

Section I – Items for Board of Directors Action

TO: Chair and Members of the Executive Committee
Friday, March 05, 2021 Meeting

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **PATTISON OUTDOOR ADVERTISING LP**
Request to Amend Terms of Proposed Master Lease (CFN 62783)

KEY ISSUE

Proposal from Pattison Outdoor Advertising LP to amend the terms of the proposed master lease for the construction and operation of both electronic and static advertising signs on various locations on Toronto and Region Conservation Authority (TRCA) owned lands.

RECOMMENDATION

THE EXECUTIVE COMMITTEE RECOMMENDS THAT WHEREAS the Board of Directors at its' meeting, held on June 26, 2020 approved the terms of the proposed Master Lease with Pattison Outdoor Advertising LLP (Resolution #A99/20);

AND WHEREAS TRCA is in receipt of a request from Pattison Outdoor Advertising LP to revise the terms of the proposed Master Lease from an initial term of five years, with three further renewal options of five years each, at TRCA's sole option, to an initial term of ten years, with two further renewal options of five years each, at TRCA's sole option;

AND WHEREAS it is the opinion of TRCA that 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;

AND WHEREAS TRCA staff have also identified that the form of the agreement should be amended from a lease to a licence to reflect its contents more accurately;

THEREFORE, LET IT BE RESOLVED THAT Resolution #A99/20 be amended to replace all references of 'Lease' with 'Licence'; to amend the term of the licence from five years with three further renewal options of five years each, at TRCA's sole option; to ten years, with two further renewal options of five years each, at TRCA's sole option;

AND FURTHER THAT the general terms and conditions be revised to reflect these amendments.

BACKGROUND

TRCA is in receipt of a request from Pattison Outdoor Advertising LP (Pattison) to amend the terms of the proposed master lease for the construction and operation of both electronic and static advertising signs on TRCA-owned lands.

At Board of Directors Meeting held on June 26, 2020, Resolution #A99/20 was approved as follows:

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

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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;*
- (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.

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Due to the financial commitment associated with the construction and installation of the advertising signs, Pattison has requested greater security for the initial term of the agreement by amending the term from five years with three further renewal options of five years each, at TRCA's sole discretion, to a term of ten years with two further renewal options of five years each, at TRCA's sole discretion. TRCA staff have also identified that the form of the agreement should be amended from a lease to a licence to reflect its contents more accurately.

RATIONALE

When finalizing the terms and conditions for the Master Lease agreement, Pattison requested that TRCA consider amending the initial term from five years to ten years to recognize the financial commitment associated with the construction and installation of the advertising signs. TRCA staff reviewed the proposal to determine its feasibility.

TRCA cannot enter into lease agreements for terms longer than five years without provincial approval; however, upon further review of the content of the agreement, it was identified that the agreement was more reflective of a licence agreement than a lease agreement, and therefore the request for an extended initial term could be considered.

Amending the terms of the agreement from an initial five year term with three five year renewal options to an initial ten year term with two five year renewal options does not change the total length of the term (twenty years) but does permit Pattison time to recuperate their initial financial commitment and also allows TRCA the opportunity to fully evaluate the benefits and impacts of outdoor signs on TRCA property.

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

This report supports the following strategies 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

As noted at the Board of Directors June 26, 2020 meeting, the annual base rent for the three signs is projected to be a minimum of \$57,500 per site for the first 10 years. The annual base rent will be re-negotiated when 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% in years six to twenty 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 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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