



## STAFF REPORT ACTION REQUIRED

### Amendment to Licence Agreement with First Service Tennis Management Inc.

<b>Date:</b>	June 20, 2007
<b>To:</b>	Government Management Committee
<b>From:</b>	General Manager, Parks, Forestry and Recreation & Director, Purchasing and Materials Management
<b>Wards:</b>	Ward 11 – York South – Weston
<b>Reference Number:</b>	P:\2007\Internal Services\pmmd\gm07027pmmd (AFS #5446)

#### **SUMMARY**

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This report requests Council's authority to amend the Licence Agreement with First Service Tennis Management Inc. to allow for the installation of a second tennis bubble over the remaining 6 tennis courts at Eglinton Flats Park.

Council's approval of the installation of a second tennis bubble will ensure a greater accessibility to low cost municipal based indoor tennis, the elimination of membership wait lists and tennis court booking wait times. The availability of 6 more indoor tennis courts will allow for the expansion of numerous successful tennis programs and the introduction of new tennis programs at Eglinton Flats Park. The installation of the second tennis bubble will be at no cost to the City and provide additional revenue to the Parks, Forestry and Recreation's operation.

## **RECOMMENDATIONS**

**The General Manager, Parks, Forestry and Recreation and the Director, Purchasing and Materials Management recommend that:**

1. Authority be granted to amend the Licence Agreement with First Service Tennis Management Inc. (“FSTM”) generally in accordance with the proposed terms and conditions set out in Appendix “A” of this report and on such other terms and conditions as may be satisfactory to the General Manager of Parks, Forestry and Recreation and in a form and content acceptable to the City Solicitor.

### **Financial Impact**

As per First Service Tennis Management Inc. response to Request for Proposal # 9155-03-7344, the current base rent of \$55,000.00 will continue.

Additional rent calculated at 15% of net revenue for the six court operation will continue for the twelve court operation up to a revised net revenue threshold of \$250,000. Above this threshold, the net revenues will be shared by a 60/40 arrangement, 60% going to the FSTM and 40% going to the City. Based on conservative revenue projections, the City will see increased yearly average revenues of 20% above the six court current operation. The current six court operation provides to the City an average of \$85,800 per year, the twelve court operation will provide an average of \$103,300 per year for the term of the agreement.

FSTM shall contribute \$11,000.00 per annum to the “Eglinton Flats Tennis Facility Maintenance Reserve Fund”, an increase from the previous amount of \$7,500.00 per annum, for the ongoing capital improvements to the facility.

At no cost to the City, First Service Tennis Management Inc. will spend approximately \$500,000.00 in capital expenditures for the installation of the second tennis bubble at Eglinton Flats Park, including but not limited to, Grade Beam construction, construction of a fire separation wall, electrical and gas connections, building permit fees and the air supported structure, including installation and lighting.

The revenue budget for rental for this site be reviewed as part of the 2009 Operating Budget process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

City Council at its meeting on January 27, 28 and 29, 2004 adopted Policy and Finance Committee Report No. 1, Clause 37, titled “Operation and Maintenance of a Winter Tennis Facility Installation of New Tennis Bubble at Eglinton Flats – RFP” recommending First Service Tennis Management Inc. as the successful proponent and requested authority to negotiate and execute a Licence Agreement with First Service Tennis Management Inc..

([www.toronto.ca/legdocs/2004/agendas/council/cc040127/pof1rpt/cl037.pdf](http://www.toronto.ca/legdocs/2004/agendas/council/cc040127/pof1rpt/cl037.pdf))

On July 31, 2003, Purchasing and Materials Management issued Request for Proposal (the “RFP”) No. 9155-03-7344, for the operation and maintenance of a winter tennis facility including the installation of a new tennis bubble at the Eglinton Flats.

The minimum requirement of the RFP was that a proponent cover the 6 north quadrant tennis courts with an air supported structure.

As part of the mandatory requirements of the RFP, proponents were requested to provide innovative solutions on how they would work with the City to identify new areas to achieve greater sales and profit. FSTM was the only proponent to respond to this section of the RFP.

In addition to providing financial information to cover the 6 north quadrant tennis courts, as part of the minimum requirements of the RFP, FSTM also provided financial information to cover all 12 tennis courts.

The City chose FSTM's proposal to cover the 6 north quadrant courts only.

## **ISSUE BACKGROUND**

Parks Forestry & Recreation has received numerous complaints from the public that the membership at the Eglinton Flats Winter Tennis Club operated by FSTM is at capacity and that members are frustrated that they are required to book courts at least one week in advance.

Parks Forestry & Recreation would now like to amend the licence agreement with FSTM as per FSTM's RFP submission and allow FSTM to cover the 6 south quadrant tennis courts at the Eglinton Flats Park as well, to alleviate some of the demand for more indoor tennis facilities in the City of Toronto.

## **COMMENTS**

One of the provisions of the RFP and FSTM's Licence Agreement provides that no other person would be allowed to operate a winter tennis club business during the term of the agreement at any part of Eglinton Flats Park or any other location under the control of the City of Toronto within a 5 kilometre radius of Eglinton Flats Park.

### **Reasons to Expand:**

There is an increasing demand for more indoor tennis facilities in the City of Toronto. There are only 6 indoor tennis facilities located on City owned property that offer affordable indoor tennis to the citizens of the City of Toronto.

The membership at the Eglinton Flats Winter Tennis Club is at capacity. Currently there are over 1000 members of various types at the club. The junior membership level has grown from 80 in 2004 to 220 in 2007. FSTM has established a wait list and are unable to accept new applications for membership from the public.

Due to the overwhelming membership demand and extensive use of the existing 6 tennis courts, FSTM can not meet the membership's needs and requirements.

Use of the tennis courts during prime time hours is at capacity at the Eglinton Flats Winter Tennis Club and the demand for programming continues to increase.

FSTM would like to implement new programming to meet the current membership demands.

Demographic changes in the club's membership, has also resulted in the use of the tennis courts during non-prime time hours.

### **Benefits of an Expanded Indoor Tennis Facility at the Eglinton Flats Park Include:**

An availability of 6 more tennis courts to play indoor tennis to assist with membership and booking problems.

A greater accessibility to low cost municipal based indoor tennis.

The expansion of numerous successful tennis programs and the introduction of new tennis programs.

A greater opportunity for juniors to play tennis through the availability of more tennis courts and the expansion of the Junior Tennis Academy.

## **CONTACT**

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## **SIGNATURE**

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Brenda Librecz  
General Manager  
Parks, Forestry and Recreation

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Lou Pagano, P. Eng.  
Director  
Purchasing and Materials Management

## **ATTACHMENTS**

Appendix "A"

Amendments to the licence Agreement

## Appendix “A”

### **Amendments to the Licence Agreement:**

Amendments to the Licence Agreement shall include, but not be limited to:

The term of the License Agreement shall be extended for an additional five years and the Licence Agreement shall now expire on April 30, 2025.

Additional rent calculated at 15% of net revenue for the six court operation will continue for the twelve court operation up to a revised net revenue threshold of \$250,000. Above this threshold, the net revenues will be shared by a 60/40 arrangement, 60% going to the FSTM and 40% going to the City. Based on conservative revenue projections, the City will see increased yearly average revenues of 20% above the six court current operation. The current six court operation provides to the City an average of \$85,800 per year, the twelve court operation will provide an average of \$103,300 per year for the term of the agreement.

FSTM shall contribute \$11,000.00 per annum to the “Eglinton Flats Tennis Facility Maintenance Reserve Fund”, an increase from the previous amount of \$7,500.00 per annum, for the ongoing capital improvements to the facility.

FSTM shall be solely responsible for the entire cost of the expansion, including but not limited to, Grade Beam construction, construction of a fire separation wall, electrical and gas connections, building permit fees and the air supported structure, including installation and lighting.

FSTM shall continue to be solely responsible for all operating costs associated with the operation of the indoor tennis facility.