



COTTAGE GROVE CITY COUNCIL

12800 RAVINE PARKWAY SOUTH  
COTTAGE GROVE, MINNESOTA 55016

MARCH 16, 2022

SPECIAL MEETING - 6:00 P.M.  
TRAINING ROOM

1 CALL TO ORDER

2 ROLL CALL

3 AGENDA ITEM

A Recreation Facility Sponsorship/Naming Rights Program Discussion

*Staff Recommendation: Receive information from Front Burner Sports regarding potential partnership for recreation facility sponsorship and/or naming rights program(s).*

4 ADJOURNMENT



## City Council Action Request

# 3A

|                             |                                                                                                                                                   |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Meeting Date</b>         | 3/16/2022                                                                                                                                         |
| <b>Department</b>           | Parks and Recreation                                                                                                                              |
| <b>Agenda Category</b>      | Workshops - Open to Public                                                                                                                        |
| <b>Title</b>                | Recreation Facility Sponsorship/Naming Rights Program Discussion                                                                                  |
| <b>Staff Recommendation</b> | Receive information from Front Burner Sports regarding potential partnership for recreation facility sponsorship and/or naming rights program(s). |
| <b>Budget Implication</b>   | Financials will be discussed at the meeting.                                                                                                      |
| <b>Attachments</b>          |                                                                                                                                                   |

## MINUTES

### COTTAGE GROVE CITY COUNCIL

COUNCIL CHAMBER  
12800 RAVINE PARKWAY SOUTH

March 16, 2022

### **SPECIAL MEETING - 6:00 P.M.** **TRAINING ROOM**

1. CALL TO ORDER
2. ROLL CALL

City Clerk Joe Fischbach called the roll: Mayor Bailey - Here; Council Member Dennis - Here; Council Member Khambata - Here; Council Member Olsen - Here; Council Member Thiede - Here.

3. AGENDA ITEM

- A. Recreation Facility Sponsorship/Naming Rights Program Discussion  
*Staff Recommendation: Receive information from Front Burner Sports regarding potential partnership for recreation facility sponsorship and/or naming rights program(s).*

Parks and Recreation Director Zac Dockter noted when we expanded the Ice Arena in 2008, we started talking about potential sponsorships. He introduced Chris Potenza, who has done some rink-side advertising with us, including dasher boards and smaller sponsorship advertising panels. He's proven to be successful in the local sports industry and has expressed confidence that he can do this in Cottage Grove. Chris will give his presentation tonight, after which Council and staff will have a discussion.

Chris stated he's in the arena advertising business, selling dasher board signs in many rinks across the state. He also owns Front Burner Sports; they do more large-scale sponsorship work, including US Bank stadium and others. A couple years ago they were asked by Ramsey County to explore what naming rights on a local municipality building might look like. He'd speak about today's landscape, what's happening with naming rights and marketing on these types of projects, and why Cottage Grove should really be thinking about it. He noted deals are happening everywhere, including Target Field and Target Center; up until recently, those were always done on a national level and were very expensive. Over time, that's starting to change; it's moving locally, as more local communities are embracing this. Big brands are looking to engage with active lifestyle families; so, community centers, hockey facilities, swimming facilities, or

soccer facilities are places that are really interesting to them. They love the idea of being in front of busy, active families and becoming part of their healthy community. Now that we're hopefully starting to get past the pandemic, many brands are starting to reevaluate how they spend their marketing dollars. They're not as ready to give money to all of the big guys, but they're looking to make an impact to communities like Cottage Grove on a grassroots level.

Chris noted local community leaders want to provide great programs and great amenities to their current, and even future, residents. Communities have had their budgets challenged, so hard decisions are being made regarding programs you can provide and what you can do with amenities and facilities that you have. Some communities are looking at creating smart partnerships around buildings, like the Cottage Grove Ice Arena; others are adding to the experience for residents who go there. So, how we do some marketing that makes sense and adds value to the people who actually regularly attend events and participate in them. Local trends include HealthEast entering the market on a naming rights deal on what used to be the Bielenberg Arena, and the name Bielenberg is significant for Woodbury.

Their Projects: The TCO Sports Garden in Vadnais Heights: They're proud of the fact that it's the single most-profitable building, in terms of the naming rights deal itself, almost \$2M for a 15-year term. They brought Twin Cities Orthopedics in as a partner. TCO didn't just want to put their name on the side of the building, but also wanted to activate around it; therefore, they're gearing things in that city towards creating a healthy lifestyle for residents. That includes free concussion testing, health and wellness seminars, and they actually brought a clinic on the site to help the kids in real time. Elk River Community Center: A brand new \$28M facility for which Elk River wanted a naming rights strategy; it includes two inside ice rinks, a senior center, a fieldhouse, and a restaurant. We landed a naming rights partner for almost \$1M; it's called the Furniture and Things Community Center, for just the shell of the building. For the showcased rink, they cut a deal with a local auto partner; a seven-year deal for \$200K, with an eight-year renewal term afterward for \$300K. Similar deals were done throughout the building and so we created a small number of community champions. We communicated to residents that these businesses were the ones that had invested locally, so they were also keeping ice costs low and allowing us to bring programming to them; it's been really well received. Furniture and Things has been in the market there for 40 years, it's a wonderful local store; they're a community leader who wanted to throw a stake in the ground.

Chris stated the reality is that Cottage Grove has many of the same assets and attributes that any of these other communities have; you want to provide value to the residents and he thinks there's an opportunity for Cottage Grove to capitalize on that. He noted about eight-to-twelve communities in the Twin Cities metro will be in this game next year. There will be very hyper local Cottage Grove companies that will be in play for something like this, but TCO or TRIA or another partner might have to choose between a couple communities; being at the forefront is going to help your chances of maximizing what you can do. So, if you're going to do this, he felt sooner rather than later would make sense.

Chris thinks he's the only really local person that does this work; there are national firms, but he thinks it really makes sense to bring in somebody local. He's worked with the NFL, NBA, and NHL. Important discussions that need to take place should probably be done by someone who's previously done this work. If you hire a professional, you're not giving up control. A good person will be an extension of you, with regular communication, attendance at meetings, and giving updates. Every deal should be approved by the City Council; you should never have somebody tell you that they've completed a signed contract. Everything should be done in parameters set by the City, every deal should be at your discretion, and you should demand complete transparency from the individual who comes to the table and works with you.

Front Burner Sports:

- His locally-based company has been in business for six years; he personally has 30 years of experience. They have a track record of success; they're now on their fourth project in the last two years. They've been really fortunate and do good work. There's no cookie cutter approach, it's created specifically for you. They spend a lot of time making sure that you're comfortable with them and what they're saying; they're an extension of you, so you need to know that you can trust us.
- They take about 6-to-12 weeks on the front end making sure that they create and craft the right story that will be compelling to partners. They want to fully understand the building, all of the programs, and want to do a proper evaluation. They make sure that you sign off on what their pitch is going to be to partners; that's done before they ever meet with a prospective partner.
- Phase 1: Ramp-up Period; Phase 2: Chop Wood/Carry Water/Get Out and Talk to Everybody, its very polite and persistent outreach; Phase 3: Project Manage, making sure that they land the plane and do it in a way that will make you proud. Every sign, any digital activation, or any live activation, they'll make sure it happens, and will work with you to put the systems in place.
- The monthly fee is about \$3,000; they're also paid a commission on the project that they sell, which is typically a percentage of lifetime value of the deals. Every community is different in how that's paid: With a 15-year deal, some say we want you to collect it for all 15 years, and that's fine. Other communities have asked to pay it all at once to receive a discount; we work it out with every community. He recognizes fees are very important; they vary from as low as \$2,500 a month to as high as \$5,000 a month. Commissions have been anywhere from 8%-to-15%. They sit down and negotiate about what works best. Looking at total lifetime earnings of a project like Vadnais or Elk River, the amount given to them as a consultant ended up being approximately 5%-8%.
- They're always asked how long this will take; with most, we end up entering into deals for one year and then see what happens. TCO, start to finish, took a year. Elk River was a little bit more complex, and it's typically six-to-nine months or so to get a naming rights partner; so theirs was a two-year project.

Chris answered questions from the Council Members:

Council Member Khambata: 1) If we want to get started with your company, is the \$3,000 a month an upfront retainer or is it just a monthly fee? Chris replied that's a

monthly fee; there's a time commitment on their side with staffing, materials, and research, and we get some outside groups to help us with that. There are no additional fees for that. 2) If we go down this road and we want you to pull together a feasibility study to see what kind of interest there is in naming rights, what kind of time commitment is there; if we're two months in and realize that there's nothing that we deem satisfactory, is that the end of our contract, or are we under a contract for a year minimum and then we reevaluate? Chris replied he wants everybody working with his company to be satisfied, so every one of his deals has an out period; they typically want to be able to line down a project so they ask for a 60-day runway, but that can be discussed. If you decide this isn't going the way it should be, we want you to be able to feel comfortable and cut your losses. He noted that's never happened; nobody's ever walked away. Due diligence on the front end maybe is 60-or-75 days, for some it's 90, but we can work that out. At the end of those 60-to-90 days, we're going to provide a comprehensive look at the building, the story we want to pitch, the numbers that we think that you can garner out of it and why, and will offer some comparables. They'll provide Council with a pitch to use if some of your constituents see you out and about and want to ask about the project. We want to do all of the prep on the front side of that; we could certainly get off the ground, present you with some ideas, and then have you say let's move forward.

Council Member Thiede: 1) Is the money paid up front? Chris replied it's typically paid in a term; so, it's usually an annual fee. Some pay it on the front end; some communities bond it against back money or do some sort of financing against that. Financing is well outside of his expertise, but he spoke of other cities and how they used the money. Typically, it's somewhat rare for a partner to pay the whole amount up front; sometimes you see that happen on more of a capital campaign where somebody's making a donation. We don't like to play in that game; we're more the marketing partnership side than the charitable giving side. 2) Made an observation with the TCO facility, it's \$1.95M over 15 years, and they're giving TCO 5,500 square feet; that comes out to about \$23 per square foot, which is a bit on the lower end of average rent. Chris replied he can have him speak with Mark, but it was pretty much dead space that was not able to be rented; it's upstairs, in the back of the facility, and he thought they were getting less than \$1,000 a month for it. That's a fair question, and he'll be more than happy to provide contacts to all of the City Administrators with whom he's worked in the past; certainly, they all had some decision points about if they were going to do this. Chris stated you can pick their brains about their decision and ask if they were happy about it.

Mayor Bailey: 1) Asked Arena Manager Jordan Hirman if Chris did all of the sponsorship for the boards that are up there now. Jordan replied not all of them; there were a handful of them that were sold through Chris, but he had been personally involved with the others. 2) Right now we're specifically talking about the Ice Arena, but there were also images shown of our golf course and our inclusive playground. He asked Chris what other types of facilities he'd done naming rights for that aren't necessarily a building. Chris replied they've mostly done community centers and ice rinks. Elk River brought in some other assets from their community, as part of a big initiative called Active Elk River. We pulled in some of their assets on some bigger

deals to just broaden the reach for some of our partners and make it more appealing. We've had discussions with other communities about baseball complexes, aquatic centers, and football fields. He thinks ice rinks are greatly underutilized in the marketing world, as the normal ice rink typically has somewhere between 400,000 and 1M people coming through their doors; that's significant. The reality is that when you walk into most ice rinks, most of the dasher board advertising is hyper local because all ice rinks operate independently. Partners who want to begin advertising at ice rinks, at a grassroots level, don't want to deal with 20-50 rinks at a time; so, we aggregate the rinks and sell supplemental advertising to those that maybe couldn't do that on their own. 3) If we hired you, one site would be the Ice Arena. He asked Chris if he's offering other options if we wanted to include them; for example, if Top Flite said we'd love to be the Top Flite River Oaks Golf Course. Chris stated he'd be very open to that discussion. If there are other accents in the community that we felt like we wanted to open and make part of the deal, whether combining them together or separating them, he thought it made a lot of sense. If he works on the ice rinks, he certainly doesn't want anybody else pulling money out of the market for something else. He doesn't have an issue with that and doesn't see that increasing the monthly fee; we'd settle on the fee, whatever we decide the project looks like, and then we'd go from there.

Council Member Dennis stated it's nice to pull things together, but there are certain assets Cottage Grove has that really stand out; one is our trail system. So, it would be neat if we could connect to some areas that led to some of our bigger facilities, to also bring that in and make just a section of the trail as a direct line between entities. Would that be possible? Chris stated he thinks that's very interesting, and there's a community in Illinois that's done some really nice work with sponsorships of their trail system. If he was going to work here, we'd want to sit down and just have a really honest discussion about what the assets were, what your goals were as far as what works; do we want to sell them separately, does it make sense to try to have some continuity between them? Again, you're in charge; if he's hired, his goal is to be an extension of you, to advise you on the best way to go to be successful. Ultimately, he answers to you, and would kind of craft deals that make the most sense for what you're trying to accomplish.

Mayor Bailey thanked Chris for his presentation. Chris stated many communities have logos everywhere, others don't. They can work with their naming rights partners from different areas to create a mural that salutes all things that are great about your city or tells the history of hockey; that's how they want to activate those deals. He'll be happy to provide references, pictures, whatever they need, and thanked them for their time.

Mayor Bailey congratulated Manager Hirman on the profitability of the Ice Arena last year, as it was amazing; he told him he did a really good job.

A significant amount of discussion ensued between City Council Members and staff, on the following topics:

- Financial Risk/No Guarantee of Return: Council Member Thiede stated he's hesitant about that, but Chris seems like he's an on-the-level guy, has already worked with Director Dockter on some advertising. Director Dockter replied he certainly has the

experience, and he sold us four-or-five dasher boards in the Ice Arena, but hadn't sold us everything. Director Dockter asked where do you want to put your risk; do you want to pay them for their services right away and then try to save on the commission, or do you want to try to save money on the front end and then pay more on the commission on the back end? Mayor Bailey stated if we called Vadnais Heights or Ramsey County or Elk River, he'd love to know if they were happy with what he did, and curious to know about their net return. Council Member Thiede stated if you took the \$1.95M, if you look at some of the same numbers, he's getting about \$500K over the 15 years. Mayor Bailey stated Chris is doing all of the work, which is fine, but he just wants to know what that level of return is; it's great to show the number, almost \$2M, but in the end, what number are we going to be able to bank on. Director Dockter stated he'd certainly reach out to both Vadnais and Elk River to get the information for Mayor Bailey.

- Hiring Front Burner Sports: Director Dockter stated Chris is charging a lot of money; what impressed him was Chris stated straight out that he understands the fee concerns, but this is his living. It's taken him a long time to get here so this is what he garners for his fees. He's very up front, knows he's getting paid a lot, but it takes a lot of work to get it done, too. Council Member Khambata stated he liked the aspect that if this is commission based, then it's a function of profitability; so, if he doesn't bring in anything for us, we don't have a big tab at the end. He'd said it takes months to get things rolling; our initial risk, if we decide it's not the right direction to go, is about \$15,000. In terms of the potential earnings, he thinks that is a relatively low-risk proposition for us as a City. If he was asking for a big retainer up front, that would be unreasonable. Ultimately, whatever contract we come to terms on is going to be a function of a revenue source; that is appealing to him. We don't have a big outlay without a contractual return. Mayor Bailey stated he feels that there will be a decent amount of interest in our Ice Arena due to our location in Minnesota, how many people know who we are, and the number of tournaments we're doing; he thinks to a certain extent it would garner something similar to Vadnais or HealthEast.

- Potential Local Partners: Mayor Bailey stated it was interesting with all of those facilities and the logos, he was actually quite surprised that there wasn't a bigger sign that read Twin Cities Orthopedics; it just read TCO Event Center. If they did our Ice Arena, and they said they'd want the meeting room on the other side, he'd say fine, go for it; that was just his take. Council Member Thiede asked if we'd actually made any inquiries of local companies; it could be the Renewal by Andersen Rink, or NorthPoint, or Hy-Vee, before we'd actually bring Chris on. Administrator Levitt replied that's actually been in the back of her mind, as the Mayor pitched something to NorthPoint tonight and they gave him money for fireworks. We have three big players in town with NorthPoint, 3M, and Renewal by Andersen; should we reach out to them first to see if they would be willing? Council Member Olsen stated everybody here knows all of the larger organizations just mentioned have both community outreach and marketing coordinators; they're who we deal with when working with Strawberry Fest or any type of sponsorship. If we have strong relationships with our community partners, like NorthPoint, it might be as simple as asking the question. Mayor Bailey replied he's asked that question of 3M, and the answer was no, as they said they only sponsor colleges and larger entities. Council Member Khambata said maybe we should reach

out to a couple of local players; just ask them if they'd done this and what that budget looked like for them. We can ask those questions before we commit to anything like this, and if it's comparable, then we have our answer. He noted he had the opportunity to meet the director at Airgas when he moved into town, who had expressed a strong interest in community outreach; he's curious if staff has heard anything from him, as he'd personally never followed up with him. Mayor Bailey told Council Member Khambata to give him his name, and he'd talk to him. Council Member Thiede stated you can talk to Hy-Vee and say we're talking to Cub Foods to see if they want to put their name up on the Ice Arena; you could get a little bit of competition going. If we learn there's not a lot of local interest, he's not necessarily thinking that we should try to do a big program; Chris would maybe reach out more and might have a little bit better network for that. Administrator Levitt stated Council could give us a set amount of time to make contact with them to learn if some of these larger local players are interested. If they say no, then we know that we're going to need some expertise to go beyond our local market. She'd also hate to sign with Chris if NorthPoint says yes; then, it's like we just paid the commission and it was our deal. We should verify if our local partners are going to partner with us; if they aren't, then we're going to have to go broader.

- Doing it Ourselves: Director Dockter said in terms of our level of expertise with this, it's kind of out of our area. Council Member Olsen would like to learn more about potential opportunities to keep this somewhat inhouse, as opposed to utilizing Chris or anybody like him. It's interesting to talk about, but thinks there's probably an advantage to be gained on our own, without having to pay monthly retainer fees or a percentage. Council Member Khambata stated his response to why can't we do it ourselves is we all have our area of expertise; he doesn't pull his own teeth, he goes to the dentist, even though he has a pliers in his toolbox. So, there's a reason why he takes command of his prices; he personally quantifies the end result that he saved his client more than he cost them, which would be the standard he'd look for here. If it's considerably lower, now he's proven why he gets to charge what he does, because he's leveraging his knowledge of what other, maybe regional, players are willing to pay. Maybe they throw us an erroneously low number, thinking that we don't know any better; that's obviously the case here, as we don't have a marketing expert in the room. At the very least, he thought we should run those inquiries on parallel paths. Whether it's Chris or somebody else, \$36K a year plus commission is a staff position we could have, an outside Marketing Sales Rep, for \$50K a year. Director Dockter stated there's a lot of planning that goes into this; you have to decide what signage you're willing to accept, what it looks like, who's going to talk to these people and follow up contractually. He's just warning Council that that's not his area of expertise, so he doesn't know who'd we want to handle that; he just knows that he's not comfortable doing that.

- Other Options: Council Member Olsen stated we could also contract with somebody; Council Member Khambata agreed, stating we could contract with a marketing firm that does what Chris does without the long-term obligation. Council Member Thiede stated we should see if there's some interest; he's sure there are companies that we could engage that have some experience in this that might not be charging an up-front retainer. Mayor Bailey stated he'd had previous conversations with a company, Great Lakes, in Michigan, about naming rights at the Ice Arena. Council

Member Olsen asked if they did the same thing; Director Dockter and Mayor Bailey confirmed that they did. Director Dockter stated the prices are similar; they have a service fee, and you can pull the lever and pay more up front or pay more on the back side, it all depends on how you want to play the game. Council Member Khambata noted there's another benefit to using a neutral third party; let's say negotiations don't go well. We can say that's not us, it's a third party, we brought somebody new in, and we apologize for any misunderstanding.

- Next Steps: Council Member Olsen stated he felt there was a lot more ground for us to cover before we start making a decision. We have to measure twice and cut once. Council Member Khambata felt that it was an interesting proposal, and an opportunity to bring in extra revenue for parks, etc. Director Dockter stated he will call the other communities and also the Great Lakes gentleman again, too, just to counter this proposal, get a little more depth now that he knows more about his company. Maybe he'd offer to do commission only or something similar; then we can talk to our own staff about talking to our big local players and just give them a pitch. We'd then have to figure out what we'd want to charge, what they'd get in return, and it would take a little while to formulate all that to give them a proposal. Council Member Thiede stated he'd like to see what Director Dockter finds out by calling those couple places. Then we should think a little more about who could reach out to talk to some of the major companies, maybe in town, just to get their feeling; ask if this is something that would interest you, we've been looking at this and it's something that's been getting more attention. We're willing to put somebody's name up there for a few bucks, what do you think? They might say we're just not interested at all, and that's fine. Mayor Bailey stated he wanted to learn what the end number is for these other communities who dealt with Chris; Council Member Olsen agreed that that's critical. If Director Dockter wants to reach out to Great Lakes, let's find out about them; he'll leave it up to Director Dockter who he wants to talk with in the community.

- Changing the Name of the Cottage Grove Ice Arena: Director Dockter's stated his main goal tonight was to find out if Council was ready to remove the name of the Cottage Grove Ice Arena and replace it with something else; that's a big ask. Mayor Bailey stated it sounds like the answer is yes; Director Dockter stated his mission tonight was to make sure Council was okay with that.

#### 4. ADJOURNMENT

The meeting adjourned at 6:52 p.m.

Minutes prepared by Judy Graf and reviewed by Joe Fischbach, HR Manager/City Clerk.