



Report to: General Committee

Meeting Date: November 28, 2016

SUBJECT: FLATO Developments: Amendment and Extension of Naming Rights for FLATO Markham Theatre
PREPARED BY: Dennis Flaherty, Director- Corporate Communications and Community Engagement

RECOMMENDATION:

- 1) THAT the report titled “FLATO Developments: Amendment and Extension of Naming Rights for FLATO Markham Theatre” be received;
- 2) AND THAT the City of Markham agrees to extend the existing naming rights arrangement with FLATO Developments for exterior and interior naming rights of the FLATO Markham Theatre as outlined in this Report, in exchange for a naming rights fee, for a term of twenty (20) years;
- 3) AND THAT the Markham Theatre continue to be named the “**FLATO MARKHAM THEATRE**”, and the VIP Lounge continue to be named the “**FLATO DEVELOPMENTS VIP LOUNGE**”, and such names continue to be utilized in all promotional and administrative materials, and in connection with all functions, operations and communications associated with the Markham Theatre;
- 4) AND THAT a naming rights fee payable by FLATO Developments of \$95,000 per annum starting January 1, 2017, subject to a 2% annual increase effective January 1st in each year thereafter, for a total twenty (20) year contribution of \$2,308,276.00 be approved;
- 5) AND THAT the remaining naming rights terms outlined in this Report be approved;
- 6) AND THAT the Mayor and Clerk be authorized to execute a naming rights agreement with FLATO Developments in accordance with the naming rights terms outlined in this Report, and in a form satisfactory to the Commissioner of Corporate Services and the City Solicitor;
- 7) AND THAT proceeds for the renewed naming agreement be deposited into account 890 890 9254 (General Sponsorship);
- 8) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to obtain approval from Council for the amendment and extension of exterior and interior naming rights of the Markham Theatre through a sponsorship arrangement with FLATO Developments in accordance with the terms outlined in this Report.

BACKGROUND:

In 2009, Council directed Staff to pursue sponsorship opportunities, and awarded a contract to Wakeman & Associates Marketing Inc. to undertake the development and negotiation of sponsorship opportunities. This included valuation of identified City facilities, assets and events. Wakeham & Associates Marketing Inc. pursued solicitations in the business community over a course of one year. At the same time, City Staff continued similar efforts with other potential sponsors to achieve sponsorships through naming rights opportunities.

As a result of these efforts, a “Naming Rights Agreement” was approved by Council on April 3, 2012, providing exterior and interior naming rights of the Markham Theatre to FLATO Developments. The agreement included annual payments of \$75,000 (plus an escalation per year based on increases in CPI). As part of that agreement FLATO Developments provided an additional investment of \$30,000 for replacement of the illuminated sign on the Markham Theatre.

Prior to the Naming Rights Agreement, FLATO Developments was the presenting sponsor of the “Professional Entertainment Season” of the Markham Theatre for the 2009-2010 Season (\$25,000) and for the 2010-11 Season (\$40,000).

During the term of the Naming Rights Agreement, FLATO Developments has invested in several theatre show programs including: Sherya Ghosal in 2013 (\$25,000); TAJ in 2014 (\$5,000); and Jim Witter in 2015 (\$6000). FLATO Developments will also be making a one-time purchase of 6 theatre tickets for all ArtHouse Condo buyers, which has an estimated value to the FLATO Markham Theatre of approximately \$40,000. In support of the arts, FLATO Developments has also purchased memberships to Markham’s Varley Art Gallery for all 173 owners of ArtHouse Condos, valued at approximately \$25,000.

FLATO Developments has committed to raise \$100,000 for the FLATO Markham Theatre “Take Your Seat” campaign by December 2018, and will provide any necessary funding, if required, to the fundraising campaign to achieve the \$100,000 goal in 2018.

OPTIONS/ DISCUSSION:

This Report outlines the proposed terms to extend the naming rights arrangement with FLATO Developments for a term of twenty (20) years. This would include payment by FLATO Developments of an annual naming rights fee of \$95,000 (subject to a 2% increase annually as noted in the “Financial Considerations” section of this Report).

In addition, FLATO Developments will continue a commitment to sponsor/underwrite all the costs of bringing, once a year, one major South Asian celebrity for a performance in Markham. Bringing Bollywood/South Asian shows/events would be on a “best efforts” basis, and any revenues generated by these events will cover the cost of the event and the remaining

revenue/profits will be shared equally between the City of Markham and FLATO Developments.

PROPOSED TERMS FOR EXTENSION OF NAMING RIGHTS

The Markham Theatre will remain branded as the “FLATO MARKHAM THEATRE”, and the Markham Theatre VIP Lounge will remain branded as the “FLATO DEVELOPMENTS VIP LOUNGE”. These names will continue to be utilized on all promotional and administrative materials, and in connection with all functions, operations and communications related to the FLATO Markham Theatre / FLATO Markham Theatre VIP Lounge, including the following:

General Exposure:

- Events advertising and presence – traditional media – Markham Theatre and rental clients;
- Markham Theatre brochures, flyers, posters, sales kits, house programs, rental clients promotional material and programs, and any other printed, promotional collateral;
- Markham Theatre interior TV monitors;
- Markham Theatre tickets and ticket envelopes;
- Markham Theatre website, web links, web advertisement and e-marketing;
- Markham Theatre telephone communications – lines, messages;
- Live mentions – Markham Theatre events and public functions;
- Print mentions – Markham Theatre press releases, programs, listings;
- Markham Theatre letterheads/envelopes/business cards, and other business documents.

Signage:

- Highway 7 electronic marquee;
- Public road signs –Highway 7, Highway 404, Warden Avenue, Apple Creek Boulevard, McCowan Road;
- Markham Theatre Exterior – Marquee Entrance;
- Markham Theatre Exterior – Back Wall;
- Markham Theatre VIP Lounge – “FLATO Developments Lounge”.

NOTE: naming rights in connection with the above signage are subject to the City of Markham maintaining signage at the stated locations, which signs may be relocated or removed at the sole discretion of the City of Markham

Corporate Exposure:

FLATO Developments corporate signature exposure – use of FLATO logo on some Markham Theatre assets and materials when exclusively related to the professional entertainment season - may include the following, and may be subject to change, according to the marketing plans of the Markham Theatre:

I. Exposure

- Events advertising and presence –
traditional media: Print advertisement is
at least ½ page or larger ;
- Print advertisement inserts;

- Markham Theatre Season Guide, Single ticket brochure(s), and house programs – sponsor section;
- Other corporate publications to be determined;
- Markham Theatre tickets (back) and envelopes;
- Markham Theatre website, web links, web advertisement and e-marketing;
- Live screen in the auditorium, before selected performances.

2. Mentions and listings

- Recognition at performances, public relation and press events related to the Markham Theatre;
- Live Mentions before each performance related to the professional entertainment presented by Markham Theatre during the season.

NETWORKING AND PROMOTIONAL OPPORTUNITIES

Advertising of FLATO Developments Products

- FLATO Developments printed promotional material (developed by FLATO at its own cost) to be distributed in all City of Markham Community Centres. The promotional material will be distributed through the City of Markham's existing network (with the size, and design details, and frequency of distribution of material to be confirmed with the City of Markham's Corporate Communications Department). FLATO Developments advertisement on the City of Markham's Electronic Indoor Boards (the details of which will be confirmed with the City of Markham's Corporate Communications Department).
- Markham Life: One page included in each issue. Placement at the City of Markham's discretion and until such time that Markham Life ceases publication;
- Full page corporate advertising in Markham Theatre House Programs.
- Full page corporate advertising in Markham Theatre Season Guide.

Theatre Tickets

- Four (4) VIP tickets to the annual Markham Theatre Gala – dates and specific artists TBA each year.
- Tickets to season performances from September to May of each year, with a limit of 8 tickets per show and a total maximum of 50 tickets per year (subject to ticket availability).
- Additional discounted tickets to Markham Theatre Season (at subscriber rate).

Promotion, networking and hospitality

- Access to the FLATO Developments VIP Lounge for pre or post performance receptions, subject to availability.
- Meet and Greet, Photos with guest artists (subject to artist availability).

Usage of Markham Theatre, 4 times per year of the Term

- FLATO Developments will provide their preferred dates of use to the Markham Theatre by October 31 of each year for use in the subsequent year.
- Markham Theatre Staff will advise FLATO within one week if the dates are available, and where necessary, suggest alternative dates within one week of receipt of FLATO's request.

- Markham Theatre Staff will confirm dates to FLATO Developments before the end of November for the subsequent year.
- FLATO Development has the opportunity to identify preferred use dates throughout all 12 months of the calendar year, subject to availability, and only restricted where existing Markham Theatre bookings are in place at the time of FLATO's request.
- Rental fees will be waived:
- Production, hospitality, and staff costs will be charged to FLATO Developments.
- FLATO Developments shall be required to enter into the City of Markham's standard facility rental agreement in respect of such use.

Permanent FLATO Development Display in Theatre Lobby

- FLATO Developments will retain its existing promotional display in the Markham Theatre for the term of the Agreement and has the opportunity to make alterations to this display from time to time, in consultation with the Markham Theatre Manager.
- At the reasonable request of the City of Markham (including, without limitation, in the event of wear and tear), the FLATO Developments promotional display will be replaced at the sole cost and expense of FLATO Developments.

SPECIAL TERMINATION CONSIDERATIONS

The City of Markham may terminate the Agreement, in its sole discretion and without penalty, if the current FLATO Markham Theatre ceases to operate during the term of the Agreement.

The City of Markham may terminate the Agreement, in its sole discretion and without penalty, if a new City of Markham owned theatre facility is established within the City of Markham during the term of the Agreement, in which case the current naming rights to the FLATO Markham Theatre will not be transferred to the new theatre, but FLATO Developments will be given first right of refusal to acquire the naming rights to the new theatre at fair market value, subject to Council approval.

FINANCIAL CONSIDERATIONS

In order to better understand the potential revenue that could be generated through corporate sponsorship, the City of Markham contracted Wakeham & Associates Marketing Inc. in 2009 to conduct an evaluation and assessment of sponsorship opportunities and to provide recommendations as to how the City might maximize sponsorship revenue for its various facilities and assets.

Since the execution of the current Naming Rights Agreement in 2012, FLATO Developments has been a valued partner in the promotion and success of the FLATO Markham Theatre, including bringing high profile Bollywood / South Asian entertainers to the City of Markham and making a number of additional financial investments in tickets sales, programs and commitments to the FLATO Markham Theatre's "Take Your Seat" campaign. Naming rights

agreements of this nature tend to attract other brand name sponsors to a venue more quickly, and the FLATO Markham Theatre has since acquired a number of annual sponsorships.

As of 2016, the current Naming Rights Agreement was valued at \$80,320, based on annual CPI increases to the original \$75,000 naming rights fee. It is estimated that the current agreement (set to expire in 2021) would see a final naming rights fee of approximately \$88,000, based on the previous five-year average CPI increase of 1.75%.

The proposed new agreement will begin annual payments of \$95,000, effective January 1, 2017, and include an annual 2% increase for twenty (20) years to account for the continued increase in value of the naming rights. With this proposed new agreement, the City will realize approximately an additional \$72,000 in additional sponsorship revenue above what the current agreement would have provided through to 2021. With the 2% annual increase, the final annual naming rights fee in 2036 will be \$138,398.00, providing a total twenty (20) year sponsorship commitment of \$2,308,267.00.

The proceeds for the proposed naming rights agreement will be deposited into account 890 890 9254 (General Sponsorship).

HUMAN RESOURCES CONSIDERATIONS

Non applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

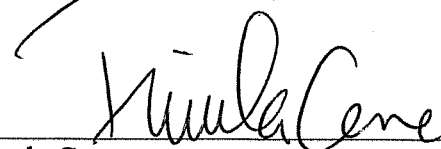
Aligns with the City of Markham's corporate Goals: Engaged, Diverse and Thriving City and Stewardship of Money and Resources as set out in the City of Markham's updated Strategy Building Markham's Future Together - 2015-2019.

BUSINESS UNITS CONSULTED AND AFFECTED:

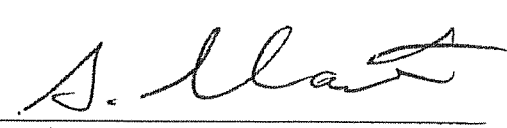
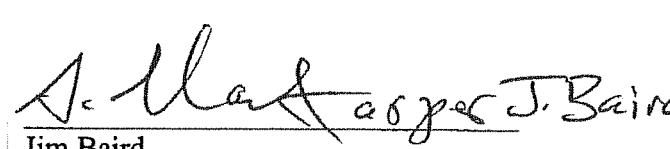
Mayor's Office, CAO Office, Development Services Commission, Corporate Services Commission, Legal Department, Economic Development and Culture Department, and Communications and Community Engagement Department.

RECOMMENDED BY:
Dennis Flaherty

Director, Corporate Communications and Community Engagement


Trinela Cane

Commissioner of Corporate Services


Stephen ChaitDirector, Economic Development and
Culture
Jim BairdCommissioner of Development
Services**ATTACHMENTS:****Appendix A:** Minutes of April 3, 2012 Council Meeting: FLATO Developments – Naming
Rights for Markham Theatre**Appendix B:** Presentation**Appendix C:** Existing_ Proposed Agreement Comparison