
CITY OF KELOWNA

MEMORANDUM

Date: April 12, 2005
To: City Manager
From: Director of Parks and Leisure Services
Subject: Request for Authorization to Negotiate a Partnership for a New Indoor Tennis Facility

RECOMMENDATION:

THAT staff commence negotiations with the TennisKelowna.com group to establish a Partnering Agreement for an indoor and outdoor tennis facility in Recreation Park located at Gaston and Recreation Avenue;

AND THAT negotiations be based on a set of principles that are included in the report from the Director of Parks and Leisure Services, dated April 12, 2005;

AND FURTHER THAT the City prior to proceeding be subject to obtaining the support of the Kelowna Curling Club; receipt and acceptance of a business plan demonstrating the viability of the business operations; identification of acceptable capital and operational funding sources; reaching agreements in accordance with the identified principles, and an Alternate Approval Process as required by the Community Charter.

BACKGROUND:

In May of 2004, City Council instructed staff to advertise for Expressions of Interest for a potential partnership for the development of indoor and outdoor recreation facilities on City-owned land known as Recreation Park, located on Gaston Avenue. The City received only one submission, which is from a group called TennisKelowna.com proposing to construct indoor and outdoor tennis facilities.

The quality of existing indoor tennis amenities has been a source of frustration to a growing group of local tennis players over the past several years. The proposal for new indoor courts represents a sustained desire by these players for a higher quality and expanded four-season facility. With this initiative taking place at a time when the City is undergoing rapid population growth, the proposed facility will address both current and future needs. The facility would allow for programs aimed at augmenting the caliber of tennis in the City and encouraging both physical activity and excellence in our citizens. Undoubtedly, the facility would provide the opportunity to attract a larger number of events and tournaments. Tennis BC, the governing body for tennis in British Columbia has expressed support for this concept and reports a similar successful tennis development in North Vancouver. There are other letters of support posted on the group's website. Like our existing sport facility partnerships, this proposal would benefit the community but minimize both costs and associated risk.

Recreation Park was selected as an appropriate site for this development because it satisfies a number of criteria including:

- Site size and configuration
- Site suitability
- Potential to expand the use of an under-utilized park
- Site context and zoning
- Servicing
- Located near employment centres, providing before and after work recreation opportunities
- Close to the downtown core where higher density residential development is occurring and space for recreation is limited
- The scale and architecture of the facility would complement the surrounding area
- Synergies and joint use opportunities exist between TennisKelowna.com and the Curling/Badminton Clubs
- Current uses of the ball fields can be relocated to other sports park locations and the relocation plans have been accepted by those users

The location of the Recreation Park site can be found in Enclosure 1 – Site Location Plan.

The facility proposed by TennisKelowna.com would include:

- 5 high standard indoor tennis courts
- 4 outdoor courts to meet local and tournament needs
- Club House facilities including showers, change rooms, viewing lounges, etc.
- Parking that would exceed the zoning requirements for such a facility

A conceptual site plan of how this amenity might fit on the site is illustrated in Enclosure 2 – Conceptual Layout Plan.

The Parks and Leisure Services Department would like Council's approval to proceed with negotiations with TennisKelowna.com based on the following principles and pre-conditions:

- No operating funding from the City of Kelowna
- 50% or more of required capital to be provided by the P3 partner
- 50% or less of required capital to be provided by the City and fully paid back at a rate not less than MFA rates
- 100% of the required capital must be in place before the development can commence
- All capital costs associated with the project including but not limited to permits, fees, design costs, development charges, and any other hard or soft costs are the responsibility of the proponent
- City to retain ownership of land and improvements and provide the land without cost to the development
- Municipal tax waiver to be considered for public use portions of the land and improvements related to the provision of publicly accessible recreation services
- Provisions for public access and fees acceptable to the City of Kelowna
- Capital cost over-runs to be the responsibility of the private partner
- Operating shortfalls to be the responsibility of the private partner
- City requires ultimate approval of designs
- Written confirmation from the Kelowna Curling Club of their approval of the project
- TennisKelowna.com must meet the City's typical insurance and bonding requirements for the project
- Construction standards are to be suitable for a "public" facility
- Lease tenure same as borrowing repayment term of 25 years
- City retains the right to terminate the agreement for non-performance of operating or capital requirements

Some concern has been expressed regarding undertaking this project with a business instead of a non-profit society. We do not have any non-profit societies that have expressed interest and there are some advantages to working with a business since investors will be providing capital for the project. A non-profit society would need to raise funds through fund-raising in competition with other non-profits but the business will be backed by investors. Also with a business operation, there is no risk of future grant requests since a for-profit company is not eligible for grant assistance. Should the business be unsuccessful financially and not make the required lease payments to the City, then the City would terminate the lease. The capital invested by the business remains in the centre and the City would be able to offer a lease to another operator who could take over the operation without debt. Effectively this means that in a "worst-case scenario" the City would obtain the tennis centre for one-half of its total capital cost.

With Council approval to proceed with partnership negotiations, Tennis Kelowna.com would complete their market research, investment and business plans, including an internet based survey to determine the commitment of local tennis players to use the facility. Upon completion, Parks and Leisure Services would proceed with an independent assessment of the business plan. Once all the pre-conditions are fulfilled, we would prepare legally binding documentation to bring back to City Council for approval, including the appropriate Bylaws and Alternative Approval Process.

The City of Kelowna is a proven innovator in the area of public private-partnerships. There are many key ingredients to a successful partnering relationship. The principles and preconditions set out above create a strong foundation for this partnership. The most important foundation, however, is that our community needs better tennis facilities and this is a good opportunity for the City to assist in the creation of one with low costs and risks.

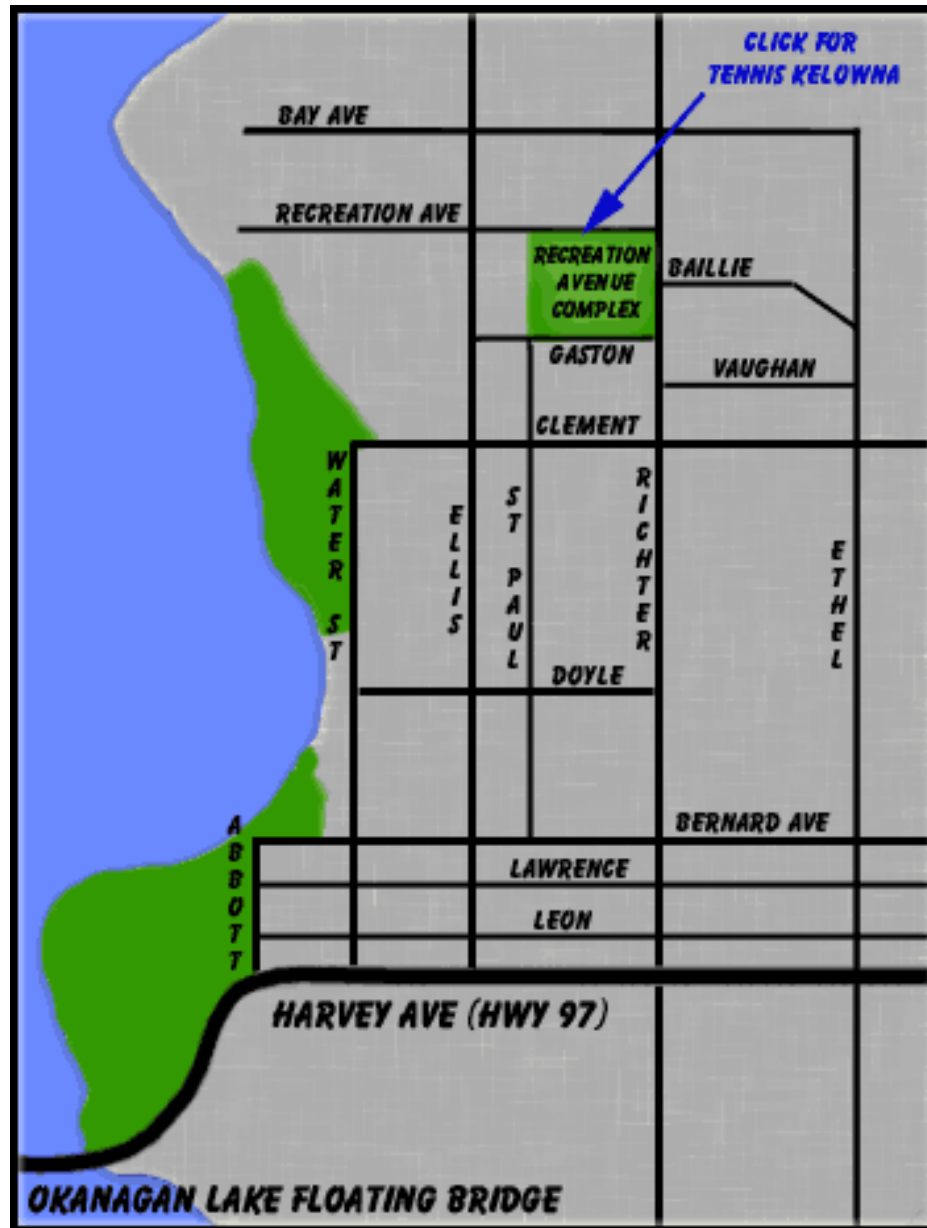
David Graham
Director of Parks & Leisure Services

Attachments

Cc Parks Manager
Director of Financial Services

Enclosure 1 – Site Location Plan

Downtown Kelowna



Enclosure 2 – Conceptual Layout Plan

Recreation Avenue Complex

