

Clause 4 in Report No. 1 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on January 26, 2017.

4

Request for Proposal
YRT/Viva Retail Real Estate Broker

Committee of the Whole recommends adoption of the following recommendations contained in the report dated December 16, 2016 from the Commissioner of Transportation Services:

1. Council authorize staff to issue a Request for Proposal for a retail real estate broker. The broker would initiate negotiations on behalf of York Region to help secure a vendor(s) to occupy the future Richmond Hill Centre Terminal and Cornell Terminal retail spaces.
 2. Staff report back to Council for award of the recommended retail vendor(s).
-

Report dated December 16, 2016 from the Commissioner of Transportation Services now follows:

1. Recommendations

It is recommended that:

1. Council authorize staff to issue a Request for Proposal for a retail real estate broker. The broker would initiate negotiations on behalf of York Region to help secure a vendor(s) to occupy the future Richmond Hill Centre Terminal and Cornell Terminal retail spaces.
2. Staff report back to Council for award of the recommended retail vendor(s).

2. Purpose

This report seeks Council approval to issue a Request for Proposal (RFP) to procure the services of a retail real estate broker (broker) to secure a retail

vendor(s) for the future Richmond Hill Centre Terminal and Cornell Terminal retail spaces.

The broker would engage/negotiate with interested vendors to secure the best possible vendor(s) to occupy the retail space at the two YRT/Viva terminals. Staff would report back to Council with the final rental arrangement recommendation.

3. Background

In the past, the Region has procured real estate brokers to represent the Region in acquiring or disposing of property

These procurements have been awarded based on lowest total cost, in accordance with the Region's Purchasing Bylaw, without the requirement to issue a Request for Tender or Proposal.

YRT/Viva's Strategic Plans, the Transportation Master Plan and Metrolinx's The Big Move and Regional Transportation Plan have identified Richmond Hill Centre Terminal as a mobility hub

Mobility hubs are places where transportation modes, including rapid transit, local transit, specialized transit, cycling and accessible pedestrian networks, come together seamlessly for the convenience of all residents and customers. Richmond Hill Centre Terminal will also become the northern terminus of the proposed Toronto Transit Commission Yonge Subway Extension and plays a strategic role as an urban growth centre.

While Cornell Terminal has not been previously identified as a mobility hub in the above captioned documents, it has similar features to Richmond Hill Centre Terminal.

Vendor spaces at terminals are commonly-used across the industry, to enhance overall customer experience. Once established, such retail spaces provide additional revenue.

In 2015, YRT/Viva staff conducted a site review of Richmond Hill Centre Terminal to determine the best location to build the retail space

A recent review of the Richmond Hill Centre Terminal summarized the key characteristics of a potential retail space including: hours of operation and staffing considerations, capital costs, timing of construction and maintenance costs.

An architectural firm and engineer were retained to design a retail space at the south end of the existing platform. The building is designed to be 180 square metres with retail space being approximately 25 square metres. The remaining space will be for customer comfort, fare media purchases, device charging stations and interactive digital screens for trip planning and obtaining service information.

Through the design-build process with York Region Rapid Transit Corporation, two retail spaces have been incorporated into the Cornell Terminal 100 per cent design specifications. The design includes one, 19 square metres retail space located on the customer platform, and one, 62 square metres retail space located at the terminal entrance. Site services such as water, sewer and electrical are included.

The retail space at Richmond Hill Centre Terminal is expected to open in 2017, and Cornell Terminal in 2018.

4. Analysis and Implications

Staff have reviewed potential approaches that would optimize all aspects of a retail arrangement at transit terminal facilities

In 2016, a best practice review was conducted to better understand and evaluate how other transit agencies secure retail vendors. A variety of approaches have been taken by others, depending on local circumstances.

The following are examples of what other transit agencies are doing to secure retail vendors:

- TransLink in Vancouver partners with a retail real estate broker. Its approach is to maximize market exposure of retail opportunities to get the best retailers, at the best price.
- Dublin Bus in Ireland takes two approaches to retail in transit facilities. Where foot traffic is low, it offers mobile coffee cart vendors to operate during peak travel times. At higher traffic stations it approaches well-known brands directly and negotiate terms.
- LA Metro, Bay Area Rapid Transit in San Francisco, and New York City Metro also vary their approaches, depending on pedestrian traffic at each station. Individual RFPs, master concessionaire agreements, and direct negotiation are all deployed with a view to maximizing revenue.

- The Toronto Transit Commission is actively developing a new strategic direction for retail across the system. It currently has many individual contracts and is moving toward consolidation.
- Brampton Transit, a system with similar ridership to YRT/Viva, has recently secured two Gateway Terminal Food Service Facilities through a traditional Request for Proposal. In each instance, only one qualified bidder responded. Brampton Transit operates separate wickets for ticket purchase at both locations.

Surveys were conducted at Richmond Hill Centre Terminal to determine which retail options customers would value most

Over two weeks in spring 2016, on-site surveys were conducted with 116 customers at Richmond Hill Centre Terminal. An online survey collected 86 additional responses. The surveys aimed to understand customer needs and interests for retail at the terminal.

- 89 per cent of respondents were very excited by the prospect of a food and beverage/convenience option at Richmond Hill Centre Terminal
- Top requested items included: hot and cold beverages, fare media and PRESTO, breakfast items, snacks, hot dogs and baked goods
- Top mentions of preferred brands were Tim Hortons, a convenience store similar to Finch GO Bus Terminal, Starbucks, McCafé and Subway
- Respondents were also in favour of offerings such as a hot dog cart and food trucks, and some even mentioned the ability to pre-order groceries and pick them up at the terminal; a precedent for which has been set in other cities

Potential retail vendors were contacted to determine what would entice them to bid on a transit terminal retail space

Preliminary discussions were held with several brand name vendors. Each vendor indicated they have an established set of standard retail sizes and options with an associated set of offerings they would provide, based on the space.

- Retail spaces that accommodate their standard operational models are faster and more economical to build out and to set-up shop

- Negotiations are required when the space available is a different size or configuration than their standard size, or if there are specific requests by the property owner, such as fare media sales
- Some brand name vendors advised that they would not bid on space that did not meet their standard configurations, but would entertain direct negotiation

Using the services of a broker is recommended to maximize market exposure of retail opportunities

Having few interested bidders would likely result in less competitive offering, and little opportunity for creative or hybrid solutions that deliver what customers want.

Staff believes that engaging a broker to directly negotiate with potential vendors would provide the range of retail and convenience options most requested by customers, and the highest revenue opportunity for the Region.

Where the retail market is not yet established, such as at the Richmond Hill Centre Terminal, or the retail space is not conveniently aligned with vendors' exact specifications, there is a risk of limited interest in the available space. In consideration of the above, staff is proposing to replicate an approach similar to the TransLink model in Vancouver of using a retail real estate broker.

An experienced broker could provide the range of services and benefits needed to successfully secure a retail vendor

Under staff's proposed approach, YRT/Viva and the retained broker would consult or partner to develop a clear understanding of the retail opportunity. The broker would then:

- Identify potential retail vendors and partnerships
- Provide knowledge and experience in the needs of both property owners and retail vendors
- Negotiate an agreement(s) that best responds to customer interests, while maximizing revenue for the Region
- Enter into discussions with a potential vendor, or combination of vendors, to negotiate rates and terms that best meet the Region's needs and serve the best interests of York Region residents

- Create opportunities and bring potential vendors together to serve distinct aspects of customer needs, such as serve a popular brand coffee at a Gateway location and sell YRT/Viva fare media

Staff is seeking Council's concurrence to engage the services of a broker to optimize the return on the Region's facility investments

Staff's suggested procurement process involves additional criteria to engage a broker with expertise in negotiating specifically with retail tenants.

The approach of procuring a retail real estate broker to represent the Region is not specifically identified in the Purchasing Bylaw. However, Section 3.3 of the Bylaw does allow Council to approve any method of procurement in the best interest of the Region.

This project supports the Strategic Priority Area: Strengthening the Region's Economy, in the 2015-2019 Strategic Plan

The expansion of the YRT/Viva system and the enhancement of customer amenities such as retail spaces fosters an environment that attracts, grows and maintains businesses; focuses on networks and systems that connect people, goods and services; and ensures optimal locations for businesses and employment growth areas.

5. Financial Considerations

A successful vendor negotiation has the potential to maximize this non-fare revenue opportunity

In addition to better serving customers, leasing retail space at transit facilities to vendors creates a source of continuous non-fare revenue for the Region.

In the case of Richmond Hill Centre Terminal and Cornell Terminal, rental income could commence in 2017 and 2018.

Revenue potential from transit retail concessions will be better understood upon completion of vendor negotiation and contract development.

6. Local Municipal Impact

Local impact is expected to be positive as convenience amenities throughout the YRT/Viva system will only enhance the customer experience and improve transit's satisfaction rating.

7. Conclusion

Retail spaces provide increased customer amenity and a new non-fare revenue opportunity for the Region. Consumer research and preliminary vendor discussions, together with increasing foot-traffic at Richmond Hill Centre Terminal and anticipated traffic at the future Cornell Terminal, support the execution of a successful retail space at these locations.

Customers surveyed are very supportive of a retail offering at terminals and have identified a range of goods and services that are of value to them.

Best practices suggest the optimal method of securing a vendor is through direct negotiation. This would allow an experienced broker to act in the Region's best interest to negotiate a deal that provides the range of retail and convenience options most requested by customers, and the highest non-fare revenue opportunity for the Region.

A retail real estate broker to act on the Region's behalf can be secured through a competitive bid process.

Staff will report back to Council for award of the recommended retail vendor(s).

For more information on this report, please contact Ann-Marie Carroll, General Manager, YRT/Viva at 1-877-464-9675 ext.75677.

The Senior Management Group has reviewed this report.

December 16, 2016

7234822

Accessible formats or communication supports are available upon request