


Item No. 14.1
Halifax Regional Council
October 22, 2013

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original signed by 

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: October 10, 2013

SUBJECT: Web.com PGA Tour Stop Host Request

ORIGIN

Invitation to Halifax Regional Municipality (Attachment 1) to support the hosting fee associated with the opportunity to become a Web.com tour stop for 2014, 2015 and an option for 2016.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, Section 79 (1) (av)

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Approve \$300,000 from the Marketing Levy Special Events Reserve (MLSER) Q315 in each of the next three years (2014-16) to fund one-third of the hosting fee for a Web.com PGA Tour Stop in 2014, 2015 and an option for 2016 subject to:
 - HRM securing the event,
 - cost sharing equal to the remaining two-thirds of the host fee being provided from the Province of Nova Scotia and the Government of Canada, and
 - approval of the respective budgets for 2014, 2015 and the option for 2016.
2. Authorize the Mayor to provide a letter of support outlining the financial commitment and conditions to the SportBox Entertainment Group for hosting a Web.com Tour Stop (Attachment 2).

BACKGROUND

Halifax Regional Municipality's (HRM) Event Strategy highlights the importance of HRM as an event and entertainment centre. The Strategy provides a collective vision and policy framework to support the continued growth, development and management of events in HRM. The vision is "to promote the vibrant, active and dynamic interests of HRM citizens and visitors through a diverse calendar of signature events which complement and enhance the individual and collective experience." The Strategy states that in order to support the long term development of events, HRM must provide visible support to events. The Strategy also emphasizes the importance of developing new and expanded event markets, innovative, and unique events. Further, major sporting, tourism and entertainment events are recommended as core components of HRM's program.

The Marketing Levy Special Event Reserve (MLSER) is intended to provide funding to attract and host tourism, culture & heritage events. These events are defined as national or international in caliber, occurring on an infrequent basis, and where the HRM provides a leading and/or hosting role. One category of events which can be supported through MLSER includes "National and International Sporting and Mega Events". The MLSER is permitted to fund for-profit events as the reserve is generated by the hotel tax and not through general tax revenue. The funding of for-profit events is outlined in HRM's MLSER Business Case.

Web.com Opportunity

SportBox Entertainment Group (SportBox) is working with the PGA Tour to establish a Web.com Tour stop in Canada. The Web.com Tour is the official development circuit for players to reach the PGA Tour, and is owned and operated by PGA Tour Incorporated. SportBox and Web.com have expressed interest (Attachment 1) in selecting HRM as a tour stop for a two year period, plus a third year option (2014 – 2016). Currently there are no Canadian cities on the Web.com Tour.

Web.com has a presence in Atlantic Canada with the acquisition of Register.com and looks to bring events into the communities in which they conduct business. Nova Scotia Business Inc. has incented the company's job creation in Yarmouth with a satellite office in Halifax. Web.com currently employs approximately 280 people in Yarmouth and 150 people in Halifax and is continuing to grow.

Hosting fees are typically required for international sporting events and are paid by the host governments. Web.com host locations are required to contribute \$900,000 annually which is typically shared between all levels of government. As a result, SportBox has requested \$300,000 in support from each of HRM, the Province of Nova Scotia and the Government of Canada. SportBox will assume all financial risk associated with the event, including any risk of financial deficit. The financial commitment of \$300,000 per annum for the two years plus one year option is only required if HRM is selected for the 2014 to 2016 events.

Both the Province of Nova Scotia and the Government of Canada have been considering this proposal, and currently the Province of Nova Scotia has committed support. Nova Scotia Business Inc./Nova Scotia Tourism Agency have committed \$ 300,000 per year for two years with an optional third year. At the time of report writing, the Government of Canada is still considering the opportunity. Due to external factors, consideration of the event by all parties was delayed and the deadline for submission of support for the event has been extended. The confirmation of the hosting fee, along with written confirmation from HRM, must be submitted by November 1, 2013. Confirmation of both requests requires the approval of Regional Council.

DISCUSSION

SportBox presented to Special Events Advisory Committee (SEAC) on October 9, 2013 and under the normal course of business, the request would be considered by SEAC which would put forth a recommendation to Regional Council. However, SEAC did not have quorum at the October 9, 2013, meeting and therefore was unable to make a formal recommendation to Regional Council. However, attending members supported the presentation and recommended that due to the time sensitive nature of this request that the request be forwarded directly to Regional Council for consideration in order to meet the November 1, 2013 deadline. Staff has assessed this opportunity under the MLSER criteria using the bid information which will be submitted as part of the proposal. The bid proposal meets the definition for funding from MLSER under the National and International Sporting and Mega Events category.

The hosting fee is a set amount and is proposed to be shared equally with the Province of Nova Scotia and the Government of Canada. One-third of the total annual host amount of \$900,000 is requested from HRM for two years of the event commitment, with a potential third year extension.

In terms of international sporting events, HRM has previously funded the 2008 IIHF World Hockey Championships (\$250,000), the ICF World Senior Canoe Championships in 2009 (\$200,000), and on June 25, 2013, Regional Council approved \$150,000 to host the 2015 World Men's Curling Championship. Supporting the Web.com Tour event would follow HRM's established history of hosting significant international sporting events.

Web.com Tour Summary

The Web.com Tour has a 156 Player field with 1.5 to 2 support staff per player, and an operating budget of \$2 million (includes broadcast). Corporate sponsorships are being explored to offset the remaining \$1.1 million required for the budget. On average, each stop of the Web.com tour receives between 15,000 and 20,000 spectators per week, and offers the opportunity to showcase local culture, cuisine and entertainment. The event would involve 1,000 volunteers, 70 media and would showcase 6 PGA tour stars.

The Web.com tour broadcasts to over 185 countries (a potential of 123 million international households) and includes seven hours of broadcast on the Golf Channel. As the host city, HRM would receive specific advertising opportunities during the week of the event, camera-visible course signage, media campaigns elements, media coverage of the Canada Cup as well as

interview and trophy presentation opportunities. The event estimates to generate \$400,000 in media value, and up to 10,500 room nights (3,750 tournament core stakeholders and 6,844 additional visitors). The STEAM Model (Attachment 3) forecasts the event to generate an estimated \$3.6 million net increase in economic activity in the Province of Nova Scotia and support \$91,000 in municipal taxes.

Should HRM be selected as a Web.com Tour host city, given the tight deadline of this bid, SportBox Entertainment Group would not establish a local not for profit society but rather act as the host organization. SportBox will sign separate agreements with each funding partner which will detail the specific rights and benefits associated with the investment. An inter-government committee will be struck to oversee the activation and to ensure fulfillment and return on investment. In addition, a local organization will be chosen as the Official Charity of the event and will receive an expected contribution of \$150,000 - \$200,000 in year one (anticipated to grow as the event matures).

HRM Benefits

The seven day event is currently being proposed for June 30- July 6, 2014 and includes a charity tournament, the Canada Cup Match (including top three Canadians in the PGA), a junior tournament, the Web.com Tour Pro-Am, and four days of competition. The four day competition would serve as one of twenty-six stops on the annual tour that takes part in five countries.

This event would also extend the parameters of the golf course to animate and enhance the downtown area with activities such as hosting clinics, engagement with local retailers with storefront activation, integration of a local charity into the event, and contributions to established local events such as Canada Day festivities. The two potential host venues include Glen Arbour (Hammonds Plains) and New Ashburn (Windsor Junction).

The timing of the event provides an opportunity for HRM to position the first week of July as a specific tourism time for the city. Along with Canada Day festivities and Royal Nova Scotia International Tattoo, the golf event will act as one of the anchor components of activities across HRM during that week that will enhance the tourism season and drive visitation to the area. The addition of the Web.com golf event provides a further opportunity to enhance the vibrancy of the area during that week through the alignment and enhancement of local events. HRM will participate in the inter-government committee to ensure the municipality's interests are being addressed. In addition, the lead time before the event and HRM's direct participation on the inter-government committee will allow for consideration and development of enhanced and supporting events during the Canada Day festival.

While the specific benefits for HRM from this type of event are more qualitative in nature than quantitative, the STEAM (Sport Tourism Economic Assessment Model) model outlines tangible economic benefits to HRM and the Province of Nova Scotia as a whole. In addition to indirect economic impact thought increased support to local businesses and services, direct revenue to HRM would be provided through the hotel marketing levy from hotel room nights. As well, there are also significant marketing benefits to be gained which cannot be easily quantified. This would be an opportunity for HRM to market Halifax as a golf/vacation destination as well as provide potential other opportunities to market the region as a place to do business.

MLSER Funding

HRM has worked with both Greater Halifax Partnership and Destination Halifax on the assessment of this opportunity. While the mandate of neither agency is to directly fund events, their respective focuses on economic growth, marketing and tourism of HRM do align with the potential spinoff benefits that the event could provide to HRM. As a result, respective in-kind support during the event would be provided such as marketing, logistical and networking assistance from Greater Halifax Partnership and Destination Halifax. Should HRM be successful in securing the event, staff will work with Destination Halifax to ensure that appropriate effort to support the marketing of this opportunity, in addition to the other opportunities, are included in the deliverables of the Service Level Agreement that is under development for Council consideration. In addition, the potential tourism and marketing benefits that could be derived from this event can be considered to be closely aligned to the overall mandate of Destination Halifax which is to promote HRM through tourism and marketing initiatives

The funds dispensed to Destination Halifax from the hotel levy and HRM operating grant are allocated through the annual budget process to support the provision of tourism and marketing services for the promotion of the region. In 2002, Regional Council enacted a bylaw to require a levy on all hotel room night rentals. The revenue received from the levy was intended to be shared for support of events in HRM and the work of Destination Halifax. In 2007, Regional Council amended the division of funding between those two areas resulting in 60% of the hotel levy being provided to Destination Halifax and 40% of the hotel levy funding MLSER for the support of events. However, Regional Council has the authority to adjust the amount of funding between the two areas through a motion of Council. If funding was allocated from Destination Halifax to provide financial support to the event, the Destination Halifax budget would need to be adjusted to reflect the reallocation from other advertising and marketing initiatives for the 2014-2016 budget years. However, as HRM is currently negotiating a new service level agreement with Destination Halifax, potential opportunities related to future event funding can be assessed through that process.

While the potential exposure that the Web.com event could bring to HRM can be expected to supplement the traditional marketing and tourism initiatives, a significant adjustment to the Destination Halifax business plans could impact the ability to effectively promote the region. Therefore, based on the expected direct benefits to HRM as well as the potential long term enhancement that this opportunity would provide to the area, it is recommended that Regional Council support the Web.com event request from MLSER as recommended.

FINANCIAL IMPLICATIONS

Currently, at the end of the 2013/14 fiscal year, it is expected that there will be a surplus of approximately \$400,000 remaining in the MLSER reserve which will be supplemented by future funding from the hotel levy. This recommendation is subject to the approval of the 2014/15, 2015/16 and 2016/17 budgets and availability of funds. Assuming annual reserve contributions from the marketing levy are consistent with recent budget amounts of approximately \$1.2 Million, there would be sufficient funds in all three budget cycles to accommodate the hosting fee of \$300,000 for each of the requested years in addition to other funding requests previously approved by Regional Council such as Canadian Country Music Awards and Men's World Curling as shown in the table below. The funds would not be spent until the respective fiscal year, after approval of the budget.

Budget Summary, Q315, Marketing Levy Special Events Reserve (MLSER)

Projected Balance March 31, 2014	\$ 400,000
Projected Revenue 2014/15	\$1,200,000
Previously approved withdrawals for 2014/15	
World Men's Curling Championship Host bid	\$(150,000)
Commitment (Year 1) per Recommendation	<u>\$(300,000)</u>
Projected Balance for 2014/15 events	\$ 1,150,000

COMMUNITY ENGAGEMENT

An inter-government committee will be struck to oversee the activation and to ensure fulfillment and return on investment for HRM. In addition, a local organization will be chosen as the Official Charity of the event and the event will offer large scale volunteer participation opportunities.

ENVIRONMENTAL IMPLICATIONS

None identified.

ALTERNATIVES

Alternative 1: Regional Council could choose to approve a reduced amount of funding which would result in the provision of a lower percentage of the hosting fee than requested. This is not recommended as it may result in HRM not being chosen as the successful host city.

Alternative 2: Regional Council could choose to not support the Web.com Tour event. This is not recommended as it is expected that the event would provide both economic and tourism benefits to HRM as outlined in the report.

Alternative 3: Regional Council could choose to require a reallocation of portion of the Destination Halifax funding from the hotel levy to MLSER reserve for each

respective year towards the support of this event. This is not recommended at this time as it would impact the current Destination Halifax business plans for marketing and advertising towards the promotion of the region.

ATTACHMENTS

Attachment 1 – Web.com Canada Expression of Interest

Attachment 2 – Draft Letter of Commitment

Attachment 3 – STEAM Report

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.

Report Prepared by: Elizabeth Taylor, Manager, Events & Cultural Initiatives, 490-4387

Report Approved by: _____
Denise Schofield, Manager, Regional Recreation & Culture, 490-6252

Financial Approval by: _____
Greg Keefe, Director of Finance & ICT/CFO, 490-6308

Report Approved by: _____
Jennifer Church, Managing Director, Government Relations & External Affairs, 490-3677

Report Approved by: _____
Brad Anguish, Director, Community & Recreation Services, 490-4933

Original Signed

July 5, 2013

Grant MacDonald
Director, Events Nova Scotia
1800 Argyle Street, Suite 602 and 603
Halifax, NS B3J 2R5 Canada

RE: Web.com Tour Event - Expression of Interest for Host Location in Canada

Dear Grant,

It is with great pleasure that I present to **Events Nova Scotia** and the **Halifax Regional Municipality** the opportunity to become the Host location for a Web.com Tour event in Canada.

Recent changes in the developmental pathway for golf have elevated the Web.com Tour to a new level in the sports industry. The Web.com Tour is now the primary pathway for players to reach the PGA TOUR. The PGA TOUR has also recently assumed control of the Canadian Tour (now PGA TOUR Canada), and repositioned it as a feeder into the Web.com Tour, creating a strong and clear path for the next top golf talent.

This is an invitation to cities/tourism groups to express interest and submit a proposal to be the host location for a Web.com Tour stop in Canada for a three-year period, beginning in 2014.

Key event highlights include:

- Eight days of anticipated activity throughout the event week
- 20,000 attendees expected for the event week
- Conservatively estimate 3,750 room nights generated by the event
- A marketing campaign of \$400,000 in media value (print, radio)
- Golf Channel broadcast opportunity for the Web.com Tour event
- Expected \$150,000 to \$200,000 in event charitable contribution in year one
- Estimated \$3.5 million net increase in economic activity in the province, per year, as a result of the initial expenditures of the event

Please note 'Intention to Submit' is due from host locations by **July 22, 2013** and that host location proposals are due by **August 9, 2013**.

I look forward to your response and to discussing this opportunity with you further. Please feel free to contact me at your convenience at [REDACTED] or [REDACTED]

Best regards,

Original Signed

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Danny A. Fritz
Chief Executive Officer
SportBox Entertainment Group

Attachment 2: Letter of Commitment

October 22, 2013

Mr. Danny Fritz
CEO, SportBox Entertainment Group
15 Allstate Parkway, Suite 600
Markham, ON L3R 5B4

Dear Mr. Fritz:

Re: Web.com Tour Event

The Halifax Regional Municipality would be thrilled to host the Web.com PGA Tour Stop for 2014 and 2015 with an option for 2016. Should HRM be awarded hosting rights, Regional Council has pre-approved funds for payment of a hosting fee of \$300,000 for each of the three years from the Marketing Levy Special Events Reserve (MLSER) Q315 subject to approval of the 2014/15, 2015/16, and 2016/17 budgets. The payment is contingent on the following:

- Commitments for cost sharing of the remaining hosting fee from the Province of Nova Scotia and the Government of Canada for 2 years with an option for a third year;
- Opportunity to promote Halifax Regional Municipality through broadcast vignettes (pending television broadcast agreement);
- Inclusion of logo on all promotional material related to Halifax Regional Municipality as host of the Web.com Tour event;
- Activation opportunity (to be determined); and
- A commitment to formalize a partnership agreement a prior to hosting the event and prior to payment of the hosting fee that outlines all partnership benefits awarded to the Halifax Regional Municipality, should it be awarded hosting rights.

Our region has a successful track record hosting major sporting events. Such events as the 2008 IIHF World Hockey, TELUS World Skins Game in 2012, the Men's Canadian Curling Championship, and setting the highest attendance record for a Brier held east of Winnipeg in 2003, highlight our vibrant sports community, our enthusiastic fan base and warm hospitality.

Halifax Regional Municipality has the enthusiasm and the international experience to make the Web.com Tour event an overwhelming success. We look forward to partnering with you should we be successful in securing the event.

Kindest regards,

Mike Savage
Mayor

2014 Web.com Event (Halifax, Nova Scotia)

Economic Impact Forecast – STEAM Report #1 June 2013

The combined total of visitor, capital and operational spending as a result of hosting the *2014 Web.com Tour Event (Halifax)* are estimated to total **\$3,153,502**. These expenditures are expected to generate a total of **\$6,936,188** of economic activity in the province, of which **\$4,874,939** will be in Halifax.

The *2014 Web.com Tour Event (Halifax)* is estimated to provide a total of **38.0** jobs for Halifax and an additional **10.9** jobs for the remainder of the province. These jobs will create a total of **\$2,429,853** 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 **\$3,617,710**.

The total level of taxes supported by the *2014 Web.com Tour Event (Halifax)* is estimated at **\$1,310,846**. Of this, **\$589,976** is allocated to the federal government, **\$601,112** to the provincial government and **\$119,758** to municipal governments across Nova Scotia. The level of municipal taxes supported within Halifax Regional Municipality is estimated to be **\$91,601**.

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/Nova Scotia Tourism Agency from any and all claims which it may have relating to or resulting from the use of the results by the LOC, the rights holder or its agents.