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Item No. 10.1.1
Halifax Regional Council
February 23, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script, appearing to read "Dan English".

Dan English, Chief Administrative Officer

A handwritten signature in cursive script, appearing to read "Wayne Anstey".

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: January 28, 2010

SUBJECT: HRM 4 Pad Arena Project - Facility Naming Rights

ORIGIN

- May 12, 2009, Regional Council approval of Operating Agreement with Nustadia Recreation Inc
- Article 6.2(b) of the Operating Agreement states: "The Advertising, Sponsorship and Marketing (ASM) Plan shall include, among other things, strategies for internal Facility naming rights (HRM retains all external Facility naming rights), sponsorship and advertising, events, ice programs, merchandising and retail, food and beverage, and shall incorporate initiatives with respect to achieving the intended results."

RECOMMENDATION

It is recommended that Halifax Regional Council authorize Nustadia Recreation Inc (NRI) to negotiate, in consultation with HRM staff, a contract for the external naming rights of the 4 Pad Arena Complex and for the draft contract to be brought back to Regional Council for approval.

BACKGROUND

Operating Agreement Proforma

The approved Operating Agreement with Nustadia Recreation Incorporated (NRI) indicates revenue generation of advertising, sponsorship and marketing to be \$49,523.00 in year one, growing to over \$100,000.00 by year five.

The operating agreement further states that, “Nustadia shall have the exclusive right to advertise and promote the Facility and Nustadia agrees to develop, on an annual basis, a detailed Advertising, Sponsorship and Marketing (ASM) Plan which will address all aspects of the revenue sources to realise the revenues identified in the Operating Budget.

Each year, the proposed ASM Plan will be submitted with the proposed Operating Budget and subject to the review and approval of HRM, acting reasonably. The initial ASM Plan shall be due within (90) days of issuance of the Certificate of Substantial Performance.”

This is relevant to the Naming Rights Discussion because NRI is now talking to potential advertisers, sponsors, and corporate leaders for advertising and sponsorship. They are also receiving questions regarding naming rights at the facility and appear to be in a good position to find and secure a proponent for facility naming rights.

DISCUSSION

Naming Rights

As stated in the July 7, 2009 Council Report - Canada Games Centre Fundraising, “the sale of naming rights has become common practice for large municipal facilities. In general, naming rights are not sold into perpetuity. They tend to be sold for a specific period of time such as 10 years.” Revenues for this can be attributed to either capital cost of construction or to facility operating costs.

In the Operating Agreement with Nustadia, Regional Council has reserved the right to sell the facility naming rights for the HRM 4 Pad Arena as it is a highly visible and significant piece of new recreation / sport infrastructure for the region. Projected revenues for this sale have not been factored into the capital funding for the facility or the Operational Proforma. This gives Regional Council the option to consider both capital and operating funding proposals.

As discussed with Regional Council on July 7, 2009, it is important to be aware that while there is a public financial benefit from entering into a naming rights contract, the private sector partner also has to receive a quantifiable financial benefit from entering into an agreement. The terms and conditions are to be developed and reviewed for approval by Regional Council when a potential proponent is recommended.

The Operating Agreement with Nustadia includes a significant annual revenue generation through advertising and sponsorship in the annual proforma of the facility. The facility will be utilised heavily by the community, but will also fulfill an important regional sport tourism need. These two priorities together allow for excellent potential for revenue generation in advertising and sponsorship, including the external naming rights of the facility.

NRI has confirmed that the scale and scope of the 4 Pad Arena Complex makes it an appropriate candidate for the sale of external facility naming rights and initial interest has been expressed by the local business community.

Whereas NRI is currently in the community engaging with local and regional business for this purpose, staff feel that they have an existing opportunity to discuss external naming rights with potential partners.

Staff will direct NRI to meet with representatives from the Canada Games Host Society in order to ensure there is no duplication or competition relative to securing naming rights for these two facilities. Staff will ensure that Nustadia does not approach any potential partners for the Canada Games Facility until the Host Society confirms timing is appropriate.

BUDGET IMPLICATIONS

There are no budget implications to this recommendation.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

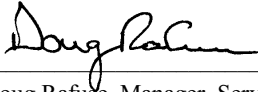
Council may choose not to approve a partnership with Nustadia Recreation Inc to bring a recommended proponent and formula forward for the external facility naming rights for the HRM 4 Pad Arena. This is not the recommended course of action as staff believe the profile and current activity of the NRI in the business community will aid in securing a major corporate donation and /or sponsorship for the facility.

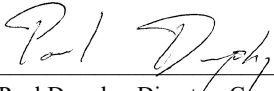
ATTACHMENTS

None.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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