

CSD 4-2021  
JANUARY 13, 2021  
APPENDIX 1



# 2020

## Inventory Asset Identification and Valuation Overview Report

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## Introduction

The following is an overview of the completed inventory development based on the scope of the project for your use in reviewing the opportunity for a Regional sponsorship revenue program. This report is a high-level report specific to the assets in scope for the Niagara Region. It has been designed to describe the process of the asset review work, the outcomes, and overall observations and recommendations.

As per our contract, this was to be a combined report with the work being done for the City of St Catharines. We mutually agreed after the fact that we would deliver this individualised high-level report specifically for the Niagara Region scope of the project as a priority versus a longer delivery time of a combined report. The reasoning behind this (prior to the outbreak of COVID 19 and the resulting delay in delivery) was so that you had the Canada Games asset valuations ASAP. This is that report. It is abbreviated from the perspective that it will not go into the more detailed examples and background information. That will appear in the St Catharines report. This report will specifically and through brevity provide you with your specific Niagara Region outcomes.

## Background

The Partnership Group – Sponsorship Specialists® was contracted to conduct a sponsorship audit to identify and value specific sponsorship assets and properties associated to the Niagara Region within the City of St Catharines as well as specific Canada Games new capital development assets. As well the City of St Catharines will be receiving a sponsorship audit to identify and value specific sponsorship assets and properties within the City of St Catharines that are owner / and or operated by the City of St Catharines. (See Appendix).



The focus was to identify / develop, and value an inventory list of the tangible assets of these facilities / events and programs that have real value (ROI) for a sponsor. The overall objective of this process is to ultimately better position Niagara Region to generate incremental partnership revenue.

The Scope of the project for the Niagara Region included the following:

- 1) Canada Summer Games Park
- 2) Canada Summer Games – New Henley Centre - Capital Project
- 3) Regional Headquarters/International Plaza (supporting Canada Summer Games)
- 4) Community Services
  - a. Adult Day Program - Linhaven LTC Home
  - b. Linhaven long term care facility
  - c. Roy Adams Dementia Care Facility
  - d. Wellness Supportive Living sites - 15 Gale Crescent and 479 Carlton Street
  - e. St. Catharines Regional Child Care Facility
- 5) Public Health
  - a. EMS Station (2)
  - b. Public Health Office/Sexual Health
- 6) Other
  - a. Landfill/naturalization site
  - b. Bridges (specific names to be confirmed)
  - c. St Catharines GO/VIA Station
  - d. Water Treatment Plant (3 – 2 wastewater and 1 water)
  - e. Police station under construction



## The Executive Summary Report

Overall, the total value of the almost 1000 unique sponsorship marketing assets identified in the scope of work for the Niagara Region is \$7,631,574.29 (\$7.6M). This amount includes the specific values of the assets identified to a total of \$6,255,388.76 (\$6.3M) along with \$1,376,185.53 (\$1.4M) in goodwill associated to Niagara Region. We have created a tiering system that ensures you maximize revenues for the Region and ensure a positive ROI for your partners. There are four tier levels. The top tier (Tier One) partners will need to spend a minimum of \$225,000 a year with you. The Tier Two partners will be required to spend between \$150,000 and \$225,000 a year with you; the Tier Three partners will engage at a level between \$75,000 and \$150,000. And finally, your lowest level investors will need to spend a minimum of \$25,000 a year with you and their programs will range between that \$25,000 and \$75,000 levels. It is important to understand that these tiers have been established based on ultimately having “Region wide” sponsorship sales versus specifically in the St Catharines area.

<b>Tier</b>	<b>Spend Range per Year</b>
<b>1</b>	\$225,000 +
<b>2</b>	\$150,000 - \$225,000
<b>3</b>	\$75,000 - \$150,000
<b>4</b>	\$25,000 - \$75,000

It is estimated that most of your partners will be in the Tier Three and Four levels. Also, it is important to note that of the \$6.3M in assets, \$2.8M (or almost 45%) of that is in naming rights or associated to naming rights for just 5 buildings (Train station, Police Station, Canada Games Park, EMS Centre, Burgoyne Bridge). That means if those 5 properties we removed from the inventory your total asset value decreases to \$3.5 M (or with goodwill, \$4.3M). This is a substantial difference in revenue opportunity.

Based on all of this; the value of your assets, the types of assets, the projected sales ability and such, we would be confident in projecting, based on the existing inventory of nearly 1000 assets that the

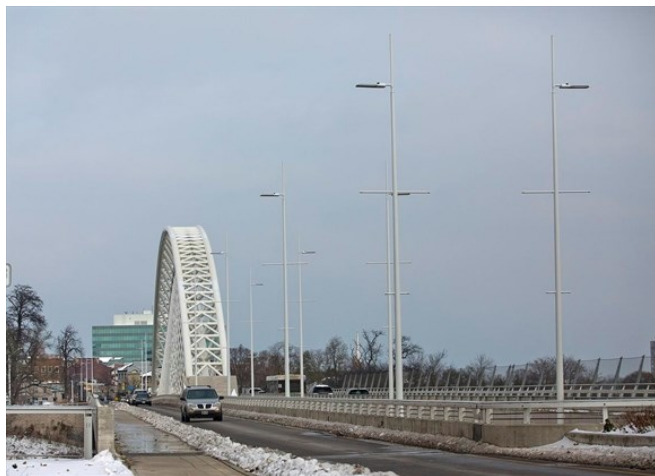
Niagara Region should be able to conservatively generate \$875,000 to \$1.2M per year of the \$7.6M in assets and that it would take approximately 2 years to reach that plateau. This projected annual revenue generation **does** include revenue generated from the two Canada Games properties within the scope of the project. *If those revenue (short and long term) were to be removed* from the mix the annual revenue projections would more realistically be \$500,000 to \$750,000 per year and take 3 to 4 years to reach that plateau.

And finally, it is important to understand that the effects of COVID 19 have been equated into these projections.

## Review Process

The Partnership Group conducted a thorough and comprehensive review of the identified properties in the scope of work for the Niagara Region by determining a sponsorship asset inventory. This process included the following:

1. We reviewed current sponsorship plans, existing collateral materials, websites etc. as well as architectural design layouts (Canada Games), descriptions of programs, names of program leaders and other stakeholders for interviews, budget and forecasting for overall operating and future operating, traffic counts and expectations, and special event projects. This was done primarily by our provision of a client “needs checklist” which detailed the information that we required to start the process.
2. We made ourselves available to spend time onsite for interviews and physical site visits. Through the audit process of Niagara Region for the asset inventory, we segregated, where appropriate, inventory benefits to specific areas for easy recognition and understanding as outlined in the scope of the project.



**It should be understood that while this inventory is comprehensive it is not exhaustive even within the limited scope of the project.**

3. As is typical, we researched other properties similar in nature to the identified properties for Niagara Region to garner additional insight that enhanced the inventory and valuation of your assets as well as used our extensive database of over almost two decades of information on existing organizations and benchmarked you against those.
4. Our experienced Partnership Group – Sponsorship Specialists® team has now reviewed the final draft of the naming rights and sponsorship asset inventory

This process also included the assignment of the actual number of units you have of each asset. Like a typical inventory system this component allows you to track the remaining assets available for future sponsorship opportunities.

The review of the was assessed against accepted event marketing and sponsorship industry best practices. This report will present you with information that will resonate with you and some that will not. Some of the information will sound familiar, but no less important for successful marketing around Sponsorships/Partnerships. We have met our goal if we have stretched your comfort zone around these areas with the thought in mind of outlining the complexities and inter-relational issues that exist to execute effectively in sponsorship.

## **Inventory Analysis**

Overall, the report identifies close to 1000 inventory benefits for the Niagara Region. Of the benefits identified, some are physical such as signage or logo inclusion, others are intangible such as access or alignment to the Niagara Region. These unique benefits in turn, extrapolate to significantly more of inventory items, tens of thousands of assets. An example



of this is that there may be a benefit item named “logo ID on web page”. This is just one benefit, but there are many of them available to be sold or included in a proposal.



All inventory benefits will not be sold at face value. It is an industry standard (from averaging of multiple properties in this field and experience) that approximately 33% of the total inventory will be sold (Industry average including programs, sport, causes, and arts – each category then differs a little). This is because, when packaged, some inventory will be built in as value added. For instance, a proposal may have a value of \$10,000, but the asking price is \$9,250. The potential sponsor receives, at the front end, value added. This shortens the negotiation time and provides “better value” for the sponsor. In addition, during negotiations, you may surrender additional inventory to secure a partnership. This is common practice. And finally, there is probably some inventory that may be “lemons” to potential or all sponsors and thus never sold.

**The next step with the valuation would estimate, *conservatively*, in the case of the Niagara Region, approximately what percentage of the total value of your inventory should be able to be bundled and sold effectively. We have addressed this approximate percent of total inventory value both in an aggregated number of all the identified assets within the Region and Canada Games combined as well as those assets segregated to Region not including Canada Games assets and then finally the two key Canada Games assets individually (Henley Centre and the Canada Games Park)**

In the case of the Niagara Region this is infinitely more difficult to extrapolate. Because this is just a portion of your inventory (St Catharines assets versus full Region). As well some of the



assets do reflect “Regional scope” such as web inclusion or police vehicles versus others (the majority) are St Catharines specific. So, to extrapolate projected revenue has been considerably difficult. We also have to take into account that several of the key assets of high value are assets



that you may not wish to sell. This process also takes into account the results of the review of inventory, quality of the inventory, our industry experience and our perception of the ability and expertise of the Niagara Region to create sponsorships effectively. As a result of these specific situations, we have determined that (as noted in dollar figures above) that with the Canada Games inventory included you should be able to generate between 11 and 13% of your total asset inventory. Without those assets you should be able to generate about 10 and 13%, but the revenue will take slightly longer to reach this lower plateau.

When we look at just the Region's assets within the scope of this project there is a total approximate value of about \$6.1M and effective the Region should be able to sell about 10% of this inventory and annually generate about \$615,000 per year and it will take 3-4 years to reach this plateau.

On the other side when we look at just the two showcase Canada Games assets in this inventory (Canada Games Park and Henley Centre) there is respectively about \$1.2M in value of which the Games should realize about 44% of that value or about \$530,000 per year and over a 10-year period generate \$5.3M. Combined with this, the Henley Centre valuation of all the associated assets comes to about \$285,000 per year of which the Games should realize 40% of that value or about \$115,000 per year or over a 10-year period about \$1.15M. This is to say, through a sponsorship sales program over a 10-year period the Games should deliver about \$6.5M in revenue.

One element not considered in the project and possibly critical to revenue generation on the Games side of the equation is philanthropic giving. As we are not specifically a philanthropic consulting agency, we are not qualified to determine that exact valuation or donation potential revenue, but truly can provide some ranges having been part of major capital campaigns at organizations like the University of Regina and University of Manitoba – both Canada Games partners. Typically, a philanthropic gift (different from a sponsorship marketing investment both in deliverables and CRA implications) tends to be higher in value with less long-term workload and fulfillment expectations. Based on this, you might look at the Henley Centre (with its heritage and also the potential donor alignment) to be a one-time up-front gift in excess of \$2.5 to \$3.5M over a term of say 20 years versus the 10 year \$1.15M opportunity. Likewise, between the overall

Canada Games Park and the associated specific properties within the Park, charitable naming could exceed \$10M possibly over a longer-term period. It is also important to note that the focal point naming of the centre-piece Canada Games properties in both Winnipeg and Red Deer were philanthropic gifts, not corporate sponsorship marketing investments.

## Asset Valuation

This component includes the valuation of all these assets *individually* in real market terms by industry accepted standards and practices. This will allow the Niagara Region to clearly understand the value of the assets and realistic potential revenue generation as well as provide sponsors and prospects **with independent 3<sup>rd</sup> party-verified values in your proposal presentations and reports.**

The asset valuation process is done using a proprietary three-stage approach:

1. Review each asset *individually* (including social media assets) and apply our own industry accepted proprietary formulae to determine a quantitative “base value” for each asset. Every single tangible and intangible asset in the inventory, for instance, a naming, a sampling opportunity, a speaking engagement or a sign has been given a real market value.
2. Two plus two does not always equal four. Sometimes an asset has an intrinsic value, or a perceived value that is higher than a real market value. We also know that other similar properties and organizations have set their values in a certain way.
3. Lastly, similar to the inventory review phase, we engage our entire Partnership Group – Sponsorship Specialists® team to review the valued assets and provide feedback. This experienced review by leading sponsorship industry professionals provides us with a final refinement in valuation before we present the final inventory asset valuation report to you.

## The Properties and Associated Values

The following each of the 20 specific properties within the scope the project for the Niagara Region and the associated gross value of assets for each:

<b><u>Assets</u></b>	<b><u>Value</u></b>
<b>Community Services:</b>	
Adult Day Care Programs	\$65,760.27
Linhaven Long Term Care Facility	\$24,975.12
Roy Adams Dementia Care Facility	\$16,738.47
St Catharines Regional Child Care Facility	\$4,653.95
Wellness Supportive Living Sites Kenworth Acres	\$144,679.43
<b>Community Service Total</b>	<b>\$256,807.23</b>
<b>Community Service Total Including Goodwill</b>	<b>\$313,304.82</b>
<b>Public Health</b>	
Ontario Street EMS Station	\$459,482.92
Linwell Centre EMS Station	\$25,717.35
Public Health Office - Sexual Health	\$10,923.16
<b>Public Health Total</b>	<b>\$496,123.43</b>
<b>Public Health Total Including Goodwill</b>	<b>\$605,270.59</b>
<b>Other</b>	
Regional Headquarters	\$89,956.79
Canada Summer Games Park	\$1,204,295.73
Canada Games - Henley Centre	\$284,189.11
International Plaza	\$177,702.58
Landfill	\$360,637.85
Landfill Naturalization Site	\$15,843.96
Burgoyne Bridge	\$2,258,861.58
St Catharines GO/VIA Station	\$509,902.35
New Police Station	\$504,293.71
Water Treatment Plant	\$31,244.41
Wastewater Treatment Plants (2)	\$58,191.85
Administration & Invoicing	\$7,338.18
<b>Other Total</b>	<b>\$5,502,458.09</b>
<b>Other Total Including Goodwill</b>	<b>\$6,712,998.88</b>
<b>Total Asset Value</b>	<b>\$6,255,388.76</b>
<b>Total Asset Value Including Goodwill</b>	<b>\$7,631,574.29</b>

## Tiering

The Partnership Group - Sponsorship Specialists® uses a distinctive and critical system to ensure that maximum potential is achieved for each asset sold in a package. Tiering helps prioritize the assets, manage their usage and facilitate proper integration into your customized packages for prospective sponsors. Ultimately it helps maximize sponsorship revenue for the Niagara Region and maximizes ROI for your partners. It is through Tiering, bundling and custom package development versus stock proposals that you will maximize your revenue potential.

## Term

Each value would be allocated a value of a 1-year term unless otherwise noted. For example, a presenting sponsorship or naming rights for an area illustrates the value of those benefits for a 1-year period. When developing proposals for corporate prospecting a minimum number of years must be contemplated based on each agreement, and this revenue will then be extrapolated by the number of years. Likewise, there are specifically noted benefits that are applicable based on an event or single time period as opposed to a 1-year benefit such as “room usage” which would be valued on a per occurrence basis.



## Observation and Recommendations

To this point, this high-level report has provided empirical data and factual information around the Niagara Region Sponsorship IAV associated to the City of St Catharines. This final section of the report intends to simply provide some commentary, if you will, on the observations, findings and recommendations through the many discussions which took place throughout the process and upon review of the empirical data.

### Observations:

1. There is terrific opportunity for revenue development for the Region based on the outcomes of the St Catharines trial, but the Region will need to consider if it wishes to sell naming rights to several major properties / structures / facilities or not before truly determining the potential revenue generation. This decision will need to look at a Regional decision, not the Region specific to St Catharines.
2. There will probably be much debate around associating sponsorship with the health services side as well as daycares and community services. The Region will need to determine which of these (if any at all) will be included in the final inventory of saleable assets before a true projection of revenue can be determined.
3. The Region will need to determine the extent to which it will align with partners through corporate content integration into Region publications as well as the Region online. The scope of this project did not include social and digital media which typically has terrific asset value. This was not a “St Catharines specific asset” and thus not inclusive. We do suggest upon deliver of the St Catharines IAV Report that you take note of the valuation of the social and digital media section as your value typically would be in excess of what the City of St Catharines delivers. But again, you will need to determine the extent to which you may wish to sell these assets or not.
4. A large majority of the assets identified, and assets with value (other than naming rights) are really activation and engagement assets. This means interaction with audiences whether those be at events, facilities or otherwise. The Region reaches a lot of people “one on one” and can deliver this access that other organizations cannot and also reaches key audiences (seniors, children, people engaged in health care issues) which places greater value

opportunities with these assets.

5. When we review the Tiering levels, it identifies that, outside of the key naming rights already identified (which are all Tier One assets – organizations spending more than \$225,000 per year with the Region over multiple years) the bulk of the assets indicate that a great deal of sponsorships will fall in the range of Tier 3 and 4. This means the build of your sponsorships (other than the major naming rights and Canada Games assets) will be between \$25,000 to about \$100,000 per year. Also, we believe, even if you look at a Region wide program and scale the St Catharines experience, that without the major naming rights opportunities you will have probably 80% of your sponsorship deals between that \$25,000 and \$100,000 per year range. This makes for a great deal of work to secure say \$3M per year in revenue across the entire Region with 60 sponsors at \$50,000 each.
6. The Canada Games Park and the new Henley Centre (both Games properties) revenue from sponsorship will not come directly to the Region as revenue but will defray possible deficit support if the Games fail to secure the capital revenue for the new buildings. But this does not provide ongoing revenue long term to the Region.
7. If the Region moves forward with undertaking a sponsorship revenue generation program, you will need to determine the how you will sell your sponsorships; outsource to a third-party agency, build internal capacity; align with a municipality like St Catharines to sell your assets for you
8. When we look at some of the “Regional” assets identified and assessed such as Water Treatment centres, administration and invoicing, Regional Headquarters overall, with the exception of the Landfill corporate content integration into pamphlets and publications, the revenue is pretty low. It is important to remember you will only generate about 1/3 (one third) of the actual value of the assets available... because if you sell everything you will look like NASCAR which is not where you or the taxpaying citizens of the Region want to go!
9. The following are guiding principles that should be understood when determining if you will invest in a full-blown sponsorship marketing program. These are what we believe to be important foundations for a Municipal Partnership Program and future sponsorship agreements:



- a. Sponsorship revenue should not be used to fund core programs and services
- b. A portion of the revenue generated through future sponsorships should be allocated towards establishing and/or improving the sponsored program, service, facility or enterprise
- c. The contributions of municipal sponsorship partners should be acknowledged by the Region in a public manner on a regular basis
- d. Sponsorship recruitment should match a prospective partner with the audience/participant interests to ensure there is a good fit between the partner and the audience/participant
- e. The focus of the “ask” to potential sponsorship partners should be marketing-based objectives and not philanthropic or charitable in nature
- f. The products, services and brand of sponsorship partners should not reflect negatively on the Region
- g. The Region should not enter into any sponsorship agreements including naming rights with companies that are a direct competitor of the Region or its enterprises



### Recommendations:

The following are our recommendations for the Niagara Region based on the limited trail scope of this inventory asset identification and asset valuation project associated to the City of St Catharines combined with our observations above and decades of experience in this field.

1. Review the St Catharines IAV report for insights into regional assets such as digital / social and online revenue opportunities before you make any further decisions on a sponsorship program
2. Develop a plan and strategy to determine which of the assets you have in this IAV that you will be able to sell. If you determine that naming rights to bridges, EMS / Police stations and Community Services facilities as well as social and digital and traditional communications assets to incorporate sponsors and sponsor content, then we would recommend you move

forward with an IAV for all your assets across the Region. If all of these aforementioned assets do not “make the cut”, then you will need to assess the viability of a sponsorship program. This does not mean you should not move forward but you will need to assess the potential revenue and also determine the costs to acquire that revenue.

3. We would recommend that the Region also look to develop a plan around a Regional philanthropic donation program if one does not already exist. With some of your assets (such as Community Services and bridges) there is a probably a significant appetite to do a philanthropic naming of some of these assets versus sponsorship. You already have the asset valuation and Tiering level, so calculation of philanthropic valuation is not a major amount of work. This would provide additional revenue opportunities and also possibly (if needed) appease opponents to corporate naming opportunities as an additional opportunity approach.
4. Should you move forward with a sponsorship marketing program, as noted in the observations, you will need to determine the approach for revenue generation. Our recommendation is that if you include all naming rights opportunities, engage a third party to sell those naming rights for you. They will typically secure the revenue faster and more cost effectively. If all the naming rights are not included (such as if the EMS / Police stations nor the bridges and VIA station), or for all the remaining assets outside the third party sold assets, then look to having the sponsorship program sold by a partner municipality like St Catharines. We would not recommend that the Region undertake the development of their own sales force for sponsorship unless no specific municipality is also selling sponsorships. You do not want to be in the marketplace directly competing with your municipalities, even though your assets are different. It will be far more effective to have a municipality like St Catharines bundle your assets with their assets to provide holistic sponsorship programs. The only other alternative approach would be to have the Region be the lead on sponsorship and sell for the Region and on behalf of each of the municipalities as well. This approach (if multiple municipalities decide to get into this game such as St Catharines, Niagara Falls, Welland, Fort Erie – basically 50% of your population) would be overall the most effective and cost-efficient approach if those four municipalities were also engaged in sponsorship revenue generation.
5. We would recommend that you not make a determinant of if you will undertake a sponsorship revenue program until the following four tasks are undertaken:

- a. Review the City of St Catharines IAV and extrapolate values for your own use
  - b. Determine what the Region has appetite for in regard to naming rights and sponsorship overall and then build a case for support to move your plan forward in principle
  - c. Determine the appetite for other municipalities within the region (other than St Catharines) to undertake sponsorship revenue generation so the Region is sure of who all may be in the game in the Region
  - d. Undertake a Region wide IAV (based on “approved” or agreed upon assets such as naming etc.) to clearly understand what assets you have and the potential annual revenue
6. We would recommend that if you do choose to move forward with a sponsorship revenue generation program that a policy around sponsorships (and donations) be developed, approved, and implemented.
  7. We would recommend that if you do choose to move forward with a sponsorship revenue generation program that a detailed sponsorship sales strategy and implementation plan with measurable benchmarks be developed.

We are prepared to provide 10 hours of mentoring and consulting time to assist you in the next steps of the recommendations at no additional charge. Should you wish to engage additional time it will be available at the discounted rate of \$270 / hour plus HST.

We would like to thank you in earnest for the opportunity to work with the Niagara Region. All of the people we interviewed were a pleasure to work with and provided terrific insights. We sincerely hope that this information will provide you with the insights you were seeking to make future determinations on a Niagara Region corporate sponsorship marketing program.

Respectfully submitted,



Brent Barootes  
President & CEO  
Partnership Group – Sponsorship Specialists®

## Appendix – Data Numbers for Determining Valuations

The following chart illustrates the “traffic” numbers utilized to assist in the determination of the asset values. When this information was not directly provided by the Niagara Region we researched online and across our data bases to determine accurate numbers.

Location	Traffic
<b>Community Services:</b>	
Adult Day Care Programs	2000 Actual participants registered annually including staff
Linhaven Long Term Care Facility	550 Actual residents including staff + "bubble family"
Roy Adams Dementia Care Facility	350 Actual residents including staff + "bubble family"
St Catharines Regional Child Care Facility	40 Actual participants registered annually including staff + multiple visits / interactions
Wellness Supportive Living Sites Kenworth Acres	500 Actual residents including staff and services
<b>Public Health</b>	
Main EMS Station	350 unique visitors annually - many multiple visits
Linwell Centre EMS Station	100 unique visitors annually - many multiple visits
Public Health Office - Sexual Health	12,500 unique visitors annually - many multiple visits
<b>Other</b>	
Region Population	As of 2016 - 447,888
St Catharines Population	As of 2016 - 133,113
Canada Summer Games Park - During Games	18,000 unique visitors over the 2 weeks - many multiple visits
Canada Summer Games Park - Post Games	115,000 unique visitors annually - with many multiple visits
Canada Games - Henley Centre - During Games	12,000 unique visitors over the 2 weeks - many multiple visits
Canada Games - Henley Centre - Post Games	125,000 unique visitors annually - many multiple visits
International Plaza - During Games / Event	2,500 unique visitors in a given day
International Plaza - non event day	1,200 unique visitors on a given day
Landfill	35,800 people annually

<b>Location</b>	<b>Traffic</b>
Landfill Naturalization Site	125 unique visitors annually - many multiple visits
Burgoyne Bridge	16,000 vehicles per day with 1.25 passengers / / 1200 pedestrians per day
St Catharines GO/VIA Station	1,500 unique visitors daily - most twice per day + drop off exposure
Niagara Region Website	325,000 unique users per year