

MEMORANDUM

DATE: December 2, 2019

TO: Mayor and Members of Council

FROM: Mark Visser, Senior Manager, Financial Strategy and Investments
Joel Lustig, Treasurer

RE: Installation and Operation of Two Seasonal Tennis Bubbles over the Tennis Courts at Reesor Park
Item No. - General Committee, December 2, 2019

RECOMMENDATION:

- 1) That Council approve the execution of a lease agreement with a new corporation to be incorporated by Karl Hale (the “**Tenant**”) over a 25 year period from October 2020 to April 2045 to acquire, install, operate and maintain two seasonal tennis bubbles over the tennis courts at Reesor Park annually for 7 months from early October to the end of April;
- 2) That a new capital project be established for the City’s portion of infrastructure costs in the amount of \$936,300 (inclusive of HST) to be funded 90% from Development Charges and 10% from the Non-Development Charges growth reserve, to be fully offset by annual lease revenue;
- 3) That the Mayor and Clerk be authorized to execute a lease agreement with the Tenant for the lease by the City to the Tenant of that part of Reesor Park forming the existing tennis courts and clubhouse for the installation, operation, and maintenance of two seasonal tennis bubbles on terms acceptable to the Chief Administrative Officer, provided the form of such lease agreement is satisfactory to the City Solicitor and the Chief Administrative Officer (the “**Lease**”);
- 4) That Council support in principle the designation of the proposed tennis bubbles to be installed and operated by the Tenant pursuant to the Lease a municipal capital facility; and
- 5) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

BACKGROUND:

In April of 2019, the City received an unsolicited proposal to build two seasonal tennis bubbles over an existing Markham tennis facility. The proposal came from Karl Hale, one of Canada's leading teaching professionals and tournament director of the Rogers Cup in Toronto. Since that time, staff from Recreation, Sustainability & Asset Management, Operations, Finance, Fire and Building have been investigating the feasibility of the opportunity.

As the City's Integrated Leisure Master Plan identifies the need for an additional indoor tennis facility, staff determined that it was worthwhile to investigate the feasibility of the proposal.

Staff conducted a study of three sites for installing tennis bubbles. Based on this study, staff identified the Markham Tennis Club site located in Reesor Park as the preferred location. The Markham Tennis Club site for the proposed tennis bubbles are shown in the map below. Other sites considered were the Pomona Valley Tennis Club (located near Bayview and John) and the German Mills Tennis Club (located near Don Mills and Simonston Blvd).

The Pomona Valley Tennis Club has 6 courts. However the Toronto and Region Conservation Authority (TRCA) did not support the building of a seasonal bubble in the flood plain at this location. The German Mills Tennis Club has only 4 courts and the property is not owned by the City.

Staff from Recreation, Sustainability and Asset Management, and Finance have had several meetings with Karl Hale to negotiate a proposal for the installation and operation of tennis bubbles on the Lands. Based on the analysis that has been completed, staff are confident that an agreement can be reached that meets both parties' needs.

DISCUSSION:

State of Tennis in Canada and Markham

There are currently 750 accessible covered courts in all of Canada, which results in one court for every 50,000 people. Comparatively, in Europe there is one covered court for every 15,000 people. With a number of rising Canadian stars on the ATP and WTA tours, tennis is continuing to grow nationwide, especially among youth and teens.

The City of Markham currently provides 61 public tennis courts; 30 of which are operated by 6 tennis clubs. The municipal tennis court supply has increased by six courts since the 2010 Integrated Leisure Master Plan was prepared, including the indoor four-court tennis facility at the Angus Glen Tennis Centre. The City's currently provides one public court per 5,800 residents, which is similar to the municipal comparator group. In addition, there are four privately owned tennis facilities: Mayfair Clubs (Parkway and East locations), Bayview Golf and Country Club

and Adventure Valley. There are 30 privately owned courts in total, 24 of which are indoor (18 indoor at Mayfair, 6 seasonal at Bayview Golf and Country Club)

As the outdoor tennis season typically runs between May – September, seasonal tennis bubbles over an existing court from October to April would allow for year round use of the facility and makes good use of an existing asset.

Site Considerations

The lands where the proposed tennis bubbles will be situated comprise 6 existing tennis courts which are owned by the City and operated by the Markham Tennis Club under the Tennis Club Policy and annual permit.

The lands are located within Reesor Park in Ward 4 on Wooten Way North which is west of Ninth line and north of Hwy 7 as shown in the map below:



The site features six outdoor courts (3 on the north and 3 on the south side) and a clubhouse which contains two washrooms, a kitchenette and viewing area.



Operations are Monday to Sunday 8AM to 10PM from May to September and closed during the Fall and Winter months (October to April), with club hours and public access times as per the Tennis Club policy.

Requirements

Under the proposal negotiated between Staff and Karl Hale, two separate tennis bubbles will be constructed on the existing tennis courts at Reesor Park.

In order to accommodate the 2 proposed tennis bubbles, a walkway to connect the two tennis bubbles will need to be built for use between early October and the end of April.

As the 2 tennis bubbles would be new features added to the current field of play, a grade beam surrounding each separate playing surface will need to be built as part of the infrastructure. Existing fencing around the tennis courts will need to be modified to allow the domes to shed snow.

A pathway from the current tennis club parking lot on the north side of Reesor Park will need to be constructed to connect directly to the clubhouse located at the southeast tennis court site. This will include the lighting and grading of the pathway and the replacement of the culvert that currently exists. In addition to the new pathway, the existing pathway on the west side of the courts will need to be relocated to allow space for the HVAC units for the two bubbles. Several

trees will need to be removed and replaced. Options for Fire Route access are being considered and staff will select the route that provides compliance with the Building Code and the lowest total cost to the City. Finally, as the existing clubhouse is currently not utilized during the fall/winter season, winterization and fire proofing of the clubhouse would also need to take place.

The existing parking lot location on the north east side of Reesor Park is adequate to accommodate the users of the tennis bubbles.

A satellite view of the proposed pathways concept is shown below, but is subject to change based on detailed design and site considerations:



Benefits of Outsourcing

Staff have also considered the benefits of outsourcing the acquisition, installation, operation and maintenance of the tennis bubbles to an independent third party instead of the City undertaking this endeavor. The main benefits of engaging a third party are as follows:

- 1) Cost Avoidance – outsourcing the acquisition, installation, operation and maintenance of the tennis bubbles to an independent third party allows the City to forego the upfront costs of acquiring the two tennis bubbles, the grade beam and fencing work surrounding the structure. This is estimated to cost in the range of \$1.2 to \$1.5M. If, as expected, Bill 108 results in less capital funding for recreation facilities, partnerships can be a financially prudent method of providing amenities to Markham residents.
- 2) Risk Avoidance – The City would defer all responsibility associated with booking of court time and associated revenue to the third party, thereby avoiding any potential revenue risks.
- 3) ILMP Recommendations – The Integrated Leisure Master Plan contains the following recommendation: *“Engage the local tennis community (P3) to facilitate the development of an additional indoor tennis facility (eg. seasonal bubble) in response to demonstrated demand, favourable site conditions and sustainable partnership conditions. A variety of different funding and operating models should be considered. Financial sustainability and community access will be important considerations.”* Engaging a third party to build and operate the proposed tennis bubbles would meet these requirements.

Background on Karl Hale

The following is a summary of information on Karl Hale based on due diligence conducted by staff:

- Over 35 Years in tennis industry
- Recognized as one of the most respected people in the tennis business as a player, coach, administrator and event organizer
- Rogers Cup Director since 2006. World’s largest 1 week professional tennis event
- President PTR (Professional Tennis Registry) - 20,000 tennis coaches worldwide
- Board member TPA (Tennis Professional Association) - 5,000 coaches in Canada
- Former Davis Cup Player and coach
- Former #1 in the world over 40
- Level 4 coach (highest in Canada, approximately 30 coaches have this standing)
- Raised over \$3,000,000 from charity events to build schools in Jamaica and NYGH North York General Hospital
- Manages the bubble at the Donalda Club for the past 17 years including all operational aspects (also facilitated the addition of 2 new courts and a new 6 court bubble)
- The City is in receipt of a letter from the proponent’s financial advisor confirming his viability to complete the acquisition, installation, operation and maintenance of the seasonal tennis bubbles.

Karl Hale Proposal: Karl Hale proposes to incorporate a new corporation (the “**Tenant**”) to operate a new tennis centre in the proposed seasonal tennis bubbles. The following is the description he has provided of the proposed tennis centre:

- Self-sustaining facility with no additional ongoing maintenance or operational costs to the City.
- This will be a leading tennis centre:
- Endorsed by Tennis Canada
- A charity event to raise funds for the community
- Exhibitions year round with top Canadian players and some international players
- The Tenant opening launch event with players from Rogers Cup
- Wheelchair tennis tournaments
- Hosting International Tennis Events
- Hosting Tennis Canada Events
- Hosting Ontario Tennis Association Events
- Top junior program
- Lower membership rates for Markham residents will be offered

Based on Karl Hale’s experience and stature in the tennis world and his proposal for the tennis centre to be established, staff have determined he would be a good partner for this facility.

Community Consultation

Staff held a community consultation in conjunction with the Ward 4 Councillor and the preferred tennis bubble supplier for the Tenant on November 20th at Reesor Park Public School to discuss the potential impact to local residents of a seasonal tennis bubbles to the area.

Approximately 190 households located along the perimeter streets surrounding Reesor Park and the Reesor Park Public School were invited to attend. Approximately 30 people attended the meeting, 13 of which were residents of the area with the remainder of those attending being from the Markham tennis community.

At this meeting, a presentation was made on the proposed tennis bubbles including the conceptual view of the structure, the sound impact of the HVAC units, lighting and pathways. This was followed by a question and answer period for the residents to voice any concerns with respect to the tennis bubbles.

Consultation Feedback and Tennis Bubble Considerations

Of those residents attending there was very little opposition to the tennis bubbles. The community made a number of suggestions which are summarized below along with Staff responses:

- 1) Noise levels: the noise levels resulting from the two air support units for the two tennis bubbles and the potential noise from players both inside and leaving the bubbles were expressed as concerns for residents.

Staff response: an exhibit was presented that showed the scale of decibel levels relative to common sounds heard in the external environment. It was illustrated that at over 100 feet, the decibel level would be minimal to the point that the noise would be no different than typical suburban area background noise. Within 10 feet of the bubble air support unit, the sound level would be similar to that of a busy open office. It was also confirmed that the air support units would be strategically placed on the west side of the tennis bubbles leaving sufficient distance so as to minimize disturbance to the surrounding residents. The noise from players inside of the tennis bubble was also confirmed to be minimal and in fact less than the noise heard today from the summer club, since the courts would be completely enclosed. Finally, the potential noise from people exiting the facility was also deemed to be minimal due to the proximity of the bubble relative to residents. Furthermore, to help discourage loitering outside of the tennis bubble, the lighting of the pathway would shut off daily after operating hours. It was also pointed out that the neighbouring residents are currently close to the school and so the noise from the players leaving the bubble would be considerably less than noise from the school.

- 2) Lighting of the bubble and new pathways: There was concern expressed concerning the lighting during the evening for both the tennis bubbles and the new pathway lighting that will be installed leading from the parking lot to the tennis bubbles.

Staff response: Due to the opaque material of the tennis bubbles, it was stated that the light from inside the tennis bubbles would not be visible to residents looking from the outside and that the current outdoor lighting over the courts would not be used during the tennis bubble season. Furthermore, it was pointed out that during the late evenings, residents looking out from their houses at the bubbles would find it difficult to even see the structures themselves. In regard to the lighting of the pathways, it was confirmed that the lighting used would be specific to pathway lighting and as such would be dark sky compliant to keep the pathway lit while not emanating additional light upwards into the external environment. The pathway would be paved, lit and maintained during the winter months.

- 3) Parking and traffic concerns: The question of whether or not there would be sufficient parking during the tennis bubble season was raised as well as concerns over additional traffic caused by the tennis bubbles.

Staff response: The existing parking lot on the north side of Reesor Park currently accommodates 35-40 cars and given the fact that a maximum of 24 players would be using the tennis

bubbles (6 courts X 4 players/court), it was confirmed that the existing parking would be sufficient to handle the anticipated capacity. In terms of traffic, it was confirmed that the increase in traffic would be negligible.

- 4) Membership Model and overall operating model impact to the City: Clarification was sought in terms of the operating model by which the seasonal tennis bubbles would employ and what the impact would be to taxpayers as a result of the costs associated with building and operating the tennis bubbles. The distinction between the current arrangement with the Markham Tennis Club and the City during the summer months of March to September was also requested.

Staff response: Staff drew the distinction between a drop-in model (currently used at the City's only indoor tennis facility in Angus Glen) and the membership model that the seasonal tennis bubbles at Reesor Park would operate under. The membership model is consistent with other city programs and there was an assurance made that the operating model employed for this tennis bubbles would be sustainable in the long term and would have a net positive return resulting in \$0 in subsidy required from the City. Under the membership model, the tennis bubbles at Reesor Park would be open to any individuals willing to purchase a membership at a pre-determined price followed by a set hourly rate for available court time. The 2019 ILMP study, which helps to govern the City's decisions concerning the building of new facilities, identified the need for an indoor tennis facility in Markham based on an increasing demand. The fact that the City's only indoor facility at Angus Glen was experiencing excess demand for court usage during the winter months further supports the need for additional indoor tennis in Markham. Clarification was made that the tennis bubble operation would not be related to the Markham Tennis Club. The facility would not be for exclusive use of the Markham Tennis Club members during the winter months, but available to any Markham residents willing to purchase a membership for the winter season.

- 5) Tree removal: The subject of potential tree removal adjacent to the tennis bubbles was raised as well as the need to address any other potential tree removal in the area resulting from the pathways.

Staff response: While the removal of trees in order to accommodate the tennis bubbles and pathway is considered minimal, staff did acknowledge that the potential removal of a few trees located along the east and west side of the courts could occur. In response, staff will ensure that replacement trees are planted in compliance with the City's Tree Bylaw and replacement requirements based on the size of the tree.

- 6) Connectivity of pathway: With the new pathway being built to connect the parking lot on the north end of Reesor Park to the existing clubhouse, it was suggested that the City look into connecting the rest of the pathways surrounding the tennis courts running east

towards Wooten Way N and along the west side of the courts to the school parking lot for greater accessibility.

Staff response: Staff committed to further investigating the possibility of creating a continuous paved pathway to connect all of the vessels surrounding the tennis court from the north end parking lot down to the school parking lot.

In summary, in staff's opinion the responses provided satisfied the residents' concerns.

FINANCIAL CONSIDERATIONS:

Based on negotiations with Karl Hale, the installation of tennis bubbles on the Lands will require capital investment from both the proponent and the City of Markham.

Karl Hale has proposed that the Tenant will be responsible for acquiring, installing, disassembling, maintaining and repairing the tennis bubbles and related equipment, the grade beams to hold the bubbles in place, alterations to the fencing to reduce the build-up of snow around the perimeter of the bubbles, and related City permit fees. It is estimated that these costs will be in the \$1.2M to \$1.5M range.

The City will be responsible for the up-front capital costs related to servicing the site, including the winterization and fireproofing of the clubhouse, adding a fire access route and creating a pathway and lighting from the parking lot to the tennis courts. The following table outlines the work and expected costs (inclusive of HST):

Capital Site Costs:		
i)	Pathway North to South on East side (lighting, grading)	\$260,000
ii)	Moving of pathway on west side	
iii)	Site servicing (Gas line)	\$160,000
iv)	Winterization of clubhouse	
v)	Fire proofing	\$160,000
vi)	Fire access route	\$185,000
vii)	Site Survey and Geotechnical requirements	\$23,000
vii)	Architect and Engineering Consulting Fees	\$100,000
viii)	Separate metering for utilities	\$7,000
ix)	Tree removal, stumping and replanting	\$41,300
Total Capital Site Costs		\$936,300

As these costs are related to extending the usability of a community facility for an additional 7 months of the year, it is recommended that a new capital project be established for the City's portion of infrastructure costs in the amount of \$936,300 (inclusive of HST) to be funded 90% from Development Charges and 10% from the Non-Development Charges growth reserve, to be fully offset by annual lease revenue.

It is also expected there will be nominal operating costs for snow clearing of the newly created pathway and hydro costs for the pathway lighting.

Should this proposal be approved, renovations of the clubhouse are planned to commence in early Q1 2020, with the facility target opening date in October 2020.

Lease Terms

Staff are currently negotiating the terms of a lease with the tenant. After the lease is finalized, staff will report out the terms of the lease in a public Council session.

Municipal Capital Facility

The Municipal Act authorizes a municipal council to pass a by-law authorizing the municipality to enter into a Municipal Capital Facility Agreement with any person for the provision of municipal capital facilities and to exempt from property taxes land on which such municipal capital facilities are located.

As the City will be entering into an agreement with the Tenant to provide a seasonal tennis facility which complements the existing recreation services in the City, Staff will determine whether the proposed seasonal tennis bubbles can be declared a municipal capital facility ("MCF"), similar to what was completed in 2016 for the seasonal soccer dome which is located at the Mount Joy Community Centre.

In the absence of the City declaring the Tenant seasonal tennis bubbles a MCF, staff estimate the facility would have a property tax liability of \$25,000 – \$29,000 for the seven months of the year that it would be in operation. The City's proportionate share of the taxes would be approximately \$3,300 – \$3,800.

Staff will report back in the first quarter of 2020 with a recommendation on whether the tennis bubbles shall be declared a MCF.

Summary

It is recommended that staff be directed to finalize negotiations with the Tenant and enter into a lease agreement between the City and the Tenant of the Lands. The proposed lease will contain

terms acceptable to the Chief Administrative Officer and City Solicitor and will address the acquisition, financing, installation, operation, and maintenance of tennis bubbles on the Lands from early October to the end of April for a term of 25 years.