



## STAFF REPORT ACTION REQUIRED

### New Sign Regulation and Revenue Strategy for the City of Toronto: Additional Considerations

<b>Date:</b>	November 27, 2009
<b>To:</b>	City Council
<b>From:</b>	Deputy City Manager, Cluster B Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	p:\2009\Cluster B\BLD\CBO Office\BLD2009cc007

#### SUMMARY

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This report responds to matters raised by the Planning and Growth Management Committee at its meeting of November 4, 2009 and further responds to recommendations raised by the deputants all for consideration and report directly to Council.

The Committee requested that staff consider and report on potential changes to the proposed by-law following this review.

This report also responds to requests for information related to the proposed tax by-law regarding an estimate on the potential revenues if exemptions from the tax for signs subject to revenue sharing agreements are not accepted by Council; alternative methods of ensuring the third party sign tax will be paid; a detailed economic analysis to determine the proposed third party sign tax rate; and, a comparative analysis of sign taxes levied in other North American jurisdictions.

#### RECOMMENDATIONS

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**The Deputy City Manager, Cluster B, and the Deputy City Manager and Chief Financial Officer recommend that:**

1. City Council adopt the additional amendments to the draft Sign By-law, Chapter 694 as detailed in Appendix K attached to this report which amendments are consolidated in a revised draft Chapter 694 as set out in Appendix A attached to this report.

2. City Council delete Recommendation 1 from the Planning and Growth Management Committee and replace it as follows:

“1. The City of Toronto Municipal Code be amended substantially in accordance with the draft by-law in Appendix A attached to the report dated November 27, 2009 from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer, to add the proposed Chapter 694, Signs, General, to the City of Toronto Municipal Code regulating the installation of signs on buildings and property, such amendment to come into effect on April 6, 2010.”

3. City Council delete Recommendation 2 from the Planning and Growth Management Committee and replace it as follows:

“2. Schedule ‘A’ – Sign Districts, of proposed Chapter 694, be adopted in a form substantially consistent with Appendix B to the report dated November 27, 2009 from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer.”

4. City Council establish and adopt tax rates to be applied to the annual Third Party Sign Tax in accordance with the design features set out in Appendix E to the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer.
5. The City Solicitor be authorized to prepare the necessary Bills for introduction in Council to implement the above recommendations subject to such stylistic and technical changes to the draft bills as may be required.

## **FINANCIAL IMPACT**

There will be no change to the financial impact as set out in the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer should Council decide to adopt the recommended Third Party Sign Tax (TPST) By-law with an effective date of July 1, 2010.

However, should Council decide to adopt an effective date for the TPST By-law of April 6, 2010 to coincide with the proposed effective date of the new Sign By-law it is estimated that overall TPST revenues for 2010 would increase from \$5,200,000 to \$7,800,000, with no associated increases in expenditures.

## DECISION HISTORY

At its meeting of November 4, 2009, the Planning and Growth Management Committee considered a report on a new sign by-law and related revenue strategy. A public meeting was also held and notice was given in accordance with the Municipal Code and the *City of Toronto Act, 2006*.

The Planning and Growth Management Committee adopted the staff recommendations contained in the October 20, 2009, report from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer with the following amendments:

- The qualifications for proposed Sign Variance Committee members be amended to preclude individuals in the media industry from being appointed to the Committee;
- The City Manager be requested to review the regulatory program after one full year of operation to ensure that it has sufficient resources to effectively and vigorously enforce the proposed Sign By-law;
- The Third Party Sign Tax be adopted with the exception of the tax rates; and
- Referred the remainder of the net revenues, after allocating funds for the development and enforcement of the Sign By-law, to the 2010 budget cycle to offset funding for City beautification and arts and culture initiatives, with a particular emphasis on visual and community arts.

The Committee also requested that the Chief Building Official and Executive Director, Toronto Building report directly to City Council on a number of specific amendments to the new Sign By-law attached as Appendix A to the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer.

Further, the Planning and Growth Management Committee requested that the Chief Building Official and Executive Director, Toronto Building and the Deputy City Manager and Chief Financial Officer report directly to Council on the following:

1. An estimate of the additional tax revenues that would be generated if 694-2 Scope, article (2) of Appendix A of the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer, were deleted;
2. A review of alternative methods of ensuring that taxes will be paid including, but not limited to, security deposits, letters of credit or consideration of transferring the responsibility for the tax to the owner of the property which would subsequently be reflected in the rent paid by the owner of the billboard; and

3. A detailed economic analysis to determine the proposed tax rates and also a comparative analysis of sign taxes levied in other North American jurisdictions, in order for City Council to determine appropriate tax rates.

The decision document can be accessed at the following link:

<http://www.toronto.ca/legdocs/mmis/2009/pg/decisions/2009-11-04-pg33-dd.htm>

## **ISSUE BACKGROUND**

At the November 4, 2009 meeting of the Planning and Growth Management Committee the report for the New Sign Regulation and Revenue Strategy for the City of Toronto was considered. The Committee heard approximately 50 deputations and received 72 written submissions.

## **COMMENTS – NEW SIGN BY-LAW**

### **Committee Requests**

The Planning and Growth Management Committee requested that staff consider and report directly to Council on a number of specific proposed changes to the proposed new Sign By-law. The following is the response to the requests made by the Planning and Growth Management Committee from the meeting on November 4, 2009.

*Committee request: electronic fuel pump signs be limited in their application to no more than 50% of the fuel pumps on any particular property;*

The draft by-law regulates electronic fuel pump signs by restricting their size to 0.2 m<sup>2</sup> and requiring that they not face a street except where the sign is obstructed such that it is not visible from the street or where the sign is setback at least twelve metres from the street. As such, the by-law generally restricts these signs from the public view and would avoid any negative aesthetic impact of these signs on the public realm.

Further, there are no policy objectives achieved by limiting these signs to 50% of the fuel pumps on any particular property and this cannot be directly linked to the goal of the by-law to mitigate impact on the public realm. Therefore, it is proposed that the draft by-law not be amended to reflect this request.

*Committee request: include in the definition of “Modification” changes to the lighting modes or levels;*

The current definition proposed in the by-law is broad in that *modification* is deemed to be “any change to a sign” and the definition of *sign* includes the lighting fixtures and all the sign’s component parts. Nevertheless, for greater clarity the definition could

explicitly stipulate that modifications to signs include changes to the method of illumination, which would in turn require a permit.

It is proposed that the definition of *modification* be amended to read:

MODIFICATION - Any change to a sign and shall include a change in the manner in which sign copy is displayed, a change to the method by which the sign is illuminated, a change to the sign class and a change to the sign face area but shall not include the removal and replacement of sign copy displayed on the sign face.

*Committee request: adding to Appendix A, Subsection 694-5 Permits, on the understanding that these are available for public inspection;*

The current proposed by-law already accommodates this. Subsection 694-3B states that “[t]he Chief Building Official shall collect the information required by this chapter specifically for the purpose of creating and maintaining a record available to the general public.” Hence, no change to the by-law is required.

*Committee request: extending the prohibition of signs on railway bridges to all bridges;*

It is proposed to prohibit signs on all bridges, with the exemption of banner signs or pennants displayed in accordance with the approval of Transportation Services. The City’s Transportation Services Division currently administers a banner sign and pennant program where approval from Transportation Services is required to erect these signs on over or across a street. These signs are of a temporary nature and usually erected in conjunction with City sponsored events or erected for charitable or community purposes. Subsection 694-2A(3) of the proposed by-law excludes these temporary banner signs and pennants erected or displayed in accordance with the approval of Transportation Services from the scope of the proposed by-law.

As such, it is proposed that the draft by-law be amended to prohibit the display of any sign which is regulated by the proposed by-law on a bridge in the City. It is recommended that Subsection 694-15B (4) be replaced with the following: “A sign erected on a vehicular, railway or pedestrian bridge.”

*Committee request: the notification provisions in the by-law which are proposed for owners be also extended to business and residential tenants, the expense for which be paid by the applicant;*

This request would be difficult to implement as proposed by the Committee because residential and business tenant information is neither collected or regularly updated and therefore not readily available for this purpose. The fees proposed for processing variance applications include the expected cost of circulating notification to owners as required by the by-law. Although the practice of direct notification to tenants had been similarly used under the *Planning Act*, problems occurred when the provincial

government stopped collecting and recording residential tenant data which led to changes to the *Planning Act* related to circulation of notice for various planning applications. The goal to notify tenants affected by a sign application is addressed through the proposed requirement in the draft by-law that the applicant post a notice on the proposed sign location upon application prior to a decision being made.

However, it is proposed that Council approve changes to Section 694-30 of the draft by-law as outlined in Appendix K attached to this report that would clarify the intent to allow persons other than notified property owners the opportunity to participate in the City's processes regarding a sign variance application.

*Committee request: all reference to 100 metre distance separation between third party signs be amended to read 150 metres;*

Throughout the consultation, sign industry stakeholders voiced the concern that there would be no more opportunities to erect new third party signs. The separation distance requirements established in the draft by-law are the result of a careful analysis of existing regulations, regulations in other jurisdictions and consideration of potential future sign locations based on current sign locations and the proposed regulations. This is particularly true in commercial districts where it is proposed that only wall signs not facing a street be permitted, where roof and ground signs are generally permitted today. By increasing the separation requirements between third party signs, opportunities to erect a new third party sign would be more limited than is recommended or necessary to achieve the City's goals as identified in the report to the Planning and Growth Management Committee (October 20, 2009).

Amending the by-law to reflect this request is not recommended.

*Committee Request: Appendix A, Subsection 694-24A (26) be amended to change "Avenue Road" to read "Bathurst Street";*

The area along St. Clair Avenue west of Avenue Road to Bathurst Street predominantly consists of residential and open space land uses with the exception of several commercial properties on the north and south side of St. Clair just east of Bathurst. Explicit restrictions along this part of St. Clair would be consistent with the intent to restrict locating third party signs in this area.

It is recommended that the draft sign by-law be amended to change "Avenue Road" to "Bathurst Street" in subsection 694-24A (26).

*Committee request: Appendix A, Subsection 694-21A (2) Home Occupation Ground Signs in 'R' Districts be deleted and that such signs be specifically prohibited;*

Although the existing sign by-laws of all the former municipalities, including the former City of Etobicoke, allowed for ground signs in residential neighbourhoods, it was expressed by the Committee that this sign type in low-density residential neighbourhoods

is neither desirable nor necessarily prevalent in the existing context. If home occupation ground signs were to be deleted from the by-law text, they would be prohibited. It is therefore recommended that the new sign by-law be amended to remove the permission to erect home occupation ground signs in 'R' and 'RA' sign districts.

It is proposed that Subsection 694-21A (2) and the reference to "A (2)" in Subsection 694-21B (1) of the draft sign by-law be deleted.

*Committee request: All illuminated third party signs as identified in the by-law be required to install timer devices, and that staff bring forward to Council, as part of the by-law, proposed shut-off/on times by district with provisions to accommodate special sign districts;*

Through the proceedings of the Committee meeting it was suggested that the sign industry is capable of installing timer devices on signs to control illumination levels and hours of illumination. Although the draft by-law requires all third party signs to be powered by on-site renewable energy or a renewable energy distributor and the draft by-law regulates the levels of illumination for all signs in all sign districts, the Committee asked staff to consider regulating the hours in which all signs are illuminated. To further support the City's energy conservation initiatives and the goals of this by-law, it is proposed that Subsection 694-18C be amended to read:

No sign shall be illuminated between the hours of 12 a.m. and 6 a.m. except where:

- (1) The sign is a first party sign associated with a lawful business which operates during this period and only while the business is actually in operation; or
- (2) The sign is located in the Downtown Yonge Street Special Sign District, the Dundas Square Special Sign District, or the Gardiner Gateway Special Sign District.

### **Deputant Requests**

Further to the specific requests by Committee members reviewed above, the Planning and Growth Management Committee also requested that staff consider any new recommendations for changes to the by-law presented by the deputants, and report directly to Council on any proposed amendments.

*Deputant request: incorporate in the definition of "Sign Face" an exclusion of painted solid coloured surfaces;*

*Sign face* is defined in the draft by-law as:

The opaque, transparent or translucent surface of a sign upon, against or through which the sign copy is displayed including any frame or border and

shall also include the portion of any surface upon which a sign is projected or painted.

The concern expressed by the deputant is that a wall painted or coloured to identify or “brand” a particular business might be interpreted by staff as being the sign face. It should be noted that many of the existing sign by-laws contain similar language to this proposed definition and yet the articulated concern with issues of branding and “colours” has not previously arisen in the City. The proposed definition was intended to be broad enough to capture all situations where a sign includes a border but not architectural elements which may include colours consistent with the corporate branding for the use.

The intent of the definition is to describe a sign face as only being the area where a sign is displayed and not the architectural elements of the wall.

It is proposed that the draft by-law not be amended to reflect the request.

*Deputant request: incorporate in the definition of “Sign Face Area” that it shall be comprised of the individual elements blocked out for individual logo and letter contoured shapes;*

The sign by-laws of the former municipalities did not contain a uniform approach to addressing the issue of “channel letters” or other similar elements in the measurement of the area of signs. In light of the outstanding inconsistency with respect to the sign by-laws of the former municipalities in this respect, additional clarity could be provided with respect to the proposed sign by-law’s approach in measuring the area of a sign.

Therefore, it is proposed that the definition of *sign face area* in the draft by-law be amended to read:

**SIGN FACE AREA** - The area, as measured in square metres, within the perimeter of the sign face, or in the case of individually installed letters or like sign components, the total area within the outermost perimeter bounding the limit of all the individual components.

*Deputant request: as sign permits are issued to property owners and not business owners, a first party sign should not expire when a business ceases to operate at the premises where the sign is located;*

The draft by-law proposes to have sign permits for a first party sign expire where the business or use to which the sign relates is no longer available at the premises where the sign is located. This is meant to ensure accountability and manage derelict or abandoned signs. The deputant’s expressed concern appears to be premised on a misunderstanding that all sign permits under the draft by-law will be issued to the registered owner of the properties on which the sign is erected. The draft sign by-law is designed to allow many different parties to obtain a sign permit including, but not limited to, the property owner.



The draft sign by-law allows for transfer of sign permits, and the change of sign copy to reflect change of service or businesses provided at a location.

The draft by-law does not require a sign permit to be issued to or owned by the property owner. Currently the City has similar regulations concerning the issuance of sign permits for “Temporary Signs” contained in Chapter 693, Article III of the Municipal Code. The draft sign by-law is designed to provide individuals with the ability to maintain and display a first party sign on a property, while ensuring that the appropriate parties are accountable in relation to derelict or abandoned signs.

Signs, and sign permits, are tradable commodities and the by-law has provisions for transferring ownership of a sign and a sign permit to ensure accurate record-keeping in collecting and maintaining an accurate sign inventory, amongst other objectives.

Under the proposed by-law, responsibility resides with the owner of the sign to require that the sign neither expires nor is traded or sold without notifying the City of the new sign owner. Therefore no changes to the expiration provisions are proposed. Nevertheless, it is recommended that changes to Subsection 694-5D of the draft by-law be made to obligate an applicant for a sign permit to obtain the consent of the property owner for the erection, display, modification or restoration for which the permit is sought.

Subsection 694-5D is proposed to now read:

The applicant for a sign permit shall file with the City the information and documents required for the applicable sign class in the form and manner approved by the Chief Building Official and a written declaration that the consent of the property owner to erect, display, modify or restore the sign has been obtained, and the applicant shall pay the fee prescribed in Chapter 441.

In addition, the definition of *property owner* is proposed to now read “The registered owner of a property.”

*Deputant request: allow electronic static copy where readograph copy is otherwise permitted;*

Electronic static copy is a technologically advanced method of displaying copy that is proposed to be recognized in the new by-law. The technology is relatively new and the public have expressed concerns over sign brightness, the potential for distraction, the effect on public safety, and the compatibility of such visually intense and dynamic signage within the context of the City. As such, potential locations where this type of sign copy may be permitted will need to be carefully considered.

Readograph copy is the method of displaying sign copy using alphanumeric characters. This method of displaying sign copy is useful to business operators in that it provides an opportunity to periodically change messages, allowing the business owner the ability to

advertise, for example, seasonal sales and specials on goods and services. The proposed sign by-law provides reasonable opportunities to display readograph copy in conjunction with a permitted first party wall or ground sign.

No changes to the draft by-law are recommended as electronic static copy has significantly more impact than readograph copy. In considering this request by the deputant, however, staff determined that additional provisions would provide greater clarity to regulate potentially intrusive effects of readograph copy displayed electronically, where readograph copy moves, flashes or changes display rapidly. It is therefore recommended that the requirements proposed for the display of electronic static copy be extended to readograph copy to avoid any potential intrusive effects.

A new Subsection 694-14J is proposed to be inserted into the draft by-law, reading:

Where this chapter permits a sign to display readograph copy and the readograph copy is changed electronically, the following requirements shall be met:

- (1) The message duration shall not be less than 10 seconds;
- (2) The message transition shall not exceed 1.0 second; and
- (3) During the message transition, the sign shall not display any visible effects, including but not limited to action, motion, fading, dissolving, blink, intermittent or flashing light or the illusion of such effects.

*Deputant request: allow for large wall signs up to 80 m<sup>2</sup> in sign area at the uppermost storey of tall buildings greater than 20 storeys in height;*

The requested provision would only be relevant in unique and infrequent situations due to the limited number of such buildings in the City. Furthermore, none of the existing sign by-laws of the former municipalities provided for such generous provisions. Where larger wall signs are proposed to be permitted at the uppermost storey of tall buildings, it is more appropriate for them to be considered through the sign variance process.

No change to the proposed by-law is recommended.

*Deputant request: restrict membership to the proposed Sign Variance committee to include members of public space advocacy groups;*

The process used to select members for City-appointed Committees is rigorous and performed in accordance with City policy. Through this process, appropriate candidates are identified, in accordance with the criteria which includes such matters as interest in city building and knowledge in one or more areas including planning, architecture and citizen advocacy. Therefore, no change is recommended as these criteria address the goals identified by the deputant.

*Deputant request: extend the renewal clause requirements in the by-law from 5 years to 10 years;*

Renewal provisions for third party are commonly found in sign by-laws in various other jurisdictions. The Province of New Brunswick and the Cities of Ottawa, Vancouver and Edmonton all permit third party advertising signs for a period of up to five years. The rationale behind including these proposed provisions in the draft by-law is to ensure compatibility with the surrounding land uses and to manage the suitability of a sign in its context as the City changes over time.

No changes are proposed to the portions of the draft by-law dealing with renewal and expiration of third party sign permits.

*Deputants request: establish new special sign districts in the downtown core and at major intersections along Yonge Street, at Gerrard, College, Wellesley, Bloor, Eglinton and Sheppard;*

A number of special sign districts are proposed in the City in addition to proposed general sign districts in the draft by-law. These are recommended based on current by-law provisions, policy goals already adopted by the City or identified by the sign by-law development process. Special sign districts are areas where signs are a factor in setting the fundamental visual character that differentiates it from other sign districts with similar uses or development. As such, the sign by-law may be amended in the future to include additional special sign districts where the City is satisfied that exceptions from the general sign standards are suitable due to the character or design goals of an area.

No such process has been undertaken for the areas proposed by the deputants, therefore no changes are proposed in the draft by-law to include the proposed special sign districts.

*Deputant request: revisit the proposed regulations for the illumination of signs. The proposed regulations are both too difficult and too costly to administer. Consider using the OAAA guidelines for regulating the illumination of signs;*

One of the single largest issues identified by the public during the sign by-law project was the concern regarding sign illumination. The proposed regulations found in the draft by-law were derived from consultation with members of the Light Pollution Working Group, established by the City Planning Division. The proposed regulations are in keeping with the City of Toronto's environmental goals and comply with Bird Friendly Development Guidelines, the Canada Green Building Council's LEED Canada Building Standards and the Green Development Standards. Similar illumination regulations have been adopted in other North American jurisdictions such as Flagstaff, Arizona, San Antonio, Texas and Tulsa, Oklahoma.

The Outdoor Advertising Association of America's (OAAA) Illumination Guidelines are regulations developed by the sign industry and predominantly includes standards for

digital billboards. The proposed sign by-law regulates all signs and it is expected that illumination regulations would apply to both first party and third party signs.

Compliance with the regulations proposed in the draft by-law can be achieved through the use of readily available light measuring tools, including a nit gun and a light meter.

It is not recommended that the by-law be amended to incorporate regulations based on the OAAA Illumination Guidelines.

*Deputant request: reduce the proposed setback requirements for third party signs to highways, intersections of major streets and other third party sign. Ensure that there are reasonable permissions in the draft by-law to locate new third party advertising signs;*

There are currently over 4000 third party sign faces in Toronto and the proposed regulations are intended to control further proliferation of third party signs throughout the City, protect public safety, preserve the character of existing established neighbourhoods, and establish buffers to sensitive land uses. Third party signs are proposed to be permitted in three of the nine sign districts and in four of the six special sign districts. Opportunities to locate new third party signs would continue to exist through the application of the proposed regulations found in the draft by-law.

It is not recommended that the by-law be amended with respect to setback and distancing requirements for third party signs.

*Deputant request: There is a concern that an application can be brought forward as a by-law amendment where it has been rejected as a variance application.*

It was suggested at the Planning and Growth Management Committee meeting that a site be sterilized for a given period of time following the refusal of a sign variance application by the Sign Variance Committee such that no new applications, be they new sign variance applications or sign by-law amendment applications, could be brought forward and considered by the City. This option is problematic given that there is no sound basis for prohibiting someone from bringing forward new applications. A person has the right to bring forward applications and have the merits of the application measured against the regulations and criteria established in the proposed by-law. It is not uncommon for one to revise one's proposal when variances have been refused such that the revised proposal may be less imposing. If a new application were in fact identical to a previous application, it would be open to the Sign Variance Committee to refuse it on that basis or to deem the application to be an abuse of process.

Section 694-31A sets out the circumstances where one is required to apply for a by-law amendment as opposed to simply applying for variances. In drafting the by-law, the intention was always to render these applications mutually exclusive. In other words, it would only be open to a person to apply for variances to the by-law where none of the circumstances set out in subsection 694-31A applied. To the extent that this is not

entirely clear in the by-law, and to the extent that there could be a loophole in this regard, staff are proposing an amendment as follows:

Subsection 694-29A of the draft by-law is proposed to be replaced with the following:

A person may apply for:

- (1) A variance from the provisions of this chapter, provided none of the circumstances set out in Subsection 694-31A applies, and will need to demonstrate that the proposed sign satisfies the criteria set out in Subsection 694-30A; and
- (2) A site specific amendment to this chapter to permit a sign in the circumstances set out in Subsection 694-31A.

## **COMMENTS – SIGN DISTRICT MAPS**

Recommendation 2 of the October 20, 2009 report to the Planning and Growth Management Committee from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer recommended that Schedule ‘A’ – Sign Districts of the proposed Chapter 694 be forwarded directly to City Council in a form substantially consistent with Appendix B to that report.

It is recommended that Council adopt the revised sign district maps substantially consistent with Appendix B to this report.

## **COMMENTS - THIRD PARTY SIGN TAX (TPST)**

Staff were further requested by the Planning and Growth Management Committee at its meeting on November 4, 2009 to report directly to Council on the following:

*Committee request: an estimate of the additional tax revenues that would be generated if Subsection 694-2A. (2) of Appendix A of the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer, were deleted;*

As part of the City’s contractual agreement with Astral Media, should the Coordinated Street Furniture Program be subject to any additional taxes or levies voluntarily imposed by the City (i.e. not required by virtue of Provincial or Federal legislation), the minimum guaranteed annual transfers made to the City (increasing over the term of the agreement from approximately \$8 million in 2010 to almost \$38 million in 2026 annually) would be reduced accordingly. Therefore, including the advertising spaces on the Coordinated Street Furniture Program as signs subject to the TPST would not increase the guaranteed annual revenues to the City; it would only re-allocate the funds from revenues which were specifically approved by City Council for the Public Realm Unit to undertake

overall administration of the program and provide city wide streetscape enhancements, to the TPST revenues.

This provision in the agreement was included to address the concern that the City could use its legislative authority to impose fees or taxes to “improve” upon the terms of the agreement in a way which would be unfair to the proponent given its significant investment and the financial proposal accepted by the City as a result of the RFP process.

Subsection 694-2A (2) of Appendix A of the October 20<sup>th</sup>, 2009 report exempts any signs in the public right-of-way on structures, elements, or fixtures provided by or on behalf of the City from the scope of the by-law. Although this exemption does not in itself exempt these signs from payment of the proposed TPST, there is a parallel provision in Appendix E – Third Party Sign Tax Administrative Design features, which would exempt third party signs from paying the tax where the sign owner has an existing agreement with the City of Toronto for revenue sharing for the duration of the agreement. At present, this provision would apply to the agreement respecting the Coordinated Street Furniture.

It should also be noted that one of the benefits which the City garners under the agreement is the ability to use a minimum of 8.5% of the available sign faces for public service advertising purposes. In addition, Astral provides one free advertising face to each of the City’s Business Improvement Areas for use by the BIA. In light of these obligations (which reduce Astral’s ability to use the full inventory for third party advertising purposes), one could question whether it would indeed make policy sense to impose a tax upon the entire inventory as if it was all being used for third party purposes.

However, based on the requirements in the RFP for the Coordinated Street Furniture Program, staff estimates that of the 20,000 pieces of street furniture being provided, approximately 7,000 pieces of Street Furniture to be provided could display advertising. Due to the size of the advertising space on the street furniture it is also assumed that all 7,000 pieces of street furniture would be a ‘Class 1’ sign structure and if applicable would be subject to an annual tax of \$1,150 per structure. This would provide an estimated additional \$8 million annually to the TPST revenues.

It is recommended that the TPST continue to exempt Third Party Signs where the Sign Owner has an existing agreement with the City of Toronto for revenue sharing.

*Committee request: the effective date of the tax as set out in Recommendation 9 of the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer be amended to be the same date as the Sign By-law goes into effect;*

Should council choose to approve the TPST with an implementation date of April 6, 2010, the estimated revenues will be \$7.8 million in 2010.

Staff recommends a July 1, 2010 effective date for the proposed TPST to provide a transition period for the sign industry to adjust to the TPST.

Should the TPST be effective in April, the billing and collection of the tax would still need to take place as proposed in Appendix E to the October 20<sup>th</sup> report, as the Sign Unit would require the time necessary to collect and verify the inventories submitted by the Sign Companies and assign every sign structure a Sign Class for the purposes of taxation.

*Committee request: a review of alternative methods of ensuring that taxes will be paid including, but not limited to, security deposits, letters of credit or consideration of transferring the responsibility for the tax to the owner of the property which would subsequently be reflected in the rent paid by the owner of the billboard;*

Various collection and enforcement methods have been examined.

Pursuant to the City's legislative authority, the TPST must be a direct tax and may not be a tax on revenue. Transferring the responsibility for the tax to the owner of the property so as to have it directly reflected in the rent paid by the owner of the billboard would make the tax indirect in nature and contrary to the City's legislative authority provided by section 267 of the *City of Toronto Act, 2006*. Additionally, depending on how the tax were to be structured, such a tax may resemble a tax on the rental income to the property owner, and thereby would be prohibited by s. 267(2) of the *City of Toronto Act, 2006* as a tax on revenue.

Security deposits and letters of credit are not common means of tax enforcement, and would only add to the cost of the tax to the taxpayer. The proposed TPST includes various effective enforcement measures consistent with those in place for the City's Municipal Land Transfer Tax and the Personal Vehicle Tax. These include interest on late payment, penalties, offences for failure to pay, fines, and referral to a bailiff or collection agency. The City can also bring an action in court to recover unpaid tax. The recommended TPST would also contain provisions establishing the non-payment of the TPST to be deemed as a continuing offence, subject to daily fines of up to \$5,000. It is not recommended that the recommended TPST be amended to reflect this request.

*Committee request: a detailed economic analysis to determine the proposed tax rates and also a comparative analysis of sign taxes levied in other North American jurisdictions, in order for City Council to determine appropriate tax rates;*

The recommended TPST is not structured as a tax on revenue generated by third party signs. Rather it is a tax on the third party sign itself, based on classes of signs determined by such factors as sign type, and aggregate sign face area. In determining appropriate tax rates some consideration has been given to converting the proposed tax amounts to deemed equivalents of the percentage of revenue generated by third party signs. Amongst other factors, including promoting public safety; facilitating aesthetic improvement of the City and addressing the City's environmental goals.

These goals are reflected in the development of the Sign Classes and the corresponding rates for each class.

Any consideration of the tax as a deemed equivalent of revenue, either by the City or by its various consultants, and any discussion thereof in this report, is merely for the purposes of assessing the potential burden of the tax. No such consideration or discussion is meant to suggest that the proposed TPST is a tax based on a percentage of revenue generated by third party signs.

As part of the development of the final TPST structure and rates, the project team worked with staff from Finance and Legal as well as retaining David Amborski, Economist and Professor of Urban Planning, to provide advice and to evaluate the final TPST proposal. The final report of Professor Amborski (the “Amborski Report”) can be found in Appendix J to this report.

The consultant’s report recommended (based on his review of similar taxes in other jurisdictions) that the tax should not exceed 7% of the annual gross revenues of a sign. His analysis concluded that in jurisdictions where such a tax had been applied, the tax did not have any adverse impacts on the third party signs in that market.

In addition to the report from Hemson Consulting Ltd. entitled “Assessment of Potential Tax Measures under the City of Toronto Act, 2006” (“Hemson Report”), the review performed by the Altus Group on behalf of OMAC (“OMAC Study”), and the Amborski Report, the project team also reviewed the following information in the development of the TPST:

- Third party sign/outdoor advertising taxes for other jurisdictions in North America;
- Leasing agreements that the City has with third party sign operators to rent land for signs;
- Revenue sharing agreements that the City has for third party advertising on transit infrastructure and street furniture; and
- The posted rates for outdoor advertising in Toronto.

Throughout the development of the TPST, the project team requested, on numerous occasions, that the outdoor advertising industry provide revenue information to the City for consideration in the development of the TPST. The outdoor advertising industry provided the project team with limited verifiable information concerning revenues received by the outdoor advertising industry.

In response to an initial consultation presentation held on March 5, 2009, however, the Out-of-Home Marketing Association of Canada (OMAC) hired the Altus Group to review the impacts of the tax rates that were presented in the discussion of the tax. Upon completion, the OMAC Study was provided to the project team (a full analysis of the OMAC Study can be found in Appendix J to this report).



The following contains a summary of the analysis and review that was completed in the development of the TPST as proposed in the October 20<sup>th</sup> report.

### **Comparison with Hemson Report**

A Third-Party Sign Tax under the *City of Toronto Act, 2006* was first considered by the City's Executive Committee at its meeting in March 2007. Staff provided a discussion paper identifying eight potential new taxation measures. It was supported by a report from Hemson Consulting Ltd. entitled "Assessment of Potential Tax Measures under the City of Toronto Act, 2006". This report estimated revenue potential based on rates in other jurisdictions, probable market elasticity in response to a tax, and administration costs. A tax on outdoor advertising was estimated to generate approximately \$2.6 million annually in Toronto.

It is important to note that the Hemson Report was not intended to be used as a definitive set of recommendations for either taxation models or rates. The opening paragraphs of the report clearly state that the information contained in the report is "...intended for use as a basis of further discussion. It does not constitute a recommendation for future policy."

The following compares the recommended TPST to the Hemson Report's initial analysis. As the recommended TPST, would not exceed the deemed equivalent of approximately 7% of the gross annual revenues for a sign; it is generally in line with the tax level described in the Hemson Report, despite the difference in the estimated revenue between the proposed TPST and the Hemson Report's a initial analysis. The project team's review of the Hemson Report reveals that the difference in the estimate of the total revenue collected is due mainly to the amount of time involved in preparation of the Hemson Report and the limitations on the data available for the Hemson Report's review of the outdoor advertising industry in Toronto.

The Hemson Report assumed that 20% of the total amount of outdoor advertising in Canada was located in Toronto. The City has since conducted a detailed inventory of the location, size, type, and technology of all third party signs in the City of Toronto as part of the Sign By-law project. The difference in the conclusions reached in the Hemson Report compared to the City's analysis can be explained by the following:

- Although there was little information available on the size of signs in Toronto at the time, the Hemson model assumed a tax per square foot on a sign-by-sign basis, whereas the recommended TPST is simplified for administrative purposes into five sign classes which are tiered based on the total visual impact of the sign structure;
- The Hemson model was based on an assumption that the largest signs in the city did not exceed 500 square feet. The project team has confirmed that there are many signs in Toronto with a sign face area exceeding 500 square feet; and,

- Although the Hemson Report also suggested a higher tax rate for video signs, the report assumed only two video signs within the City of Toronto, whereas the third party sign inventory includes more than 30 sign faces.

Finally as stated in the Hemson Report, tax structure and rates are expected to vary based on the policy objectives guiding the tax, which had not been identified at the time. The proposed TPST was written with the goals and objectives of the new sign by-law in mind as reflected in the development of the sign classes, and has a corresponding rate structure, for example:

- Wall signs (single sided) and ground signs (double sided) with an aggregate sign face area of less than 25 m<sup>2</sup> and 45 m<sup>2</sup> respectively, would be permitted as-of-right in the new sign by-law and are in lower tax categories;
- Roof signs contribute significantly to sign clutter are proposed to have a higher tax category due to their increased visual impact; and,
- Video signs which contribute greatly to light pollution, and raise concerns of driver distraction and public safety and have been provided limited opportunities in the new sign by-law, will be taxed at the highest rate.

### **The OMAC Study**

The project team found the OMAC Study of limited assistance in evaluating the recommended TPST for the following reasons:

- The OMAC Study was prepared in response to the initial proposal for the TPST discussed in a consultation meeting (\$4,000 per sign face), and assumed tax amounts that are substantially different than those now proposed. The recommended TPST applies to sign structures which have on average 1.7 sign faces per structure and are now proposed to vary from \$1,150 to \$24,000 per structure;
- The information provided to the consultant in the OMAC Study was based almost entirely on information provided by OMAC. The OMAC Study provided no verifiable data or a method that could be utilised to review the accuracy of the revenue and earnings information provided;
- The OMAC Study focuses only on the original estimated revenues of \$16 million from the TPST (\$4,000 x 4,000 sign faces), in comparison to the current estimate of approximately \$10.4 million. The OMAC Study also does not provide an analysis of the effect that the recommended TPST would have on the viability of individual sign structures;
- Contradictory information has been provided with respect to the impacts that the TPST could have on employment in Toronto; several deputations at the

November 4<sup>th</sup> meeting of Planning and Growth Management said that the out-of-home advertising industry employs ‘thousands’ of people both directly and indirectly in the Toronto area; however the OMAC Study provides a figure of 804 people both directly and indirectly employed; and,

- The data in the OMAC Study does not appear to be consistent with the published rates for outdoor advertising in Toronto, or the rents received for advertising structures on City property.

As part of the OMAC Study on the economic impacts of the proposed TPST, their consultant estimated that the gross annual revenues to the industry in the Toronto market would be approximately \$72 million annually; \$64.8 for OMAC members and an assumption of \$7.2 million for non-OMAC companies. The OMAC Study also gives an annual revenue estimate of approximately \$17,300 per sign face in Toronto - \$72 million divided by (an estimated) 4153 sign faces.

### **The City’s Experience with Third-Party Advertising**

Staff examined the City’s own experience as a landlord for sign locations. The City of Toronto owns many parcels of land, a number of which have third party signs located on them. Based on preliminary data 33 sign structures were identified as being located on City of Toronto property, exclusive of any third party signs that are part of the Coordinated Street Furniture Program.

Based on a review of the lease agreements for 33 sign faces:

- Total rental income to the City in 2009 from third party signs is expected to be approximately \$152,500.00 with an average annual rent of \$4,600.00 ( $\$152,500/33$  signs = \$4,621);
- The most common rental arrangements found in reviewing the City of Toronto lease agreements found rents to be set at either: 15% of gross annual revenues for the sign; or, 1/12<sup>th</sup> the annual rental value of the sign (excluding taxes).

Assuming similar rent-to-revenue factors apply to all signs in the City, the taxation burden can be estimated for the market as a whole.

Table 1 below calculates potential total revenues from all third party sign faces in the city based on the ratio of rents to revenues contained in City lease agreements as described above. If the City’s experience is representative, the estimated annual revenues for all third party signs in the city would be between \$141 million and \$220 million or at least double the revenues quoted in the OMAC Study.

On this basis, the proposed TPST, which is forecast to collect \$10.4 million annually, would represent a tax burden between 4.7% and 7.37% of the total gross annual revenues for signs in Toronto.

**Table 1 – Comparison of the TPST to estimated gross revenues based on rents paid to the City of Toronto**

	Rental Arrangements	
	15% of Gross Annual Revenue	1/12 <sup>th</sup> of Gross Annual Revenue
Average Rent per Sign Face	<b>\$4,600.00</b>	
Total Annual revenue Per Sign Face	$[\$4,600 \times (100/15)] = \mathbf{\$30,666.00}$	$[\$4,600 \times (1/12)] = \mathbf{\$55,200.00}$
Approximate Number of taxable Sign Faces in Toronto	<b>4,000</b>	
Total Revenue for all Sign Faces	$[\$30,666 \times 4000] = \mathbf{\$141,063,600}$	$[\$55,200 \times 4000] = \mathbf{\$220,800,000}$
TPST of \$10.4 million annually as a deemed equivalent to a % of gross annual revenues	<b>7.37%</b>	<b>4.7%</b>

As well as being a landlord to third party advertising companies, the City of Toronto, as well as its Agencies, Boards, and Commissions has partnered with a number of firms in finding and providing outdoor advertising opportunities

Table 2 below summarizes the revenue that the City (or one of its agencies) is or has been paid for three different out of home advertising ventures and compares them to the TPST. The out-of home advertising ventures are: the advertising space in the Sheppard Subway Line; wrapping subway cars in vinyl advertisements; and the Coordinated Street Furniture Program.

In reviewing these case studies, it is important to note that the payments to the City of Toronto for each of the advertising opportunities would include rents as the space is provided as part of the agreement.

**Table 2 – Comparison of the TPST to Annual Revenue Sharing from Various Advertising Agreements** (*\$ values have been adjusted at a rate of 1.5% per annum to reflect the present values*)

	Street Furniture	Subway Car Wraps	Sheppard Subway Line Posters	Third Party Sign Tax
Total \$ of Revenue to the City	\$ 12,980,835.00	\$281,623.15	\$56,324.63	\$10,400,000
Total m <sup>2</sup> of Advertising Space	18,395.00 m <sup>2</sup>	1,012.21 m <sup>2</sup>	131.55 m <sup>2</sup>	74,320.00 m <sup>2</sup> *
Annual revenues per m <sup>2</sup> of advertising space paid to the City	\$705.67	\$278.22	\$428.16	\$139.93

\* assumes 4000 third party signs at industry standard size of 18.58 m<sup>2</sup> each

Probably the largest and most comparable out of home advertising venture that the City has been a part of is the 2007 Coordinated Street Furniture Program. This is an agreement that the City has with Astral Media for the provision and maintenance of over 10,000 pieces of street furniture for the next 20 years. The maximum amount of advertising space available on the street furniture is 18,395.00 square metres. As well as providing, maintaining, and eventually surrendering ownership of the street furniture to the City, Astral Media has agreed to a revenue sharing agreement of more than \$400 million over the 20 year period, almost \$13 million dollars annually (Net Present Value). This results in annual revenues to the City of \$705.67 per square metre of advertising space. It should also be noted that the annual revenues that are paid to the city are over and above the cost of the Street Furniture itself, the annual maintenance costs, the space that is required to be donated to public service advertising purposes.

In reviewing the Coordinated Street Furniture Program Agreement, the following conclusions can be drawn:

- The total amount of advertising space on the street furniture is equivalent to 990 standard (10x20) billboards, equal to approximately  $\frac{1}{4}$  of the total number of third party sign faces in Toronto and brings in more annual revenue than the proposed TPST;
- The advertising space on the Street Furniture is not large or as visible as most other third party signs in the city, likely making it less valuable; and,
- Were the City of Toronto to charge a rent of  $\frac{1}{12}$  or 15% of the annual value of the advertising, approximately \$1,080,000 and \$1,950,000 respectively, the total annual revenue to the City from the street furniture agreement would still be about \$10-11 million for  $\frac{1}{4}$  of the advertising space, often in less appealing locations.

The following two examples, although not directly comparable to the type of signs subject to the TPST, do give an insight into the amount of revenue that the out-of-home advertising companies are willing to share in order to expand their opportunities within Toronto. Also, when reviewing these examples, it should be kept in mind that the number of people that would see the advertisement, (a key component in the value of advertising space) is significantly less than the total population of the Toronto Census Metropolitan Area, which is used in the valuation of other outdoor advertising space in Toronto.

In 2001, the TTC signed an agreement with TDI for the placement of subway car 'wraps' (advertising on the outside of subway cars). The agreement was for 12 subway cars, approximately 1,012.21 square metres of advertising space equivalent to 54 standard (10 x 20) billboards, which guaranteed the TTC \$250,000 annually (approx. \$281,623.15 in 2009 dollars). This results in annual revenues of \$278.22 per square metre of advertising space to the TTC, or 40% of the street furniture agreement.

The advertising space in the five stations along the Sheppard Subway Line (Yonge, Bayview, Bessarion, Leslie and Don Mills) is just over 100 square metres of advertising space, equivalent to approximately 5 standard (10 x 20) billboards. An agreement with Transportation Displays Incorporated (TDI) was reached in 2001 that would guarantee the Toronto Transit Commission (TTC) more than \$50,000 annually (approx. \$56,324.63 in 2009 dollars). This would result in annual revenues to the TTC of \$428.16 per square metre of that advertising space, or 60% of the Street Furniture agreement.

In comparison to the revenue sharing agreements reviewed above, the proposed TPST is expected to generate approximately \$10.4 million annually on almost 75,000 square metres of advertising space, equivalent to 4,000 standard (10x20) billboards; this number most likely underestimates the total amount of advertising space given the range of sign sizes and number of signs in Toronto. This would result in annual revenues of \$139.93 per square metre of advertising space, or approximately 20% of the revenues received per square metre of advertising space from the street furniture agreement.

### **Analysis of Proposed TPST in Comparison with other Jurisdictions:**

The City of Toronto is not the first jurisdiction to propose a tax on third party signs in the public realm. Several other North American jurisdictions have applied similar taxes prior to Toronto; these include (but are not limited to) Winnipeg, Montreal, the State of New Jersey, and the City of Philadelphia. Details of these taxes can be found in Appendix J to this report.

A summary of the taxes in these jurisdictions is as follows:

- Winnipeg: \$1.50 per square foot (\$16.14 per square metre);
- Montreal: \$530 on each sign face of a structure;
- State of New Jersey: 6% of the gross revenues; and,
- Philadelphia: 7% of gross revenues.

As part of the project, CARD (Canadian Advertising Rate Data) purchase prices and rates for third party signs found on corporate websites were obtained for outdoor advertising venues in Toronto. In cooperation with the consultant, averages of the representative purchase prices and other posted rates for a range of signs in each sign class were used in this analysis; see Appendix J for a detailed analysis of each sign class.

These rates were then discounted by 30%, a rate that was applied based on industry feedback and consultation. This reduction in the average annual revenues takes into account discounts to the posted rates, and times where the sign face is vacant. The discounted rate was then cross-referenced with City of Toronto leasing data (described earlier) to verify that the estimate of annual revenues were consistent.

Table 3 below reviews the various Sign Classes and corresponding rates and compare the proposed rates per sign structure in the TPST to the taxes that have been put into place in the jurisdictions listed above.

Notes about this analysis:

- Based on a comparison of the posted rates for advertising on signs in both cities, it was found that the value of advertising space in Winnipeg is only approximately 38% of the value of advertising space in Toronto. The Winnipeg tax rate has been increased 2.6 times for this analysis to allow for direct a comparison of impacts;
- The value of advertising space in Montreal is similar to Toronto; the tax rate for Montreal was unchanged for this analysis.

**Table 3 - Comparative Analysis of Proposed TPST Rates to other Jurisdictions**

	Toronto	Montreal	Winnipeg	State of New Jersey	Philadelphia
<b>Class 1 Sign Structures:</b>					
<ul style="list-style-type: none"> <li>• Ground signs only displaying static copy with an aggregate sign face area of less than or equal to 15 square metres, and</li> <li>• Wall signs only displaying static copy with an aggregate sign face area of less than or equal to 25 square metres</li> </ul>					
<b>Tax Amount \$</b>	\$1,150 per sign structure	\$530/Sign Face	\$3.90/Square Foot	6% of revenues	7% of revenues
<b>Average Annual Sign Revenue</b>	For a 18.58 square meter wall sign with an annual revenue stream of <b>\$24,067.86</b> (assuming discounts and vacant space equal to 30% of gross annual revenues)				
<b>Total Tax Amount</b>	\$1,150.00	\$530.00	\$780.00	\$1,444.07	\$1,684.75
<b>Tax Amount as a % or deemed equivalent % of revenue</b>	4.78%	2.2%	3.2%	6%	7%

	Toronto	Montreal	Winnipeg	State of New Jersey	Philadelphia
<b>Class 2 Sign Structures:</b> <ul style="list-style-type: none"> <li>• Ground signs only displaying static copy with an aggregate sign face area greater than 15 square metres and less than 45 square metres,</li> <li>• Wall signs only displaying static copy with an aggregate sign face area greater than 25 square metres but less than 45 square metres, and</li> <li>• Wall signs displaying mechanical copy, in whole or in part, with an aggregate sign face area of less than or equal to 25 square metres</li> </ul>					
<b>Tax Amount \$</b>	\$2,850 per sign structure	\$530/Sign Face	\$3.90/Square Foot	6% of revenues	7% of revenues
<b>Average Annual Sign Revenue</b>	For a double-sided ground sign displaying 2 x 18.58 square meter faces of static copy with total annual revenue of <b>\$45,936.72</b> (assuming discounts and vacant space equal to 30% of gross annual revenues)				
<b>Total Tax Amount</b>	\$2,850.00	\$1,060	\$1,560.00	\$2,756.20	\$3,215.57
<b>Tax Amount as a % or deemed equivalent % of revenue</b>	6.2%	2.3%	3.4%	6%	7%
<b>Class 3 Sign Structures:</b> <ul style="list-style-type: none"> <li>• Ground signs displaying mechanical copy, in whole or in part, with an aggregate sign face area of less than or equal to 25 square metres, and</li> <li>• Roof signs displaying static or mechanical copy, in whole or in part, with an aggregate sign copy area less than or equal to 45 square metres</li> </ul>					
<b>Tax Amount \$</b>	\$4,950 per sign structure	\$530/Sign Face	\$3.90/Square Foot	6% of revenues	7% of revenues
<b>Average Annual Sign Revenue</b>	For an 18.58 square metre mechanical (tri-vision) ground sign and a 20 square metre static sign copy face on the other side with an annual revenue stream for the structure of <b>\$67,347.58</b> (assuming discounts and vacant space equal to 30% of gross annual revenues)				
<b>Total Tax Amount</b>	\$4,950	\$1,060	\$1,560.00	\$4,040.85	\$4,714.33
<b>Tax Amount as a % or deemed equivalent % of revenue</b>	7.35%	1.5%	2.3%	6%	7%



	Toronto	Montreal	Winnipeg	State of New Jersey	Philadelphia
<b>Class 4 Sign Structures:</b>					
<ul style="list-style-type: none"> <li>• Ground signs only displaying static copy with an aggregate sign face area greater than 45 square metres,</li> <li>• Ground signs displaying mechanical copy, in whole or in part, with an aggregate sign face area greater than 25 square metres</li> <li>• Wall signs only displaying static copy with an aggregate sign face area greater than 45 square metres,</li> <li>• Wall signs displaying mechanical copy, in whole or in part, with an aggregate sign face area greater than 25 square metres and,</li> <li>• Roof signs displaying static or mechanical copy, in whole or in part with an aggregate sign copy area greater than 45 square metres</li> </ul>					
<b>Tax Amount \$</b>	\$11,000 per sign structure	\$530/Sign Face	\$3.90/Square Foot	6% of revenues	7% of revenues
<b>Average Annual Sign Revenue</b>	For a 62 square metre double-sided roof sign (124 square metres of copy area in total) displaying static copy with a total annual revenue stream of <b>\$266,213.65</b> (assuming discounts and vacant space equal to 30% of gross annual revenues)				
<b>Total Tax Amount</b>	\$11,000.00	\$1,060.00	\$5,203.56	\$15,972.82	\$18,634.95
<b>Tax Amount as a % or deemed equivalent % of revenue</b>	4.13%	0.04%	1.9%	6%	7%
<b>Class 5 Sign Structures:</b>					
<ul style="list-style-type: none"> <li>• All signs displaying or containing electronic static copy or electronic moving copy</li> </ul>					
<b>Tax Amount \$</b>	\$24,000 per sign structure	\$530/Sign Face	\$3.90/Square Foot	6% of revenues	7% of revenues
<b>Average Annual Sign Revenue</b>	For a 2-sided 62 square metre electronic static sign (124 square meters of total sign area) with an average annual revenue stream of <b>\$888,387.50</b> (assuming discounts and vacant space equal to 30% of gross annual revenues)				
<b>Total Tax Amount</b>	\$24,000	\$530.00	\$5,203.56	\$53,303.25	\$62,187.12
<b>Tax Amount as a % or deemed equivalent % of revenue</b>	2.7%	0.005%	0.5%	6%	7%

In comparing the TPST amounts to the taxes in other jurisdictions, it should be kept in mind that the structures, including the basis of the taxes, as well as the policy objectives of the taxes are quite different:

#### Winnipeg:

- The Outdoor Advertising Tax in Winnipeg is in lieu of the annual Business tax that all other businesses operating in Winnipeg must pay;
- Although the Winnipeg tax level is quite low in comparison to the TPST, in 2009 the tax was increased by over 400%, from \$0.34 per square foot to \$1.50 per square foot.

#### Montreal:

- The Outdoor Advertising Tax in Montreal does not have any stated policy objectives and appears to be a simple revenue tool for the city;
- The Montreal tax in comparison favours larger signs to smaller ones; although it was not included in the comparison in table 3, a four-sided pedestal sign in Montreal would be subject to an annual tax of \$2,240; 2 times the rate of a double-sided video display sign would be subject to, and twice the tax that would be charged in Toronto under the proposed TPST rates.

#### New Jersey

- The New Jersey State Tax was instituted as a temporary measure and was in place from 2003-2007;
- New Jersey is now exploring local taxes on outdoor advertising, also as a percentage of the gross annual revenues.

#### Philadelphia:

- The tax in Philadelphia forms part of a very restrictive regulatory regime applying to outdoor advertising; along with the highest tax rate on outdoor advertising in the comparison above, the City of Philadelphia has instituted a cap on signs within the city as well as other restrictive regulations.

In comparing the TPST to similar taxes it is clear that while the TPST rates proposed are higher than other Canadian jurisdictions, they would almost always be lower than both the New Jersey and Philadelphia taxes. For comparison only, on average, the TPST rates, while not based on gross revenue would range from the deemed equivalent of less than 3% to 7% of estimated gross annual revenues across all sign classes.

#### **Conclusions:**

In reviewing the information that has been collected throughout the development of the TPST, and on the advice of the consultant, the TPST rates as proposed should not represent an undue burden to the outdoor advertising industry in Toronto.

Taxes on third-party advertising have been in place in other North American jurisdictions, and do not seem to have impacted the outdoor advertising industry significantly at all. Third party signs still proliferate in these jurisdictions. The best example of this would be Philadelphia: even with the highest tax rate on outdoor advertising signs, the city was still required to institute a cap on the total number of

billboards, as well as additional regulations that are quite restrictive when compared to those being proposed in the new sign by-law.

It is recommended that the tax rates set out in Appendix E to the report (October 20, 2009) from the Deputy City Manager, Cluster B and the Deputy City Manager and Chief Financial Officer be adopted.

## **CONTACT**

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## **SIGNATURE**

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Cam Weldon  
Deputy City Manager and  
Chief Financial Officer

## **ATTACHMENTS**

1. Appendix A – Revised Appendix A – New Sign By-law for the City of Toronto
2. Appendix B – Revised Appendix B – Schedule ‘A’ Map – Sign Districts
3. Appendix J – Economic Impact Analysis of Third Party Sign Tax, Professor D. Amborski
4. Appendix K – Proposed Amendments to the New Sign By-law for the City of Toronto