

Committee of the Whole (2) Report

DATE: Tuesday, June 18, 2024

WARD(S): ALL

TITLE: DIGITAL BILLBOARD REVENUE PROJECT – PHASE THREE PROPOSAL

FROM:

Nick Spensieri, City Manager

ACTION: DECISION

Purpose

The City of Vaughan (the “**City**”) is exploring opportunities related to the Digital Billboard Revenue Project (the “**Project**”) to update digital signs on City property. Staff are seeking Council approval to issue requests for proposals (each an “**RFP**”) for up to seventeen digital billboard signs that will update the existing sign network’s technology and expand the corporation’s communications network which is expected to generate off-tax-base revenue for the City.

Report Highlights

- In 2015, ten (10) digital signs were donated to the City from RCC Media to display City messaging in high-traffic locations across the City at select community centres and fire halls (“**City Donated Signs**”).
- In 2024, Council delegated authority to staff to evaluate the suitability of updating the City Donated Signs and incorporating third-party advertising, improving the effectiveness of the communication, and building a new revenue stream for the City.
- A new network of City signage is proposed to maximize revenue potential, communication outreach and community impact (“**Proposed City Signs**”).
- Phase 1 is complete with 3 digital billboards generating revenue for the City and Phase 2 has been approved by Council to proceed to RFP.
- With the approval of Phase 3, staff wish to proceed to RFP(s) of both Phases 2 and 3, separately but simultaneously.

Recommendations

1. THAT Council authorizes staff to proceed with Option #1, as outlined within this report;
2. THAT Council authorizes staff to issue RFP(s) relating to Phase 2 and Phase 3 signage and award to successful proponent(s) for term(s) beyond ten (10) years, as deemed necessary, in consultation with Procurement Services and Legal Services, all in compliance with the City's Procurement Policy, as amended;
3. THAT the City Manager or designate be authorized to negotiate, enter into and execute land-lease agreement(s) and any ancillary documents and/or related agreements, including any amendments, with the successful proponent(s) to the City's RFP(s), on behalf of the City, in a form satisfactory to Legal Services;
4. THAT Council authorizes staff to consider and approve any City Sign By-law exemptions, as required, in accordance with Attachment 2, in consultation with Building Standards and Legal Services; and
5. THAT the City Manager or designate be authorized to amend and/or terminate part of the existing Dynamic Digital Sign Network Agreement and execute such amendment(s) or ancillary documents with RCC Media Inc., on behalf of the City, in a form satisfactory to Legal Services.

Background

Vaughan's digital sign network comprises ten (10) signs in front of community centres and fire halls. These signs are used to communicate Council-approved programs to the public.

The current Dynamic Digital Sign Network Agreement (the "**Agreement**") with RCC Media Inc. ("**RCC Media**"), provides the City with the infrastructure for a digital sign network on City property and in-kind messaging on all digital screens across the municipality, offering significant value for our residents. However, and despite the potential to do so, the current arrangement does not generate any revenue for the City of Vaughan.

When the Agreement was entered into in 2015, it was agreed that ten (10) City Donated Signs were to be provided at no cost for select community centres and fire halls in high-traffic areas. RCC Media provided City staff with full access to programming the screens. At the time, the *City of Vaughan Electronic Signage Network Standards* were developed to manage their usage. The City Donated Signs were installed within twelve (12) months of the Agreement's execution date and have been in operation since.

In addition to the ten (10) City Donated Signs, the Agreement also includes eight (8) double-sided CN railway overpass signs and seven (7) double-sided large-format digital billboards that display third-party advertising (the "**Road Signs**").

The Agreement provides that the term shall be fifteen (15) years from the "Go Live Date". The "Go Live Date" means the date of installation of the final Road Sign as contemplated by the Agreement. While the parties made efforts to install all Road Signs in accordance with the Agreement, three (3) of the Road Signs were unable to be installed due to the particular locations. As a result of this, the parties did not have a firm "Go Live Date" to have a clear determination of the term of the Agreement. In May of this year, the parties have agreed in principle to a "Go Live Date" of December 31, 2018, subject to Council's authorization. Regardless of the option selected by Council for the Project, the authorization to amend the Agreement in this regard is imperative.

Additionally, the Agreement provides that the City may, at its sole discretion, terminate part of the Agreement as it relates to the City Donated Signs. The Road Signs would remain for the duration of the term of the Agreement, subject to the terms and conditions of the Agreement. In the event Council chooses to move forward with Option #1, as recommended below by staff, then staff require Council's authorization to terminate part of the Agreement. This termination in part would be necessary as the City Donated Signs would need to be removed in order to align with the City's RFP, and the ultimate award of that RFP, which would result in the installation of the new City Proposed Signs at these respective locations.

In December 2023, Council directed staff to renegotiate, where possible, the current RCC Media Inc. Dynamic Digital Sign Network Agreement with efforts to update and monetize the existing billboards and report back to Council to request further direction.

Staff in Legal Services and Economic Development have explored renegotiating the Agreement with RCC Media. In addition, staff have assessed the possibility of conducting a public competitive procurement. The results of the analysis are provided in detail below.

Previous Reports/Authority

[EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 12, 2023 \(Item 13, Report No. 52, of the Committee of the Whole\)](#)

[EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 22, 2023 \(Item 6, Report No. 7, of the Committee of the Whole\)](#)

Analysis and Options

With Council's previous direction to renegotiate the existing Agreement with RCC Media (100% City messaging only, no revenue), where possible, staff have completed their analysis and present the following options for consideration:

Recommended: Option #1 – Proceed to Request for Proposal through Procurement Services for up to 17 new City Proposed Signs

Staff are recommending Option 1 as the issuance of an RFP would enable the Project to be open, fair, and transparent, adhering to procurement practices, all in accordance with the City's Procurement Policy, as amended. Sign providers would be given the opportunity to submit a proposal for eleven (11) digital signs to be located at all City Community Centres and six (6) digital signs for other locations, as identified in Attachment 1 while providing the City with both uptime for City messaging and additional revenue from third-party advertising. Attachment 1 identifies the current signage proposed for Phase 3 of the Project, which may be subject to change, whether it be location and/or the addition or deletion of such signage from the Project upon further internal review.

At this time, there is no sufficient justification to authorize a single source procurement for this opportunity as we own the assets and have the ability to remove these City Donated Signs and install the new City Proposed Signs. This option would require amending the existing RCC Media Dynamic Digital Sign Network Agreement, as explained above, with respect to the removal of the ten (10) City Donated Signs.

Based on precedent from Phase 1 of the Project and an external scan of the national out-of-home digital advertising marketplace, staff estimate the following results for Option 1:

- Exact revenue to be determined but staff research suggests Option 1 to generate up to \$600,000 to \$800,000 annually.
- Staff anticipate no upfront costs as the RFP would stipulate that the successful proponent(s) would be responsible for all costs incurred.
- A lower percentage of City messaging is anticipated, in comparison to what is currently provided on the City's Donated Signs with RCC Media in order to maximize revenue. The City can negotiate the percentage via RFP however, industry-standard uptime is between five to ten percent (5%-10%).

The timeline of the RFP is estimated to take approximately nine (9) months from the time of issuance to award and construction would take approximately six (6) to twelve (12) months from permit issuance to operational. Therefore, the total timeline is estimated at twenty-four (24) months to complete.

The proposed RFP will include the following terms, subject to consultation with Procurement Services and Legal Services:

Mandatory Requirements for Proponents	Additional Benefits to the City
<ul style="list-style-type: none"> • A term of fifteen (15) years, with two 5-year options to renew. • A revenue model that includes an annual guaranteed payment to the city indexed to the consumer price index (CPI) for the period of the agreement AND the ability for the City of Vaughan to receive additional revenue share benefit through a percentage of advertising sales. • A minimum of ten percent (10%) screen time for City messaging. • City of Vaughan will receive any unused ad space for City messaging if/when occupancy rates are low. • A consistent sign design, as required, that includes the name of the City of Vaughan facility and the appropriate City trademark. • Agreement to provide for adherence to: <ul style="list-style-type: none"> ○ City of Vaughan Electronic Signage Network Standards; ○ City of Vaughan Sign By-Law, as amended, including any exemption granted in accordance with same By-Law; ○ City’s Advertising Content Policy, as amended; ○ Proponent must obtain all necessary permits, including Building Permits. ○ Vaughan City-Wide Urban Design Guidelines, pg. 105: Performance 	<ul style="list-style-type: none"> • Additional static or LED sign infrastructure as part of the asset for sole use by the City of Vaughan in addition to the percentage of uptime on the digital screen with third-party ads. • Revenue options with various scenarios with additional advertising time for the City of Vaughan to consider. Baseline ten percent (10%) uptime; however, pricing scenarios at higher percentages to be considered. (i.e. 50% uptime = \$X in revenue, 25% uptime = \$X in revenue). • Non-exclusive rights related to such digital signs. • The ability to add or relocate signs at the City’s discretion, subject to the City’s Sign By-law, 144-2018, as amended (the “City’s Sign By-law”).

<p>Standard 5.2.13 Signage and Wayfinding, as amended;</p> <ul style="list-style-type: none"> ○ City Tree Removal Permits and Protection Guidelines and Requirements, including applicable by-laws, as amended; ● A transition plan from the existing infrastructure (City Donated Signs) to the new infrastructure (City Proposed Signs) to minimize the disruption of City messaging. 	
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To maintain consistency amongst all community centres, staff recommend adding seven (7) additional locations to the City signage inventory.

Currently, not all community centres have a City sign. When the ten (10) locations for the City Donated Signs were originally selected, the main interest was high-traffic locations for visibility purposes rather than community centre identification. This proposal to increase the existing City signage inventory includes adding seven (7) new locations for consistency so that all community centres have the same sign displaying both City messaging and third-party advertising while generating revenue for City services.

Option #2 – Amend the existing Agreement with RCC Media by adding third-party advertising at all 17 locations with Revenue Share

Rather than proceeding with a competitive procurement of the Proposed Signs, Option #2 is to amend the Agreement the City has with RCC Media which would expand the scope of the Agreement and increase the number of City signs but maintain the existing City Donated Signs and Road Signs as contemplated by the Agreement.

An amendment to the Agreement based on Option #2 includes:

- Thirty percent (30%) revenue share which is in line with neighbouring municipalities for similar purposes.
- Guaranteed uptime of ten to fifty percent (10%-50%) for City messaging pending location and traffic volume.
- Any unsold space will be donated to the City in kind.
- City to absorb upfront costs with revenue received in the first year of operation. Costs may include sourcing power to the new locations (estimated to be \$10,000 - \$30,000 each x 9 new locations).

- Construction is estimated to take approximately twenty-four (24) months to complete which is in line with the timeline for RFP as well.

Option #3 – Amend the existing Agreement with RCC Media to replace City Donated Signs and add third-party advertising at all 17 locations.

Rather than processing with a competitive procurement of the Proposed Signs, Option #3 is to amend the Agreement the City has with RCC Media which would also expand the scope of the Agreement and increase the number of City signs, similar to Option #2. This amendment would also include, differing from Option #2, replacements of the City Donated Signs.

An amendment to the Agreement based on Option #3 includes:

- Replacement of all City Donated Signs due to necessary upgrades.
- No revenue shared with the City.
- Guaranteed uptime of thirty to sixty percent (30%-60%) for City messaging.
- Any unsold space will be donated to the City in kind.
- City to absorb upfront costs. Costs associated may include sourcing power to the new locations (estimated at between \$10,000 - \$30,000 each x 9 new locations).
- Construction is estimated to take approximately twenty-four (24) months to complete.

Additional Information Relating to the City's Sign By-law

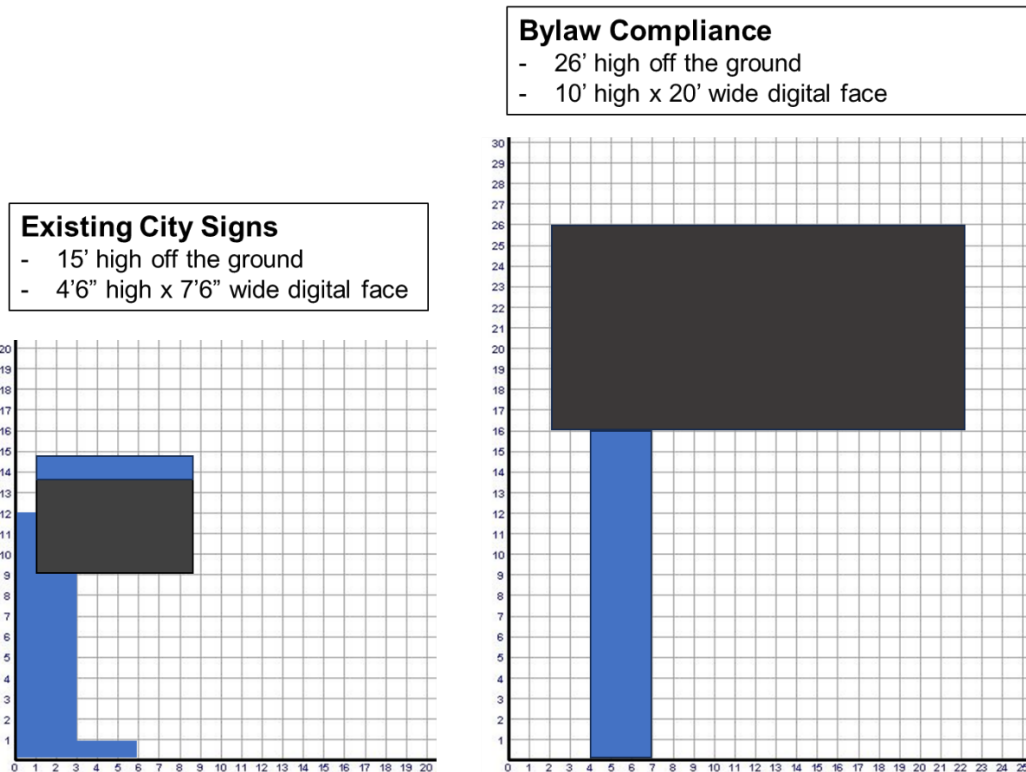
As per section 23.1 of the City's Sign By-law, the City is exempt from the requirements of this by-law. However, given the nature of the Project, staff seek Council authorization to exempt the City Proposed Signs from certain provisions of the City's Sign By-law, as required, for ultimate transparency due to the third-party advertising forming part of these City signs.

Regardless of the option selected by Council, the City Proposed Signs will require exemptions to Section 10.1 of the City's Sign By-law as it limits the signage permitted and prohibits commercial advertising on lots used for recreational purposes.

Furthermore, the standard billboard provisions in the City's Sign By-law Section 15 regarding Employment Areas, Zoning and proximity to residential properties must be considered when determining the exact location within the community centre sites of the City Proposed Signs which will likely require additional exemptions from Section 15.1 and 15.2

Due to certain provisions of the City’s Sign By-law, the City Proposed Signs may be subject to change, whether it be location and/or the addition or deletion of such signage from the Project. Staff require discretion to amend Attachment 1 as necessary.

Exhibit A below provides a scale of the current City Donated Signs in comparison to a **maximum size of sign** that would be compliant with the City’s Sign By-law. Proponents will have the option to propose that such signs be constructed up to the maximize size provided in Exhibit A. Staff will not be considering any variances and/or exemptions related to the size of the City Proposed Signs.



Financial Impact

Should Council accept Staff’s recommendation and proceed with Option #1, there are no operational costs associated with the Project as it is a revenue-generating initiative with no cost to the City. The successful proponent(s) would be responsible for all design, fabrication, installation, and operational costs associated with each digital sign in which they are awarded.

Depending on which option is selected, there may be upfront fees for bringing electrical feeds to the new locations, as explained in Option #2 and Option #3 above.

Operational Impact

In addition to negotiating with RCC Media and consulting with the digital sign industry on standards for benchmarking, several internal departments have been consulted through the Digital Sign Working Group that meets quarterly. This group consists of Building Standards, Bylaw Compliance and Licensing Services, Legal Services, Procurement Services, Parks Planning and Operations, Transportation and Fleet Management Services, and Infrastructure Planning and Corporate Asset Management. Phase 2 and 3 locations have been presented to the Working Group and their input concerning any potential impacts affecting other areas in the corporation have been documented.

Broader Regional Impacts/Considerations

Even though each digital billboard location proposed is on City property, some face onto Regional roadways. As a result, the Region of York will be consulted and will be given an opportunity to comment on the Project as it relates to any future plans in the area that may impact the Project in the long term.

Other external stakeholders may be consulted, such as the TRCA, for necessary permits as required.

Conclusion

Staff is recommending pursuing Option #1 to maximize revenue, maintain open, fair, and transparent procurement practices and increase City messaging across the municipality. This option is the most advantageous and is anticipated to double the potential revenue, therefore, is in the best interests of the City.

Staff plan to return to Council by the end of Q2 2025 on outstanding negotiations with Market Lane Holdings Inc. and the corresponding TRCA land management agreement for decision.

For more information, please contact: Raphael Costa, Director Economic Development, 8891

Attachments

1. Project Sign Locations (all locations)
2. Sign By-law Exemption Requirements

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