



COMMUNITY SERVICES – RECREATION & CULTURE

TOWN OF NEWMARKET

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October 19, 2015

**COMMUNITY SERVICES REPORT – RECREATION & CULTURE
COMMITTEE OF THE WHOLE REPORT # 2015-37**

TO: Committee of the Whole

SUBJECT: Magna Centre Lease Spaces and Potential Fitness Centre

ORIGIN: Community Services – Recreation & Culture

RECOMMENDATIONS

THAT Community Services Report – Recreation & Culture Report #2015-37, dated November 21, 2015 regarding Magna Centre Leases & Potential Fitness Centre be received and the following recommendations be adopted:

- 1. THAT the Town of Newmarket convert the existing restaurant space into an equipment based, membership oriented fitness facility within the capital costs identified.**

COMMENTS

An extensive public consultation process occurred in the development of the Recreation Playbook. Through this process there was interest in the community to see the development of an equipment based fitness facility operated at the Magna Centre. Specifically, the recommendation contained within the Recreation Playbook is as follows:

“Explore development of an equipment-based and membership-oriented fitness facility to be run by the municipality or in partnership at Magna Centre.”

Currently the Town of Newmarket leases out space at Magna Centre for commercial tenants. Most of these spaces have leases that are set to expire on May 31, 2016. These tenants include UTC (a Crossfit Studio), Strategex (a Sports Medicine Clinic), Real Edge (a Pro Shop), and Sabrinas (a restaurant and concession provider). All of these leases are currently operating on extensions of an original RFP. These extensions have been coordinated so that expiry happens simultaneously to allow a reconsideration of spaces and needs at the Magna Centre. Note that Timothy's is on a separate lease schedule, due to expire in 2018.

Given that all of these leases are set to expire in 2016, this represents an opportune time to consider development of a Fitness Centre within Magna Centre.

Specifically, staff will be issuing a Request for Proposal for the leased spaces within Magna Centre with the exception of the existing restaurant, and concession space being subject to Council direction. This restaurant and concession space has consistently struggled with the current lease holders regularly requesting a reduction in the rent of \$35,000 annually. Staff are seeking an opportunity to repurpose the space to better meet the needs of patrons, diversify revenues and improve linkages with Southlake Hospital.

Key Operating Principles of a Fitness Centre

The following represent overall principles of how the Town of Newmarket would operate a fitness facility:

- This fitness centre would provide a holistic approach to health and wellbeing, welcoming all members of the community regardless of age, ability, or financial circumstance.
- Membership based facility that would also sell day passes
- Memberships will be sold to individuals aged 16 and up
- A special Cardiac Rehab Membership will be created in partnership with Southlake Hospital
- Youth ages 13 to 15 would be able to participate upon completion of a training course
- Membership fees would be affordable while still competing in the market place
- A financial assistance model would be developed to ensure those who cannot afford a membership are still able to participate
- Benefits of membership would include access to group fitness classes, aquafitness, lane swimming, and walking track at no additional charge
- Family memberships will be offered that extend access to public swimming and skating for children
- Equipment and programming will focus on drawing a variety of participants
- Staff do not anticipate that this would preclude the Town from exploring a partnership with the YMCA in future should there be desire from both organizations to pursue such a partnership

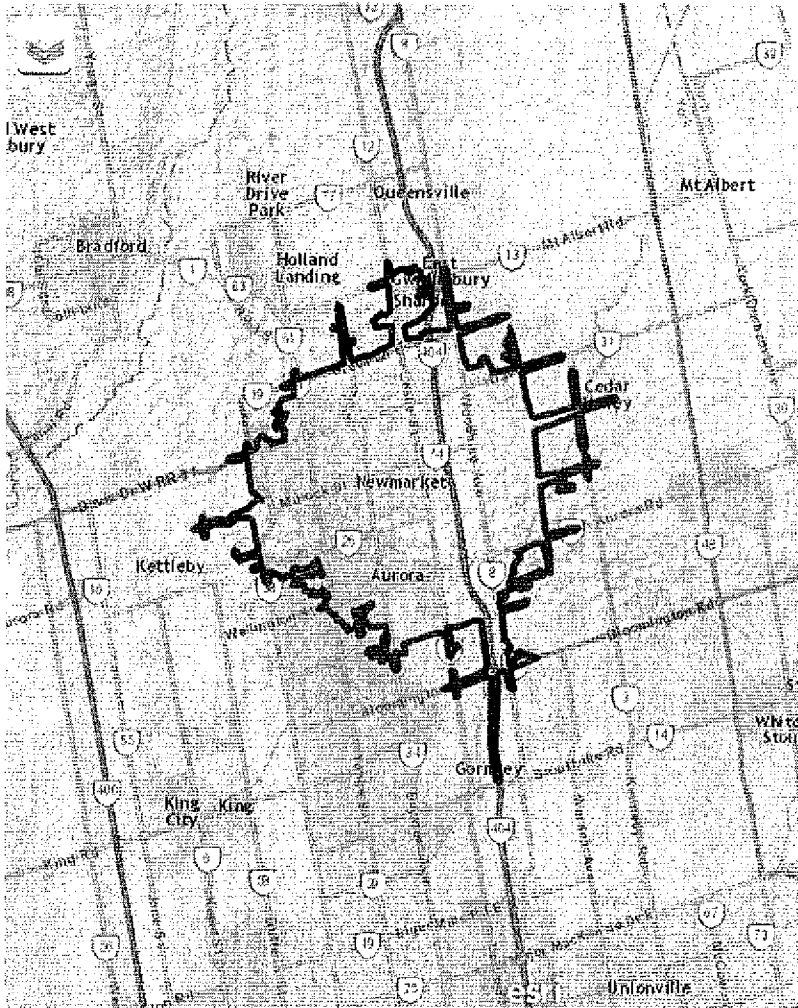
Facility Amenities

It is envisioned that a fitness centre would incorporate the following key features:

- Approximately 2,500 to 3,000 sq ft of a mixture of cardio & strength equipment, free weights and stretching space
- The existing kitchen would be converted into a teaching kitchen where nutrition and healthy cooking programs will be offered
- Changerooms for the pool and gymnasium would be utilized for the fitness centre
- Access to the fitness centre would be controlled through a membership scanning process; however, the space would be staffed during all hours of operation.

Potential Market

It is typical within the fitness industry that 20% to 25% of the population will join a fitness club. Also, as much as 80% of members of a fitness centre will live within a 5 km or 10 minute radius of the fitness centre. This positions Magna Centre well with a large pool of potential members. As is demonstrated in the following map, provided through Environic Analytics, virtually all of Newmarket falls within a 10 minute drive of Magna Centre.



Given the number of individuals who also attend Magna Centre with children for various activities, the reach of potential members exceeds what can be typically expected.

In addition to a general public individual and family memberships, there have been preliminary discussions with Southlake Hospital Staff around the concept of developing a centre for patients of their Cardiac Rehab program. There are currently over 5,000 individuals who are part of that particular program. In other communities, hospitals have very successfully partnered with municipalities or not-for-profit fitness providers to provide fitness facilities as an integral portion of long term recovery for individuals who have experienced cardiac issue. A fitness facility, including a full service educational kitchen provides an excellent opportunity to create a financially sustainable facility that also provides a socially responsible approach to community health and wellness.

Creating a fitness space improves the relevance of the facility for parents, grandparents and siblings by enabling them to participate and get active while respective children are participating in a program in other parts of the facility.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

Well-equipped & managed

- Small town feel with city amenities
- Clear vision of the future and aligned corporate/business plans

Well-respected

- Being well thought of and valued for our judgment and insight
- Discovering innovative and creative solutions for future well-being
- Being a champion for co-operation and collaboration
- Being tradition –based and forward-looking

CONSULTATION

An extensive public consultation process was conducted as part of the Recreation Playbook process.

HUMAN RESOURCE CONSIDERATIONS

The operating model outlined in the budget impact contains provision for additional staff.

BUDGET IMPACT

Operating Budget (Current and Future)

The Recreation & Culture Department generates in excess of \$5 Million annually in revenues. The capacity for the department to increase the revenues earned is limited at this point in time in terms of pricing options. Many services cannot withstand significant fee increases, nor is there considerable room for volume increases. As such, the department must explore opportunities to generate new revenues to ensure that tax impacts can be minimized. A detailed operating plan has been developed as outlined in the summary chart below:

Fitness Operating Model - First Three Years Operating Summary

Revenue	Year One	Year Two	Year Three
Memberships	\$200,582.00	\$362,682.00	\$420,351.00
Joining Fees	\$18,000.00	\$21,000.00	\$25,000.00
Personal Training & Programming	\$31,000.00	\$33,080.00	\$35,000.00
TOTAL Revenue	\$249,582.00	\$416,762.00	\$480,351.00

Expenses	Year One	Year Two	Year Three
Personnel	\$227,000.00	\$235,000.00	\$242,000.00
Non Personnel	\$131,800.00	\$136,250.00	\$132,550.00
TOTAL Expenses	\$358,800.00	\$371,250.00	\$374,550.00

NET	-\$109,218.00	\$45,512.00	\$105,801.00
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Notes on the operating model:

This fitness operating model assumes very modest membership numbers maxing out at just under 1,500 members at the peak time period. A fitness centre the size of the one currently proposed would have capacity to accommodate as many as 3,000 members. Additionally, expenses include lost revenue from the current rental space and a lease for all equipment within the facility. By leasing the equipment for three years through the operating budget, it creates a sustainable fitness centre where the equipment can be replaced every three years, which is typically the life of a piece of equipment in an industrial setting. This also does not include any provision for naming rights which would certainly be pursued.

Capital Budget

There was \$250,000 identified within the Development Charges Study for the development of a fitness centre at the Magna Centre. It is estimated that the space could be converted for approximately \$300,000 recognizing that all equipment would be covered in the operating budget. The additional \$50,000 capital needed (in addition to the \$250,000 in development charges) could be financed through future revenues, recognizing that by year three the Fitness Centre would be operating at a significant surplus.

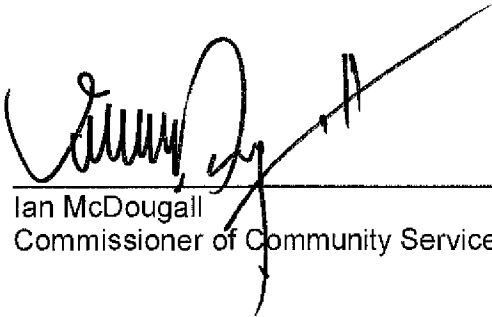
Capital costs related to the renovations funded through development charges and future revenues will be included in the information for the December 14th budget meeting. Capital work would occur in 2016, commencing in May with the expiration of the current lease. Official opening of the fitness centre would be targeted for January 1, 2017.

CONTACT

For more information on this report contact Colin Service, cservice@newmarket.ca or extension 2601



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