

NAMING RIGHTS



Legacy Gifts and Corporate Money

TERRY BURTON



John Wiley & Sons, Inc.

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To my daughters Alison and Sacia
who inspired me,
my wife Susan who believed in me,
and the fundraiser community
that makes a difference everyday.

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About the Author

Terry Burton is the President and Founder of Dig In Research 2007 Inc., a fundraising research and consulting firm that assists nonprofit organizations in defining their inventory of named properties and setting the ask amounts for naming rights. For the last three years he has been conducting a national survey of naming opportunities and named gifts and uses this data to help establish the benchmarks for his clients. He is the author of three books on stewardship and donor relations, co-author to fundraising research in Canada on corporate giving, employee giving in the workplace, foundation giving and sponsorships. In 1995, he helped to design PRO—Prospect Research Online, the first online resource to provide in-depth information about corporate philanthropy, details about officers and directors and related information that have strategic importance in qualifying and identifying funding prospects. Burton has also published more than a dozen articles for supportingadvancement.com, Ezines.com, *CASE Currents* magazine, and *Canadian Fundraiser*. He is a frequent speaker on naming

rights at conferences and seminars (APRA National Conference, AHP, AFP National and local chapter events), and he lives in Vancouver, British Columbia.

Introduction

When someone mentions naming rights these days, you can't help but notice the reaction from others in the room. It seems as though a week doesn't pass without a major news story telling the tale of another named gift or other naming rights deal. Naming rights have emerged as a hot topic for discussion and taken on strategic importance for fundraisers.

As with most things in life, you have to give something of significance if you want to get something significant in return. The commodity of choice for nonprofits has become naming rights to their tangible properties and endowment funds. "Cash is king," so the business saying goes, and fundraising leaders haven't ignored the lesson. A named gift or sponsorship can be worth millions of dollars. As a result, naming rights have become an integral part of fundraising plans, whether a nonprofit is in or out of a campaign.

The use of giving or naming opportunities in a fundraising campaign was once deemed to be reserved for the upper echelon of nonprofit entities. Now, however, the tactic has spread throughout the sector. A growing number of nonprofits,

municipalities, and other groups are willing to grant naming rights in exchange for financial considerations. From conservation groups to the Salvation Army, from school districts and private schools to YM/YWCAs, fundraising campaigns include the offer of naming rights for tangible and intangible assets of all shapes and sizes.

And the practice is growing fast. In 1997, only two universities in the United States were in the midst of billion-dollar fundraising drives. As of December 2007, there were more than 30. Each one of those campaigns features a wide assortment of giving or naming opportunities for prospective donors, ranging from naming a campus or a college to naming a scholarship endowment fund. With naming gifts available for prices ranging from thousands of dollars to millions, naming/giving opportunities have become the commodities of choice in the current era. And although traditionally these naming rights were transferred to an individual, private foundation, corporation, or other benefactor in perpetuity, that, too, is changing.

Giving or naming opportunities (the terms are used interchangeably) and their price tags are the topics I will examine with you. This book is written for professional fundraising staff in nonprofit organizations who live in a world where the competition for the fundraising dollar has become more intense. As the dollar amounts of the campaigns creep ever higher, the nature of the ask for a major gift has changed to one that is based more on the relationship between donor and recipient than on modest

direct mail solicitations that seek to evoke an emotional response.

WHAT PRICE FOR NAMING RIGHTS?

Over the last several years, I have been conducting *The National Survey of Naming Opportunities and Named Gifts*. To date, my research has collected more than 32,000 entries from the United States and Canada. The information was gathered by doing desktop enquiries using the Internet, conducting telephone interviews, and reviewing hard-copy campaign reports. The results suggest that the non-profit sector often struggles with the notion of appropriate ask amounts for naming rights.

There are many similarities between completing the sale of a residential property and completing the negotiation of a gift to a nonprofit with naming rights attached. The most important point in both scenarios is setting the asking price.

How much should you ask to name a building or an endowment? That has become the million-dollar question. The properties owned by nonprofits, commonly referred to as *naming opportunities*, can be worth millions of dollars. Publishing an appropriate ask amount that reflects the current market conditions for a designated asset can be the difference between “making the sale,” as they say in the real estate business, or having your property stay on the market.

Allow me to share a story with you. Last summer, I was on my way to Chicago to make a presentation on emerging trends in naming opportunities to the Association of Professional Researchers for Advancement (www.aprahome.org), an industry group made up of research staff. I was riding in an O'Hare Airport shuttle heading downtown. As I casually chatted with fellow passengers, I was asked what kind of work I do, and I said research on naming rights. I was surprised at the level of interest and passionate opinions this subject brought out in my fellow passengers. Normally, the route from O'Hare into downtown Chicago via the heavily congested expressway system seems like it takes forever, but not on this day.

No sooner had I said the words "naming rights" than one passenger jumped right in, with noted disdain in her voice, to take the moral high road on the subject of universities selling naming rights. The lady's traveling companion added her own short affirmations from time to time, acknowledging that her friend was right on the mark in her opinion. Their comments reminded me of similar words coming from the mainstream media. For the umpteenth time, I listened to what I felt were uninformed and biased opinions that naming rights were all about corporate giants coming in and compromising the integrity of an institution just so it could fatten its wallet. This went on for several minutes. She summed up her protests, stating rhetorically "... why can't we go back to the way things were before?" Talk about shooting

the messenger! I felt like I had a bull's-eye on my chest.

I paused for a moment before replying. “Do you want the new library, the state-of-the-art medical school, more scholarship money for aspiring students? How about the medical equipment that will be part of that new hospital? Funding shortfalls from government are on the rise, and nonprofit organizations have looked inward to find new ways to raise the funds they need. Where else is the money going to come from?” My question did not get a reply.

I continued, “Nonprofit organizations have tangible properties that have value. Each one of these properties is a ‘naming opportunity’ that can be marketed by nonprofit organizations. Each naming opportunity—a hospital, a school, an area within the library—is a unique property worth money to the nonprofit entity. In appreciation for a cash gift or multiyear pledge, nonprofit institutions, a group that includes the largest universities and colleges in the country, have traditionally thanked the donor by placing the donor’s name on the facility or endowment to commemorate the gift.”

Naming rights come after the fact. I asked them, “Where would the money would come from, if not from the sale of naming rights? Do you think people would be willing to pay higher taxes instead?” No reply. It was a quiet ride the rest of the way into Chicago.

I remember thinking to myself that nonprofit groups, especially the well-known universities, hospitals, museums, and others that receive high-profile

named gifts and sponsorships, really need to do a better job of educating the community about what they will do with the money. It's about stewardship. But we'll discuss that later in the book.

Competition is what's driving us down the road to more, better, best. And our competition is on a global scale, fostered by the increasing demands of our own up-tempo lifestyles. Education is considered one of the keys to winning the fight in the global village. The United States' aging population is retiring, with increasing numbers leaving the workforce every year. The demand on the younger generations is growing exponentially as a result. The entire education sector is racing to bring improved and increased capacity online as soon as possible to meet the demands for a better-educated workforce. As they do so, new fundraising campaigns have emerged to finance the growth that comes from replacing old and outdated facilities and expanding to meet the demand for state-of-the-art engineering, medical, and computer-related education programs that were not even in existence 10 years ago.

Funding these new facilities and offering the accompanying scholarship support takes a lot of money. Government sources and bond issues cover only so much; the rest has to come from private sources. This is where we can see how the naming opportunities fit into the nonprofit fundraising plan. Nonprofits can sell the naming rights to physical properties that can be seen and touched, as well as to endowments gifts, to get the funds they need to

accomplish their goals. But every now and then, a surprise benefactor comes along and makes a transformational gift.

A NONPROFIT NAMED GIFT: LIKE WINNING THE LOTTERY

As you read these pages, consider this notion: Landing a top-of-the-pile naming rights deal for a nonprofit organization is better than winning the lottery. Really! Six-, seven-, eight- and nine-figure naming gifts have a transformational impact on nonprofit organizations.

Every time an organization signs a naming rights deal, that organization is forever transformed by the impact of the amount of money now at their disposal. Making an ask for a large philanthropic gift or sponsorship is never a sure thing. The best intentions of a would-be donor have been known not to materialize into an actual gift for any number of reasons or unexpected events. So on the day a big check arrives at the nonprofit's door, there is cause for celebration. Many of the gifts large enough to earn naming rights often help elevate the operational effectiveness of the organization. It's better than winning the lottery in a random draw of chance. Effectively, a large monetary gift means that someone stepped up and said "Yes, I believe in what you are doing and what you are going to do with my money. Here is my check."

For the nonprofit's staff, the naming rights gift is a validation for the hard work they have done and plan to do in the future. It's an indirect vote of confidence that helps fuel morale for the ongoing mission and the vision of the organization as a whole.

At times they get to pay off debt, sometimes all of it. They get to build new buildings, expand the delivery of programs and services, and push forward in their efforts to serve the greater good. And unlike lottery winners in many countries, they don't have to pay taxes on the newfound money.

Putting naming rights on the market has become an easy decision. It's so commonplace these days that the marketplace for these commodities is extending to previously unheard-of naming opportunities.

PRIVATE SECTOR BOUNTY

In the private sector, investors can compare naming rights between one venue and the next by developing an apples-to-apples comparison. Generally, you are provided with the statistics for a venue such as a stadium or arena; you can examine the demographics regarding who attends events and with what frequency. Blend the number of events and the estimated swirl in the projected number of bottoms in seats for those events, and you can identify what I call the Class One candidates for brand name publicity.

One other factor has an enormous impact on the market value of naming rights. As real estate

agents have so often said about residential property, “location, location, location” is the number one factor in determining the market value of a property. And so it is with naming rights as well.

MAKING USE OF THIS INFORMATION

Think of this book as a portable Manager’s Toolbox on naming rights. As we examine recent events, we can see that the tide is turning towards a broader acceptance of the private sector model for naming rights and the creation of a new realm within the nonprofit sector.

For the most part, the nonprofit sector looks at naming rights and naming opportunities through a different lens than the private sector. In the pages of this book, we will examine naming rights from these two distinctly different, yet somewhat similar, points of view. We will look at private sector naming rights from megadeals for professional sports venues to local examples that exemplify corporate partnership. At the other end of the spectrum, we’ll examine contemporary snapshots of the nonprofit sector, including universities, colleges, hospitals, museums, environmental groups, and a wide assortment of other organizations.

When you have turned the last page, I hope to have shared with you insights and perspectives that clarify the issues, answer your questions, and urge you to learn more.

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Escalating Price Tags For High-Profile Properties

Let's set the stage for our discussion of naming rights by examining one of the most significant trends in the marketplace: escalating price tags for high-profile properties. This is one of the top three trends I see that is having the greatest impact on the nonprofit sector as mentioned in my presentation to the AFP National Conference of Philanthropy, 2008 in San Diego and part of my PowerPoint presentation available online at the Web site www.supportingadvancement.com.

There are two distinct sectors offering marquee properties: the private sector and the nonprofit sector. They are linked at the hip, so to speak, both by association with naming rights and by the market forces at work today. Supply and demand, the most fundamental of economic theories, appear to be at the center of any discussion of what price tag to place on naming opportunities. As you look around at your own organization and those of your