

Section I – Items for Board of Directors Action

TO: Chair and Members of the Executive Committee
Meeting #4/20, Friday, June 12, 2020

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: PROPOSAL TO LEASE TRCA-OWNED LAND FOR ADVERTISING PURPOSES
Pattison Outdoor Advertising LP (CFN 62783)

KEY ISSUE

Receipt of a proposal from Pattison Outdoor Advertising LP, to lease Toronto and Region Conservation Authority-owned lands for the construction and operation of both electronic and static advertising signs.

RECOMMENDATION

THE EXECUTIVE COMMITTEE RECOMMENDS THAT WHEREAS Toronto and Region Conservation Authority (TRCA) is in receipt of a proposal from Pattison Outdoor Advertising LP, to enter into a Master Lease for the use of TRCA-owned lands located at various locations for outdoor advertising;

AND WHEREAS it is in the best interest of TRCA in furthering its objectives as set out in Section 20 of the *Conservation Authorities Act* to cooperate with Pattison Outdoor Advertising LP, in this instance;

THEREFORE, LET IT BE RESOLVED THAT TRCA enter into a Master Lease with Pattison Outdoor Advertising LP, for the use of TRCA land for outdoor advertising;

THAT the following locations be included in the Master Lease:

- (1) Part of Lot 5, Concession 9, Northern Division, Toronto Gore, City of Brampton, Regional Municipality of Peel
- (2) Part of Lot 6, Concession 8, Northern Division, Toronto Gore, City of Brampton, Regional Municipality of Peel
- (3) Part of Lot 17, Concession 2, East of Centre Road, Chinguacousy, City of Brampton, Regional Municipality of Peel

THAT staff be directed to work with Pattison Outdoor Advertising LP or any other interested party for additional outdoor advertising sites that may be identified;

THAT the Master Lease with Pattison Outdoor Advertising LP be subject to the following general terms and conditions:

- (I) The term of the lease will be for five years, with three further renewal options of five years each, at TRCA's sole option;
- (II) Pattison Outdoor Advertising LP will pay a share of the gross revenue of 35% in years one to five and 40% for three subsequent lease renewals;
- (III) Each sign will have minimum annual guaranteed base rent payment;

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- (IV) **Pattison Outdoor Advertising LP will be responsible for any permitting approvals required for the construction and operation of the advertising signs;**
- (V) **Pattison Outdoor Advertising LP will be responsible for any costs associated with the construction and operation of the advertising signs and associated equipment;**
- (VI) **TRCA receive up to 12.5% of available advertising time at no cost to TRCA;**
- (VII) **The final terms and conditions of the Master Lease be satisfactory to TRCA staff and solicitor;**
- (VIII) **The sign(s) not be illuminated between 11:00 pm and 7:00 am or as regulated by local municipal guidelines.**

THAT archeological reviews be completed with any mitigative measures being carried out to the satisfaction of TRCA staff at the expense of Pattison Outdoor Advertising LP;

THAT the CEO be granted delegated authority to approve the addition of another 11 sites proposed by Pattison Outdoor Advertising LP to the Master Lease that comply with TRCA policies and procedures;

AND FURTHER THAT authorized TRCA officials be directed to take the necessary action to finalize the Master Lease, including obtaining any necessary approvals and the signing and execution of documents.

BACKGROUND

At Authority Meeting # 8/16, held on Friday, October 28, 2016, Resolution #A180/16 authorized staff to enter into lease agreements for 14 sites with OUTFRONT Media.

On February 28, 2017, Toronto and Region Conservation Authority and OUTFRONT Media Canada L.P., entered into leases for seven of the 14 sites for the placement of digital and/or static advertising signs on lands owned by TRCA.

Each lease was to commence on August 30, 2017, but due to changing business conditions, the projected advertising value of the signs was diminished to the extent that it was no longer in the financial interest of OUTFRONT Media to construct the signs. Arising from the decision to no longer pursue the construction of the signs, OUTFRONT terminated each of the Leases by separate written notices to TRCA on July 6, 2018.

On June 7, 2019, in a closed session TRCA's Executive Committee by Resolution #B80/19, approved a Settlement Agreement with OUTFRONT Media respecting the terminated leases. To move forward with the implementation of an outdoor advertising and signage program (Program), on September 10, 2019, TRCA staff issued an Expression of Interest (EOI) to identify parties with the capacity to partner with TRCA in the implementation of the Program.

Pattison Outdoor Advertising LP submitted a response to the EOI issued by TRCA and scored the highest in meeting the intention and parameters of the EOI. As a result, staff propose to engage the services of Pattison Outdoor Advertising LP, to assist staff in the implementation of the Program on TRCA lands.

The three sites that are the subject of this report are part of the initial 14 sites approved for leasing to OUTFRONT Media.

Attached are maps illustrating the locations of the lands.

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RATIONALE

The Outdoor Advertising Program as approved by the Board in 2016, remains a viable option for creating a new and sustainable financial business model. Partnering with Pattison Outdoor Advertising LP, fulfills the TRCA Strategic Plan priority of desired outcomes by diversifying revenues and exploring new business models that include partnerships with private companies.

In an effort to reduce their environmental footprint Pattison Outdoor Advertising LP have partnered with Bullfrog Power. Bullfrog Power provides electricity from renewable energy sources such as wind and water. Further environmental footprint reduction efforts implemented by Pattison Outdoor Advertising LP include:

- Digital displays that do not require paper or vinyl substrates or printing inks, which eliminates the need to facilitate the disposal of such materials;
- No carbon footprint stemming from the shipping of substrates from their source to the printer, from the printer to the warehouses, or from the warehouses to the advertising site;
- Digital displays that show multiple advertisements in sequence (a standard 60-second rotation will accommodate between 6-8 advertisers), so that one structure does the work of (and generates revenues equivalent to) multiple static sign structures, which would each have their own lighting devices and structural components;
- Site visits for maintenance are reduced because digital displays are monitored and maintained remotely. No site visits are required for advertising copy changes, which results in less driving and fuel consumption than with static sign structures;
- Digital displays are equipped with a video camera mounted to monitor each screen, and continuously feed images of the digital display to their Network Operations Centre in Mississauga; and;
- The power consumption required by digital displays is offset by eliminating the standard printing requirements and installation / maintenance methods.

Pattison Outdoor Advertising LP will make available, at no cost to TRCA, one advertising spot consisting of at least 6 seconds to a maximum of 12.5% of the advertising time during each loop of the broadcast day on each display to promote TRCA, its operations, projects, events and services.

Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following set forth in the TRCA 2013-2022 Strategic Plan:

Strategy 3 – Rethink greenspace to maximize its value

Strategy 7 – Build partnerships and new business models

FINANCIAL DETAILS

The annual base rent for the three signs is projected to be \$57,500 per site for the first 10 years, the annual base rent will be re-negotiated when the third and fourth renewal options are exercised by Pattison. The base rent amount will be paid to TRCA irrespective of Pattison Outdoor Advertising LP sales performance. In addition, Pattison Outdoor Advertising LP will provide a revenue sharing program that would see TRCA receive 35% in years one to five and 40% for each subsequent five-year renewal of the gross advertising revenue from space and time sold less the annual base rent. The revenue sharing percentage remains at 40% for the duration of the lease to offset capital costs to replace, upgrade and maintain the signs and screens as they age.

The Master Lease with Pattison Outdoor Advertising LP does not exclude TRCA from dealing with other interested parties, however, they will undertake to evaluate all TRCA lands to

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establish additional optimal locations for signs. These sites will be vetted by all appropriate TRCA staff, and if acceptable, be added to the existing Master Lease with projected revenues to be negotiated at that time.

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Date: April 3, 2020

Attachments: 4

Attachment 1: Site Plan Locations 1 and 2

Attachment 2: Orthophoto Locations 1 and 2

Attachment 3: Site Plan Location 3

Attachment 4: Orthophoto Location 3