



CITY COUNCIL AGENDA REPORT

MEETING DATE: APRIL 5, 2005

ITEM NUMBER:

SUBJECT: SKATEPARK NAMING RIGHTS SPONSORSHIP PROGRAM

DATE: MARCH 24, 2005

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/RECREATION DIVISION

PRESENTATION BY: JANA M. RANSOM, RECREATION MANAGER

FOR FURTHER INFORMATION CONTACT: MARK TAYLOR, 714-754-5636

RECOMMENDATION:

Staff recommends City Council enter into the proposed Skate Park Naming Rights Agreement with Volcom and authorize the Mayor to sign on behalf of the City.

BACKGROUND:

At the August 2, 2004 meeting, City Council awarded a contract to the Public Enterprise Group (PEG) to conduct a feasibility study to determine the potential for a skatepark sponsorship program (along with a corporate partnership/sponsorship program). At the October 11, 2004 Study Session, staff provided Council the draft copy of the report with a brief explanation of each element that is considered marketable and feasible for implementation. At the November 1, 2004 meeting, City Council directed staff to proceed with Phase 2 (identification of marketable elements, discussion of the benefits and advantages of sponsorship to potential sponsors, and identification of potential sponsors) and return to Council with visuals of the park and contract terms. The City's consultant, Public Enterprise Group has surveyed the skate park sponsorship market, negotiated terms of a potential naming rights sponsor, and developed visuals of the skate park to illustrate the "look" of the park inclusive of the naming rights elements. Staff is now presenting to the City Council the visuals, naming rights package and introducing the interested sponsor, Volcom.

ANALYSIS:

The City contracted with the Public Enterprise Group to research the feasibility of marketing City assets, like the skate park, to interested companies in return for a fee. The City would receive a fixed revenue stream intended to offset the costs to operate and maintain the facility and the sponsor would receive a number of "rights" that would benefit them through marketing and name recognition.

Similar to an insurance broker surveying insurance companies for the best coverage/premium combination, PEG researched and approached companies who seek to market and sponsor facilities like the skate park. This research includes identification and

presentation of those elements considered feasible for marketing by the potential sponsor. Generally, the sponsor is looking for a facility with a high number of visual impressions where their name will be seen by those people in their sales demographic. PEG met with several companies and presented the skate park, its location, the available elements and community demographics to discuss sponsorship opportunities. Through this process, PEG has identified and negotiated with a local company, Volcom, to sponsor the skate park in return for a cash donation commitment.

Volcom is a Costa Mesa based multinational clothing and apparel company which sells to the sports markets of skate boarding, snow boarding and surfing. Volcom has been in business for fourteen (14) years and is headquartered in an 85,000 square foot office/distribution facility on the west side of the city. In addition to clothing, Volcom also has its own record label and produces sports movies. Staff has met numerous times with Volcom during the negotiations and Volcom is a very community oriented company which is looking to give back to the city and the youth of Costa Mesa.

Over the last several months, PEG and Volcom have been meeting and negotiating a naming rights agreement (Attachment 1) that would be mutually beneficial. The term of the proposed agreement would be for 10 years through 2015, with one 10-year option. The City would receive \$30,000 per year for the first 3 years, with cumulative Consumer Price Index escalators in 2008, 2011, and 2014, for a total sponsorship payment of over \$300,000 for the first 10-year term. This General Fund revenue is intended to offset the cost to operate and maintain the facility. In return for the annual fee, Volcom would receive the following "rights" under the Naming Rights Agreement:

- The name of the skate park would be "*Volcom Skate Park of Costa Mesa*"
- ¼ page ad in the City Community News/Recreation brochure, published 4 times a year
- Link from the City website to Volcom's website
- Ability to distribute promotional material and product at the skate park
- Use of the CostaMazing name and use of City name in promotional material (but not for items for sale without Council consent)
- 2 weekend events per year
- Banners on the 6 light poles
- Volcom logo on park benches within the skate park
- Name/Artwork on the entryway arch/sign
- Volcom logo shaped shade shelter
- Volcom logo imprinted on three skating bowl areas

Volcom will pay for the cost of installing logos, signs and equipment at the skate park in addition to the annual fee it will pay the City per the agreement.

This agreement has a number of built in protections to ensure the City monitors and maintains control of the image that is presented:

- The City retains the right to approve ALL advertising, promotional material and media that is displayed at the skate park.
- The City may remove any and all ads or signs that are worn or otherwise unsuitable for display.
- The agreement may be cancelled for breach of terms, lack of progress, bankruptcy or insolvency.

- The agreement may be cancelled if Volcom or any officer is charged with a criminal offense.
- The agreement may be cancelled if Volcom sells or markets alcohol, tobacco, or firearms.
- If the City does not install the shade shelter, it is under no obligation to pay for sponsor signage. Volcom may pay for installation of the shade shelter, but the City retains ownership and the right and responsibility to design, construct and install the shade shelter.
- City retains the right to determine the final size and location of Volcom's logo to be imprinted in the bowls. Volcom is responsible for actual costs to imprint the logo.
- The City maintains all asset management rights, rental and permit rights, and all other programming and promotional rights not otherwise identified.

The elements included in the sponsorship design are intended to be subtle and blend in the skate park and surrounding environment. This was done intentionally to minimize the visual impact outside the skate park. The name "Volcom" will be presented in only a few areas such as the entryway. The main branding element, the corporate logo (Attachment 2), will be on the bottom of the bowls and in a few other areas. The banners will be rotated and will feature art from Volcom or from local schools and artists (but may also include information on events and carry the Volcom brand).

ALTERNATIVES CONSIDERED:

- Council could choose not to enter into a sponsorship agreement for the skate park.
- Council could modify the elements within the proposed sponsorship agreement. If Council chooses to eliminate specific elements, PEG and Volcom would need to renegotiate the sponsorship fee as the \$30,000 annual fee is based on all elements contained in the agreement.
- Council could reject Volcom as the sponsor and direct Staff and PEG to identify and negotiate with other sponsors.

FISCAL REVIEW:

The sponsorship fee from this agreement will be deposited into the General Fund. If Council approves the sponsorship program with Volcom, the sponsorship fee could help offset some of the maintenance costs of the skate park. Staff anticipates that the operation of the skate park will have a budgetary impact of approximately \$10,000 for the electricity to operate the lights. This cost is part of the FY 06 proposed Maintenance Services budget. At this time, staff anticipates that any other maintenance and enforcement costs associated with the skate park can be provided by existing staff.

LEGAL REVIEW:

The City Attorney's office assisted in the negotiations and drafting of the naming rights agreement. The City Attorney has reviewed the agreement and approved it as to form.

CONCLUSION:

The Public Enterprise Group has determined the skate park located in TeWinkle Park does have sufficient marketable elements to provide for an additional revenue stream for the City. PEG has researched various companies and is recommending Volcom as the Naming Rights sponsor of the skate park. In return for certain exclusive "rights" Volcom would pay the City \$30,000 per year (plus escalators) for the term of the agreement. In addition Volcom will pay all costs associated with the installation of its identifying items at the skate park. Public Enterprise Group has reviewed having multiple sponsors versus a single sponsor and recommends a single sponsor because it will provide more value and revenue to the City, the skate park will look better with a single theme instead of multiple logos and brands, and, a single sponsor will feel a greater obligation to promote a positive image for the skate park.

Staff recommends City Council enter into the proposed Skate Park Naming Rights Agreement with Volcom and authorize the Mayor to sign on behalf of the City.

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ATTACHMENTS: 1 [Naming Rights Agreement: City of Costa Mesa & Volcom](#)
2 [Volcom Corporate Logo](#)