

Third Party Sign Tax (TPST)

City Council Briefing



December 1, 2009

Council Direction:

“In conjunction with the development of a new City Sign By-law, Deputy City Manager Richard Butts be directed to consider and report back to the Executive Committee on the potential application of a billboard or public signage tax, specifically for the purposes of raising revenue to administer the by-law and raise revenues for City beautification, arts or cultural initiatives”

Goals of TPST:

- Stable source of revenue for administration and enforcement of Sign By-law;
- Revenue to support City Beautification and Arts and Culture initiatives;
- Supports goals of new Sign By-law; and,
- Promote the City's environmental goals.

Proposed TPST Rates :

Class 1 Signs	Class 2 Signs	Class 3 Signs	Class 4 Signs	Class 5 Signs
				
<p>Ground signs - static copy = 15 m²</p> <p>Wall signs - static copy = 25 m²</p>	<p>Ground signs - static copy 15 m² to 45 m²</p> <p>Wall signs - static copy 25 m² to 45 m² and mechanical copy = 25 m²</p>	<p>Roof signs - static or mechanical copy = 45 m²</p> <p>Ground signs - mechanical copy = 25 m²</p>	<p>Ground signs - static copy > 45 m² or mechanical copy > 25 m²</p> <p>Wall signs - static copy > 45 m² or mechanical copy > 25 m²</p> <p>Roof signs- static or mechanical copy > 45 m²</p>	<p>All signs displaying or containing electronic static copy or electronic moving copy</p>
<p>Annual 2011 tax rate \$1,150</p>	<p>Annual 2011 tax \$2,850</p>	<p>Annual 2011 tax \$4,950</p>	<p>Annual 2011 tax \$11,000</p>	<p>Annual 2011 tax \$24,000</p>

How the proposed tax was determined - other jurisdictions:

- Third party sign/outdoor advertising taxes for other jurisdictions in North America
 - Winnipeg, Montreal, New Jersey, Philadelphia
- Identified taxation levels of up to 7% of gross revenues
- Consultant recommended not to exceed the deemed equivalent of 7% of gross revenues

How the proposed tax was determined – Toronto experience:

- City's leasing contracts included rent-to-revenue ratios;
- Based on City's experience, industry revenues could be between \$141 and \$220 million annually;
 - Proposed TPST would represent a burden of between 4.7% and 7.3% of revenues.
- Annual revenue from Street Furniture Agreement exceeds the TPST value of \$10.4 million for ¼ of the advertising space

How the proposed tax was determined – methodology:

- Initial consultation suggested flat rate of \$4,000 per sign face based on publicly available data;
- Based on industry feedback against a ‘one size fits all’ approach, 5 Sign Classes were developed;
- Sample of Signs from inventory in each class were matched to posted rates obtained from Canadian Advertising Rate Data (CARD) and industry websites

How the proposed tax was determined – methodology cont.:

- Rates were discounted by 30% based on industry feedback
- Tax rates proposed are the deemed equivalent of between 3% and 7% of average discounted revenues per sign class
- Tax rates consistent with the levels discussed in the Hemson report and within the maximum suggested by the Consultant

Comparison to Hemson Report and OMAC (Altus) Study

Hemson Report :

- Limited information available;
- Assumptions varied:
 - Assumed smaller sign sizes than exist;
 - Key rate assumptions not based on Toronto data.

Altus Study:

- Evaluated an initial proposal (\$4000 per sign face);
- Relied heavily on a single source for information;
- Contained limited verifiable data or methodology.

Conclusions:

- TPST will support key City policy goals;
- Based on analysis of industry data, the tax burden of the proposed TPST will not exceed 7% of industry revenues;
- Should be possible for industry to absorb the TPST based on precedents from other jurisdictions