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Item No. 9.1.1
Special Events Advisory Committee
July 6, 2016

TO: Chair and Members of the Special Events Advisory Committee

SUBMITTED BY: Original Signed

Brad Anguish, Director, Parks & Recreation

DATE: June 23, 2016

SUBJECT: **2016 Davis Cup Report**

ORIGIN

Application received pursuant to Administrative Order Number 2014-020-GOV - Respecting Marketing Levy Special Event Reserve Grants.

LEGISLATIVE AUTHORITY

- *Halifax Regional Municipality Charter*, Section 79 (1) The Council may expend money required by the Municipality... (av) a grant or contribution to
 - (i) a society within the meaning of the *Children and Family Services Act*,
 - (ii) a mental health clinic in receipt of financial assistance from Her Majesty in right of the Province,
 - (iii) an exhibition held by an educational institution in the Municipality,
 - (iv) a club, association or exhibition within the meaning of the *Agriculture and Marketing Act*,
 - (v) any charitable, nursing, medical, athletic, educational, environmental, cultural, community, fraternal, recreational, religious, sporting or social organization within the Province,
 - (vi) a day care licensed under the *Day Care Act*,
 - (vii) a registered Canadian charitable organization;
- Administrative Order Number 2014-020-GOV - Respecting Marketing Levy Special Event Reserve Grants

RECOMMENDATION

It is recommended that the Special Events Advisory Committee recommend that Halifax Regional Council:

1. Approve a hosting fee of \$50,000 for the 2016 Davis Cup to be funded from the 2016/17 Marketing Levy Special Events Reserve (Q315) conditional on Halifax securing the event; and
2. Authorize the Mayor to provide a Letter of Commitment outlining the financial commitment and conditions to Tennis Canada for hosting the 2016 Davis Cup (Attachment 3).

BACKGROUND

The Davis Cup began in 1900 as a competition between USA and Great Britain and is now the world's largest annual international team competition in the sport, with 125 nations taking part. The event is a professional international team tennis event in which one country plays against another in a home and away tournament. Team Canada currently ranks 12th in the world, reaching the quarter finals in 2015.

In 2014, the Davis Cup was held in Halifax at the Scotiabank Centre and had an overall attendance of 15,000 over the 3 days of the event. Team Canada hosted Team Columbia in a playoff home and away series to secure standing among the top 16 teams internationally. The event requested \$100,000 from the Municipality, Staff recommended a grant award of \$50,000 and Regional Council approved a grant in the amount of \$65,000. Tennis Canada also requested and received Federal and Provincial funding support for that event.

In early June 2016, Tennis Canada contacted the Municipality regarding the opportunity to host the Davis Cup for a second time in Halifax (Attachment 1). Canada started 2016 among the elite 16 teams, but was defeated by France in the first round in Guadeloupe in March. As in 2014, this has forced the team to play a World Group playoff to keep their spot in the upper echelon of the competition for 2017.

The event is eligible for consideration under the Major Hosting Event program of the Marketing Levy Special Event Reserve (MLSER). The definition of this program states:

Events must be of a size and scope sufficient to draw tourists to the Municipality's communities, attract significant media exposure, and profile Halifax destinations nationally and globally.

All recommendations respecting the allocations of the MLSER are governed by Administrative Order 2014-020-GOV, Marketing Levy Special Events Reserve Grants, and the MLSER Reserve Business Case. The purpose of the Administrative Order, 2014-020-GOV, Marketing Levy Special Events Reserve Grants (AO), is to direct financial support to large scale special events in Halifax Regional Municipality that support and promote tourism and business development. The Major Hosting Event program supports national or international events that do not recur annually locally and are awarded to a host destination.

Staff undertakes the grant application and evaluation process as outlined in the AO. This report outlines the recommendation for funding for the 2016 Davis Cup event for the Special Events Advisory Committee's (SEAC) consideration for recommendation to Regional Council.

DISCUSSION

The upcoming Davis Cup for Team Canada is tentatively scheduled for September 16 – 18, 2016. Tennis Canada advises that due to the home/away format of the competition, there is no guarantee that the event will be held in Canada. The decision will be made in mid - July. In addition, Team Canada is currently waiting for notification of its opponent in the play-off. Tennis Canada is looking at two other potential destination cities for the Davis Cup 2016, Toronto and Niagara Falls. However, their preferred model is to return to a city consecutively to build on the momentum established by the initial event and grow the fan base and participation in the sport.

A summary of Tennis Canada's forecasts for the event are as follows:

- The event will attract approximately 20,000 people over 3 days (5,000 person anticipated increase from 2014 numbers) including 4,000 people attending from outside HRM;
- The event will take on 100 volunteers which will provide over 300 volunteer hours over the course of the weekend;
- The event guarantees 500 room nights booked by the event and estimates that 1,000 room nights would be generated by attendees;
- Ticket prices will be \$25 per day for entry. There will be public and media events during the training week, as well as practice sessions for local athletes; and

- The estimated budget for the event is \$700,000 with the venue rental as the largest expense, followed by staffing and the marketing campaign.

Hosting fees are routinely required for national/ international sporting events and are typically paid by the host governments. The municipal hosting fee request for the Davis Cup is \$75,000. The financial commitment from the Municipality is only required if Halifax is selected for the event destination. The event has also requested \$75,000 each from the Province of Nova Scotia and the Federal Government. At the writing of this report, no confirmation was available regarding the funding decisions by the Province or the Federal governments; however, Tennis Canada has indicated confidence that both government funders will continue to support the event should it be held in Halifax. With the announcement for the host city expected before the end of July, staff has not recommended that the proposed HRM funding be conditional on the provision of funding from the other levels of government as the tight timeline to the announcement makes it challenging to obtain confirmation. That is consistent with HRM's funding in 2014, which also did not include a condition for funding from other levels of government.

Bid Rationale

In terms of funding levels for similar sized international and national sporting events Halifax has funded \$88,500 per year for the CIS Men's Hockey Cup Championships in 2014 and 2015; \$44,250 for the 2016 National Skating Championships; \$41,000 for the 2016 Canadian Canoe Kayak Sprint Championships; and \$39,000 for the CIS Final 8 Men's Basketball Championship to be held in 2017.

Sport Tourism Economic Assessment Model (STEAM)

A Sport Tourism Economic Assessment Model (STEAM) report created in 2014 by Events Nova Scotia in consultation with Tennis Canada (Attachment 2) states the net increase in economic activity in the province as a result of the initial expenditures of the event would be \$791,099. As well, the total level of taxes supported by the event is estimated at \$285,787, of which \$19,893 would be supported in the Municipality. While the event is scheduled for September in peak tourism season, the estimated room nights can be accommodated. The event expects to generate a significant amount of guaranteed room nights as well as a fair number of estimated room nights. This calibre of event also attracts a high-yield, local demographic that support food and beverage business in the downtown core.

Major Hosting Events Assessment Process

In April 2016, SEAC determined that a comparison formula was required when assessing economic impact results of events that apply to the Major Hosting program. The Committee established the benchmark of a 1.2% ratio by comparing past economic impacts (net increase in economic activity within Nova Scotia) with the award granted by the Municipality. Based on the information provided by the 2014 STEAM, a grant award of \$9,500 would be calculated (the net increase of economic activity in Nova Scotia (\$791,099) MULTIPLIED by 1.2%).

However, there are additional factors associated with the event to consider that supports the Major Hosting program outcomes such as high level media/exposure and destination recognition nationally and globally. By applying similar scoring principals used in assessing events applying to the Tourism program, staff has reviewed these factors and identified key strengths that support an increased grant:

Media Exposure

The event will provide national and international broadcast via Sportsnet (English) and TVA (French) with online streaming and a strong social media presence.

Growth potential

Based on the response to ticket sales in 2014, there is an established audience in the region that has potential for growth.

Destination Recognition: Hosting an event of this calibre promotes Halifax as a key, accessible sporting event destination in a competitive, global market.

Based on the combined information provided above, it is recommended that the Municipality fund a host fee in the amount of \$50,000. As well, with an event offering similar to that provided in 2014, the staff recommendation is also consistent. Should the Municipality be selected for the 2016 Davis Cup, a contract between Tennis Canada and the Municipality, which outlines all conditions and benefits, would be negotiated prior to the payment of the hosting fee. The contract would include details regarding the rights and benefits outlined including media coverage and advertising opportunities.

FINANCIAL IMPLICATIONS

There are available funds for this hosting fee within the approved 2016/17 reserve withdrawals. The applicant does not have any outstanding monies owed to the Municipality.

Budget Summary Special Events Reserve, Q315

Balance in Reserve, May 31, 2016		\$ 452,466
Projected revenue to March 31, 2017		\$ 982,803
Approved withdrawals to March 31, 2017		<u>\$(1,301,000)</u>
Projected net available, March 31, 2017		\$ 134,269
Approved total withdrawal for events/hosting:	\$1,277,800	
Approved allocation to major hosting to date:	\$(400,000)	
Approved allocations to events:	<u>\$(579,000)</u>	
Unallocated	\$ 298,800	<u>\$ 298,800</u>
Projected net available reserve balance if no further allocations from approved 2016/17 withdrawal		\$ 433,069

Q315 – Special Events Marketing Levy Reserve (October 23, 2001, last updated February 3, 2015)

Funded by a transfer of 40% of the Provincial Hotel Sales Tax (Marketing Levy).

This reserve is to be used to provide funding to attract and host exceptional large-scale sporting and tourism events that create significant economic impacts, promote Halifax as a multi-experiential event destination, and attract tourists to HRM for multiple day visits. These large scale events are typically national or international in caliber and support tourism and economic development in the Municipality.

On average, annual contributions of approximately \$1.2M fund the reserve. The recommended withdrawal does not negatively impact current operational plans, and is part of the approved 2016 withdrawals from the reserve.

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this Report. The risks considered rate Low. To reach this conclusion, consideration was given to financial, operational and reputational risk.

COMMUNITY ENGAGEMENT

The Special Events Advisory Committee includes members of the public.

ENVIRONMENTAL IMPLICATIONS

None identified.

ALTERNATIVES

Alternative 1: SEAC may choose to recommend that Regional Council increase or reduce the amount of the event grant.

Alternative 2: SEAC may choose to recommend that Regional Council make a grant award conditional on confirmation of funding from other levels of government. With the announcement on the event expected before the end of July, such confirmation of funding may not be possible in time for the announcement.

ATTACHMENTS

- Attachment 1: Tennis Canada Letter of Invitation
- Attachment 2: Davis Cup STEAM Report
- Attachment 3: HRM Letter of Commitment

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Paul Forrest, Civic Events Coordinator, Events Grants Administrator 902.490.6979

Report Approved by: Original Signed
Denise Schofield, Manager, Program Support Services, 902.490.6252

Financial Approval by: Original Signed
Amanda Whitewood, Director of Finance and Information Technology/CFO, 902.490.6308



June 8, 2016

Elizabeth Taylor
Manager, Culture & Events
Halifax Regional Municipality
PO Box 1749
Halifax, NS B3J 3A5

Dear Ms. Taylor,

It is my pleasure to write you to inform you of an exciting opportunity to bring professional tennis back to the City of Halifax and further enhance the city's image as a sports-oriented community.

Davis Cup tennis is the largest single sport team competition in the world, involving more than 125 countries on an annual basis. Canada is currently ranked No. 12 in the world and our exciting team is trying to earn one of only 16 berths in the prestigious World Group for a sixth consecutive year.

Canada started 2016 among the elite 16 teams, but was defeated by France in the first round on the road in Guadeloupe in March. This has forced the team to play a World Group playoff to keep their spot in the upper echelon of the competition for 2017. Canada does not yet know who our opponent will be in the next round or if we will play at home or away. This will be determined on July 19. We hope to be awarded home court advantage, in which case we believe it would be an exceptional opportunity to bring this event back to Halifax. The dates would be September 16-18, 2016.

Halifax has an incredible reputation for hosting international sporting events, and particularly for showcasing extreme patriotism towards national teams. Team Canada felt this first-hand in September 2014 when we hosted Davis Cup vs. Colombia at the Metro Centre. We felt the love and support from the community that week and the passionate fans helped propel the team to victory.

The profile of Davis Cup in Canada continues to grow as our team achieves success. After reaching the World Group in 2012 for the first time in eight years, Canada held a tie against France in Vancouver that set a new standard for hosting these events at home. Despite losing that tie, Canada was able to remain in World Group for 2013 after a playoff victory, and went on a Cinderella run to the semifinals that year. In 2015, the team reached the quarter-finals again for just the second time.

A great deal of this success has come from the excitement surrounding our players. The Canadian team is centered on ATP World Tour star Milos Raonic, who is the first Canadian male to ever be ranked in the Top 10. His dedication to Davis Cup over the years has helped the team reach these



heights. He is strongly supported by our No. 2 singles player Vasek Pospisil, also in the Top 50, and doubles legend Daniel Nestor. These players, both individually and as a team, have helped create a national awareness and excitement about tennis that we have never experienced before.

The tie in Halifax in 2014 demonstrated the popularity of the sport from coast-to-coast as over 15,000 fans filled the seats that weekend, including guests from seven other provinces. Davis Cup is also now broadcast nationally on Sportsnet and TVA Sports, helping to increase fan and media interest across Canada. We feel that having Halifax host for the second time in two years would only grow this interest and audience reach even further.

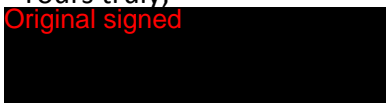
We established a great relationship with the municipal government in 2014 and we thank you again for the tremendous contribution you put forth. To bring this world-class event back to Halifax in 2016 and make it a success, we are requesting generous support of \$75,000. As our deadline for selecting a host city is the middle of July, we are hoping to receive feedback on this request as soon as possible. We appreciate that this ask is coming with very short notice, but the format for Davis Cup does not afford us much time between ties to make these hosting decisions. Nor is it always a guarantee that the event will be in Canada given the home/away format of the competition.

Tennis is a growing sport in Halifax and increasing participation and awareness across this region is a priority for Tennis Canada. We have assisted with the construction and opening of two facilities in Nova Scotia (three in the Maritime region) over the past four years. These facilities have provided the community with greater access to the sport and have increased the province's involvement with tennis. This event can help grow the sport even further as it will generate excitement for existing recreational players while also encouraging more active participation by all.

Please do not hesitate to contact me at 416-560-6600 or at kmurumets@tenniscanada.com as we are anxious to provide you with any and all information you may require to make a prompt decision. Local members of our team have had preliminary discussions with your staff and look forward to working with them again to make Davis Cup in Halifax a tremendous success.

Thank you for your consideration.

Yours truly,
Original signed



Kelly D. Murumets
President & CEO

2014 Davis Cup Canada vs Columbia (Halifax, Nova Scotia)

Economic Impact Analysis – STEAM Report Halifax, Nova Scotia May 2014

The combined total of visitor, capital and operational spending as a result of hosting the **2014 Davis Cup Canada vs Columbia** are estimated to total **\$738,495**. These expenditures are expected to generate a total of **\$1,674,221** of economic activity in the province, of which **\$1,139,531** will be in Halifax.

The **2014 Davis Cup Canada vs Columbia** is estimated to provide a total of **8.0** jobs for Halifax and an additional **4.4** jobs for the remainder of the province. These jobs will create a total of **\$492,232** in wages and salaries for Nova Scotia as a whole.

The net increase in economic activity in the province as a result of the initial expenditures of the event is **\$791,099**.

The total level of taxes supported by the **2014 Davis Cup Canada vs Columbia** is estimated at **\$285,787**. Of this, **\$130,867** is allocated to the federal government, **\$125,292** to the provincial government and **\$29,629** to municipal governments across Nova Scotia. The level of municipal taxes supported within Halifax Regional Municipality is estimated to be **\$19,893**.

Disclaimer: The results of this pre-event economic impact analysis are intended to act as a guide and are not considered definitive of the actual events. All projections should be considered an event's potential economic impact. The projections are based on standardized spending estimates that may or may not reflect that of the highlighted event's attendees. In addition, the projections are based on the organizer's assumptions regarding attendance, composition and characteristics. These forecasts are subject to uncertainty and evolving events, therefore actual results may vary from forecasted results. Additionally, these forecasts only recognize the economic benefits of the event, and do not consider any displacement or substitution costs that may occur as a result of hosting the event.

STEAM® is the federally recognized economic impact assessment model used for sport tourism in Canada.

The Local Organizing Committee (LOC) release Events Nova Scotia from any and all claims which it may have relating to or resulting from the use of the results by the LOC or its agents.

Attachment 3: Letter of Commitment

Kelly D. Murumets
President & CEO
Tennis Canada
1 Shoreham Drive, Suite 100
Toronto, Ontario, M3N 3A6

Date

Dear Kelly Murumets,

The Halifax Regional Municipality is pleased with Tennis Canada's interest in the Municipality as a host city for the 2016 Davis Cup World Group Playoff. Should the Halifax Regional Municipality be awarded the hosting rights, Halifax Regional Council has pre-approved funds for payment of a hosting fee, in the amount of \$50,000, and may subject to an initial hold back percentage as per the HRM event grant process.

The payment of the hosting fee would be contingent on the following:

- 2016 Davis Cup World Group Playoff being successful in achieving the same level of additional funding support from the Province of Nova Scotia;
- HRM being selected as the site for the 2016 Davis Cup World Group Playoff;
- Logo inclusion on all promotional materials related to Halifax Regional Municipality as the host of the 2016 Davis Cup World Group Playoff;
- Activation opportunity (to be determined); and
- A commitment to formalize a partnership agreement prior to hosting the event and prior to payment of the hosting fee, that outlines all partnership rights and benefits awarded to the Halifax Regional Municipality, should it be awarded the hosting rights.

Our region has a successful track record hosting major sporting events such as the 2008 IIHF World Hockey, TELUS World Skins Game in 2012, the CIS Men's Basketball Championship in 2012, the CIS Men's Hockey Championship in 2015; the Men's World Curling Championship in 2015; and the National Figure Skating Competition in 2015.

Halifax Regional Municipality has the enthusiasm, hospitality and the event experience to make the 2016 Davis Cup World Group Playoff a success. We look forward to partnering with you should we be successful in securing the event.

Regards,

Mayor Mike Savage