



City of Arts & Innovation

Economic Development, Placemaking, Branding, and Marketing Committee Memorandum

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TO: ECONOMIC DEVELOPMENT, PLACEMAKING, BRANDING, AND MARKETING COMMITTEE **DATE: NOVEMBER 2, 2023**

FROM: OFFICE OF THE CITY MANAGER **WARDS: ALL**

SUBJECT: PHASE ONE NAMING RIGHTS SPONSORSHIP ASSET INVENTORY AND VALUATION REPORT PRODUCED BY SUPERLATIVE GROUP, INC.

ISSUE:

Consider a naming rights Sponsorship Asset Inventory and Valuation Report produced by Superlative Group, Inc., and advise staff regarding next steps for the analysis.

RECOMMENDATIONS:

Consider a naming rights sponsorship Asset Inventory and Valuation Report presented by Superlative Group, Inc. (Exhibit A) and advise staff regarding next steps for the Report and potential negotiation and sales of naming rights in the City.

BACKGROUND:

On May 5, 2020, the City Council approved a Citywide Partnership (Naming Rights) Policy that set parameters for consideration of corporate sales of naming rights for various municipal assets. City Council also directed staff to release a Request for Proposals (RFP) for consultant services to assist the City in development and implementation of the Corporate Partnership Program. On June 18, 2020, the City issued RFP 2028 for a naming rights consultant, but this solicitation was withdrawn as the City began implementing emergency Covid-19 policies that impacted City operations.

On November 17, 2022, the Economic Development, Placemaking, and Branding/Marketing Committee approved a contract with Superlative Group, Inc., to evaluate naming rights opportunities across a number of hard assets (e.g., buildings) and soft assets (e.g., festivals and events) for the city of Riverside. On March 21, 2023, the City Council ratified the contract with Superlative Group, Inc., to analyze naming rights opportunities for the City and potentially represent the City in sales negotiations.

DISCUSSION:

Headquartered in Cleveland, Ohio, The Superlative Group is one of the foremost U.S. experts in the valuation and sale of Naming Rights and corporate sponsorships for public and private sector clients. Founded in 1994, Superlative has industry expertise in sales, valuation analysis, along

with attorneys and accountants that manage the entire sponsorship marketing process from stakeholder engagement, industry research and valuation, to negotiating, closing and stewarding of partnerships. Over the past 28 years, Superlative has garnered almost \$3 billion in naming rights sponsorship and premium seating revenue for clients such as the City of Sacramento, City of Palmdale, City of Placer Valley, City of Irvine, City of Santa Monica, California State University System, UCI Health, numerous California transit agencies, and Cal Baptist University.

The Report:

Superlative analyzed the City’s various assets for potential naming rights and corporate partnership sales over a four-month period beginning in February of 2023. This process consisted of conversations with City staff and outside partners, analysis of existing agreements, market and foot traffic numbers supplied by staff, as well as an on-site visit in mid-April. Superlative applies an impressions-based fair market valuation using a “cost per thousand” criteria to value naming rights. In this analysis, a potential naming for a building or billboard would attract attention because of its placement, and the aggregate of views for that naming placement would be valued based on demographic, media market trends, and other characteristics (e.g., size, rotation, demand, population) of the greater Riverside market.

Placement of naming rights and the valuation therein varies specific to the placement itself; where a naming placement adjacent to a freeway will be valued higher because of the larger number of views received, whereas naming a building placed on a side street would be valued lower. For Riverside, Superlative analyzed major buildings (Convention Center, Fox Theater) and other assets that could be packaged for naming rights (parks facilities, trails, etc.) and the potential to brand festivals and events. Valuations were then benchmarked against similar assets in markets nationwide that roughly approximate the economic and consumption characteristics of Riverside. Valuation rates were aggregated to the overall Riverside market and then broken down into a cost-per-thousand-images (impressions) number. Sample valuations of major Riverside assets are included in the chart below.

Asset	Fair Market Value (FMV)	Value Range (Floor)	Value Range (Ceiling)	Term (Years)	Revenue Potential (Floor)	Revenue Potential (Ceiling)
Riverside Convention Center Naming Rights	\$283,046	\$250,000	\$300,000	25	\$9,114,816	\$10,937,779
Main Library Naming Rights	\$119,309	\$100,000	\$120,000	25	\$3,645,926	\$4,375,112
PRCSD System Corporate Partnership	\$163,540	\$150,000	\$200,000	10	\$1,719,582	\$2,292,776
Fox Theater Presenting Sponsorship	\$155,080	\$130,000	\$160,000	10	\$1,490,304	\$1,834,221
Library System Corporate Partnership	\$140,387	\$120,000	\$150,000	10	\$1,375,666	\$1,719,582
Mission Inn & Spa Festival of Lights Presenting Sponsorship	\$102,217	\$90,000	\$110,000	5	\$477,822	\$584,005
Box Theater Presenting Sponsorship	\$39,882	\$30,000	\$50,000	10	\$343,916	\$573,194
Riverside Aerial Fireworks Show Presenting Sponsorship	\$21,453	\$20,000	\$30,000	5	\$106,183	\$159,274
TOTAL	\$1,024,914	\$890,000	\$1,120,000		\$18,274,216	\$22,475,942

Valuations are presented with a low-end value and a ceiling or maximum that the analysis believes can be achieved in the Riverside market. The analysis also recognizes that naming rights have different periods of partner involvement; with larger and more inclusive naming partnerships lasting longer, for instance 25 years for a potential Convention Center partner, and shorter periods for lower value assets and subsidiary naming opportunities (e.g., “presented by” opportunities). Superlative advises that naming rights should never go in perpetuity.

This valuation, based on the best research available, does not guarantee that a naming rights opportunity can be obtained for every asset that was analyzed in the report, nor does it take into account the impacts of existing contracts and agreements on City buildings that may affect the ability for a potential partnership opportunity. Further, this report is a market based analysis and does not take into account alternative scenario valuations, such as philanthropic and foundation naming rights, for building assets with less commercial potential.

With direction by the Committee and City Council, Superlative Group would engage the local Riverside market and try to negotiate naming rights opportunities with local and regional businesses. Per the City's contract with Superlative, they would receive a market standard 15% commission on sales for the initial duration of naming rights agreements.

Existing Naming Rights Agreements in California:

Naming rights deals are now ubiquitous in California, with buildings and municipal departments forming corporate partnerships. Some notable California examples include the examples listed below.

- City of Sacramento – SAFE Credit Union Convention Center – Approximately \$920,000 annually for 25 years.
- City of San Diego – Toyota donation of 34 lifeguard vehicles – Approximately \$245,000 in value annually.
- City of Santa Monica - Bikeshare Program sponsor – Approximately \$700,000 annually for 5 years.
- City of Irvine – Multiple sponsorship packages for the Great Park – Approximately \$650,000 annually for 20 years.

STRATEGIC PLAN ALIGNMENT:

This item aligns with **Strategic Priority 5 – High Performing Government** and **Goal 5.4:** to maintain fiscal health by addressing gaps between revenues and expenditures.

This report aligns with each of the five cross-cutting threads as follows:

1. **Community Trust** – Building naming rights capacity will serve the public interest by potentially expanding programs and completing projects with external funding; benefiting the City's diverse populations, and result in greater public good.
2. **Equity** – Outside funding can be used to allow more City departments to be creative and competitive for grants, resulting in a more equitable distribution of funding opportunity that can reach populations citywide.
3. **Fiscal Responsibility** – The City ensures to maximize outcomes in usage of naming rights capitol as a way to lessen pressure on the General fund.
4. **Innovation** – This funding provides the City with the ability to create an innovative program for building capacity with the result in receiving greater external funding.
5. **Sustainability & Resiliency** – Riverside builds capacity by finding new resources that allow departments to adaptively address resident needs.

FISCAL IMPACT:

There is no fiscal impact for analysis and direction related to the attached draft report. Specific future naming rights deals would be valued based on current market conditions, the asset itself, and negotiations with the potential partner. Specific naming deals would be handled pursuant to the City's current approved corporate partner policy. Per the City's contract with Superlative, they would receive a market standard 15% commission on sales for the initial duration of naming rights agreements.

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availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Exhibit A – Draft Analysis Report from Superlative Group, Inc.
2. Presentation