

Item:



Finance, Administration and Audit Committee Report

DATE: Monday, March 04, 2019

WARD(S): ALL

TITLE: BILLBOARD REVENUE POTENTIAL UPDATE

FROM:

Tim Simmonds, Interim City Manager

ACTION: DECISION

Purpose

To recommend a new revenue source for the City, consideration has been given to lease City-owned land to the out-of-home advertising industry for the purposes of erecting digital billboards with advertising. An assessment of City-owned sites has been completed, and recommendations on a new multi-year digital billboard plan are presented in this report.

Report Highlights

- The proposed digital billboard plan shall expand the City's communication asset inventory; add a new way to communicate information on City services, programs and public announcements (including City emergency broadcasts) and create a new non-property tax revenue source.
- Three (3) City-owned parcels of land are recommended to be included in the digital billboard program in Year 1. An additional four (4) City-owned sites are recommended for public consultation with potential development in subsequent years (Year 2), subject to Council approval.
- Revenue potential has been estimated to be up to \$50,000 per year, per site, subject to economic conditions; plus, free advertising spots for City messages.
- A third-party vendor shall be responsible for all operating and capital costs, including: designing, building, financing, maintaining, and operating the digital billboards, and all management and operations of advertising sales.
- A third-party vendor shall be selected through a request for proposals process pursuant to the City of Vaughan Procurement Policy, and the relationship with the successful respondent(s) shall be managed by applicable contracts.

Recommendations

The Chief Corporate Initiatives and Intergovernmental Relations recommends:

1. THAT, the following three (3) sites owned by the Corporation of the City of Vaughan be approved for inclusion in a request for proposal procurement process, identified as City-owned lands available for lease for the purposes of erecting and managing digital advertising signs in Vaughan, Ontario:

Site #1: 2800 Rutherford Road (Joint Operations Centre), north side of Rutherford Road, west of Melville Avenue; and

Site #2: North side of Highway 7, west of Keele Street; and

Site #3: Mill Street Pond, west side of Bathurst Street, north of Filomena Avenue

2. THAT, staff be authorized to negotiate terms and conditions of land-lease agreement(s) with successful respondent(s) of the City's request for proposals procurement process, for one or more of the three (3) sites identified in Recommendation #1 herein; and
3. THAT, the Mayor and City Clerk be authorized to execute land-lease agreement(s) for one or more of the three (3) City-owned sites identified in Recommendation #1 herein, subject to the content of such agreements being satisfactory to the City Manager (or designate), and the form of such agreements being satisfactory to the City Solicitor (or designate); and
4. THAT, staff be directed to prepare for Council approval a new City of Vaughan corporate policy and procedure regarding third-party advertising on municipal property; and
5. THAT, staff be directed to undertake a public consultation process on the four (4) City-owned sites identified as Year 2 opportunities in this report, after the construction and operation of the three (3) sites in Recommendation #1 herein has been completed.

Background

As identified in the approved Marketing Partnership Strategy and Implementation Plan, new revenue generation efforts related to advertising, as well as corporate partnerships, were to be pursued by the Municipal Partnerships Office. These efforts are to support programs, services and infrastructure across the city to keep the tax rate low, and the quality of life high for all residents. Using parcels of City land for the purpose of advertising was a specific component of the Marketing Partnerships Strategy.

A report detailing the revenue potential from digital billboards and possible site locations was brought to council for approval in May 2018. Although the initiative was approved to move forward, the site list was deferred, requiring further assessment.

Previous Reports/Authority

This is being considered based on direction from the Council approved [Marketing Partnership Strategy & Implementation Plan](#).

This report contains updated recommendations related to the site list based on the initial report on this topic, [Billboard Revenue Potential](#).

Analysis and Options

Based on Council direction, further assessment of possible locations was completed including consideration of new city-owned sites, additional site visits, GIS mapping including radius impact analysis (250 metres from the subject property), and detailed area scans including surrounding land uses. A total of eighteen city-owned sites were identified and analyzed with the goal to mitigate any negative impact to the public.

A reduced list of three opportunity sites are proposed to be the initial market offering by the City in Year One of the digital billboard program. Another four (4) City-owned sites have been identified as Year 2 opportunities subject to public consultation and lessons learned from the Year 1 process.

Based on the results of this analysis and considering that this is a new initiative the City would be undertaking, a reduced list of seven opportunity sites have been proposed in Attachment 1. Given the discussion at the May 2018 Committee meeting, and the valuable feedback received from Council members on mitigating community impact, staff have prepared a digital billboard program that spans multiple years and is opportunity driven.

Therefore, this report recommends that in Year 1 three (3) City-owned sites be made available for lease to the industry through the City's request for proposals (RFP) process. Following deployment of Year 1 sites, staff would launch a public consultation in the respective neighborhoods and report findings to Council, on four (4) additional sites - known as Year 2 sites.

As per the original report, in addition to these digital signs displaying third party advertising, Staff would also request advertising time on the signs at no cost to the City, and request access to all signs for a prolonged period of time in the event of emergency to deploy important information, to increase safety and awareness for all citizens and better serve our community. The monetary value of these advertising opportunities (i.e., no cost to the City) was estimated to be up to \$350,000 per year once all seven sites are installed.

New revenues from this program shall be allocated based on the annual business planning and budget process, whereby service and infrastructure priorities shall be recommended by CMT and approved by Council.

Financial Impact

Assuming all seven (7) City-owned sites are developed in the future, the adjusted revenue potential has been estimated to be up to \$5.25 million over a 15-year term, subject to economic conditions, with third-party responsible for all costs

As noted in the original report, all costs and work associated with locates, permits, erecting the billboards, maintaining them, and the sales and management of the ads are the responsibility of the selected out-of-home advertising company. Based on industry standards, with the large investment required by the third party, the length of the lease of these parcels of lands would be anticipated at 15-years to justify the investment in the infrastructure by the successful procurement bidder. Given the consideration for the updated list of three sites in Year One (Attachment 1), the revenue potential is estimated to be up to \$150,000 per year pending any site limitations; with an additional four sites proceeding to RFP in Year Two pending public consultation and revenue-sharing for the one site under a management agreement with the TRCA. Over the term of the agreement, this could generate up to \$5.25 million dollars in non-taxation revenue for the City, and support Council's responsible financial management priority.

Broader Regional Impacts/Considerations

Although York Region has jurisdiction on region roads, it respects local municipal decisions to place advertising signs on their own property. Region of York road construction requirements shall be part of the approval process.

Conclusion

Digital advertising signs already exist in Vaughan located on land not owned by the City. Through assessment of City-owned lands, introducing a phased approach with three locations in Year One, and additional sites in the future, the City has the potential to build another non-taxation revenue source that will help Council manage ongoing financial pressures.

In conclusion, the strategic benefits of the proposed digital billboard program include the expansion of the City's communication asset inventory; addition of new ways to share information on City services, programs and announcements (including emergency notifications) with the public; and by increasing revenues that shall be allocated to investments in City services and the infrastructure priorities of Council.

For more information, please contact: Dennis Cutajar, Director of Economic and Cultural Development, dennis.cutajar@vaughan.ca, x8274.

Attachments

1. [Mar 4 FAA Billboard Presentation](#)

Prepared by

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