



**City of Kingston
Report to Council
Report Number 18-103**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Luke Follwell, Director, Recreation & Leisure Services
Date of Meeting: May 1, 2018
Subject: Naming Rights Agreement – Leon’s Centre

Executive Summary:

In November 2017, Council endorsed a naming rights agreement extension until June 30, 2018 with Rogers Broadcasting Limited for the Rogers K-Rock Centre through [Report Number 17-250](#). The naming rights contract was extended under the same terms and conditions and avoided a name change during the Ontario Hockey League (OHL) regular 2018 season. This extension was established through exclusive negotiations as per the existing contract with Rogers Broadcasting Limited.

As per the extension agreement with SMG Canada ULC for the management of the Rogers K-Rock Centre, SMG has a responsibility to attract and manage the naming rights company. SMG has been actively working on attracting a new naming rights sponsor in the past months and has now signed a letter of intent with Leon’s Furniture Limited, represented locally by McKercher Kingston Ltd. (Leon’s), dated April 13, 2018 to rename the venue to the “Leon’s Centre” for a total of \$257,500 per year, with Consumer Price Index (CIP) adjustments commencing in year two (2), for a period of five (5) years with an option to renew for another term of five (5) years.

This naming rights revenue is higher than the amount included and assumed in the operational budget. Staff are recommending that Council endorse this naming rights agreement with McKercher Kingston Ltd. to be formally known as the Leon’s Centre.

Recommendation:

That Council endorse the naming rights agreement for the Kingston Regional Sports and Entertainment Centre with McKercher Kingston Ltd., to be formally known as the Leon’s Centre from July 1, 2018 until June 30, 2023, with an option to extend for another five (5) years; and

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That the Mayor and Clerk be authorized to execute the agreement in a form satisfactory to the Director of Legal Services.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

Lanie Hurdle, Commissioner, Community Services

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Denis Leger, Commissioner, Corporate & Emergency Services	√

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Options/Discussion:**Background**

In February 2008, Council approved the execution of a Naming Rights Sponsorship Agreement that allowed the name of the Kingston Regional Sports and Entertainment Centre (KRSEC) to be rebranded as the “K-Rock Centre”. The Agreement also provided for potential assignment of the agreement in the event of sponsor reorganization and/or sale of assets. The term of the naming rights sponsorship agreement was for a period of ten (10) years from February 19, 2008 to February 18, 2018.

In March 2013, Council approved the name change from the “K-Rock Centre” to “Rogers K-Rock Centre” as a result of a request from Rogers Broadcasting Limited to incorporate the “Rogers” brand to reflect their corporate identity.

In January 2017, Council approved the extension agreement with SMG Canada ULC for the management of the Rogers K-Rock Centre. Contained within that extension was a requirement for SMG to attract the naming rights company and manage the resulting agreement. In exchange for their services SMG will receive seven and a half percent (7.5%) of the total annual fee to attract and manage the new sponsor. The previous naming rights agreement included a fifteen percent (15%) commission payable to an external agency to retain and attract Rogers Broadcasting Limited.

SMG, acting on behalf of the City of Kingston, negotiated a four (4) month extension of the existing naming rights sponsorship with Rogers Broadcasting Limited. In November 2017, Council approved the extension of the agreement under the same terms and conditions until June 30, 2018. The yearly contribution for the naming rights agreement was an average of \$190,000 per year, with the final year contribution of \$215,000.

Market Valuation

In 2017, the City of Kingston retained the services of Bonham/Wills & Associates (BWA) to analyze the naming rights to the KRSEC. BWA is an international recognized sports and entertainment sales firm with over a quarter century of experience in the sponsorship marketing industry. The valuation process is based on a conservative philosophy whose objective is to arrive at the fair market value for sponsorships. Through the annual marketplace research and from expertise acquired in the course of evaluating hundreds of properties and negotiating sponsorship contracts for property and corporate clients, BWA has developed formulas for determining the value of sponsorship such as the naming rights to the KRSEC. Specifically, BWA completed the following:

- a. Identified all areas of the KRSEC that present value to a potential naming rights sponsor and what is available in Kingston’s current inventory;
- b. Determined the value of the of the KRSEC as a naming rights sponsorship property; and
- c. Developed a strategy that may be used as a roadmap in implementing a naming rights sponsorship sales campaign.

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Based on the above analysis, BWA identified an annual fee for the naming rights sponsorship package would be in the range of \$249,000 to \$375,000.

Process

SMG continued to work with Rogers Broadcasting Limited and other interested parties to ensure a naming rights sponsorship agreement is in place beyond the June 30, 2018 date. SMG began its prospecting activities shortly after the extension agreement with Rogers was executed. Their activities were centered in Kingston through corporate and local business channels. BWA was also engaged by SMG to help facilitate regional and national sales discussions and to use the roadmap developed in the valuation process. Through these combined efforts, the naming rights opportunity was pitched to over 100 companies.

In addition to Rogers, serious discussions progressed with financial institutions and one retail company, Leon's Furniture Limited, represented locally by McKercher Kingston Ltd. (Leon's). The discussion with Leon's continued to develop over the last few months and has resulted in the recommended naming rights sponsor. A letter of intent has been signed with McKercher Kingston Ltd. and endorsed by Leon's Furniture Limited to establish a five (5) year naming rights agreement for a total of \$257,500 per year with a Consumer Price Index (CPI) adjustment starting in the second year and an option to extend for an additional five (5) year term.

Proposed Draft Agreement

The proposed naming rights draft agreement has been through an initial review by SMG and the City, including Legal Services. There are still some operational and minor legal points that need to be clarified within the agreement. These points will be reviewed to the satisfaction of both the City's Legal Department and the Director of Recreation and Leisure Services prior to the agreement execution. Highlights of these points including the following elements:

- a. Signage rights for the Centre (exterior venue signage, exterior digital sign, concourse, menu boards, scoreboard, wayfinding and pillar wraps)
- b. Two (2) suite licenses for the length of the term
- c. Four (4) complimentary tickets to all non-primary tenant events
- d. Four (4) Family skating events per year presented by the sponsor
- e. Eight (8) days per year rent free use of the facility for charity events
- f. Ticketmaster advertising
- g. Off-site activation to promote shows at sponsor venues
- h. Highly visible presence across all Centre's social media platforms

The table below summarizes the projected annual fee for the term of the naming rights agreement with a year one (1) fee of \$257,500 and increased annually by the Consumer Price Index (CPI) using the five year average of 1.62%. This represents an average annual fee of \$265,979, over the first five (5) year term and an average of \$288,233 over the second (2) five year term. The total ten (10) year average is \$277,106 per year, which represents an increase in the current yearly average contribution from Rogers of \$190,000.

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Description	Annual Fee
Year 1	\$257,500
Year 2	\$261,672
Year 3	\$265,911
Year 4	\$270,218
Year 5	\$274,596
Year 6	\$279,044
Year 7	\$283,565
Year 8	\$288,159
Year 9	\$292,827
Year 10	\$297,571

Average Fee compared to other similar sized Facilities in the Ontario Hockey League

City staff and SMG reviewed some of the recent naming rights agreements sold at other similar facilities in the Ontario Hockey League.

- a. London, Ontario: Budweiser Gardens, London Knights, \$640,000
- b. Hamilton, Ontario: First Ontario Credit Union, Hamilton Bulldogs, \$350,000
- c. Erie, Pennsylvania: Erie Insurance Arena, Erie Otters, \$300,000
- d. Oshawa, Ontario: Tribute Communities Centre, Oshawa Generals, \$250,000
- e. Niagara, Ontario: Meridian Centre, Niagara Icedogs, \$200,000

It should be noted that although naming rights agreements tend to vary in their deal points, the proposed agreement for the KRSEC includes general deal points that are found in most agreements.

Existing Policy/By-Law:

Naming of Corporate Assets Policy
Corporate Sponsorship Policy

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

The proposed \$257,500 represents an increase in the previous naming rights agreement with Rogers Broadcasting Limited and is higher than SMG's budget revenues for 2018.

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Other City of Kingston Staff Consulted:

Alan McLeod, Senior Legal Counsel & Deputy City Solicitor, Legal Services

External Consultation:

Lynn Carlotto, General Manager, SMG Canada

Exhibits Attached:

Not applicable