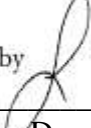


Item No. 11.1.2
Halifax Regional Council
November 12, 2013

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: November 5, 2013

SUBJECT: Halifax Metro Centre Naming Rights

ORIGIN

- Capital Budget pressures due to life cycle requirements at Halifax Metro Centre

LEGISLATIVE AUTHORITY

- *HRM Charter*, including Section 61 (3): The property vested in Municipality, absolutely or in trust, is under the exclusive management and control of the Council, unless an Act of the Legislature provides otherwise.
- Administrative Order 56, Respecting HRM Sale of Naming Rights, approved by Halifax Regional Council on March 5, 2013

RECOMMENDATION

It is recommended that Halifax Regional Council direct staff to work with Trade Centre Limited to secure naming rights for the Halifax Metro Centre in advance of the 2014 hockey season, pursuant to Administrative Order 56.

BACKGROUND

The Halifax Metro Centre (HMC) is a HRM owned facility which hosts numerous sporting, entertainment and business events. While located in the urban core of Halifax, the facility plays a major role in the delivery of events attracting visitors from across the Atlantic Provinces. HMC is managed by Trade Centre Limited (TCL), on behalf of HRM, as outlined in the original tri-partite agreement which was between TCL, the Province of Nova Scotia and the former City of Halifax. Further, at the September 24, 2013 meeting, Regional Council approved an interim agreement to supplement the existing 1982 agreement for the continued management and operation of the HMC by TCL.

The HMC is celebrating its 35th anniversary and while ongoing maintenance and capital investment has ensured that the building remains in good condition and generally continues to meet the needs of its patrons, the building is showing its age. In order for HMC to continue to be appropriate for event delivery and provide quality service to customers, certain areas of the HMC require significant refurbishment and updating. As owners of HMC, this refurbishment will require a significant capital investment by HRM. As a result, staff has been exploring options to best address this need.

Most cities have opted to offer naming rights for major facilities in order to offset major funding requirements. In recent years, HRM has explored opportunities to name new assets and, as a result, naming rights have been provided to both the BMO Centre and the Emera Oval. Through the exploration of those naming rights, additional opportunities for other existing facilities became apparent. As a result, Regional Council approved Administrative Order 56 (AO56) Respecting HRM Sale of Naming Rights at the March 5, 2013 meeting. It outlines the process and requirements for HRM to undertake the sale of naming rights for its assets, including the roles and responsibilities of third parties, such as TCL, that manage an asset for HRM. For the HMC, naming rights provide a very good opportunity to help fund improvements.

DISCUSSION

Capital Requirements

Due to the age and significant usage of the Halifax Metro Centre, certain components of the facility have exceeded their useful life. While many required repairs and upgrades have been managed through routine capital and maintenance work, the facility has reached the point in its life cycle that major upgrades are required for some components. In particular, the washrooms, seating and concession services are significantly outdated and at the end of their useful life. As these components directly impact the customer experience, their condition directly impacts the ability of HMC to maintain the quality of service and events. Specifically, the number of washroom facilities has been an issue during large scale events. As well, the original seating has been heavily used and no longer meets the quality expected in an event facility similar to HMC. Customer experience is also affected by the location and configuration of the concessions. In addition to the customer experience elements of the facility, structural components of the facility such as the centre clock, ice slab, and public address system are also coming to the end of their life cycle and replacement plans are underway to ensure they remain effective.

The refurbishment of these components requires a significant investment, which is estimated to be in excess of \$6 million as follows:

- Replacement of the seating is approximately \$2.3 million;
- Replacement of the centre clock is approximately \$2 million;
- Upgrades and expansion of washrooms is approximately \$1 million;
- Replacement of the ice slab is approximately \$1.2 million.

Due to the estimated costs of the required capital, work at HMC could have a significant impact on HRM's overall capital budget envelope unless alternate funding options are found.

Naming Rights Opportunity

The sale of HMC naming rights provides a viable funding option for the required upgrades to HMC. Under AO56, HRM business units and related facility third party managers are tasked with determining the process by which naming rights are to be solicited. In the case of HRM, both HRM and TCL staff have discussed the naming rights opportunity for HMC. Staff has explored best practices used by other cities in the naming of their assets and recommend that a similar request for proposals be used to explore opportunities for the naming of the HMC. Preliminary assessments completed on similar facilities and local market conditions indicate that the opportunity to sell naming rights for the HMC could result in \$500,000 or more per annum. As a result, over a period of several years, sufficient funding could be achieved to offset costs required to update and enhance the customer experience as well as retain the structural integrity of the systems.

Process & Timeline

Should Regional Council direct staff to consult with TCL to undertake a process to provide naming rights to the HMC, a public request for proposals would be issued in order to gauge interest and obtain proposals.

Typically, there are only a few industry sectors which secure naming rights for major civic facilities. These tend to include financial institutions, telecom companies, and alcohol companies. While requests are routinely open to all sectors and any company to bid on naming rights, it is not uncommon to only receive proposals from companies within those three sectors due to the funding levels typically offered for naming rights.

The option to consider sale of naming rights by alcohol companies is not prohibited in either AO53 - Municipal Alcohol Policy or AO56 - Administrative Order Respecting HRM Sale of Naming Rights Policy; therefore, staff is recommending to proceed with an open request for proposals in order to maximize the value received for HMC naming rights.

As part of the overall process, consultation would be undertaken to obtain feedback from facility users, patrons, and residents on potential improvements that would enhance the user experience and should be considered for the facility, some of which may be able to be achieved through a naming rights proposal. Consistent with best practices, this feedback would be obtained in a variety of methods including social media. This input would then be used to confirm the

enhancements intended to be funded through the naming process.

Research indicates that a schedule tied to the opening of the hockey season would further provide the best value for the naming of the HMC. The research further shows that a naming rights process needs to be initiated approximately 8-12 months prior to the start of the hockey season in order to maximize the value of the naming rights and have sufficient time to properly complete the overall process. Therefore, an early 2014 call for naming rights proposals is necessary to enable Regional Council to consider a contract award in late summer and unveil the naming rights in time for the 2014 Mooseheads hockey season. As a result, it is recommended that Regional Council direct staff to initiate a process to secure naming rights for the Halifax Metro Centre pursuant to Administrative Order 56.

FINANCIAL IMPLICATIONS

The sale of HMC naming rights could result in revenues of \$500,000 or more per annum. Revenues received will offset the funding required in HRM's capital budget for HMC's life cycle refurbishment requirements, which is currently estimated to be in excess of \$6m.

COMMUNITY ENGAGEMENT

Consultation will be used to inform the enhancements of the facility that would improve the customer experience. This process will be undertaken prior to the call for naming rights proposals.

ENVIRONMENTAL IMPLICATIONS

None identified

ALTERNATIVES

1. Regional Council could choose not to undertake a request for proposals for naming rights for the HMC. This is not recommended as facility rehabilitation/refurbishment expenses would need to be funded from the capital budget, thereby reducing funding available for other municipal priorities.
2. Regional Council could direct staff to undertake a request for proposals with restrictions or specific conditions outlined. This is not recommended as it may limit the opportunities for naming and the value received.
3. Regional Council could choose to delay the initiation of a naming rights process for the HMC. This is not recommended as it would either necessitate delay of the potential naming opportunity to the 2015 hockey season or reduce the potential financial opportunity by not aligning the unveiling of naming rights with the start of the hockey season.

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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