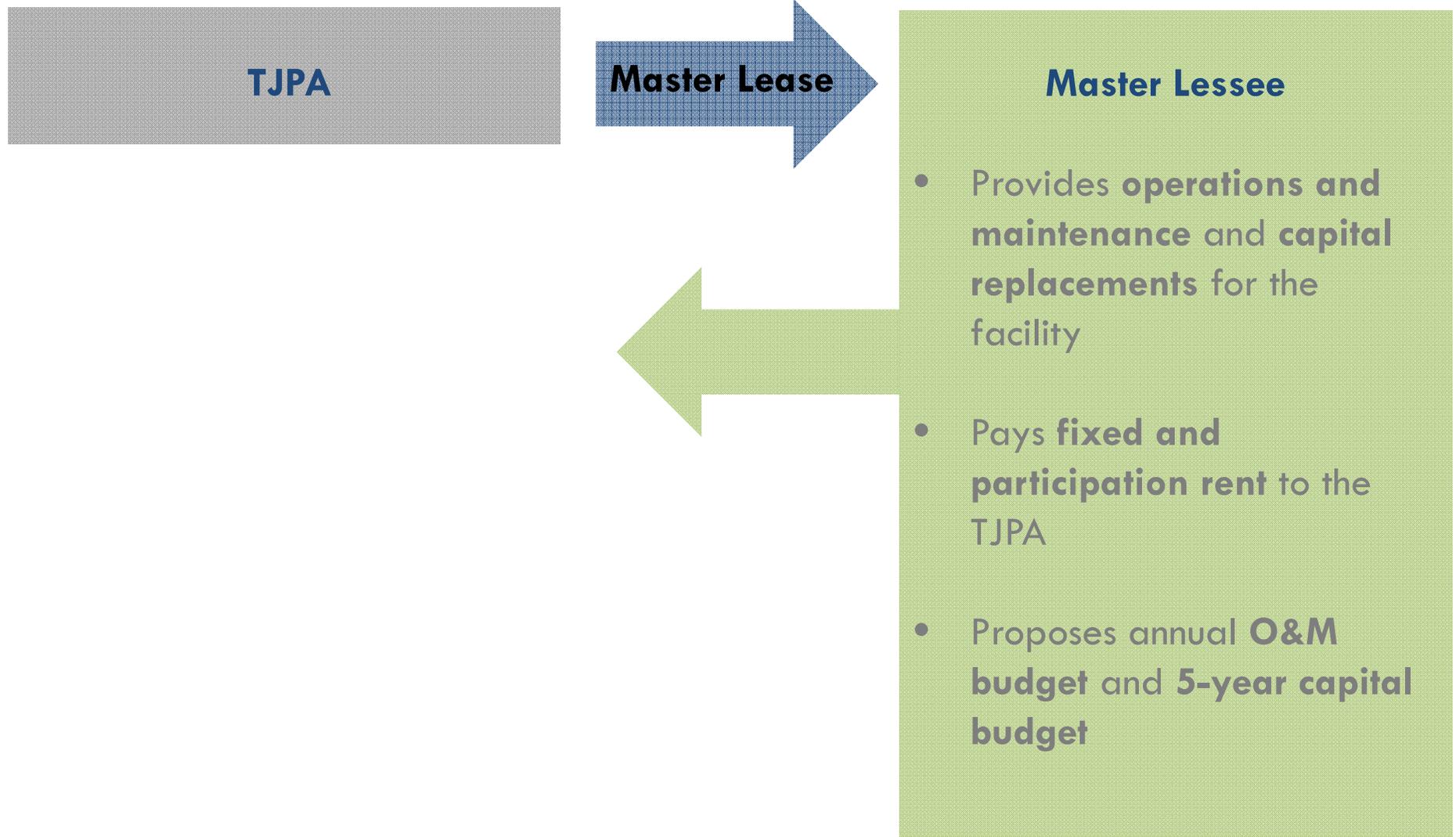
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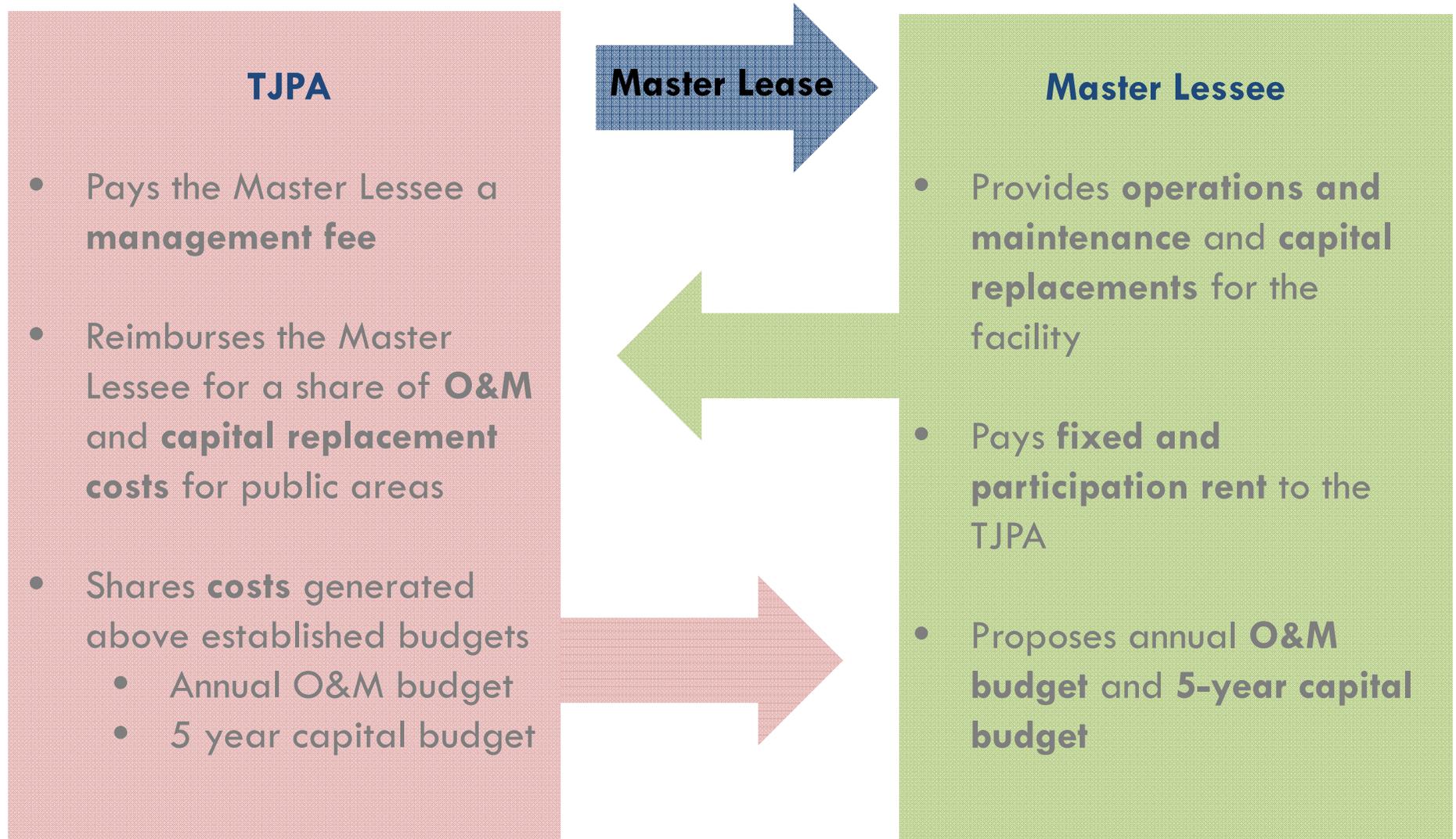
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## Financial Terms: Flow of Funds

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## Financial Terms: Flow of Funds



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## Retail Approach: Programming and Expertise

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### **Vision**

The Master Lessee should envision a creative and high quality retail program that will cater to the diverse customer base anticipated to frequent the facility:

- Commuters
- Employees
- Residents
- Visitors

### **Execution**

The Master Lessee should have the following abilities in order to execute this vision:

- Retail leasing and management expertise
- Familiarity with San Francisco market trends
- Existing relationships with potential national, regional, and local retail tenants

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## Retail Approach: Local Retail Expertise and Capacity

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### **Market Understanding**

- Understanding of the potential for local retail to contribute to the Transbay Center's identity as a unique, world-class destination
- Appreciation of the value of supporting Bay Area businesses
- Understanding of the importance of a local retail program in generating community support and building a local customer base

### **Implementation Expertise**

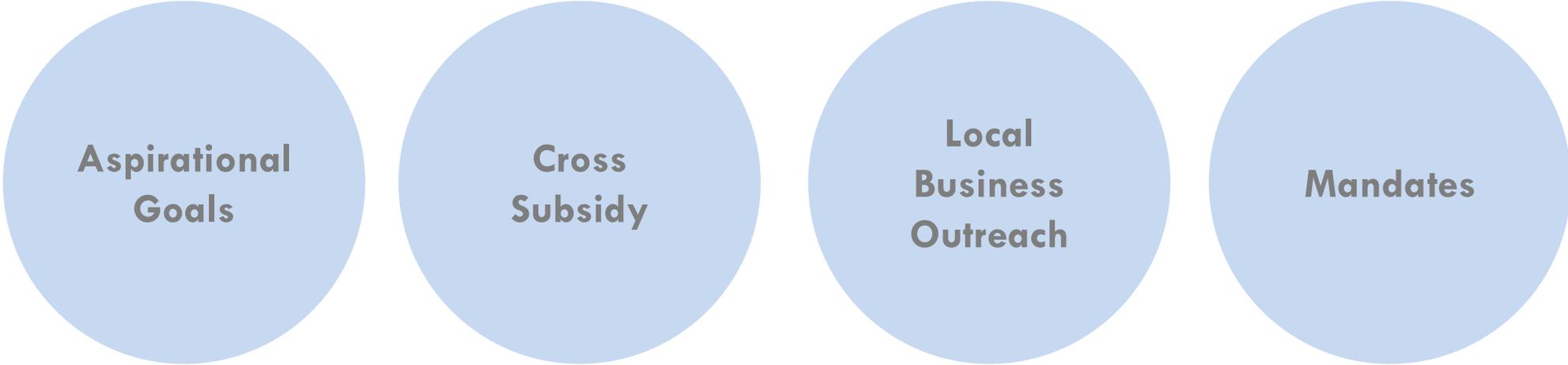
- Familiarity with the vibrant and diverse Bay Area local business community
- Ability and capacity to integrate local businesses into a market-supportable and visionary retail platform
- Expertise managing small business tenants including support for business planning, space fit out, and scaling operations to meet local demand

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## Retail Approach: Implementation Approach to Local Retail

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A variety of strategies may be employed to support development of a local retail program.



**Aspirational  
Goals**

**Cross  
Subsidy**

**Local  
Business  
Outreach**

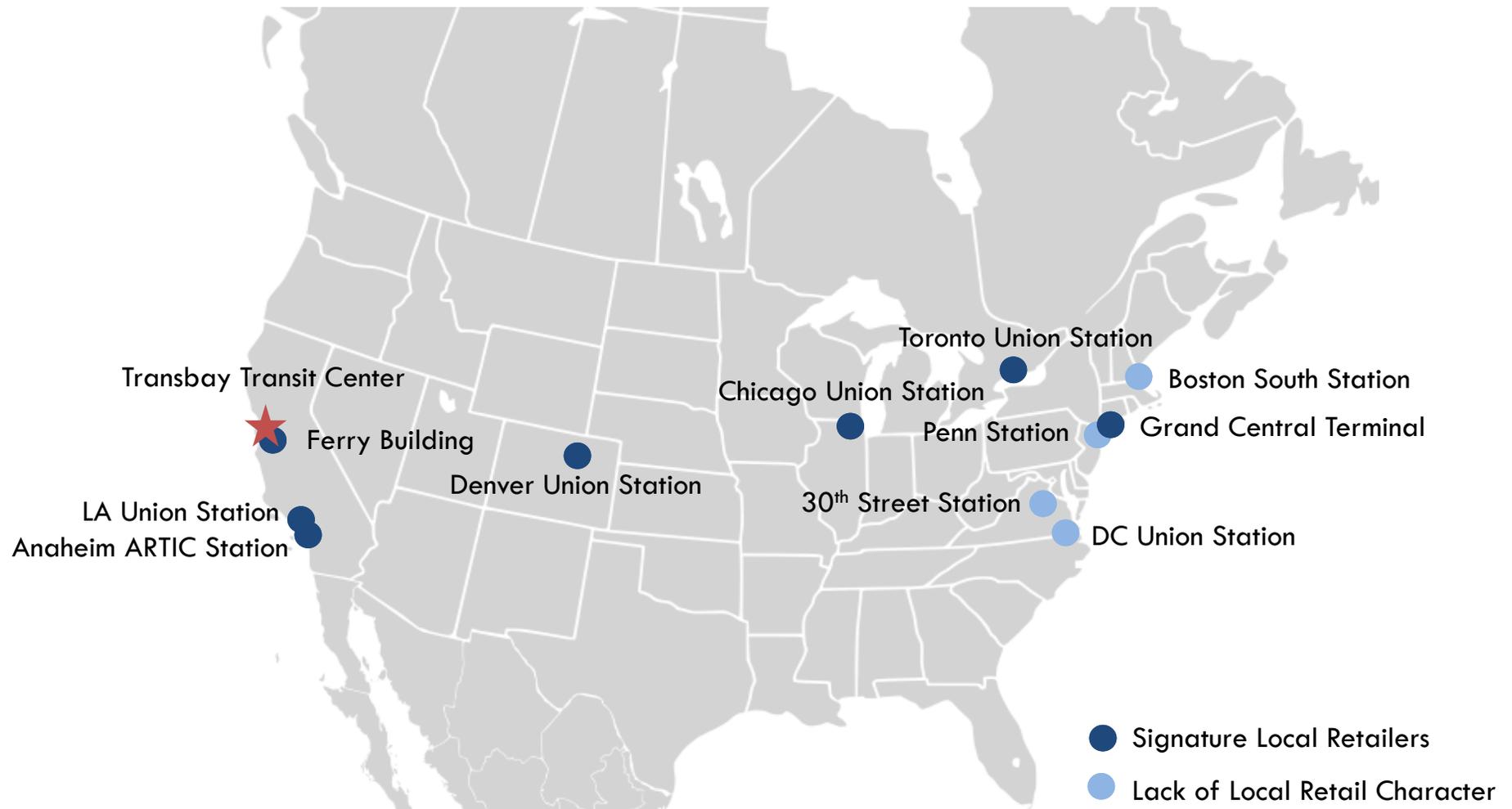
**Mandates**

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## Retail Approach: Local Retail at Transit Stations

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A variety of national transit stations include signature local retail programs; however none of these stations utilize mandates to drive their retail programs.



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## Retail Approach: Approach to Local Retail in RFP

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To convey the importance of a local retail program to TJPA, the RFP includes the following language:

### **Descriptive language** | Encouragement of local retail focus throughout the RFP

- Project goal: “Deliver a visionary program that reflects local character and context”
- Selection criteria: “A program that is responsive to community needs and interest in a local retail focus”
- Additional consideration: “The TJPA may give special consideration to proposals that offer retail leasing opportunities to small businesses, and/or artisanal regional and local enterprise”

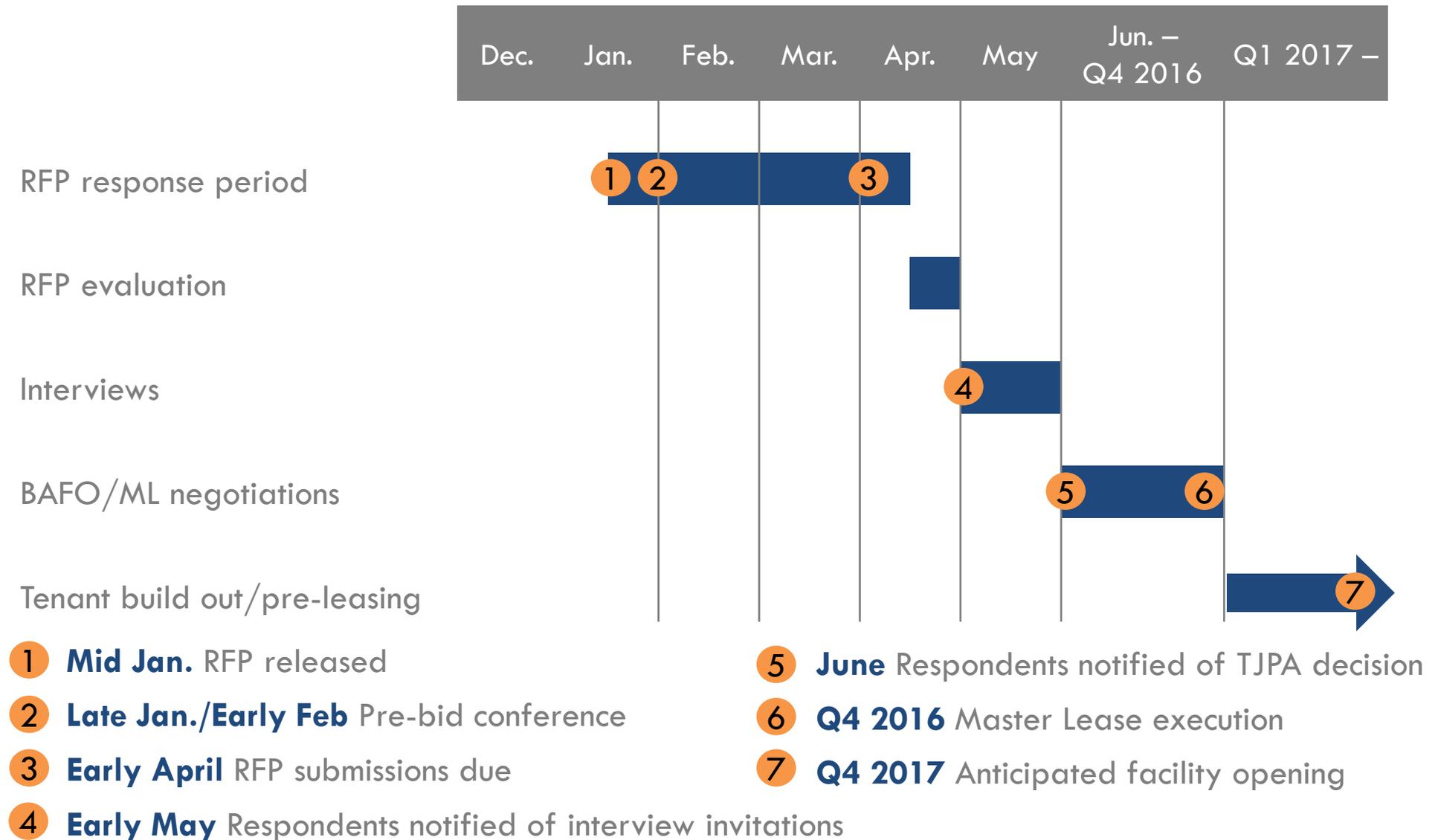
### **Evaluation criteria** | Points awarded for commercial concepts demonstrating commitment to local retail

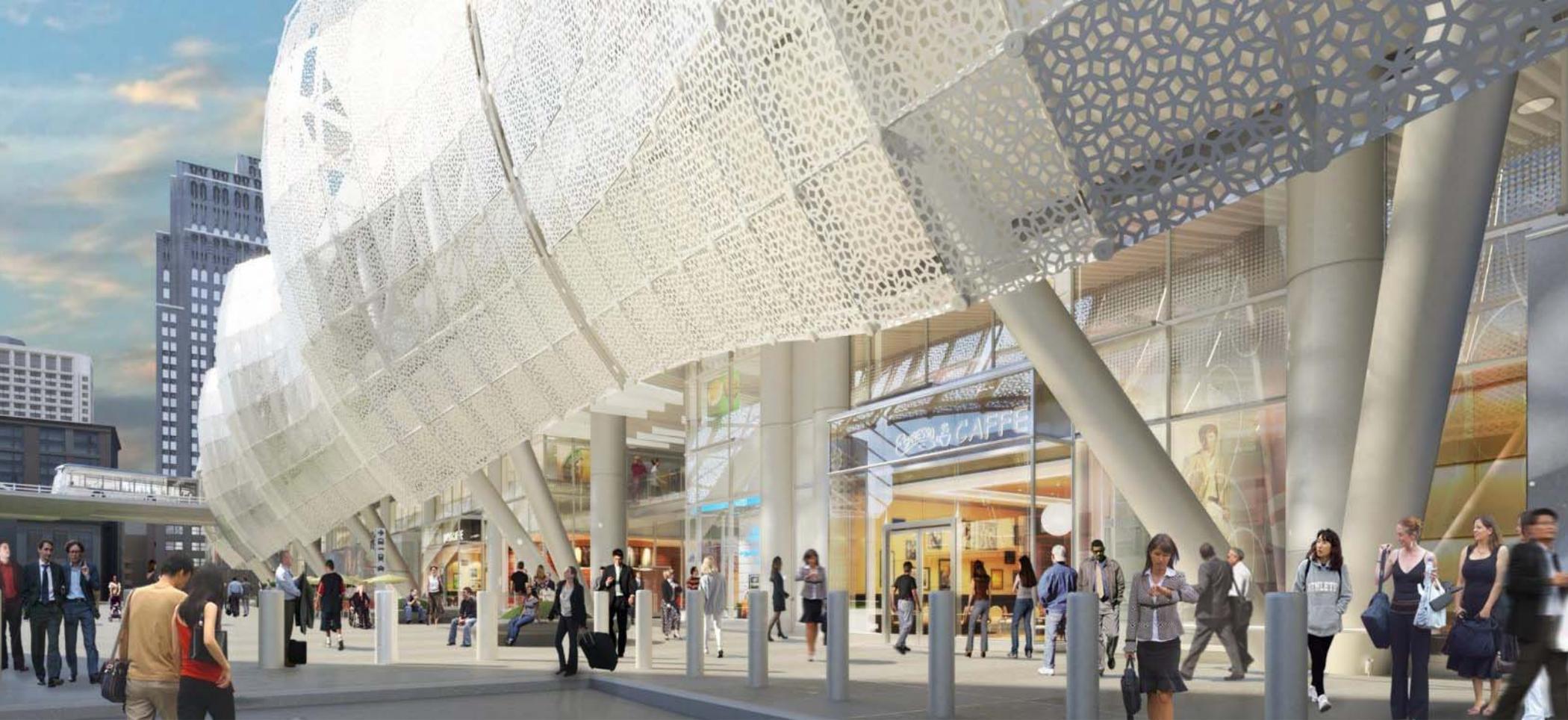
- 50 points may be awarded for Respondents’ proposed retail concepts.

## Evaluation and Selection

Criteria	Components	Maximum Score
Qualifications and Experience	<ul style="list-style-type: none"> <li>• Experience managing large mixed-use facilities</li> <li>• Experience in retail tenanting</li> <li>• Experience managing open spaces</li> <li>• Experience managing promotional platforms</li> </ul>	90 points
Concept <i>Retail Concept</i> <i>Promotional Platform Concept</i> <i>Open Space Concept</i>	<ul style="list-style-type: none"> <li>• Vision for retail program</li> <li>• Vision for the promotional platform &amp; open space management and programming</li> </ul>	50 points 30 points
Economic Proposal	<ul style="list-style-type: none"> <li>• Economic offer to the TJPA</li> <li>• Financial capability</li> </ul>	100 points
<b>Proposal Evaluation Subtotal</b>		<b>270 points</b>
Interview		30 points
<b>Total Maximum Points</b>		<b>300 points</b>

# RFP Process and Timing





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