



Date: November 22, 2011

To: Thomas J. Bonfield, City Manager

From: Reginald J. Johnson, Interim Director
Department of Community Development

Subject: Minor Naming Rights for the Durham Performing Arts Center

Executive Summary

City Council approved a contract with Sports & Properties, Inc. (SPI) to sell minor naming rights for the Durham Performing Arts Center (DPAC). Staff request that the City Council to approve the following five contracts:

• Merck & Company, Inc.	Technical Director's Office	\$ 25,000
• Burt's Bees	Grand Tier West Concessions	\$ 6,000
• IBM	In-kind (high-rack computer server)	\$ 6,351
• F.M. Kirby Foundation	General Manager's Office	\$40,000
• Mary Duke Biddle Foundation	Operational Needs	<u>\$ 2,500</u>
		\$ 79,851

Recommendation

Staff recommends that City Council authorize the City Manager to execute a minor naming rights contracts with Merck & Company, Inc. in the amount of \$25,000.00; Burt's Bees in the amount of \$6,000.00; IBM for the donation of a high-rack server valued at \$6,351.00; the F. M. Kirby Foundation in the amount of \$40,000.00; and the Mary Duke Biddle Foundation in the amount of \$2,500.00.

Background

Through the City Council approved contract with SPI, Hill Carrow and his team have been marketing minor naming rights opportunities throughout the business community. Seven minor naming rights contracts have been negotiated to date and have been approved.

Minor naming rights represent the smaller opportunities ranging from signs above offices to conference rooms, to names on seats.

The agreement with SPI requires a 20% commission on each contract and a deduction for the cost of benefits, which in these cases covers the cost of the signage. In addition, City Council approved a resolution as part of the minor naming rights SPI contract which calls on the City to share 10% of all proceeds with the Carolina Theatre, Durham Arts Council and St. Joseph's Historic Foundation. The 10% is

shared equally among the three organizations. See Exhibit C for a breakdown of the calculation of net deposit.

Issues/Analysis

After commissions, cost of signage where applicable and revenue sharing are deducted, the remainder of the revenues go to reduce the Developer and City guarantee against future naming rights revenue. See Exhibit A (summary developer and city obligations) for a breakdown of how all naming rights agreements to date impact the guarantee. Exhibit B shows each agreement and how it reduces the guarantee over the debt service of the DPAC.

Alternatives

City Council can choose not to accept these funds and to solicit other businesses for these opportunities.

Financial Impact

These agreements have a positive impact to the City by reducing the City's guarantee toward debt service against future naming rights per Exhibit A.

SDBE Summary

Not applicable

Attachments