

## **Authority for the Yonge-Dundas Square Board of Management to Enter into a Ten-Year Contract with Outfront Media Canada and Update to Dundas Square Special Sign District Regulations for 1 Dundas Street East (Yonge-Dundas Square)**

**Date:** January 3, 2017  
**To:** Executive Committee  
**From:** Chief Building Official and Executive Director, Toronto Building (Acting) and General Manager, Economic Development and Culture  
**Wards:** Toronto Centre-Rosedale (27)

### **SUMMARY**

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This is a joint report from the Chief Building Official and Executive Director, Toronto Building and the General Manager, Economic Development and Culture. It is before the Executive Committee for approval as it deals with subject matter generally assigned to two separate Committees of Council:

- The approval of a proposed ten-year contract for the installation, operation and leasing of seven signs, as well as any required structural alterations to Yonge-Dundas Square to accommodate the signs, which is generally a matter for the Government Management Committee; and,
- An area-specific amendment to the Sign By-law amending the regulations for the Yonge-Dundas Square Special Sign District which is generally a matter for the Planning and Growth Management Committee.

The Yonge-Dundas Square Board of Management (the "YDS-Board"), undertook a two-year visioning exercise to improve the functional and visual appeal of Yonge-Dundas Square (the "Square") as a public square. This was after the Board found that many events being held at the Square required the installation of rented temporary electronic displays, which adversely impacted client engagement.

The YDS-Board developed a comprehensive signage plan for the Square to address these issues, and conducted a two-phase Request for Information for the installation, operation, and maintenance of the components of a comprehensive signage plan,

including incidental structural alterations to the Square (the "Signage Proposal"), as well as for potential signage-related revenue sources.

The General Manager, Economic Development and Culture, recommends approval for the Board to enter into a ten-year contract with Outfront Media Canada LP through its general partner, Outfront Media Canada GP Co. ("Outfront") to: construct and maintain seven electronic signs, to provide other capital improvements and services, and to make any structural alterations and leasing arrangements necessary subject to the general terms and conditions set out in Appendix 5 of this report. Any such agreement would be subject to any other terms and conditions satisfactory to the General Manager, Economic Development and Culture and the General Manager, Yonge-Dundas Square, in a form satisfactory to the City Solicitor.

The signage proposal is to establish a coordinated signage plan, which would replace the existing signs on the Square, and better serve the unique programming needs of the Square. These proposed replacement signs would allow for the display of visitor information, public art, video projects, live events taking place at the Square, as well as event sponsorship and third-party advertising.

The YDS-Board has made an application to amend Schedule C of the Sign By-law to implement the signage proposal in a manner similar to the regulations recently adopted for other properties within the Dundas Square Special Sign District. The Chief Building Official and Executive Director recommends that City Council approve the proposed amendment to Schedule C of the Sign By-law.

## **RECOMMENDATIONS**

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The Chief Building Official and Executive Director, Toronto Building, and the General Manager, Economic Development and Culture recommend that:

- 1) City Council approve an amendment to Schedule C, Additional Special Sign District Regulations, of Chapter 694, Signs, General, to adopt new regulations for the property municipally known as 1 Dundas Street East, substantially in accordance with the draft by-law set out in Attachment 4 to this report;
- 2) City Council authorize the Yonge-Dundas Square Board of Management to negotiate and execute an ten-year agreement with Outfront Media Canada LP through its general partner Outfront Media Canada GP Co. ("Outfront"), for a new signage program on the Square as detailed in this report and subject to terms and conditions reflecting the content of Attachment 5 to this report, and on other terms and conditions satisfactory to the General Manager, Economic Development and Culture and the General Manager, Yonge-Dundas Square, and in a form satisfactory to the City Solicitor;

- 3) City Council approve the lease of portions of Yonge-Dundas Square and consent to the structural additions, alterations and improvements to Yonge-Dundas Square listed in Attachment 6 to this report required to implement the agreement;
- 4) City Council direct that the 2018 and future year financial implications of this agreement be reported to the Budget Committee for consideration during the 2018 Budget processes; and,
- 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**

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If approved, the Yonge-Dundas Square Board of Management will receive \$400,000 per year for the first five years (year one is pro-rated), and \$500,000 per year for the second five years, plus 30% of gross revenues as defined. The estimated total for the ten-year term would be \$4.850 million in guaranteed minimum revenue and, based on projected revenue shares, the total revenue to be received over the ten-year term is estimated at \$7.297 million (including the 30% revenue share).

These additional funds may help offset City funding for the Square and/or support future necessary capital improvements. City staff will review financial implications of the additional funds with the Yonge-Dundas Square Board of Management as part of the 2018 budget process.

Under the terms of the proposed Signage Agreement, the City will receive in relation to two of the signs estimated annual third party sign tax revenues of \$51,000 for ten years. A review of the final Signage Agreement is required to determine whether any additional third party sign tax revenues will be collected with respect to the remaining five signs.

## **DECISION HISTORY**

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### PG13.5 - Amendments to the Sign By-law

This report introduced amendments to the Sign By-law to update the provisions that apply to Special Sign Districts to replace references to provisions of various By-laws from former municipalities with those in the Sign By-law. Included in this report was an update and an amendment to the Dundas Square Special Sign District.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PG13.5>

## **COMMENTS**

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### **Background**

The Square is a public square, community gathering place and event venue for the general public, owned by the City of Toronto. City Council established the YDS-Board to maintain, operate and control the Square as an outdoor public square on behalf of City Council pursuant to Municipal Code Chapter 636, Public Squares.

The Square opened in May of 2003 and was envisioned as the heart of a revitalized downtown with signage being an integral component of the Square's identity. Since opening, many of the signs on properties surrounding the Square have been updated and, in several cases, enlarged. As a result, the signs on the Square are no longer in keeping with many of the signs on surrounding properties.

After a 24-month visioning exercise, the YDS-Board concluded that the Square was becoming less competitive with other venues both functionally and visually. Many large scale events required rented temporarily-installed electronic displays, which adversely impacted client engagement, audience sightlines, and movement. As a result, the YDS-Board developed a comprehensive signage plan for the Square to update the look and functionality of the Square and enhance its use as an event space.

### **Results of Request for Information Process**

City Council has authorized the YDS-Board to undertake requests for proposal or solicit expressions of interest for revenue sources for the Square including, but not limited to, third-party outdoor advertising, provided that the YDS-Board advises City Council of the results of such requests and reports its recommendations to City Council. City Council approval is required for contracts exceeding three years, and for structural alterations and leasing arrangements respecting the Square.

The YDS-Board conducted a two-phased Request for Information ("RFI") for parties concerning the installation, operation, and maintenance of the components of comprehensive signage plan and to determine whether signage could form a revenue source for the Square.

### **Phase 1**

An RFI was issued in March, 2015 through City Purchasing to assist the YDS-Board in determining possible options for the assumption of current licensing opportunities, and the potential for additional electronic signage that could be incorporated into a broader new licensing agreement or business model. Any new displays would be limited to the footprint of the Square and be required to provide optimum exposure for YDS events and their sponsors.

The Phase 1 RFI closed in June 2015. Eight submissions were received.

## **Phase 2**

The YDS-Board retained Waterford Partners to further the RFI process, who further engaged respondents in an interview process and advised on next steps in the process for the replacement and upgrading of signage on the Square. Waterford Partners issued a Phase 2 RFI call on behalf of the YDS-Board. The five qualified respondents from the Phase 1 RFI were invited to participate.

The Phase 2 RFI closed in September 2016. Three submissions were received.

## **Review Process**

An Assessment Committee comprised of YDS-Board and staff members reviewed the proposals on technical criteria including the company profile and experience. Committee consensus as well as specific category scoring was used throughout the evaluation processes.

There were multiple stages of review:

- A Design Panel reviewed the submissions - without proponent names attached;
- An Assessment Committee comprised of YDS-Board and staff members reviewed the proposals on technical criteria including the company profile and experience, the proposed design, dimensions and other visual considerations, overall capital and operating investment and capabilities, revenues; and,
- The YDS-Board held a special meeting to review comparative financials to fully understand each proponent's submission including terms, obligations, limitations, value to the YDS-Board and any incremental costs.

The Outfront proposal scored considerably higher than other proposals and met all of the RFI requirements. Outfront was eventually selected as the preferred proponent by the YDS-Board as their proposal provided the best overall value to the YDS-Board technically, financially and in terms of design.

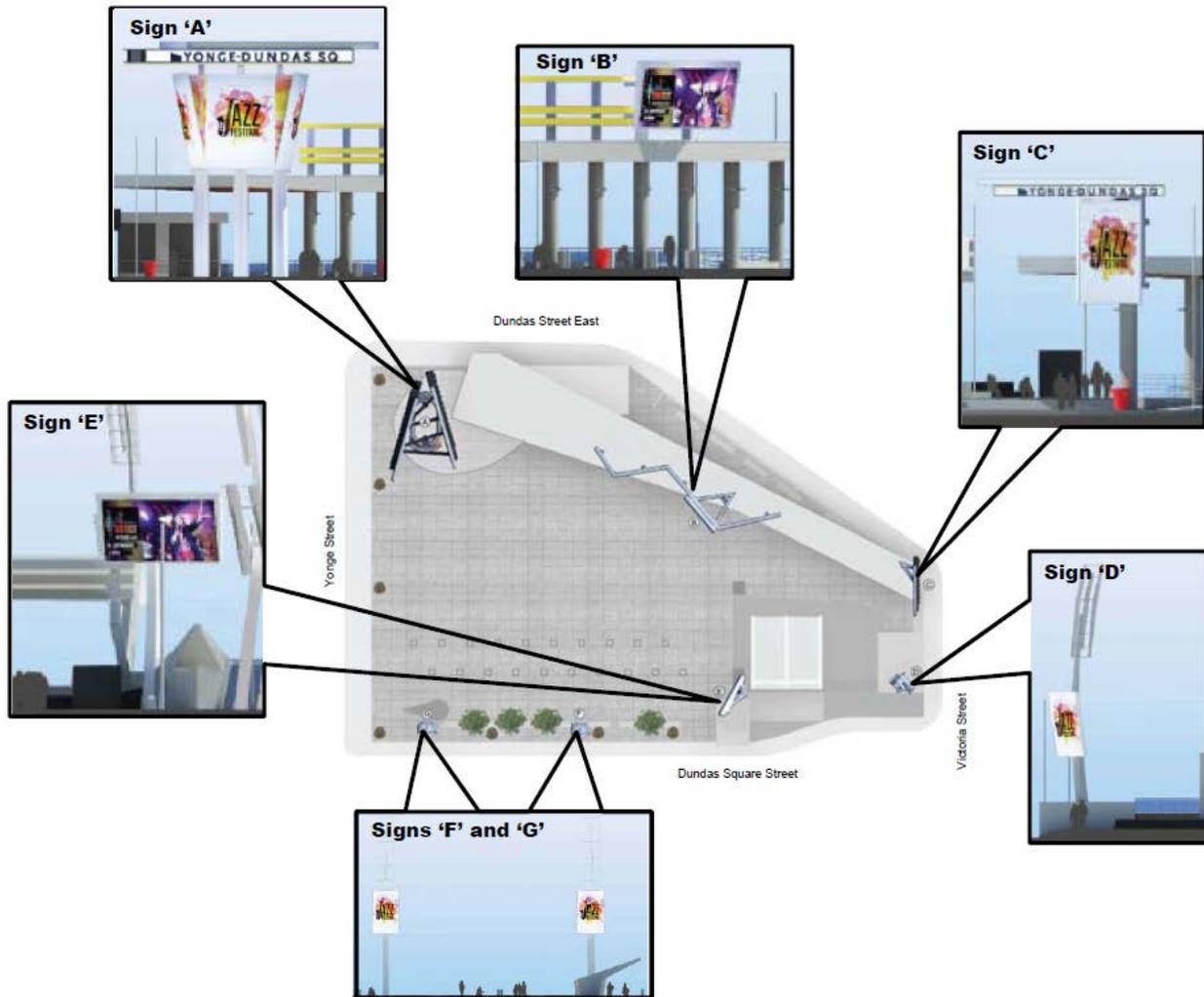
Prior to the final decision of the YDS-Board concerning the recommended proponent, the YDS-Board has been notified by an unsuccessful proponent, of concerns about the purchasing process. The unsuccessful proponent believes that the Outfront proposal did not comply with the scope of the RFI, and requested that a proposal from another proponent be selected.

The YDS-Board reviewed the complaint, and the General Manager of Economic Development and Culture agrees, that a transparent and fair selection process was followed and that the complaint is not well-founded.

## YDS-Board Signage Proposal

The Signage Proposal consists of seven signs displaying electronic sign copy. Their configurations and locations on the Square are shown in Figure 1 below. Four of the proposed signs would replace four previously-authorized signs currently displayed within the Square.

Figure 1 Signage Proposal for Yonge Dundas Square including Location



Further details about the Signage Proposal are provided in Attachments 1 and 2.

## Proposed Contract

At its meeting of December 16, 2016, the YDS-Board approved a motion to request that City Council authorize the YDS-Board to negotiate and execute a ten-year contract with Outfront Media Canada LP through its general partner Outfront Media Canada GP Co. ("Outfront") to implement the signage proposal. The motion also requests City Council to approve the lease of portions of Yonge-Dundas Square and consent to the

required structural alterations and improvements to Yonge-Dundas Square as required to implement the contract.

Under the proposed contract, the structural changes to the Square, and the installation of the changes to the Square, would be implemented by early summer 2017.

The proposed contract has multiple aspects. In addition to the standard requirement for City Council approval related to RFI's and the YDS-Board, the YDS-Board is also required to obtain approval from City Council prior to the YDS-Board undertaking structural alterations and leasing arrangements respecting the Square. These elements are addressed in the proposed contract. The general terms of the proposed contract are set out in detail in Attachment 5 of this report.

Under the terms of the proposed contract, Outfront would be responsible for constructing and installing the seven electronic signs capable of displaying electronic moving sign copy, including control-system hardware and related equipment on site at its sole expense (estimated value \$3.5 million).

Outfront would also be responsible for removing the four existing signs in the Square, including removing the canopy structure over the existing electronic sign in the north-west corner of the Square, and making any further structural modifications to the Square in order to accommodate the signage proposal. Outfront will also add new lighting features around the Square, including on the roof of the canopy structure along the north side of the Square to further enhance its appeal as an outdoor event space and to better integrate Sign 'B' into the existing structure. See Attachment 6 of this report for a full list of structural changes proposed to the Square.

Under the contract, during the ten-year term, Outfront will provide operational support and maintenance, including electricity costs, administrative services (e.g. scheduling and content management of the signs, software applications and licences) and creative and production services (estimated value of \$1.3 million over the ten-year term). Outfront would also provide free Wi-Fi to the public on behalf of YDS-Board, on terms satisfactory to the YDS-Board.

Outfront would provide the YDS-Board with sole and exclusive use of five signs (Signs 'B', 'D', 'E', 'F' and 'G' in Figure 1 above) which will have a mix of third-party advertising, display of the events occurring in the Square, information about upcoming events, art installations and event sponsorships. Outfront would have sole and exclusive use of the two gateway signs (Signs 'A' and 'C' in Figure 1) for third-party advertising.

The operational benefits of the signage proposal are significant. Economic Development and Culture staff believe the proposed contract also provides the opportunity to generate significant new revenue for the Board.

Under the proposed contract terms, the YDS-Board will receive \$400,000 per year for the first five years (year one is pro-rated), and \$500,000 per year for the second five years, plus 30% of gross revenues as defined. The estimated totals for the ten-year term would be \$4.850 million in guaranteed minimum revenue and, based on projected

revenue shares, the total revenue to be received over the ten-year term is estimated at \$7.297 million (including the 30% revenue share).

The proposed event screens (Signs 'B' and 'E' in Figure 1) would also allow the YDS Board to increase its service levels and offer services not previously available. These screens are likely to generate additional revenue for the YDS-Board from its sponsorship program (estimated value of \$0.500 million per year) and increase access to information and entertainment to the public.

Further benefits of the contract include savings from current YDS programming costs, such as the highly successful City Cinema series which requires that LED screens be brought in on a weekly basis. Over a ten-year period the YDS-Board would save an estimated \$0.500 million in operating expenses.

Outfront will also be responsible for the up-front capital expenditures for the installation as well as all maintenance obligations, operational support, hydro costs, providing the YDS-Board with administrative services (e.g. scheduling and content management of the signs, software applications and licences), as well as creative and production services.

In addition to the contract terms, Municipal Code Chapter 771, imposes a tax with respect to third party signs within the City of Toronto ("TPST"). Under the terms of the proposed agreement, the Board would be responsible for the payment of any amounts of the TPST imposed on the owners of the proposed signs. Although the YDS-Board qualifies as an exempt owner for purposes of the TPST, Outfront does not.

At this time, it is clear from the proposed contract terms that for at least two of the seven signs, Outfront would be the owner for the purposes of the TPST. As a result, if the contract is approved, the City will receive third party sign tax estimated at approximately \$51,000 per year for ten years. The tax implications for the remaining five signs will require a review of the relationship between Outfront and the signs by the Chief Building Official once the contract is finalized.

For these reasons, the General Manager of Economic Development and Culture supports the proposed contract.

## **Consultation**

As the Square is a landmark, consultation was undertaken by the YDS-Board to finalize the signage proposal, and by City staff to gather feedback on the application.

The YDS-Board solicited input from community stakeholders, the owners of nearby properties, City of Toronto staff (including staff from the Transportation Services Public Realm Unit and the Sign By-law Unit), as well as the local Councillor, to finalize the signage proposal.

Sign By-law Unit staff also held a public meeting on November 28th, 2016 to gather feedback on the proposal. Notice was sent to over 200,000 people through social media, to property owners within 250 metres of the Square, and was posted at the Square itself.

Concerns heard at the public meeting were largely from adjacent properties about how the proposal would impact the visibility of their signs. In response to these concerns, the applicants prepared a visibility study to provide information about the potential impacts that the proposed signs may have on surrounding properties. This visibility study is available as Attachment 3 to this report.

There were also some concerns raised about the structural feasibility of Sign 'A' being built above the Dundas Subway Station. A review of the proposed signs and supporting structures will be completed through the review of building permits that will be required to be obtained prior to their construction.

In addition, staff met with 22 City Council members or their staff to gather their feedback and/or concerns about the proposal. There was general support for the proposal, with many Councillors considering it a community matter. There were some concerns raised about the view of the backs of the proposed sign structures as well as questions about traffic safety and impact that the proposed signs may have on surrounding buildings. These concerns are addressed below.

### **Staff Review of the Proposed Sign By-law Amendment**

In June 2016, City Council adopted a series of updates to the sign regulations for a number of properties within the Dundas Square Special Sign District. These amendments included updating the regulations for properties within the Special Sign District by establishing a series of premise-specific regulations consistent with the regulations found in the Sign By-law, and expanding the Dundas Square Special Sign District to include 279-283 Yonge Street, directly south of the Square.

At the time the regulations for the Dundas Square Special Sign District were being updated, the YDS-Board had not yet finalized its signage plan for the Square. As a result, the amendments to the Sign By-law to adopt new site-specific regulations were proposed and adopted by City Council for all premises within the Dundas Square Special Sign District, with the exception of the Square.

The YDS-Board now seeks amendments to Schedule C, to implement site-specific regulations that would allow for the signage proposal.

The Dundas Square Special Sign District is the most permissive in the city. All types of first and third party signs are permitted and are generally governed, in addition to general permission on a site-by-site basis, through a series of premise-specific regulations. In addition, the Dundas Square Special Sign District is the only sign district that permits electronic moving sign copy.

The Chief Building Official and Executive Director, Toronto Building, believes that the proposed amendments to the Dundas Square Special Sign District are in keeping with the regulations contained in Schedule C for other premises within the Dundas Square Special Sign District recently adopted by City Council.

The signs contained in the signage proposal are generally smaller than what would be permitted through the general requirements for electronic signs within the Sign By-law, which would permit a maximum sign face area of 20 square metres and a maximum height of 15 metres above surrounding grade.

The one gateway sign, (Sign 'A' in Figure 1 above) which exceeds the maximum permitted area for third party electronic signs, has a proposed sign face area of 34 square metres, and height of 15.5 metres. Despite this, the proposed sign face area and height of Sign 'A' would be less than any existing third party electronic sign on other properties in the Dundas Square Special Sign District.

Other signs which are designed to eliminate the current need to rent and install temporary screens for the various performances and events taking place at the Square (Signs 'B' and 'E' in Figure 1) will be directed into the Square and are proposed to have sign face areas less than the maximum permitted by the Sign By-law. These signs are not proposed to be used for third party advertising, only for events taking place at the Square.

Similarly, Sign 'C' the proposed secondary gateway feature sign, is a smaller sign with a sign face area less than what would be permitted under the Sign By-law for third party electronic signs.

Signs 'D', 'F' and 'G', which replace the signs currently displaying static sign copy, with electronic copy allowing for integration of these signs with events at the Square, or to provide information about upcoming events, advertising or sponsors, will have sign face areas less than the maximums allowed for such signs even outside of the Dundas Square Special Sign District.

As a result, necessary amendments to Schedule C to allow for the implementation of the signage proposal would be consistent with the existing regulations for many of the signs in the Dundas Square Special Sign District.

### **Impact of Signs on Surrounding Properties**

As mentioned above, through the consultation process, concerns were raised by nearby property and sign owners about the proposed signs impacting the visibility of existing signs in the area. As part of the proposal, the YDS-Board obtained a visibility study to assess the impact of the proposed signs on existing signs on surrounding properties (See Attachment 3 of this report).

The Visibility Study demonstrated that the top edges of the proposed signs are at or below the bottom edges of the surrounding signs. Analysis concluded that the visibility

of existing signs on adjacent properties would not be significantly impacted, and that the proposed signs present no additional impact beyond the existing conditions in the area.

During the consultation process, concerns were also raised about the backs of the proposed signs since they will be visible from all directions. In response, the YDS-Board has agreed to incorporate specific elements into the back of each sign structure. Under the proposed contract, Outfront will be required to incorporate LED lighting on the backs of each sign face to complement the sign structures and increase the visual appeal when viewed from outside of the Square (See Diagram 3, Attachment 1).

A concern was also raised that the signs might impair traffic safety because of their potential to distract traffic. Transportation Services staff were consulted throughout the development of the proposed regulation and are in agreement with the regulations in the Sign By-law governing signs in the Dundas Square Special Sign District. As the proposed signs are generally in keeping with the Sign By-law requirements for the Square, they have no objections to the proposal.

Therefore, the Chief Building Official and Executive Director, Toronto Building recommends that City Council approve an amendment to the Sign By-law to adopt new regulations for Yonge-Dundas Square, substantially in accordance with the draft by-law set out in Attachment 4 to this report.

## **CONTACT**

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## **SIGNATURE**

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Economic Development and Culture

## **ATTACHMENTS**

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Attachment 1 – Summary of Proposed Signs

Attachment 2 - Yonge-Dundas Square Revitalization Plan, Kramer Design Associates

Attachment 3 – Visibility Study, Kramer Design Associates

Attachment 4 – Draft By-law – Amendments to Schedule C, Additional Special Sign District Regulations, of Chapter 694

Attachment 5 - Yonge-Dundas Square Board of Management /Outfront Term Sheet

Attachment 6 - Summary of Structural Changes to Yonge-Dundas Square