

Introduction

The Sudbury Indoor Tennis Centre (SITC) is a tenant on the municipally owned property located at Queen's Athletic Field. The Municipal Property Assessment Corporation (MPAC) assessed the facility for the first time in 2017. MPAC determined that SITC's facility is taxable, which resulted in taxes owing. The Sudbury Indoor Tennis Centre has contacted the City of Greater Sudbury (City) requesting tax relief; specifically requesting the facility be declared a municipal capital asset.

Background

The Sudbury Winter Tennis Club also known as the Sudbury Indoor Tennis Centre is a tenant on the municipally owned property located at 0 Cypress Street, Sudbury, which is utilized by the City as a public park and recreation area commonly known as Queen's Athletic Field. This property also includes a sports field, an outdoor track (summer), skating oval (winter), outdoor tennis courts, a parking lot, a field house with dressing rooms and common space. This field house is shared with the tenant (SITC).

In 1992 the City of Sudbury authorized a lease agreement with the Sudbury Winter Tennis Club by the passing of by-law 92-185. The lease was for 10 seasons, commencing winter season 1992 and ending June 1st, 2002. The lease to the Sudbury Winter Tennis Club was for use of the part of the City's land (to erect the tennis bubble) and use of part of the Queen's Athletic field house. As per the lease, there was no rent payable and the club was to be responsible for property taxes, if assessed, as per paragraph 17 of the Lease. A copy of By-law 92-185 and the lease are attached (Appendix A - By-law 92-185 - Lease Agreement). The lease agreement was in overholding between 2002 and 2012.

In 2012, the City of Greater Sudbury entered into a new lease agreement with the Sudbury Winter Tennis Club for a 10-year term (January 2, 2012 - December 31, 2021). The lease was executed under delegated authority as per the City's Property By-Law, with no rent payable by the club. The club is responsible for property taxes, if assessed, as per paragraph 4 of the lease agreement. An executed copy of the 2012 lease is attached (Appendix B - Sudbury Winter Tennis Club Lease Agreement, January 1, 2012).

In the fall of 2017, staff advised the Sudbury Indoor Tennis Centre that the facility was assessed by MPAC resulting in taxes owing back to 2016. Formal correspondence was sent to the Sudbury Indoor Tennis Centre regarding the MPAC assessment on January 18, 2018. Taxes owing at this point were as follows:

- 2016 taxes owing - \$15,675.99
- 2017 taxes owing - \$18,060.76
- Total owing - \$33,736.75

In March of 2018, the City sent correspondence to the Sudbury Indoor Tennis Centre outlining repayment options with respect to taxes owing. The Sudbury Indoor Tennis

Centre passed the following resolution at an emergency board meeting held March 21, 2018:

That the Board send a letter to the City of Greater Sudbury, advising the City that as a small, not-for-profit recreational club which has operated in a City owned building and on City owned tennis courts for twenty-five years, without previously having been subject to property taxes, the Club cannot afford to pay either the retroactive tax amount of \$33,736.35 or future annual taxes anticipated to be between \$18,000-\$20,000 and that the Board formally asks City Council to present a motion, to deem the Sudbury Indoor Tennis Centre a property of municipal significance, similar to what was done for the Northern Water Sports Centre which found itself in circumstances very similar to those of the Sudbury Indoor Tennis Centre. The Board regrets to have to advise the City that should the Club not be so deemed, the Club will be forced to close as it will no longer be financially viable.

In the spring of 2018, a Request for Reconsideration was submitted by the City appealing MPAC's assessment of the property tax as it pertains to the Sudbury Indoor Tennis Centre. The Request for Reconsideration was successful and the taxable component of the property assessment was reduced by \$112,100.

Current Status

As of March 2019 the Sudbury Indoor Tennis Centre has been billed \$54,968.94 for property taxes owing, including interest.

Sudbury Indoor Tennis Centre Property Taxes Owing	
2016 property taxes owing	\$15,675.99
2017 property taxes owing	\$18,060.76
2018 property taxes owing	\$17,703.72
2018 property tax adjustment (as per RFR)	(\$4,049.35)
2019 interim tax bill	\$6,787.45
Interest accrued	\$790.37
Total	\$54,968.94

As of the date of this report the Sudbury Indoor Tennis Centre has not met its obligation and has not paid any of the property taxes billed.

The Sudbury Indoor Tennis Centre has also advised that the HVAC system for the air supported structure requires replacement in the near term estimated at \$175,000. The

HVAC system is a capital responsibility of the Sudbury Indoor Tennis Centre. A recent application for Trillium funding for HVAC upgrades was unsuccessful.

Financial statements provided to the City by the Sudbury Indoor Tennis Centre show a total of \$181,951 in revenue and \$182,051 in expenses for the year ending June 30, 2017. Revenue totals include \$99,058 collected in court fees and \$33,051 collected from membership fees.

The City has met with Sudbury Indoor Tennis Centre representatives on strategies to improve their financial position. An initial meeting was held in April 2018 to learn more about the group's challenges and financial position. Subsequent meetings were held to discuss programming opportunities and marketing strategies. As a result of meetings the City is exploring opportunities for promotion of the indoor tennis centre and the Club is exploring joint programming opportunities. As part of discussions, there has been a commitment by the Club to provide access and programming to those individuals with financial barriers, which was identified as part of the City's Affordable Access to Recreation Strategy.

Demand and Participation Analysis

In order to gain a better understanding of demand and provision levels staff reached out to the JF Group to obtain information with respect to demand for an indoor tennis centre for a municipality the size of the City of Greater Sudbury. The JF Group has worked with other municipalities and Tennis Canada to develop facility and tennis strategies.

The JF Group suggests that a community the size of the City of Greater Sudbury should be able to support two or three indoor tennis complexes (with 6 courts each).

To determine the number of indoor tennis players in a community, the following formula is used:

- # of casual players (those playing tennis 4 times per year) is equal to 20% of the adult population
- # of court players (those playing tennis 2 times per month) is equal to 40% of casual players
- # of indoor tennis players is equal to 11% of court players

Projected Number of Indoor Tennis Players in Greater Sudbury	
# of adults in Greater Sudbury (2016 Census)	97,595
# of casual players (20% of adult population)	19,519
# of court players (40% of casual players)	7,808
# of indoor players (11% of court players)	859

# of Sudbury Indoor Tennis Centre members	212
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The JF Group also advised that to be successful, an indoor tennis facility requires a minimum of 75 to 100 members per court. With four indoor tennis courts, the Sudbury Indoor Tennis Centre should have between 300 and 400 members (currently has 212 members).

The analysis demonstrates that there is sufficient supply in Greater Sudbury to support the indoor tennis centre. There appears to be opportunities to capture latent demand and increase membership.

Comparator Facilities

Information on membership fees and court fees from similar facilities across Ontario has also been collected. Information has been collected from the following:

- Barrie (Barrie North Winter Tennis Centre)
- Burlington (Aldershot Tennis Club)
- Ottawa (Tennis Centre West Ottawa)
- Kitchener (GSM Tennis Club)

Indoor Tennis Centre Membership Fees Comparison (Annual Rates)			
Location	Adult	Student	Family
Barrie	\$329	\$239	\$799
Burlington	\$535	\$375	n/a
Ottawa	\$624	\$349	\$1235
Kitchener	\$350	\$250	\$700
Sudbury	\$265	\$150	\$650

Indoor Tennis Centre Court Fees (Hourly Rates)		
Location	Members	Non-Members
Barrie	\$26 prime \$22 non-prime	\$50 prime \$42 non-prime
Burlington	\$15	Members permitted to sign in a guest 5 times per year.
Ottawa	\$36 prime \$28 non-prime	\$51 prime \$43 non-prime
Kitchener	\$20 prime \$15 non-prime	\$35 prime \$25 non-prime
Sudbury	\$28	\$56

Analysis demonstrates that membership rates in Sudbury are significantly less than other comparator facilities, while court fees are in the same range as other indoor tennis centers in Ontario.

Alternatives for Council's Consideration

The following alternatives are available to Council in response to the Sudbury Indoor Tennis Centre's request for tax relief:

Alternative 1

Council may deny the request for assistance from the Sudbury Indoor Tennis Centre and uphold the terms of the Lease Agreement signed by the group on January 1, 2012. Should Council choose this option, the Finance Division will continue its collection efforts, via its Accounts Receivable Section.

This option could create a negative impact on the Sudbury Indoor Tennis Centre, potentially causing closure due to the amount of funds currently outstanding.

Alternative 2

City Council may consider granting an amount equal to property tax amounts for 2016, 2017, and 2018. Property taxes would begin to be charged in full for the year 2019 and forward. This option would allow staff to continue to work with the Sudbury Indoor Tennis Centre on their business plan with the aim of increasing membership and becoming more financially sustainable. An increase of approximately \$65 per member would be sufficient to provide for payment of the annual property taxes.

Alternative 3

Council may consider providing a grant or partial grant to the Sudbury Indoor Tennis Centre, equivalent to or partially equivalent to the property tax liability generated by its occupation of the facility. City Council's authority to provide grants can be found in Section 107 of the Municipal Act. However, this action may encourage other groups occupying similar facilities to approach Council in an effort to be treated in the same fashion. The annual property taxes are estimated to be approximately \$14,000. This alternative is not recommended as it would set precedent for other similar organizations.

Alternative 4

Properties owned and occupied by a municipality are exempt from taxation pursuant to Section 3 of the Assessment Act. However, where a municipality leases property to an organization or group, the property becomes taxable. If such a tenanted property is designated as a Municipal Capital Facility, the property becomes exempt from taxation. City Council may, by way of a by-law, designate the Sudbury Indoor Tennis Centre as authorized under Section 110 of the Municipal Act. Should Council choose this option, the Sudbury Indoor Tennis Centre would be exempt from taxation and the lost revenue would be passed on to all other property owners in the City.

Declaring the facility, a municipal capital asset is not recommended. Although the Sudbury Indoor Tennis Centre has requested to be treated like the Northern Water Sports Centre, the Northern Water Sports Centre is a shared use facility, with the City and tenant each using and programming space. This option also has the greatest negative impact on the tax levy.

Summary

Of the four alternatives, staff recommend that only the first or second alternative should be considered by the Committee.

Should Council want to provide assistance to the Sudbury Indoor Tennis Centre, the recommended option would be to grant an amount equal to property tax amounts for 2016, 2017, and 2018. This option would provide some financial relief for the Sudbury Indoor Tennis Centre while allowing the opportunity to increase membership and gain financial sustainability. This option still provides support to the Sudbury Indoor Tennis Centre and an incentive for the group to move forward without creating an ongoing obligation for the City. If this option is accepted, the City will provide a grant of \$48,181.49 to allow for payment of the property tax obligation. If this alternative is approved, the recommended funding source would be the Tax Rate Stabilization Reserve.

Should Council choose to uphold the terms of the lease agreement with the Sudbury Indoor Tennis Centre, the request for assistance would be denied.

The City will work with the Sudbury Indoor Tennis Centre to explore potential grant opportunities for the capital funding required to replace the aging HVAC system.