

Analysis of Naming Rights Practices Investigation

BACKGROUND:

On 2011 September 12, Council approved Councilor Keating's NM2011-31 and amended it on 2011 September 19 directing Administration to:

- amend the policies surrounding FCS007 titled "Sponsorship policy for City-owned, City-managed Assets" and CPSS025 "Naming Rights Guidelines- City-Owned, Civic Partner-Operated Facilities" to facilitate the sale of naming rights for (Light Rail Transit) LRT stations and all city owned facilities;
- investigate the local and national business market to determine the level of interest and revenue potential in the sponsorship of LRT stations and city owned facilities; and
- report back to council by end of 2012 January.

On 2012 February 27, Council adopted and amended the Administration recommendation directing Administration to consider entering into further discussions on the naming of City venues should a business indicate interest in such a sponsorship opportunity.

On 2014 July 21, City Council approved Councilor Colley-Urquhart's Notice of Motion 2014-35 Re: Competitive Naming Rights for City Owned, Partner Operated Facilities and directed Administration as part of the current naming rights review underway, to investigate:

- Best naming rights practices of other applicable entities (industry, government etc.).
- The risks and opportunities of implementing a competitive naming process for the sponsorship of City owned / partner operated facilities to ensure the best value for citizens.
- All options for Council to consider.

Administration was directed to report back through the Priorities and Finance Committee no later than 2014 December.

INVESTIGATION:

Corporate Analytics & Innovation in conjunction with several other Business Units:

- Investigated best naming rights practices of other applicable entities;
- Investigated the risks and opportunities of implementing a competitive naming process for the naming sponsorship of City owned/partner operated facilities to ensure the best value for citizens; and
- Investigated all options for Council to consider.

Naming Rights Practice Analysis and Options (Response to NM2014-35)

The following table provides context for the variety of partners which are considering naming opportunities:

Naming Rights	Civic Partners	New recreation facilities	Community Associations & Recreational Groups	Recreation
In Place	4	1	1	2
Being pursued		3	4	1
Potential candidates				8
Not being considered	3			1
Total	7	4	5	12

In conducting these investigations, five other municipal entities were researched and/or contacted, four expert consultants were surveyed, current practices within the City of Calgary were reviewed, the segmentation of the Partners interacting with the City was reviewed; the Calgary Public Library and Calgary Stampede provided insights into their best practices. Additionally members of the Municipal Naming Committee and city experts were consulted.

Best Naming Rights Practices

The following is a summary of the best naming practices based on research, interviews and surveys with five other Canadian municipalities, four expert consultants, current Civic Partners, the Calgary Public Library and the Calgary Stampede:

- Identification and articulation of “guiding principles” for public jurisdictions including:
 - Maintain independent oversight of program/delivery & uphold role as public steward;
 - Ensure preferential treatment or conflict of interest does not occur;
 - Ensure fair market value;
 - Transparency;
 - Integrity;
 - Business Case;
 - Effectiveness
- Given that the “sales cycle” for a naming right can be 18 to 30 months, it is critical to establish a relationship with the naming purchaser, whether a Corporation or an individual or Foundation. A key to success is alignment of the values and wants of the buyer with the naming opportunity and the programs which it offers. The Corporate buyer needs to be able to see that there will be a bottom line impact as their donation is usually allocated as part of a marketing budget. The Philanthropic buyer needs to be able to see a line of sight to the use of the funds which aligns with their philanthropic intent.
- Having a good contract with clarity in regards to:
 - the duration of the naming;
 - reasons for early cancellation of the naming rights;
 - definition of end of term responsibilities;

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- A professionally assessed valuation which identifies a fair value for the “sponsorship” component of the transaction and an identification of potential intangibles which could influence the final naming rights agreement. These valuations are not published or disclosed. In the case of an operating partner, they are responsible to obtain this valuation.
- Recognition that naming rights are not a commodity. Every deal will be uniquely tailored aligning the values and objectives of the buyer and the seller.
- Identification of what products or services would not be allowed to have naming rights (and often not allowed to do other sponsorship or advertising)
 - Tobacco
 - Pornography
 - Weapons or life-threatening products
 - Sale of alcohol to underage
 - Parties involved in a lawsuit or otherwise debarred from doing business with the City
- Independent legal advice must be sought by the operating partner.
- Not to conduct a formal Request for Proposal process, but still to obtain interest via a competitive process and working with potential partners in the marketplace.

The following best practices are not currently being followed by the City of Calgary:

- Identification and publication of what buildings/facilities or assets are/are not available for corporate naming.
- Strategic management of facility naming opportunities across the corporation.
- A consistent approach to market sounding and asset valuation.

Risks and Opportunities of Implementing a Competitive Naming Process

The following risks and opportunities were identified by the same groups contacted in regards to best practices.

Risks:

- The naming market is a sensitive market. It is difficult to competitively solicit funding for the sale of naming rights as there is a limited number of potential buyers. It is estimated by one of the expert consultants that there is more than 20 naming opportunities in Calgary valued at greater than \$1 million each. These opportunities include university, colleges and medical facilities to name a few.
- The publishing of an expected naming opportunity can result in lower offers being received (due to market saturation) resulting in lower-than-expected naming offers.
- Within the City of Calgary’s partner base there is a wide variation in size, governance and business maturity. Rigorous requirements governing the sale of naming rights could be far too onerous on a newer operating partners or current partners with a lower level of business maturity.
- Not all partners want to sell naming rights to the facilities which they operate.

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- There is limited experience within city staff in performing asset valuations and market sounding for the purpose of the sale of naming rights
- The City receives no financial return from naming of partner operated facility.
- Treating naming as a “commodity” will likely reduce the amounts received. For example, it was noted that one jurisdiction ran a competitive Request for Proposal for two naming rights sales and only received one respondent.

Opportunities

- In support of improving the openness, transparency and competitiveness of Naming Rights, the City may consider publishing a list of assets available for sale of naming rights.
- Seek out other opportunities for naming rights sponsorship of other city owned, city operated assets outside of the control of Community Services.
- Develop a consistent strategy and practice for asset valuation and market sounding.
- Consider internal and external resourcing options to undertake asset valuation and market sounding.
- The development of an engagement process which creates competitive tension in the marketplace and allows partners to seek out the best value for the sale of naming rights without going to a formal bidding process.
- Publication of naming rights agreements (within legal bounds) for any City owned and managed facility or asset.
- Support partners that have limited capabilities by conducting asset valuations. Examples may include the development and maintenance of a database of baseline values for partner operated assets and the provision of resourcing or support to partners for asset valuation and market sounding.

Options

Following the review and analysis of the current practices, Administration has identified a number of potential options. These options were discussed and evaluated in regards to the best practices, risks and opportunities.

OPTION 1: The current policy remains status quo.

OPTION 2: The proposed omnibus policy becomes the status quo if approved by Council.

OPTION 3: In addition to the approved policy, The City of Calgary would maintain a website that advertises all naming rights opportunities.

OPTION 4: Council request Administration to consider resourcing options to create a strategy for the sale of naming rights for municipal assets as well as to further improve asset valuation and market sounding practices within the City.

OPTION 5: Administration to work through Finance & Supply and develop a process which creates competitive tension in the market for the sale of naming rights in conjunction with partners.