

Billboard Sign Agreement - Astral Media Outdoor L.P.

Date: August 31, 2023

To: Board of Governors of Exhibition Place

From: Chief Executive Officer

Wards: 10 - Spadina - Fort York

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains financial information that belongs to the Board of Governors of Exhibition Place and has monetary value or potential monetary value.

SUMMARY

This report recommends the Board enter a 10-year agreement with a 10-year renewal option, with Astral Media Outdoor, L.P. ("Astral"), a Division of Bell Media, for the operation of an existing outdoor digital billboard sign located at Parking Lot 854 on the south side of the Gardiner Expressway near Dufferin Street next to the Administration Building (formerly Press Building).

The current 15-year agreement with Astral is set to expire on December 31, 2023. Astral wrote in May 2023 and met with staff from both Exhibition Place and City Corporate Real Estate Management ("CREM") to indicate its desire to continue its relationship with Exhibition Place and subsequently provided a financial proposal and terms. The outdoor sign is already established at its current location and will provide a consistent important source of revenue stream over the term of the New Agreement.

Staff from Exhibition Place and CREM have been in discussions and negotiations with Astral since May 2023. Given the specialized nature of the billboard industry, CREM engaged an industry consultant, Robson Associates Inc., to provide expert advice and assist with negotiations. This report recommends that the Board approve the terms and conditions that are reflected in this report, subject to the necessary City of Toronto authorization.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. Subject to obtaining the necessary authorization from City Council, the Board approve an agreement with Astral Media Outdoor L.P. (a Division of Bell Media) substantially on the terms and conditions set out in this report and in Confidential Attachment 1, and such other and amended terms and conditions as may be satisfactory to the Chief Executive Officer and Deputy City Manager, Corporate Services, or their designate, and in a form satisfactory to the City Solicitor (the "New Agreement");
2. The Board direct the Chief Executive Officer to work with the Deputy City Manager, Corporate Services, to seek City Council's approval for the New Agreement set out in Recommendation 1.
3. The Board direct that the confidential information contained in Confidential Attachment 1 remain confidential as this report contains financial information that belongs to the Board of Governors of Exhibition Place and has monetary value or potential monetary value.

FINANCIAL IMPACT

The sign is already established at its current location and is expected to provide a consistent important source of revenue stream over the term of the New Agreement of approximately \$10.118 Million.

The New Agreement would provide positive financial revenue to the Board as Astral will pay the Board a minimum annual guaranteed Base Rent ("Base Rent") and a participation rent over the 10-year term, which are as set out in the Confidential Attachment 1 ("Participation Rent").

Given the financial impact from the Covid-19 pandemic situation and the uncertainty of both the Board and City financial constraints/challenges for 2023 and the next few years, the benefit from the New Agreement is important.

Astral will provide all capital costs as required and be responsible for all necessary costs related to permits, insurance, maintenance and repairs, hydro and property taxes.

In addition, the Board/City will receive one six-second advertising spot in each 60-second loop at no charge on each digital screen of the Sign ("Advertising"). The value of the Advertising provided by Astral is approximately \$200,000.00 annually (based on the Astral rate card).

Astral will also provide four 10-second advertising spots per hour to the Board at no charge on Astral's digital outdoor network in Toronto ("In-Kind Advertising"). The purpose of In-Kind Advertising is for the benefit of the Board and the City of Toronto,

and includes advertising for the purposes of tenants, licensees, or sponsors of Exhibition Place. The value of In-Kind Advertising annually is approximately \$117,000.00 (based on the Astral rate card).

DECISION HISTORY

In 1998 the Board entered into a 10-year agreement with Omni Outdoor & Company + Radiomutel Inc. for a pillar billboard structure located at Exhibition Place on the south side of the Gardiner Expressway in the parking lot near the Administration Building for the design, construction, installation, maintenance, and operation of the electronic sign including all fixtures, equipment, and operating systems. This agreement was subsequently assigned to Omni's successor company, Astral.

At its meeting of June 20, 2008, the Board approved of entering into an agreement with Allvision for the provision of outdoor signage consulting services to assist in the negotiation of a new signage agreement, given the expiration of the Astral agreement on December 31, 2008.

<https://www.explace.on.ca/files/file/5cf942c2914c7/Item-14---Agreement-for-Provision-of-Outdoor-Billboard-Consulting-Services.pdf>

At its meeting on January 23, 2009, the Board approved of entering into a 15-year agreement commencing January 1, 2009, with Astral based on the terms and conditions outlined in the subject report; subject to City Council approval.

[https://www.explace.on.ca/files/file/58c6c03961732/Item-10-Astral-Media-Outdoor-Signage\(1\).pdf](https://www.explace.on.ca/files/file/58c6c03961732/Item-10-Astral-Media-Outdoor-Signage(1).pdf)

At its meeting on April 29 and 30, 2009, City Council approved of The Board of Governors of Exhibition Place entering into an agreement with Astral on the terms and conditions outlined in the report and Confidential Attachment 1.

<https://secure.toronto.ca/council/agenda-item.do?item=2009.EX31.26>

At its meeting on January 22, 2010, the Board granted Astral approval to seek the necessary approvals from the City of Toronto to replace and convert to digital displays the portion of the existing outdoor billboard sign.

<https://www.explace.on.ca/files/file/58c6e36bc1323/Item-17--Astral-Media.pdf>

COMMENTS

Staff from Exhibition Place and CREM have been in discussions and negotiations with Astral since May 2023. Given the specialized nature of the billboard industry, CREM engaged an industry consultant, Robson Associates Inc., to provide expert advice and assist with negotiations.

Throughout the Term, Astral shall be the owner of the Sign. At the end of the Term, all right, title and interest in the Sign shall be deemed to be transferred to the Board, without any further agreement or the payment of compensation by the Board to Astral.

Overview/Profile of Astral:

Astral with over 35 years of growth in the operation of third party displays in core urban environments has offices in Toronto, Montreal, Vancouver, Calgary, Quebec, Ottawa, Halifax and Edmonton. They are leaders in billboard technology and as Division of Bell Media (part of BCE Inc.) Canada's largest telecommunications company so they can leverage their world class knowledge and support. Their advertising network consists of more than 45,000 advertising faces throughout their key markets in Canada, with over 6,000 ad faces within the City of Toronto.

Astral's expertise and experience in designing, manufacturing, installing, advertising, maintaining and marketing a growing range of advertising products makes them a leader in innovation and excellence. Astral has an unrivaled record of developing and providing digital solutions for municipal and other government partners.

Agreements with the City:

In 2005, through a competitive process, City Council secured an advertising based 20-year public-private partnership agreement with Astral for the provision of a range of about 25,000 items of 'street furniture' including among other things transit shelters, litter bins, postering boards and benches. This agreement responded to the expiration of a number of post-amalgamation street furniture contracts, and a desire for a coordinated and attractive system of street furniture to provide amenity to the public and an on-going and targeted revenue stream to the City.

In 2020, Astral entered into a multi-year year public-private partnership agreement with the Toronto Parking Authority for exclusive advertising right to over 600 Bike Share Stations. This agreement is the first of its kind with the Bike Share Program. The partnership benefits both parties, as it enhances Astral's domination of Street Level advertising in Toronto while securing a steady stream of income for the TPA.

Existing Agreement:

The existing agreement with Astral resulted from a Public Request for Proposals that was issued by the Board. The existing agreement is set to end on December 31, 2023.

Exhibition Place to date has enjoyed a productive and amicable relationship with Astral and through this opportunity wishes to continue this mutually valuable relationship which allow for enhanced revenue generation. The signage already complies with City By-laws regarding brightness levels (nits) and City-wide sign policies. The signage will be available for all amber alerts. Ownership of the Sign is transferred to the Board at the end of the term without any compensation to Astral.

Astral conducts an annual structured inspection program that captures minor to major repairs with over 150 predetermined inspection tasks. In the last five years, Astral has invested \$411,000 to replace both sides of the (14x 48) high efficiency digital screens and replacement of the billboard vertical column.

Terms and Conditions of New Agreement:

Subject to the financial terms set out in Confidential Attachment 1, the terms and conditions contained within the original agreement dated January 1, 2009 shall remain substantially the same except as amended below.

(1) Parties: The City; as licensor; Astral, as licensee; and the Board

(2) Term: Ten (10) years commencing on January 1, 2024, and ending on December 31, 2033 ("Initial Term"). Astral has a renewal option for a term of ten years for the period of January 1, 2034, to December 31, 2043.

(3) Renewal: At the expiration of the Initial Term, Astral shall have the option to renew the New Agreement for a further term of 10 years (the "Additional Term") under the same terms and conditions set forth herein, save and except Base Rent, which shall be based on then market value, and Participation Rent. Astral's renewal option shall be conditional upon Astral not then being in default and not having been in material default during the Initial Term and providing not less than 18 months' prior written notice of its intention to exercise the option. The City and Astral agree to negotiate in good faith Base Rent for the Additional Term at market value. Participation Rent for the Additional Term will be negotiated at the same time as Base Rent. However, if the parties cannot agree to market value for Base Rent and/or Participation Rent by no later than 6 months before the expiry of the Initial Term, then the option to renew will be null and void. Astral shall continue to assume all capital expenditures related to the sign, including any new digital signs upgrades, during the Additional Term.

(4) Fees: For each Contract Year in the Initial Term, Astral will pay a minimum annual Base Rent ("Base Rent"), along with Participation Rent. For each Contract Year, the Participation Rent will be the amount, if any, by which a certain percentage of Astral's Gross Revenues exceeds Base Rent, all as set out in the Confidential Attachment 1.

(5) Capital Investment: Astral will absorb all capital costs to add an LED illuminated header to enhance the Exhibition Place logo and increase visibility, in compliance with signage by-laws.

(6) Compliance with Collective Agreements at Exhibition Place: Article 19 of the Existing Agreement shall be deleted and replaced with the current standard clause for Exhibition Place regarding compliance with Collective Agreements.

(7) Insurance: Article 13 of the Existing Agreement shall be updated and amended to conform with the City's current insurance requirements, satisfactory to the City's Internal Risk Management division.

(8) Payment of Rent. All payment of Base Rent and Participation Rent, and any other amounts payable under the New Agreement, shall be paid to the Board unless advised otherwise by the City.

(9) Proposed Modifications to the Sign: Article 3 shall be deleted in its entirety.

(10) General: All other terms shall be as per the existing agreement, and such other and amended terms and conditions satisfactory to the Chief Executive Officer and Deputy City Manager, Corporate Services or their designate and City Solicitor.

CONTACT

Hardat Persaud, CFO & Corporate Secretary, 416-263-3031, hpersaud@explace.on.ca

SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - Existing Billboard Signage Location
Appendix B - Existing Signage Photo
Confidential Attachment 1 - Financial Implications and Terms