



Staff Report for Committee of the Whole Meeting

Date of Meeting: May 15, 2024

Report Number: SRCS.24.05

Department: Community Services

Division: Recreation and Culture Services

Subject: SRCS.24.05 – Naming Rights

Purpose:

To obtain Council approval of an updated Naming Rights Policy and the delegation of authority to the City Manager to approve interior Naming Rights; and, to receive Council feedback regarding exterior Naming Rights for City facilities.

Recommendations:

- a) That SRCS.24.05 regarding the Naming Rights Policy be received.
- b) That the updated Naming Rights Policy attached to SRCS.24.05 be approved.
- c) That the City Manager be authorized to approve Naming Rights for interior spaces in City-owned facilities and execute any associated Naming Rights Agreements.

Contact Person:

Donald Hearn, Director of Recreation and Culture, extension 2503

Report Approval:

Submitted by: Tracey Steele, Commissioner of Community Services

Approved by: Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Background:

A “Naming Right” is an arrangement in which a company, organization, enterprise, association, or individual purchases the exclusive right to name an asset for a fixed period of time. The arrangement is focused on the name of the facility specifically and the facility owner does not give up any other control over the operation of the facility. In the municipal context, Naming Rights offer a marketing opportunity for businesses to enhance their profile in the community, in exchange for the business providing a financial contribution used to the benefit of the community.

It should be noted that Naming Rights agreements are different from sponsorship agreements. A sponsorship agreement is another type of arrangement under which a company obtains marketing benefits associated with a program or event. Additionally, Naming Rights are different than public private partnerships (or “P3s”), which are typically more complicated financial arrangements that can involve various aspects of funding as well as arrangements for the construction and operation of a facility.

Municipal use of Naming Rights as a source of revenue has pros and cons. Selling Naming Rights provides a potential revenue stream and can be used to offset taxes or otherwise cover construction or maintenance costs associated with a facility. Naming Rights agreements with local businesses can promote economic development and a sense of community pride. On the contrary, allowing corporate names on public facilities results in the commercialization of the public realm, and contributes to a loss of public identity. There is a debate around whether the current value of Naming Rights for municipal facilities in small and medium-sized facilities justifies the arrangement (i.e., the value of a naming right is typically only a fraction of the overall value of the facility). Agreements also often involve long-term contracts, which can limit flexibility for municipalities in the future, and come with a risk associated with a change in the sponsor's reputation or credibility.

Naming Rights Policy Update

On June 13, 2017 (SRCS.17.18) Council approved a Naming Rights Policy (the “Policy”) to provide a framework for the solicitation, negotiation and approval of Naming Rights associated with facilities owned by the City of Richmond Hill. In 2021, staff reported to Council through staff report SRCM.21.02 with proposed minor amendments to the Naming Rights Policy, and recommendations that would delegate authority to the Richmond Hill Public Library Board to grant naming rights for Library facilities. Council approved the amendments to the Policy, but did not approve other staff report recommendations related to the Library. Regarding the naming of Library facilities, Council directed as follows:

That the Richmond Hill Public Library Board be authorized, subject to the provisions of the City’s Naming Rights Policy and Council’s final approval, to solicit, negotiate and administer Naming Rights Agreements for the interior and exterior of City libraries on behalf of the City.

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The 2021 Council direction quoted above has caused some confusion because it specifies “subject to the provisions of the City’s Naming Rights Policy,” but the approved Naming Rights Policy as amended, specifically states “This policy does not apply to City Libraries.” Additionally, the Policy does not reflect the intent of the recommendation for Council to be the final approval authority for all Library Naming Rights. These issues have triggered a review of the Naming Rights Policy and associated City and Library procedures for soliciting and negotiating Naming Rights.

As a result of a comprehensive review of the Policy, it is recommended that the updated version of the Naming Rights Policy attached to this report as Appendix 1 be approved. In addition to administrative and wording revisions to increase clarity, the updated Policy includes the following substantive updates:

- clarification of the applicability of the Policy to City assets used by the Library,
- clarification of the role and membership of the Naming Rights Advisory Team and specification of a requirement for the Library CEO or his/her delegate to be a member of the Naming Rights Advisory Team in circumstances where the prospect is interested in naming a Library facility,
- delegation of authority for approving Naming Rights associated with interior spaces to the City Manager.

Benchmarking

Benchmarking of existing Naming Rights arrangements for 12 facilities in 11 different southern Ontario municipalities outside Toronto, found arrangements for exterior Naming Rights ranging from a low of \$25,000 annually over a 5 year term for the Lind Realty Sports Dome in Aurora, to a high of \$250,000 annually over a 10 year term for the Tribute Communities Centre in Oshawa (this arrangement was recently extended for another five years). Notable examples at the high end of the range include the Flato Markham Theatre, which is a \$2.3 million arrangement at \$115,000 per year over 20 years; and the Brampton Save Max Sports Centre, which is a \$2.5 million deal at \$167,500 per year over 15 years. Benchmarking suggests that in Ontario, exterior building Naming Rights have most commonly been sold for performing arts centres and arenas.

With respect to interior Naming Rights, eight examples of ice pad and pool naming arrangements in four different municipalities are all in the range of \$10,000 to \$15,000 per year for five years with the exception of one outlier at \$32,500 for three years. With regard to rooms and program spaces, benchmarking of three examples in three different Ontario municipalities indicates a range of \$2,500 per year to \$15,000 per year.

Naming Rights in Richmond Hill – Approach

City revenue generation is undertaken using an account model in which a dedicated staff assigned to a prospect company to discuss partnership options. Staff have not concentrated efforts on naming rights specifically, and sponsorships for recreation and culture programs and events have been the primary focus. To date, the City’s only

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Naming Rights arrangements have been associated with the foyer area adjacent to the Plaza Suite at the Richmond Hill Centre for Performing Arts. This space was known as the Lexus Lounge from 2008 to 2012 (\$15,000 per year) and the Meridian Lounge from 2012 to April of 2024 (\$20,000 per year). The revenue generation team will continue to promote interior and exterior naming rights options through their prospect negotiations as staff resources allow.

The North Leslie community centre (currently proposed to be constructed in 2028 to 2030) presents a significant opportunity should Council wish to pursue a substantial Naming Rights arrangement. Naming Rights for new buildings are typically more valuable since the original name of a building tends to become widely known and often persists in community memory beyond its specific lifespan (making subsequent names potentially less valuable). In the coming years, staff will investigate the feasibility of an expression of interest process for the naming of the community centre and if there is a recommended proposal, it will be brought to Council for final approval.

Financial/Staffing/Other Implications:

There are no financial or staffing implications as a result of this report. Any funds received through Naming Rights will be used to offset operating costs in the annual operating budget unless otherwise specified in reports brought forward for specific Naming Rights.

Relationship to Strategic Plan:

The Naming Rights Policy relates to Pillar 3, Strengthening our Foundations, specifically, Priority 1, Make decisions that are evidence-based and data-driven to enable the City's long term financial sustainability, as well as social, environmental and economic sustainability.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

A "Naming Right" is a financial arrangement in which a company, organization, enterprise, association, or individual purchases the exclusive right to name an asset for a fixed period of time. In 2017 Council approved a Naming Rights Policy to provide a policy framework for the solicitation, negotiation and approval of Naming Rights associated with facilities owned by the City of Richmond Hill. In 2021 the Policy was amended, but the amendment has caused some confusion due to an apparent conflict with Council direction. It is therefore recommended that the updated version of the Naming Rights Policy attached to this report as Appendix 1 be approved.

The revenue generation team will continue to solicit interior and exterior naming rights through their account negotiations as staff resources allow. In the coming years, staff

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will investigate the feasibility of an expression of interest process for the naming of the community centre to solicit interest and if there is a recommended proposal it will be brought to Council for final approval.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Appendix 1 – Updated Naming Rights Policy

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Report Approval Details

Document Title:	SRCS.24.05 Naming Rights Policy Update.docx
Attachments:	- Appendix 1 - Naming Policy 2024 - Final.docx
Final Approval Date:	May 1, 2024

This report and all of its attachments were approved and signed as outlined below:

Donald Hearn - May 1, 2024 - 12:20 PM

Tracey Steele - May 1, 2024 - 1:47 PM

Darlene Joslin - May 1, 2024 - 2:28 PM