MEMORANDUM

To: Kurt Triplett, City Manager

From: Lynn Zwaagstra, Director, Parks and Community Services
       Greg Piland, Financial Operations Manager

Date: July 2, 2019

Subject: Business Partnership and Naming Rights Policy

RECOMMENDATION

It is recommended that City Council review a new draft of the City's Business Partnership and Naming Rights Policy and provide feedback. After Council review, staff will return to a future Council meeting for final adoption, including any amendments requested by the Council.

BACKGROUND

On April 5, 2018, city staff presented a revised Business Partnership and Naming Rights Policy (policy) to Council. The memo and draft policy is located here. This policy was brought forward in recognition of the potential to use business partnerships and naming rights as a strategy to raise funding for large capital projects like the Totem Lake Connector Bridge, a future Aquatic, Recreation and Community Center or Public Art. City Council felt that the policy needed additional work and provided the following guidance.

- Protections included fall short. Have stronger language around our ability to reject any and all proposals without running into discriminatory issues and strengthen language around termination for cause situations.
- Make it clear that this is a revenue generating policy. Explain where the money will go for each solicitation (specific infrastructure).
- Provide language that naming rights and partnership opportunities will only be sought when called for and appropriate.
- All partnerships over a threshold amount (proposed to be $7,500) must be approved by the Council, and all naming rights permanent in nature must be reviewed and approved by Council.

Shortly after this Council conversation, the Parks and Community Services (PCS) Department embarked upon a cost recovery study. Use of sponsorship, partnerships and naming rights was a practice brought forward by GreenPlay LLC as an industry best practice for assisting with offsetting costs of parks and recreation services to better serve the community. Creation of a business partnership and/or sponsorship policy was included as a recommendation in the final
Business partnerships and naming rights have the potential to further the City’s mission and values while enhancing the delivery of important infrastructure, services and programs. Partnerships should only be pursued where a community benefit exists. City and community benefits include, but are not restricted to the following:

- Creation of a higher level of service or needed new service for community members.
- Making alternative funding sources available for public amenities and services.
- Delivering services more efficiently by allowing for collaborative business solutions.

The practice is an extension and augmentation of the longtime City of Kirkland practice of taking in small donations for parks, recreation programs and event sponsorships. A recent example was the donation of new scoreboards at Everest Park by the Lee Johnson Auto Family, Little League International and Kirkland American Little League. These organizations collectively donated 4 scoreboards and installation; a value of approximately $75,000. In return, all 3 organizations have their names and logos on the scoreboards for the duration of their useful life. Another example includes the health and wellness programs offered by Evergreen Health at Peter Kirk Community Center. Through a collaborative partnership, dozens of health, nutrition, wellness and education programs are offered annually with the expertise of Evergreen Health’s qualified professionals.

Since the Park Board was involved with the cost recovery study and received the recommendation for the PCS Department to develop a business partnership and/or sponsorship policy, the Board reviewed the most recent draft of the City’s Business Partnership and Naming Rights Policy. Park Board was in support of the policy and had numerous questions on the language and the City’s ability to terminate a business partnership or naming rights agreement. Several areas where the language was unclear or redundant were identified and corrected.

City staff consulted with MRSC on the City’s ability to seek naming rights and financial support through partnerships. MRSC advised that code cities have an inherent authority to sell naming rights and there are no significant legal constraints on seeking financial support. Recommended practices include having a clear policy and agreement; an example agreement was provided, and staff are drafting a version for City use. The revised policy is attached in Addendum A.

**NEXT STEPS**

Staff are requesting City Council review the draft policy and provide feedback. This feedback will be incorporated into a subsequent version. This language will also cascade into the required Business Partnership and Naming Rights Agreement and corresponding resolution for adoption.

**Addendum A** – Draft Business Partnership and Naming Rights Policy
Addendum A

Business Partnership and Naming Rights Policy
Chapter 3, Finance
Policy 3-6
Effective Date: July 2, 2019

SCOPE:

The purpose of the Business Partnership and Naming Rights Policy ("policy") is to outline the guidelines and procedures for the City of Kirkland ("City") to enter into private sector business partnership agreements ("Business Partnerships") that may include naming rights ("Naming Rights").

This policy is not applicable to gifts, grants or unsolicited donations in which there is no benefit granted to the business and where no business partnership exists. This policy is also not applicable to honorary naming rights of public parks and facilities as outlined in Resolution R-4799.

The policy is primarily intended for Business Partnerships valued over $7,500, which among other things must be approved by the City Council. Individual Department Directors will have the authority to enter into Business Partnerships, at their discretion, under the identified threshold. All partnerships that include Naming Rights opportunities, no matter the dollar value, will follow the process identified in this policy, however.

This policy is not intended to cover or address transactions outside the scope of this policy, actions taken by the City in a regulatory capacity, or the City’s participation in multi-party (e.g. regional economic development) efforts.

GOAL:

Kirkland is a vibrant, attractive, green and welcoming place to live, work and play. Civic engagement, innovation and diversity are highly valued. The City is committed to being respectful, fair and inclusive. We also strive to be a model sustainable City that values preserving and enhancing our natural environment for our enjoyment and future generations. The City welcomes private sector partnership opportunities that furthers its mission and values while enhancing the delivery of important infrastructure, services and programs.

Business partnerships will be pursued where mutual benefits exist. For the City to enter into such a partnership, a community benefit must exist. City and community benefits include, but are not limited, to the following:

- Creation of a higher level of service or needed new service for community members.
- Making alternative funding sources available for public amenities and services.
- Delivering services more efficiently by allowing for collaborative business solutions.
DEFINITIONS:

Business Partner (“Partner”)
A Partner is an individual, group of individuals, non-profit organization, for-profit organization, business association, taxing district, government entity, or the like. A Partner is an entity desiring a business partnership relationship (“Business Partnership”) with the City.

Business Partnership
A Business Partnership is a contract-based cooperative venture between a partner and the City with a common goal and the complementary resources to establish a mutual direction or complete a mutually beneficial project (i.e. a clear public benefit with an ancillary private benefit). Examples include the provision of financial support, in-kind services or other resource to the City in return for advertising, recognition or naming rights. Business Partnerships may be formed to support one or more of the City’s programs, projects, events, facilities or activities.

A Business Partnership is distinct from donations, gifts or grants for which there is no recognition or compensation.

Partnership Categories

Site-specific Business Partnership: An agreement in which a Partner sponsors a time-limited event or program at an individual City facility or public space, including street rights-of-way.

  e.g. – A special event hosted at Marina Park in which all expenses are paid by the Partner in return for some/all advertising rights.

City-wide Business Partnership: An agreement in which a Partner sponsors a time-limited program that is held at multiple City facilities or public spaces, or which has a citywide presence.

  e.g. – A ride your bike to work program with multiple sites hosting activities, games, prizes and refreshments on various days throughout the bike riding season for which the Partner receives some/all advertising rights.

Temporary Logo or Recognition Display Partnership: An agreement that includes a display of recognition on City property for more than seven calendar days and less than one year in exchange for financial support and/or goods or services.

  e.g. – A year-long wellness program provided by EvergreenHealth Hospital as a service using City facilities where the recreation brochure and website contain the EvergreenHealth logo.

Long-Term Business Partnership: An agreement that includes a business relationship for more than one year.

  e.g. – A lease to operate a City facility in order to provide needed services to the community.

  e.g. – The scoreboard at Lee Johnson Baseball Field displaying their logo.
Naming Rights: A Business Partnership in which the contributing party receives the rights to name a facility, portion of a facility or program for a specified period of time in return for a substantial contribution to the cost of the facility, portion of facility or program.

  e.g. – A primary sponsor for a new indoor recreation center receiving naming rights for said facility.

Administrative Review
A review group, which will include members appointed by the City Manager, which reviews all Business Partnership and Naming Rights requests and proposals.

Request for Partnership
A Request for Partnership is an open and competitive process whereby the City solicits proposals from qualified persons or organizations that may be interested in participating in a partnership opportunity. All Requests for Partnerships will include a summary of the partnership opportunity, public benefits of participation, and a description of the competitive process and selection criteria. At the direction of the City Manager, a direct solicitation can be utilized for entering into a Business Partnership.

Partnership Agreement
A document that outlines the terms of the Business Partnership, contributions and responsibilities of each party, the terms and conditions for oversight and management of the partnership, and pertinent regulatory requirements. A Partnership Agreement may include Naming Rights.

POLICY:
It is the policy of the City that:

  • City Council approval must be obtained prior to execution of a Partnership Agreement for contributions valued in excess of $7,500 and all such agreements involving Naming Rights opportunities.
  • Business Partnerships shall further the mission, values and policies of the City and provide a defined public benefit even if there is an ancillary private benefit.
  • A Business Partnership may also provide a benefit to a specified department within the City and should be consistent with the mission, values, policies, goals and/or service levels specific to that department.
  • Business Partnerships will not result in any loss of the City’s jurisdiction or regulatory authority or result in public expenses inconsistent with the goals of this policy.
  • Business Partnerships will not result in the loss of City-owned space for public use or hamper that use.
  • Partners can be individuals, families, businesses, non-profit organizations or others provided that these contributors have a positive public image and demonstrated integrity.
  • Business Partnerships may be site specific or citywide; temporary or long-term; and may involve naming rights. The Partnership Agreement shall specify the terms.
  • A Naming Rights partnership shall involve a substantial contribution to the cost and/or maintenance of identified City infrastructure (e.g., building, outdoor area, space or the like), programs or services. A substantial contribution is a targeted amount of legal
tender or other valued commodity, identified individually for qualifying projects, authorized by the City Manager and/or City Council, as appropriate.

- Naming Rights actions shall not detract from the City’s values, dignity, integrity, or reputation, nor shall any such actions create a conflict of interest, or the appearance of a conflict of interest, or confer special privileges.
- Only the City can enter into a Business Partnership or Naming Rights agreement utilizing City infrastructure, programs or services.
- The City shall maintain the final authority to accept or decline any Business Partnership or Naming Rights opportunity.
- All Partnership Agreements shall be subject to all state, federal and local laws, ordinances, rules and regulations.
- In the event of changed circumstances that brings the partner into conflict with this or other City policies, the City reserves the right to withdraw the recognition and terminate affected agreements.
- The City shall also maintain the ability to discontinue a Business Partnership or Naming Rights agreement if there is potential harm to City or public interests, as determined by the City Manager through consultation with the City Council.

In cases where a Partner’s name is publicly used (e.g. ballfield scoreboard), the number of years during which the infrastructure, program or service to be named should be limited commensurate with the value of the contribution. The proposed number of years for naming the project will be identified when it is presented to the City Manager. If Naming Rights are involved, a Partnership Agreement will specify the number of years during which the infrastructure, program or service will be named, and it will include the clause that any name changes during that period will be at the City’s sole discretion, subject to approval by the City Manager. The name may appear on City owned infrastructure, with appropriate signage as determined by the City, and other documents in City approved lettering. Signage will be at the expense of the partner and follow applicable City sign codes and Public Works and procurement laws.

PROCEDURES:

The City Council will approve by resolution Partnership Agreements with a value exceeding $7,500 and all such agreements involving Naming Rights.

The City Manager (or designee) is authorized to enter into Council-approved Partnership Agreements for partnerships in excess of $7,500.

Department Directors are authorized to enter into Partnership Agreements, through this policy, for partnerships valued at less than $7,500.

The City Manager shall consult with City Boards and Commissions and affected departments to seek recommendations as necessary and appropriate.

The Finance and Administration Department will coordinate and track all business partnership agreements for the City, assuring a consistent, competitive and non-duplicative process. This includes arranging for a mutually agreed-upon transfer of funds as identified in the agreement.
The City Attorney’s Office will develop and maintain an agreement form to be used for all Business Partnership agreements. The form shall include the contractual relationship, terms, renewal, consideration of mutual value, description of programs, projects and activities, partnership rights and benefits, and termination provisions.

The City Attorney’s Office will review the agreement and corresponding attachments to help ensure that no partnership will impair or diminish the authority of the City and its responsibilities or constitute an unlawful gift of public funds.

Partnership proceeds are generally intended to be allocated to a designated City department or area, which is generally accepted as the department or area involved with the partnership. The allocation will be determined as part of the partnership agreement.

**PROCESS FOR DEVELOPING BUSINESS PARTNERSHIPS:**

The City Manager or designee will meet on an as-needed basis with appropriate Department Directors to review all Business Partnership solicitations and Naming Rights agreements.

Partnership levels or categories for appropriate events, facilities, programs and venues will be developed by assigned staff to best maximize business partnership opportunities.

Each department soliciting a partnership will define the scope of the business partnership program or project, including a description of the community or public need, financial goals and general marketing strategy, and coordinate this with the City Manager or designee.

The City may elect to advertise a Request for Partnership and implement an open and competitive bidding process for interested partners, at the City Manager or designee’s discretion.

The City Manager or designee and other staff, as assigned, will review and analyze all responsive proposals received through the Request for Partnership process and may reject or approve proposals received in accordance with any criteria set forth in the request.

Each Business Partnership agreement will be routed consistent with current contract routing procedures, including approval by the City Attorney’s office.

Each department administering a Business Partnership agreement will be responsible for:

- Coordinating efforts with the City Manager, or designee, for approval of each Business Partnership.
- Reporting all Business Partnerships entered into by said department to the Finance and Administration Department for tracking purposes and to ensure consistency of business practices.
- Ensuring all Business Partnerships agreements are reviewed by the City Attorney’s office for consistency with the intent of this policy and compliance with applicable laws and codes.
• Ensuring all donated products, materials, services and financial contributions meet applicable laws and codes as well as specifications and standards used by the City in the purchase of similar materials.

• Ensuring that all signage, displays and advertising proposed by sponsor are reviewed by the City Manager and the Planning and Building Department.

SELECTION CRITERIA:

The City will determine and use selection criteria, based upon the nature and character of each proposed agreement, to evaluate potential Business Partnership and Naming Rights opportunities. The selection criteria used to evaluate a prospective partnership should include, but are not limited to:

• The compatibility of the partner’s mission, goals, reputation, prior relationship with the City, products, customers and promotional goals with the City’s mission, values and goals.

• The ability of the partnership to benefit the community and/or meet an articulated need that the City could not otherwise provide or efficiently provide.

• The operating and maintenance costs associated with the proposed partnership.

• The ability of the partner to perform its partnership responsibilities.

• The actual value of the funds, in-kind goods or services given to the City.

RESTRICTIONS OF PARTNERSHIPS:

The City shall not enter into Business Partnerships or Naming Rights opportunities with any of the following:

• Partners that do not align with the City’s mission, values, goals, policies, or planning documents.

• Business models not aligned with the public interest intent of this policy, such as, but not limited to, tobacco firms or marketers; groups advocating hate or violence; firms or groups advocating illegal or inappropriate use of drugs or other illegal activity; businesses or entities promoting adult materials or services or with sexual associations such as escort services or establishments featuring, for show or sale, X-rated or pornographic movies or materials; false, misleading or deceptive sponsorships/underwriters; businesses or entities whose materials, services or products are harmful to children.

• Parties involved in any stage of negotiations or a process for a City contract or regulatory approval when the proposed Business Partnership could reasonably be viewed as having an impact on the contract negotiations or regulatory approval process.