

## **Billboard Sign New Licence Agreement with Astral Media Outdoor L.P. at Exhibition Place**

**Date:** October 16, 2023

**To:** General Government Committee

**From:** Interim Deputy City Manager, Corporate Services and Chief Executive Officer, Exhibition Place

**Wards:** 10 - Spadina-Fort York

### **REASON FOR CONFIDENTIAL INFORMATION**

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

### **SUMMARY**

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The purpose of this report is to seek Council authority to enter into a new licence agreement (the "New Licence Agreement") between the City (the "Licensor") and Astral Media Outdoor, L.P. ("Astral" or "Licensee"), for the continued operation of an existing outdoor digital billboard sign (the "Sign") located at Toronto Parking Authority Lot 854 of Exhibition Place, based on the negotiated terms and conditions included in this report under Appendix C and Confidential Attachment 1. The Board approved the New Licence Agreement by adoption of Item EP5.7 at its meeting of September 15, 2023 and will be a signatory, along with the City, to the New Licence Agreement.

Astral is party to an existing 15-year agreement (the "Existing Licence Agreement") with the Board for operation of the Sign which expires on December 31, 2023. Astral contacted Exhibition Place in May 2023 and met with staff from both Exhibition Place and Corporate Real Estate Management ("CREM"), City of Toronto to indicate its desire to continue its operation of the Sign and subsequently provided a financial proposal and terms. Given the specialized nature of the billboard sign industry, CREM engaged an industry consultant to assist with the negotiations with Astral.

## RECOMMENDATIONS

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The Interim Deputy City Manager, Corporate Services and Chief Executive Officer, Exhibition Place recommend that:

1. City Council authorize the City and the Board to enter into a licence agreement (the "New Licence Agreement") with Astral Media Outdoor L.P. substantially on the terms and conditions set out in Appendix C and in Confidential Attachment 1, and such other and amended terms and conditions as may be satisfactory to the Interim Deputy City Manager, Corporate Services and Chief Executive Officer, Exhibition Place, or their designates, and in a form satisfactory to the City Solicitor.
2. City Council authorize the Director, Transaction Services to execute the New Licence Agreement set out in Recommendation 1, and any related or ancillary agreements, on behalf of the City.
3. City Council authorize the Director, Transaction Services to administer and manage the New Licence Agreement, including the provision of any consents, approvals, waivers and notices, provided that the Director, Transaction Services may, at any time, refer consideration of such matters to City Council for direction and determination.
4. City Council direct that the information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains financial information that belongs to the City and Board and has monetary value or potential monetary value.

## FINANCIAL IMPACT

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Under the New Licence Agreement, the projected revenues are estimated to be approximately \$10.118 million over the initial 10-year term. The revenues generated from the New Licence Agreement will provide a positive income stream as Astral will pay a minimum annual guaranteed base rent and additional participation rent, which are set out in Confidential Attachment 1. Astral will provide all capital costs as required and will be responsible for all necessary costs related to permits, insurance, maintenance and repairs, hydro and property taxes.

In addition, the City and the Board will receive one six-second advertising spot in each 60-second loop at no charge on each digital screen of the Sign (the "Advertising"). The reciprocal value of the Advertising provided by Astral is approximately \$200,000 annually (based on the Astral rate card). Astral will also provide four 10-second advertising spots per hour to the City and the Board at no charge on Astral's digital outdoor network in Toronto (the "In-Kind Advertising"). The purpose of the In-Kind Advertising is for the benefit of the City and the Board, and includes advertising for the purposes of tenants, licensees or sponsors of Exhibition Place. The value of the In-Kind Advertising annually is approximately \$117,000 (based on the Astral rate card).

There is no impact to the surrounding parking areas, and as such, no financial impacts to parking operations.

Annual revenue generated from the New Licence Agreement will be reflected and included in the 2024 Budget submission for Exhibition Place and future years accordingly.

The Interim Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact Section.

## **DECISION HISTORY**

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At its meeting on September 15, 2023, the Board approved, subject to City Council approval, the New Licence Agreement with Astral based on the terms and conditions outlined in the subject report and Confidential Attachment 1.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EP5.7>

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>

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

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

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 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>

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.

## COMMENTS

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### Background

The Existing Licence Agreement with Astral resulted from a Request for Proposal issued by the Board in 2009. During the COVID-19 pandemic, Astral continued to honour the Existing Licence Agreement and did not withhold nor reduce annual payment when the billboard advertising industry saw unprecedented lows in circulation and revenues. The Existing Licence Agreement has resulted in revenues exceeding \$11 million to Exhibition Place over the past 15 years and will expire on December 31, 2023.

Astral is currently in compliance with City By-laws regarding brightness levels (nits) and City-Wide sign policies, as well as holding a valid sign permit. The Sign is also available for all amber alerts. Astral conducts an annual structured inspection program that captures minor to major repairs with over 150 predetermined inspection tasks. Since 2020, Astral has invested \$411,000 to replace both sides of the high efficiency digital screens (14 feet by 48 feet) and has replaced the billboard vertical column.

### New Licence Agreement

Staff from CREM and Exhibition Place have been in negotiations with Astral since May 2023. Given the specialized nature of the billboard sign industry, CREM engaged an industry consultant, Robson Associates Inc., to provide an appraisal report pertaining to the rent payable for the Sign, which assisted in the negotiations with Astral. The external appraisal concluded the unsolicited offer by Astral exceeded market value.

Throughout the term of the New Licence Agreement, Astral shall be the owner of the Sign and will continue to refurbish, upgrade and incorporate new technology and lighting in the Sign, as necessary. The New Licence Agreement also requires Astral continue to comply with all City Sign By-laws, City-wide sign policies and permitting in accordance with the specified sign permit renewal requirements. At the end of the term, the Sign shall be deemed to be transferred to the City without any further agreement or the payment of compensation by the City or Board to Astral.

The Board, to date, has enjoyed a productive and amicable relationship with Astral and, through the New Licence Agreement, the City and the Board wish to continue this mutually valuable relationship and realize enhanced revenue generation.

Additional details are further discussed in Item EP5.7 adopted by the Board on September 15, 2023.

Staff consider the proposed New Licence Agreement to be fair, reasonable and reflective of market value.

The major terms and conditions of the New License Agreement are outlined in Appendix C and Confidential Attachment 1.

## **CONTACT**

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Hardat Persaud, Chief Financial Officer and Corporate Secretary, Exhibition Place,  
416-263-3031, [HPersaud@explace.on.ca](mailto:HPersaud@explace.on.ca)

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management,  
416-338-2998, [Alison.Folosea@toronto.ca](mailto:Alison.Folosea@toronto.ca)

## **SIGNATURE**

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David Jollimore  
Interim Deputy City Manager, Corporate Services

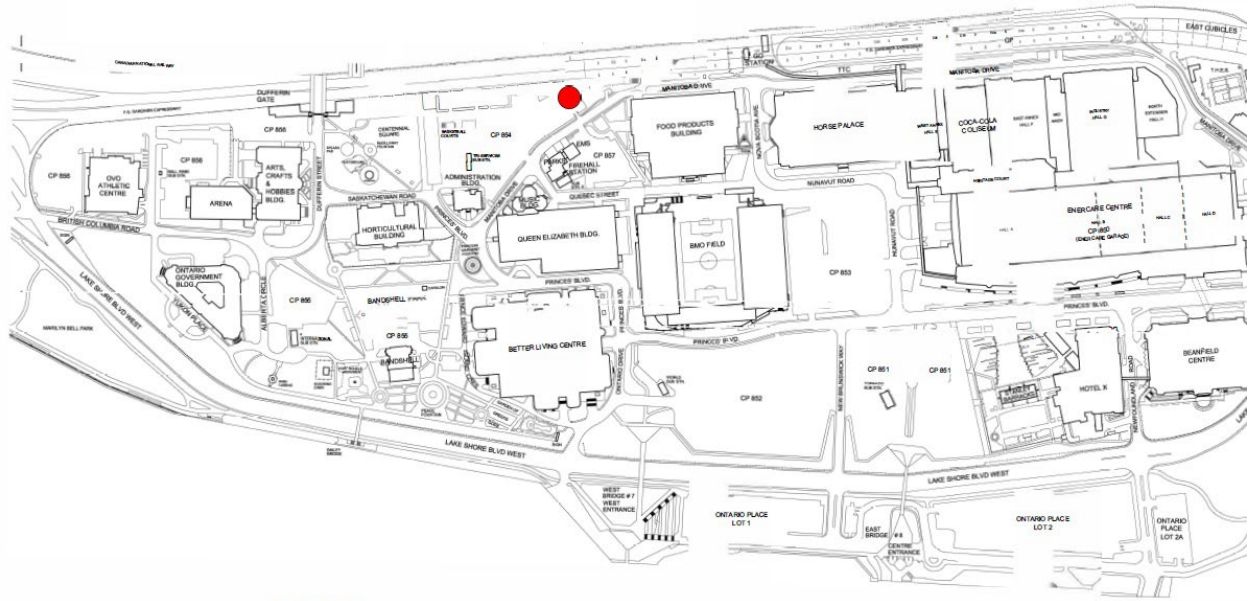
Don Boyle  
Chief Executive Officer, Exhibition Place

## **ATTACHMENTS**

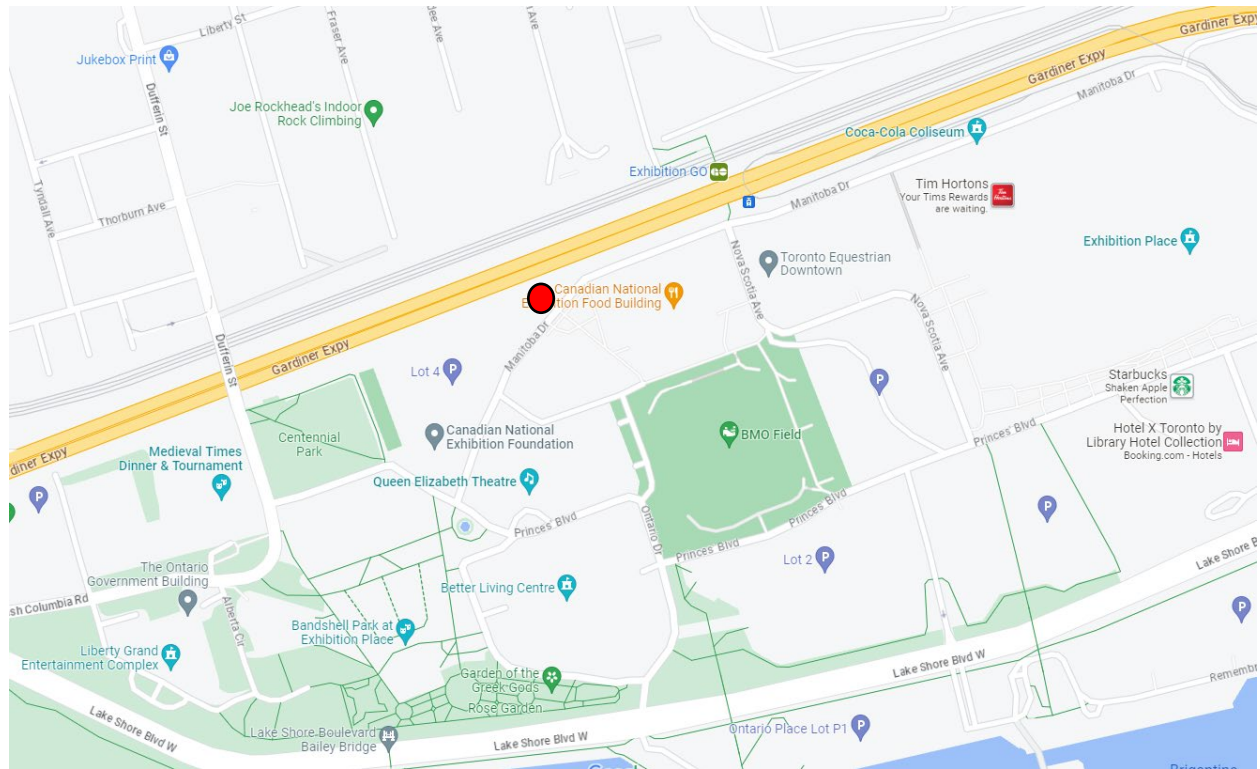
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Appendix A - Location of Sign  
Appendix B - Photos of Sign  
Appendix C - Terms and Conditions of New Licence Agreement  
Confidential Attachment 1 - Financial Implications and Terms

# Appendix A - Location of Sign



**SITE PLAN**  
**EXHIBITION PLACE**



 Sign

Appendix B - Photos of Sign



## Appendix C - Terms and Conditions of New Licence Agreement

Subject to the financial terms set out in Confidential Attachment 1 and except as amended below, the terms and conditions contained within the Existing Licence Agreement shall remain substantially the same.

Parties	The City; as Licensor; Astral, as Licensee; and the Board
Term	10 years commencing on January 1, 2024, and ending on December 31, 2033 ("Initial Term").
Renewal	At the expiration of the Initial Term, Astral shall have the option to renew the New Licence Agreement for a further term of 10 years for the period of January 1, 2034, to December 31, 2043 (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 six 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 upgrades, during the Additional Term.
Rent	For each Contract Year in the Initial Term, Astral will pay a minimum annual 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.
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.
Compliance with Collective Agreements at Exhibition Place	Article 19 of the Existing Licence Agreement shall be deleted and replaced with the current standard clause for Exhibition Place regarding compliance with Collective Agreements.



Insurance	Article 13 of the Existing Licence Agreement shall be updated and amended to conform with the City's current insurance requirements, satisfactory to the City's Insurance and Risk Management division.
Payment of Rent	All payment of Base Rent and Participation Rent, and any other amounts payable under the New Licence Agreement, shall be paid to the Board unless advised otherwise by the City.
Proposed Modifications to the Sign	Article 3 shall be deleted in its entirety.
Ownership of Sign	Throughout the Term, Astral shall be the owner of the Sign. At the end of the Term, all title, right and interest in the Sign shall be deemed to be transferred to the City without any further agreement or payment of compensation by the City or Board to Astral.
General	All other terms shall be as per the Existing Licence Agreement, and such other and amended terms and conditions satisfactory to the Chief Executive Officer and Deputy City Manager, Corporate Services or their designates, and in a form satisfactory to the City Solicitor.