

11TH REPORT OF THE

INVESTMENT AND ECONOMIC PROSPERITY COMMITTEE

Special meeting held on June 26, 2012, commencing at 4:02 PM, in the Committee Room # 5, Second Floor, London City Hall.

PRESENT: Councillor J.B. Swan (Chair), Mayor J.F. Fontana and Councillors D. Brown, M. Brown, S. Orser, B. Polhill and P. Van Meerbergen and C. Saunders (Secretary).

ALSO PRESENT: Councillors J.L. Baechler, D.G. Henderson and S.E. White and R. Armistead, E. Gamble, M. Hayward and M. Turner

I. DISCLOSURES OF PECUNIARY INTEREST

1. That it **BE NOTED** that no pecuniary interests were disclosed.

II. CONSENT ITEMS

2. Culture Days Funding for 2012

Recommendation: That the following actions be taken with respect to the Creative City Fund Granting Program and London's Culture Days Weekend Celebration:

- a) on the recommendation of the Manager of Culture and Municipal Policy, the Creative City Fund Granting Program **BE DISBANDED** and the 2012 funding of \$75,000 from this granting program be placed into the operating budget of the Culture Office, to be spent on the implementation strategies identified in London's Cultural Prosperity Plan once it is created; it being noted that the Investment and Economic Prosperity Committee received the attached communication from the Manager of Culture and Municipal Policy; and
- b) on the recommendation of the Creative City Committee, London's Culture Days Weekend Celebration **BE PROVIDED** with \$50,000 in existing funding in 2012 from the Culture Office budget

III. SCHEDULED ITEMS

IV. ITEMS FOR DIRECTION

3. Naming Rights - Downtown Entertainment and Sports Centre

Recommendation: That, on the recommendation of the Deputy City Treasurer, the name change for the downtown entertainment and sports centre located at 99 Dundas Street, from the John Labatt Centre to Budweiser Gardens, **BE APPROVED**; it being noted that the Investment and Economic Prosperity Committee reviewed the attached report from the Deputy City Treasurer.

V. DEFERRED MATTERS/ADDITIONAL BUSINESS

VI. ADJOURNMENT

The meeting adjourned at 4:44 PM.

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June 26, 2012

Chair and Members

Investment and Economic Prosperity Standing Committee (IEPC)

At its meeting held on June 20, 2012, the Creative City Committee (CCC) is recommending to the IEPC that the following additional clause (b) amendment be made to the report submitted by the City Treasurer, Chief Financial Officer entitled "The Creative City Fund Granting Program":

(a) That, on the recommendation of the Manager of Culture and Municipal Policy, the Creative City Fund Granting Program **BE DISBANDED** and the 2012 funding of \$75,000 from this granting program be placed into the operating budget of the Culture Office, to be spent on the implementation strategies identified in London's Cultural Prosperity Plan once it is created.

(b) That, on the recommendation of the Creative City Committee, London's Culture Days Weekend Celebration **BE PROVIDED** with \$50,000 in existing funding in 2012 from the Culture Office budget.

3

TO:	CHAIR AND MEMBERS INVESTMENT AND ECONOMIC PROSPERITY COMMITTEE MEETING ON JUNE 26, 2012
FROM:	MIKE TURNER DEPUTY CITY TREASURER
SUBJECT:	NAMING RIGHTS DOWNTOWN ENTERTAINMENT AND SPORTS CENTRE

RECOMMENDATION

That, on the recommendation of the Deputy City Treasurer, the name change for the downtown entertainment and sports centre **BE APPROVED** from the John Labatt Centre to Budweiser Gardens.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

None.

BACKGROUND

Global Spectrum in their role as Facility Manager is exclusively contracted to market and sell, at the best possible price, the suites, the club seats, naming rights, sponsorship and advertising opportunities in respect of the downtown entertainment and sports centre.

In the Agreement, the City has retained approval rights for the naming of the building.

The Current Naming Rights Deal

- The current deal gives Labatt the first right of negotiations for subsequent naming rights deal;
- The current deal gives Labatt the right to change the name of the venue, with proper approvals;
- The current deal expires October, 2012.

Highlights of the New Naming Rights Deal

- There have been 5 venues with new naming rights deals from the comparator group over the past three years. The average value of these naming rights deals went from \$322,000 to \$317,600, a decrease of 2.5%;
- The Labatt naming rights deal in London increased almost 28%; the next highest increase in naming rights deals was 11% for this group;
- Labatt will be responsible for all costs associated with this change;
- The new deal is a 10 year deal, expiring October 11, 2022.

Negotiations Process

1. Front Row Marketing Services (FRMS) was engaged to analyze Venue Naming Rights and to identify and qualify potential naming rights partners (in case negotiations with Labatt failed). FRMS is in the business of naming rights: they have brokered 15 naming rights deals valued at over \$66,000,000 and they have evaluated over 75 naming rights deals on behalf of venues, government agencies, events and corporations.
2. FRMS provided a Sponsorship Evaluation Report to determine appropriate naming rights value. This valuation was determined using historical data on impressions, attendance and media values for the naming rights at the John Labatt Centre.
3. FRMS also reached out to some other potential naming rights partners to gather information on perceived value and interest in venue naming rights; the conclusion was that there was some interest and our target valuation was at the high end of a market-acceptable range.
4. Global Spectrum entered into negotiations with Labatt based on the Sponsorship Evaluation Report, comparable information and field research by FRMS; negotiations took over 12 months to complete.

Comparisons of Value from Analysis

1. FRMS also provided a comparable analysis of current naming rights deals from 44 venues in North America. This analysis included comparisons based on venue size, market size (Census Market Area — CMA), a value to market population calculation and league affiliation. These venues housed either CHL or professional minor league hockey teams, but no NBA or NHL franchises. Global Spectrum used this database to ensure their proposed valuation was in line with the industry values and they determined that it was.

The analysis indicates that the JLC was ranked in the middle of the 44 venues for both venue size and market size, however the JLC was ranked in the top five for both naming rights value and value per market size. The naming rights were also ranked 1st in value and second in value per market size compared against 9 other OHL venues.

2. FRMS also noted that there were five venues included in this analysis that had renewals or new NR agreements during the past three years (they did not include one venue agreement that went from a reported \$865,000 to \$425,000 upon renewal as it was such a drastic change).
 - a) The sizes of the venues ranged from 4,500 to 14,000 seats with an average capacity of 9,600 (the JLC was 3rd on this list);
 - b) The average value of the NR deals went from \$322,000 to \$317,600, a decrease of 2.5%;
 - c) The Labatt NR deal increased almost 28%; next highest increase in NR deals was 11%.
3. The new deal is a ten (10) year deal, expiring October 11, 2022. (Average from comparison database is twelve (12 years); five deals are less than ten (10) years.)

Labatt London

- Labatt has been a major part of London since 1847 when the brewery at Richmond and Simcoe Streets produced about 1,000 bottles of beer a year;
- The London Brewery now produces close to 40% of Labatt Canada's beer (more than one billion bottles and cans of high quality products);
- Budweiser is critical to Labatt's success and the ability to continue to contribute to the community in London.

Labatt is excited about continuing their sponsorship of the venue for another ten years. This is largely possible because of the success of Budweiser in Canada.

The Importance of Budweiser to London – Canada's Number One Brand – 42% of Labatt London Volume

- Labatt's has brewed Budweiser in London since 1981 (31 years) and it is now the single largest brand brewed in London. Budweiser, Bud Light, and the other Bud family brands account for 42% of London's total volume – nearly 15% of all beer produced in Canada;
- It is critical to Labatt and their employees that marketing investments like the naming of the venue help advance their business and market share.
- Labatt's interest in changing the name of the venue is driven by the popularity of Budweiser in Canada and the importance of Budweiser to Labatt London. Budweiser is synonymous with hockey in Canada. The London Knights and recreational hockey are key attractions at the venue;
- Budweiser is already a large part of the Labatt heritage, and the Labatt name continues to be prominent in London and elsewhere in Canada;
- Over the past couple of years, the London Brewery has lost significant production as a result of an agreement reached with the U.S. Department of Justice, when InBev and AB merged in 2008. This resulted in the sale of Labatt USA and meant that the London and Montreal Breweries could no longer brew beer for the U.S. market. Budweiser for the Canadian market has helped greatly in making up for that lost volume.

Labatt/Budweiser as a Local Economic Driver

- The London Brewery brews 3.7 million hectolitres of beer, representing total sales of more than \$1 billion; pays its approximately 865 skilled workers and professionals nearly \$120 million in salaries and wages; spends nearly \$240 million on goods and services; has invested more than \$50 million in upgrades and new equipment in the past five years; pays Federal, Provincial and excise taxes of about \$232 million per year; provides sponsorships and donations to the community of about \$2.4 million per year; and pays local property taxes in London and elsewhere in Ontario of about \$1.8 million per year; ; Budweiser, Bud Light, and the other Bud family brands account for 42% of London's total volume – nearly 15% of all beer produced in Canada;
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- With its commercial sponsorship, Labatt has supported the JLC since it's opening in 2002. They have contributed millions of dollars accounting for a significant portion of the venue's total income since its establishment;
- Their proposal for the next ten (10) years will continue that significant commitment and level of support.

In Terms of Community Support


- The Company's philosophy of supporting the communities where they operate started in 1859 when the founder donated 1,000 pounds of flour to help London families during the severe depression of the day. That pride and sense of duty has been evident throughout the Company's history and it is as strong today as ever;
- In June 2011, Labatt donated two of Canada's most significant collections of historic corporate materials and original art to The University of Western Ontario and to Museum London, respectively. The two collections were examined by the Canadian Cultural Property Export Review Board which determined them to be of "outstanding significance and national importance" and of "historical cultural significance" and appraised them at more than \$8.3 million. This ensures that Labatt's London heritage is accessible to Londoners for years to come;
- In August, 2011 the London Brewery's third annual food drive donated about 4,700 lbs. of food, including fresh fruit, eggs and other perishables to London residents through the London Food Bank;
- The Company has been a Canadian leader for a quarter century in encouraging consumers to enjoy Labatt beer responsibly and moderately and in the fight against drinking and driving – the societal issue that concerns more Canadians than any other. They constantly update their moderation programs to ensure they are relevant with consumers and young adults of legal drinking age;

- The Company is a long-time sponsor of the annual Thames River Clean-Up. For a decade, London Labatt employees have gathered garbage from the shoreline and water. In 2010, under the Adopt-A-River program, London Labatt employees took ownership of the 700-metre stretch of river behind their brewery;
- Labatt have made significant capital investments in the London Brewery to ensure sustainability. A \$310,000 investment in a capture tank to divert beer from the drain has large financial and environmental benefits, while a \$150,000 investment in two capture tanks, a pump and piping are capturing 390,000 hL water/annually. A utility rebate and \$50,000 added LED lighting in areas where 24-hour illumination is required, where on/off motion control is not appropriate, to save 200,000 kwh/year. A \$43,000 HVAC heat recovery coil is saving 1,250,000 MJ/year;
- The London brewery:
 - Reduced the fuel used to make a single hectoliter of beer by 35%. Burning less fuel reduces air emissions that lead to greenhouse gases and potential climate change;
 - Reduced electricity use by 25% saving over 30,000 megawatt hours;
 - Reuses 98%+ of beer bottles 15 to 20 times;
 - Recycles 39 million kilos of spent grains and yeast, supplying Canadian farmers with high quality livestock feed;
 - Crushes 12,000 kilograms of aluminum beer cans for recycling;
 - Recycles 4.2 million kilos of glass, and 7.2 million kilos of baled paper;
 - Diverts 31,000 hectoliters of recovered beer from wastewater by having it converted into windshield washer fluid.

The Naming Rights Agreement with Labatt has been signed by Labatt and Global Spectrum representatives.

Based upon the information provided above, Civic Administration believes this deal represents a good value for the naming rights for the downtown entertainment and sports centre.

The only remaining item is for the City to approve the new name in accordance with our Agreement with the Facility Manager.

RECOMMENDED BY:

MIKE TURNER DEPUTY CITY TREASURER

c. M. Hayward