

HALIFAX

P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 14.1.7
Halifax Regional Council
February 27, 2018

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: Jacques Dubé, Chief Administrative Officer

DATE: February 13, 2018

SUBJECT: Dartmouth 4-Pad Naming Rights

ORIGIN

August 2, 2016 Motion of Halifax Regional Council:
Moved by Councillor Mancini, seconded by Councillor Mason that Halifax Regional Council:

3. Direct staff and the facility operator to continue to explore potential naming rights for the [Dartmouth 4-Pad], as per Administrative Order 56, HRM Sale of Naming Rights Policy. **MOTION PUT AND PASSED UNANIMOUSLY.**

LEGISLATIVE AUTHORITY

- *HRM Charter*, 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.
- *HRM Charter*, Section 10(3): The Mayor and Clerk . . . may sign a deed or other document to which the Municipality is a party, on behalf of the Municipality.
- *Administrative Order 56*, Respecting HRM Sale of Naming Rights, approved by Halifax Regional Council on March 5, 2013.
- *Administrative Order 55*, Respecting HRM Sponsorship Policy, approved by Halifax Regional Council on December 10, 2013.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Award the naming rights opportunity for the Dartmouth 4-Pad to the highest scoring proponent responding to RFP 17-354, subject to the negotiation and execution of a contract which, in the determination of the CAO, (i) complies with Administrative Order 56, (ii) meets the requirements of RFP 354 and (iii) achieves "HRM's Objectives" as outlined in Table 1 of the private and confidential In Camera report dated February 13, 2018;
2. Authorize and direct staff to work with Nustadia Recreation Inc. to negotiate a contract for naming rights with the highest scoring proponent that complies with Administrative Order 56, meets the requirements of RFP 17-354 and achieves HRM's Objectives;

....RECOMMENDATION CONTINUED ON PAGE 2

3. Authorize and direct the Mayor and Clerk to execute a contract for naming rights on behalf of the Municipality with the highest scoring proponent, once the CAO advises the Mayor and Clerk that the contract complies with Administrative Order 56, meets the requirements of RFP 17-354 and achieves HRM's Objectives;
4. Authorize and direct staff to undertake the following action as soon as is feasible, following direction being received from Regional Council to enter into contract negotiations:
 - a. hold a press conference with Nustadia Recreation Inc. and the highest scoring proponent, or
 - b. issue a multi-party press release announcing the name of the highest scoring proponent;
5. Direct staff not to release details about the highest scoring proponent's proposal, or the contract being negotiated for naming rights, until execution of the contract by the parties;
6. Direct staff not to release proposals received from unsuccessful naming rights proponents, unless and until (and only to the extent) required by law; and
7. Not release the private and confidential in camera report dated February 13, 2018, unless and until (and only to the extent) required by law.

BACKGROUND

The sale of external naming rights of publicly owned facilities is a practice which has been widely adopted to finance construction and/or maintenance of facilities. HRM has pursued opportunities related to a few of its assets, with the sale of naming rights for the BMO Centre in Bedford, Emera Oval and Molson Plaza and more recently, Scotiabank Centre. Regional Council also directed staff to explore opportunities for Dartmouth 4-Pad and directed staff to work with the facility operator to continue to explore sponsorship opportunities/naming rights for the facility.

Regional Council has entered a 20-year agreement with Nustadia Recreation Inc. to manage and operate the new Dartmouth 4-Pad Arena and staff, in conjunction with Nustadia Recreation Inc., have led the search for a naming rights partner.

DISCUSSION

Naming Rights Process

Pursuant to Administrative Order 56, a request for proposals (RFP # 17-354) for the sale of naming rights for the Dartmouth 4-Pad Arena was issued on September 7, 2017 and closed on October 11, 2017. The proposals were evaluated on the following criteria:

Net Present Value of Financial Contribution	<ul style="list-style-type: none"> • Term of proposal • Annual rights revenue • Impact to existing relationships 	50%
Exclusivity	<ul style="list-style-type: none"> • Degree of conflict and impact to existing tenants 	5%
Sponsor Activation	<ul style="list-style-type: none"> • Marketing objectives • Value-added benefits • Consumer engagement • Innovative sponsorship ideas 	15%
Financial Stability	<ul style="list-style-type: none"> • Credit rating • Industry stability 	15%
Company Fit	<ul style="list-style-type: none"> • Facility purpose • Community impact • Relationship to sport/entertainment landscape • Community history 	15%

Details on the recommend proposal are included in the private and confidential In Camera report.

Next Steps

Pursuant to the recommendations outlined in this report, should Regional Council approve the naming rights partner for Dartmouth 4-Pad, staff would finalize the contract between the parties. Due to the complexities of naming rights agreements along with multiple stakeholders and tenants of the Dartmouth 4-Pad, the contract negotiation could continue throughout the winter, and into the spring before a contract can be executed by all parties. Therefore, preparations for the change of the name of the facility, such as website design, new signage, etc., will be done concurrently with the finalization of the contract in order to have both the contract and the new name in place in time for the 2018 hockey season.

While the new name of the facility will not be formally in effect until the contract is finalized between the parties, there is significant preparation that is required to launch a new name and changes which will have to be coordinated in the building. Therefore, it is recommended that the name of the highest scoring proponent be announced in the days following direction being received from Regional Council to enter into contract negotiations.

FINANCIAL IMPLICATIONS

Revenues received from the naming partner would be included in the Multi District Facilities Reserve, Q546 and will be used to offset the funding required for Dartmouth 4-Pad’s life cycle refurbishment requirements and customer enhancements.

Budget Summary, Multi District Facility Reserve, Q546

Balance in reserve December 31, 2017	\$ 1,957,741
Projected revenue to March 31, 2018	\$ 224,457
Commitments to March 31, 2018	<u>\$(5,944,878)</u>
Projected net available balance, March 31, 2018	\$(3,762,680)

The reserve is projecting a negative net available balance due to the funding of the approved capital project to refurbish the Scotiabank Centre. The reserve is to be replenished by contributions of the Scotiabank Centre’s Naming Rights and its annual surplus. Based on the estimated contributions to the reserve from Scotiabank Centre, it will take approximately 8 years to recover the current project costs. If the reserve is to be used to fund any further refurbishments for future fiscal years, this will increase the recovery period.

Obligation Reserve, Multi District Facility Reserve, Q546 is to provide funding to significant capital projects related to building recapitalization, renovations, leasehold improvements or replacement of Multi-District Facilities. Funding arises from contributions as outlined within operating agreements for HRM-owned Multi-District Facilities with potential funding based on the facilities’ annual operating budgets and naming rights revenue; annual contribution from BMO Centre and Dartmouth 4Pad; annual operating surplus and naming rights of Scotiabank Centre; amounts transferred to the fund as approved by Council; and interest accumulated in accordance with the Corporate Guidelines respecting Reserves. The recommendation does not have a negative impact to the reserve balance as this is an unbudgeted contribution to 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 operational, financial, and strategic risks.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

None identified.

ALTERNATIVES

- Alternative 1: Regional Council could choose to not to proceed with the sale of naming rights for the Dartmouth 4-Pad.
- Alternative 2: Regional Council could choose not to accept the naming rights proposal from the recommended proponent.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Michael Ryan, Manager, Community Partnerships 902.490.1585
