



Town of Newmarket
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Tennis Centre at Shining Hill Staff Report to Council

Report Number: 2023-17

Department(s): Recreation & Culture, Parks & Facilities

Author(s): Colin Service, Director, Recreation & Culture

Meeting Date: March 27, 2023

Recommendations

1. That the report entitled Tennis Centre at Shining Hill dated March 27, 2023 be received; and,
2. That Option 1 – A Town Run Operating Model as outlined in the report be endorsed; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

As part of the Municipal Capital Facilities Agreement between the Town of Newmarket and Shining Hill Developments, a new tennis facility is being constructed in the Shining Hills Development. This will be an outdoor, lit, 10 court facility. Eight courts will be bubbled in the winter months.

The Newmarket Tennis Club (summer club) (NTC) will continue to operate their summer club out of the new facility at Shining Hill.

For winter tennis, with the increase of bubbled courts from three courts to eight courts, a number of private providers have expressed potential interest in operating the Town owned facility as a for-profit business.

Staff are recommending that Council endorse a Town operated operating model which is conservatively projected to generate an annual surplus in excess of \$100,000.

Council direction is being sought regarding the preferred operating model for the facility moving forward.

Purpose

A new tennis facility is being constructed in the Shining Hills Development. The purpose of this report is to determine how a bubbled winter club will be operated.

Background

The Town of Newmarket has had a partnership with two separate entities for the delivery of a membership based tennis club at the Keith Davis Tennis Centre, located on the Community Centre lands.

The summer club (mid April to mid October) is not for profit club known as the Newmarket Tennis Club. It operates currently on six outdoor, lit courts. The not for profit club is incorporated with full oversight by an elected board of members of the tennis club. They have hired a variety of staff and oversee all aspects of staff management.

The winter club (mid October to mid April) has been run by a private provider called Tennis Clubs of Canada and is known as the Newmarket Winter Tennis Club. Three of the courts at the Keith Davis Tennis Centre are bubbled during the winter months for the operation of the winter club. The bubble is owned by Tennis Clubs of Canada and they retain full responsibility of erecting, and then dismantling and storing the bubble during the summer. Tennis Clubs of Canada pays a current lease of \$2,500 per year to the Town of Newmarket. Tennis Clubs of Canada incurs all expenses associated with the maintenance and operation of the bubble and staff resources for the operation of the club.

The new tennis facility in Shining Hill will replace the current Keith Davis Tennis Centre. The new facility will have 10 outdoor, lit courts positioned in two blocks of four courts and one block of two courts (attached is a draft site plan, Appendix 1). The two blocks of four courts (8 total courts) will be bubbled during the winter months (mid October to mid April). This will represent two separate bubbles that will be attached through a connecting pass through area. In order to advance the construction in a timely manner, the Town has had to purchase the bubble and will recover the costs of the bubble either through operating revenues or leased revenues to a private provider.

The Newmarket Tennis Club (summer club) (NTC) will continue to operate their summer club out of the new facility at Shining Hill. NTC is currently the only summer club operating in Newmarket. This operating model of a not for profit community based club is common in communities across Canada.

For winter tennis, with the increase of bubbled courts from three courts to eight courts, a number of private providers have expressed potential interest in operating the Town owned facility as a for-profit business.

A public meeting was held on January 30th with the tennis community. Feedback was gathered following the meeting through email, postcards, surveys and a dedicated Hey Newmarket web page. The majority of feedback received focused on design aspects, namely the amount of space between and behind courts and the type of club house facility supporting the operations. This feedback has been shared with the design team – no decision of Council is required around the design feedback. A separate information report outlining the feedback will be distributed. Feedback around the operation of a winter club will be shared in the context of this report.

Discussion

As has been mentioned, the number of bubbled courts in the winter season will increase from three courts to eight courts. This represents a significant increase in the level of service and profitability of a winter club. There are also a number of bubble operators. Given this, should Council wish to direct staff to secure a private provider to operate the winter bubble, a formal Request for Proposal process must be undertaken. Tennis Clubs of Canada has been notified of this situation. This leaves two options for Council to consider: Option 1 – a Town operated Winter Tennis Club; Option 2 – a partnership with a private provider who is the successful proponent through an RFP Process. Council direction is being sought regarding the preferred operating model for the facility moving forward.

Option 1 – A Town Operated Winter Tennis Club

The Town of Newmarket is well versed in operating and delivering a variety of different services in a variety of different models. Operating models are carefully considered recognizing industry standards and best practices while balancing financial, social and physical accessibility. For example, the Town opened a membership based fitness centre in 2017, a line of business traditionally associated with the private sector. The Town’s fitness centre has proven highly successful, more than doubling anticipated numbers of members while providing a high level of service at a very affordable price. The operating model presented below provides the same level of consideration, rooted in research about and experience with the tennis industry, while considering financial and participant accessibility.

Winter tennis (or indoor tennis) is commonly offered as a membership based experience which includes court rentals, leagues, lessons, clinics, and tournament play. Staff are proposing an operating model including all of these elements.

Membership Pricing Structure

The following chart outlines the types of memberships and proposed fees.

Membership Type	Proposed Annual Fee	Average Competitor Fee

Adult Single	\$300	\$330
Adult Couple	\$550	\$570
Family	\$650	\$700
Junior (under 18)	\$100	\$130
Senior (over 65)	\$175	\$238

This membership pricing structure of a town operated facility would represent a reduction to fees most tennis players are currently paying. As well, those residents who do not even attempt to access a membership for financial reasons could access the CARE (Creating Accessible Recreation for Everyone) program. With the CARE program individuals could obtain discounts ranging from 10% to 50% off the price contingent upon their specific income and the number of dependents supported by that income.

Court Rental Fees

The following chart represents the proposed court rental fees. It is anticipated that the facility would be open 7 days per week from 7 am until 11 pm. Prime time hours are defined as 5 pm to 10 pm daily.

Court Rental Type	Proposed Hourly Fee	Average Competitor Fee
Prime Time	\$20	\$28
Non Prime Time	\$15	\$22

Tennis Lessons

The following chart represents proposed cost for lessons.

Lesson Type	Proposed Fee	Average Competitor Fee
Group Lessons (cost for a 12 week session)	\$300	\$315
Private Lessons	\$75	\$75

Similar to the memberships, the CARE program can also be accessed for lessons ensuring that financial means is not a barrier to participation in lessons.

Leagues & Programs

There are a variety of different types of leagues and one off programs that will be considered and offered. The chart below represents the range of fees.

Leagues/Clinics/Programs	Proposed Fee	Average Competitor Fee
Cost per participant per day	\$10 to \$15	\$12 to \$20

Pickleball Option

The feedback has been very clear that this facility should not be dual lined for both tennis and pickleball. That being said, staff believe that there is an opportunity to include pickleball play during specified afternoon time periods on one of the banks of courts with use of temporary taped lines. There are numerous successful examples of this model throughout Ontario.

Anticipated Annual Operating Surplus

Utilizing the above noted price points, staff have put together a conservative projection of anticipated revenues and expenses. The chart below highlights the anticipated revenues and expenses should the town operate the winter tennis club. Included are some contextual details for your reference:

Anticipated Annual Operating Surplus

Revenue Type	Annual Projected Rev.	Details to Note
Memberships	\$160,000	Approximately 700 members anticipated (mixture of different categories)
Court Rentals	\$255,000	Assumption that courts are booked or programmed 85% of the time
Lessons	\$218,000	Assumes approximately 250 group participants over the course of a full season with additional clinics and private lessons.
Leagues/Programs	\$50,000	Approximately 200 members per week
Pickleball	\$30,000	\$5.00 per participant fee
TOTAL REVENUE	\$713,000	
Expense Type	Annual Projected Exp.	Details to Note

Staffing	\$300,000	Includes 1 full time Programmer (see note below) and a variety of part time staff including instructors, facility workers and front desk
Utilities	\$60,000	\$10,000 per month, six month operation. Based on numbers provided by Tennis Canada
Annual bubble installation/tear down and storage	\$60,000	Quote provided by bubble provider
Bubble Repayment	\$80,000	Based on 20 year life of bubble costing \$1.2 Million
Supplies	\$50,000	Cleaning supplies and program supplies
Annual Repairs & Maintenance	\$50,000	General provision
TOTAL EXPENSES	\$600,000	
TOTAL ANNUAL SURPLUS	\$113,000	

Note: The above chart notes the addition of a full time programmer position. It is anticipated that this role would focus on the operation of the Winter Tennis Club for six months of the year. Additionally, this position would also focus on: provision of winter pickleball; development of the broader sport sector within the community; supporting the growth of pickleball and the development of a summer not for profit club.

As is demonstrated in the conservative operating model, a surplus in excess of \$100,000 annually could realistically be achieved. In essence, this type of surplus is exactly why private operators exist – though private operators often charge higher prices and don't offer a financial subsidy program.

Option 2 – A Partnership with a Private Provider Through an RFP

The Town has had a long standing partnership with Tennis Clubs of Canada for the operation of current Winter Tennis Club. This current partnership puts all risk on to the provider and nets the Town an annual surplus of \$2,500. Please note that the bubble, including capital costs to purchase it in the first place and all annual installation, storage and maintenance costs are the sole responsibility of Tennis Clubs of Canada.

In the context of a new facility, there are some parameters that will have to change for a provider, given that the Town will now be the owner of the bubble. As such, at a

minimum, the Town would require an annual lease fee of \$140,000 (cost of bubble replacement and annual storage costs).

Through an RFP process, providers will be required to provide this minimum amount within their proposals. Proposals would then be evaluated based on total revenues to the Town beyond the minimum \$140,000 threshold. It is reasonable to expect that total revenues will exceed the \$2,500 annually received under the current agreement, but will not achieve the type of surpluses that will be realized by operating the bubble as a Town facility. That being said, this is a new operation and essentially all risks would be borne by the provider.

Through an operating agreement the Town could require the private provider to meet service levels and to provide specified programming. This approach will require Town staff to become more involved in the management of the private operator to ensure the terms of the agreement are achieved for the broader benefit of the community. This would be a service provider model, different from the current club model that operates at arms-length.

Public Feedback on the Operating Model

There has been a considerable amount of feedback provided around the operating model. The majority of the feedback has suggested a preference for a private provider, specifically the current provider. However, there has been a plurality of feedback from those that would prefer a town operated club citing issues around fairness and financial accessibility.

It has been communicated with all who have provided feedback, that should Council opt to partner with a private provider, it would be an open competitive RFP process.

It should also be noted that many who expressed preference for a private provider did so making assumptions that the Town would not operate a membership based facility similar to what they experience now.

Conclusion

Staff recommend Option 1 – Operating the Winter Tennis Club. While this does put the risk for successful operation squarely on the Town, these conservative projections outline a relatively low risk with a potential of significant new revenues.

Business Plan and Strategic Plan Linkages

Well Managed – this facility will provide an optimal tennis experience for our community.

Consultation

There has been detailed public consultation through out this process.

Human Resource Considerations

Human Resource considerations are highlighted in the operating model should Council choose Option 1. Should Council choose Option 2, there are no Human Resource considerations.

Budget Impact

Budget impacts are highlighted in the two options.

Attachments

Appendix 1 – Site Plan

Approval

Jeff Payne, Commissioner, Community Services

Colin Service, Director, Recreation & Culture

Rob Braid, Director, Parks & Facilities

Contact

For further information, please contact Colin Service at cservice@newmarket.ca