

Item No. 24

May 7, 2012

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **Upgrade of Strachan Outdoor Billboard Sign – Clarity Outdoor Media Inc.**

Summary:

This report recommends the Board authorize the amendment of the agreement (the "Agreement") between the Board and Clarity Outdoor Media Inc. ("Clarity") to permit Clarity to upgrade portions of the existing east and west side of the Gardiner/Strachan Outdoor Billboard Sign from static vinyl to tri-vision displays as described more fully in this report and shown on Appendix "A" and "B". Replacing the existing static vinyl to trivision results in more displays with more advertisers and therefore has the potential for significant additional income stream to the Board. In addition, with conversion to a trivision display Exhibition Place will continue to have the benefit of 10 second spots at no cost.

Recommendations:

It is recommended that the Board, subject to approval by City Council or required Standing Committee pursuant to the City's Sign By-law:

- 1. Authorize the Board to amend the Agreement to permit Clarity to upgrade its sign in a manner more particularly set out in this report, subject to Clarity complying with all requirements of the City, and obtaining all of the necessary approvals, including City Council approval of any amendment to the City's Municipal Code Chapter 694 – Signs - General.**
- 2. Direct that the confidential information in Attachment 1 not be released publicly in order to protect the competitive position and the future economic interests of Exhibition Place**

Financial Impact:

Once the sign is upgraded, it is expected that the Board will realize a significant increase to the income stream as detailed in Confidential Attachment 1.

Decision History:

At its meeting of May 29, 2009, the Board approved entering into a 15-year agreement with Clarity for the operation and maintenance of the existing double sided billboard sign (the "Strachan Billboard") which Agreement was approved by City Council at its meeting of August 5, 2009.

At its meeting of January 29, 1999, the Board approved of entering into a ten year agreement with Gallop & Gallop Advertising Inc. for the construction, operation and maintenance of a pillar billboard structure on the south side of the Gardiner Expressway near Strachan Avenue for the Strachan Billboard, which agreement was subsequently approved by City Council at its meeting of May 11 and 12, 1999. Subsequently, the Board approved of an assignment of the Gallop agreement to Mediacom Inc. which was purchased by CBS Outdoor Ltd. The Gallop Agreement expired on August 31, 2009.

City Council at its meeting of November 30, December 1, 2, 4 & 7, 2009 adopted Municipal Code Chapter 694, "Signs-General" which came into effect on April 6, 2010.

Issue Background:

The provisions of Chapter 694, which apply to the area in which the Strachan Billboard is located, will not allow the as-of-right approval of certain changes that Clarity wishes to implement in respect of the Strachan Billboard. The changes sought by Clarity are not within the delegated authority of City staff and therefore a Sign By-law amendment by City Council is required pursuant to Chapter 694. Clarity has indicated its intention to apply to the City for approval of its proposed changes and in order to do this it first needs approval of such changes by the Board's. It is anticipated that Council will be considering a report from the City's Sign By-law unit staff in respect of these proposed changes sometime within the next few months.

Comments:

Appendix "C" sets out in detail the proposed physical changes and Clarity's rationale for moving in this direction.

East Face: (Appendix A)

The east side configuration of Clarity sign in 2009 was a static vinyl in the upper left hand corner, full-motion LED video in the top right hand corner, and the lower portion of the sign was all tri-vision. In 2010, the trivision on the lower portion was replaced with a new trivision. In 2011, the LED display of the Sign was replaced with a state-of-art full-motion LED video screen

Clarity is now proposing to replace the vinyl portion of its East Face with trivision. The vinyl portion is located in the upper left hand side of the board and is approximately 16 feet high by 28 feet wide. Under the new sign bylaw this would be considered Mechanical Copy defined as "Sign copy which physically moves in whole or in part and shall include tri-vision sign copy".

Over the last few years Clarity's clients have commented on the "cluttered" look of the Sign having one permanent advertiser on the static vinyl in the upper left hand corner of the Sign. More customers are now opting for straight single faced vinyl or static electronic copy To eliminate this "cluttered" appearance, Clarity, through its agents, had proposed to a number of clients the concept of the trivision in the upper left corner. This trivision can be synchronized with the lower trivision and the full motion video screen to provide 30-second site domination for each of three clients. The reaction to this configuration has been positive and Clarity has

pending contracts in hand for all three positions available. Two of the contracts are for 52 weeks and the other contract is for a 35 weeks period.

By replacing the static vinyl portion of the East Face Clarity will be able to offer its customers full equal time on the board. This will allow more customers to take what is called a “site domination” position on the board. In other words, there can be three separate customers displaying their creative once every 30 seconds on a one hundred second loop, with the remaining 10 seconds continuing to be available for Exhibition Place messaging. Site domination positions command a higher price from the customer and traditionally the contracts are for longer periods, 1 to 3 years in length. Exhibition Place will continue to have a 10 seconds spot available at no cost.

West Face: (Appendix B)

The existing West Side is a static vinyl in the upper portion and a non-functional reader board on the lower portion. The reader board ceased to function many years ago, long before Clarity took over operation of the west face of the sign. These two portions are separated by a cat-walk which impairs the sight lines of customers’ creative messaging. Clarity very seldom has a customer who rents the lower portion because of the issues noted above.

Given the very positive reaction to the proposed reconfiguration of the East Face, Clarity proposes to reconfigure the West Face in substantially the same manner. The overall size of the West Face under the new configuration will not change. What will change is the upper cat-walk which will be removed to bring the whole board together. This change will require a sign and building permit, once the changes to the sign have been approved by City Council.

Static vinyl allows for one customer to advertise at a time. By changing the West Side to mirror the East Face, Clarity is increasing its inventory of rentable space threefold, while still being able to offer attractive site domination in substantially the same manner as on the East Face.

As Clarity's proposed changes to the sign require specific City Council approval and an amendment to Municipal Code Chapter 694, they fall outside of the scope of the Agreement and therefore an amendment to the Agreement is required. Finally, pursuant to Chapter 694, sign permits are issued for a period 5 years, subject to renewal on certain conditions. Accordingly, the approval to be requested from City Council for the changes noted will fall within the scope of Chapter 694 which may set timeframes less than as provided under the Board’s Agreement.

Green Initiatives:

Clarity’s environmental initiatives include expanding the use of energy efficient LEDs in signage as a means of replacing inefficient incandescent electronic message displays. In keeping with the City policy, Clarity will be replacing the reader board, which uses all incandescent lights, with LEDs thus reducing the environmental footprint in the delivery of the advertising. In August 2010, Clarity had already replaced its full motion LED video board on the East Face with a more energy efficient one resulting in a 29% reduction in electrical use. As of April 1, 2012 Clarity has partnered with Bullfrog power to supply electricity from 100% renewable sources to

both sides of the board. Overall these changes will save a total of 28.6 tonnes of CO₂, 50.8 Kg of SO₂ and 39.5 kg of NO_x.

On a go forward basis Clarity will be looking for ways to have its PVC trivision panels recycled. Clarity is in discussions with Kal-Trading Inc., a recycler of vinyl and PVC, who are now in conversation with Clarity's PVC supplier with a view to recycling Clarity's PVC.

In addition to the financial terms and condition set out in the Confidential Attachment and the proposed amendments to the Agreement, all other terms and conditions contained within the current Clarity Agreement dated July 1, 2010, shall remain substantially the same.

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Dianne Young, CEO

Appendix "A"
Existing Configuration - East facing side



East facing after changes



Appendix "B"
Existing Configuration - West facing side



APPENDIX "C"

PHYSICAL CHANGES		
CURRENT	PROPOSED	RATIONALE
<u>East Face – Sign Components:</u> 1. Electronic Moving Copy (LED) – 22’ x 32’ 2. Mechanical Copy (Tri-vision 1) – 24’ x 60’ 3. Static Copy (Vinyl) – 16’ x 28’	1. No change 2. No change 3. Mechanical Copy (Tri-vision 2) – 16’ x 28’ <u>Total Sign area is unchanged from existing configuration</u>	<ul style="list-style-type: none"> • Static vinyl is no longer competitive and creates a “cluttered” look • Change to tri-vision will allow an advertiser to present one message theme on the entire sign face at a time • Changes are consistent with Clarity’s commitment to maintain current sign technology on the Sign and provide upgrades
<u>West Face – Sign Components:</u> 1. Static Copy (Vinyl) 2. Readerboard	1. Electronic Moving Copy (LED) – 32’ x 22’ 2. Mechanical Copy (Tri-vision 1) – 18’ x 68’ 3. Mechanical Copy (Tri-vision 2) – 22’ x 36’ <u>Total Sign area is unchanged from existing configuration</u>	<ul style="list-style-type: none"> • Static vinyl is no longer competitive • Readerboard is obsolete technology and has not functioned for many years – long before Clarity commenced operation of the Sign West Face • Changes will allow an advertiser to present one message theme on the entire sign face at a time • Changes proposed are outside of the scope of the Agreement and therefore require an amendment to the Agreement.