

# HALIFAX

P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 15.1.4**  
**Halifax Regional Council**  
**April 16, 2019**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
Jacques Dubé, Chief Administrative Officer

**DATE:** April 3, 2019

**SUBJECT:** Atlantic Tennis Canada – Request to amend Contribution Agreement

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## **ORIGIN**

- July 5, 2011 Motion of Halifax Regional Council:

MOVED by Councillor Outhit, seconded by Councillor Sloane that Halifax Regional Council direct staff to:

1. Meet with Tennis Canada and Tennis Nova Scotia officials to determine the public requirements for Tennis Facilities in HRM and how those might be accomplished; and
2. Provide a report to Council for discussion. MOTION PUT AND PASSED.

- August 2, 2016 Motion of Halifax Regional Council:

MOVED by Councillor Mosher, seconded by Councillor McCluskey that Halifax Regional Council:

1. Approve provision of a grant to Tennis Canada for one-third funding towards the development of the Nova Scotia Regional Tennis Development Centre in the amount of up to \$2.5 million, paid over three years and conditional on the same level of funding being provided by the Province of Nova Scotia and facilitated by Tennis Canada;
2. Direct staff to include funding in the amount of \$840,000 in 2017/18, \$840,000 in 2018/19 and 820,000 in 2019/20 to the proposed respective Operating Budgets through HRM's annual budget approval process; and
3. Authorize staff to negotiate, enter into and execute a contribution and service agreement on behalf of the Municipality with Tennis Canada that includes the terms and conditions outlined in Table 2 and in the opinion of the Acting Chief Administrative Officer, or his delegate, achieves the outcomes of the Municipality identified in the staff report dated July 26, 2016. MOTION PUT AND PASSED UNANIMOUSLY.

- Letter dated March 7, 2019 from Atlantic Tennis Canada requesting an amendment to the agreement, specifically the term that states: "HRM's funding share will be reduced by a reciprocal amount should federal funding be achieved".

## **LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter, S.N.S. 2008, c.39 subclause 79(1)(av)(v):* Halifax Regional Council may expend money required by the Municipality for... (av) a grant or contribution to ... (v) any charitable, nursing, medical, athletic, educational, environmental, cultural, community, fraternal, recreational, religious, sporting or social organization within the Province.

.... **RECOMMENDATION ON PAGE 2**

*Halifax Regional Municipality Charter S.N.S. 2008, c.39 subsection 75(1):* The Municipality may agree with any person for the provision of a service or a capital facility that the Municipality is authorized to provide.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council approve an amendment to the Contribution and Service Agreement with Tennis Canada dated July 12, 2017 to delete the requirement in section 3.1(c) that HRM's funding share be reduced by a reciprocal amount should federal funding be achieved.

## **BACKGROUND**

Tennis Canada submitted a proposal in March 2016 to establish a regional tennis centre in HRM, in partnership with Tennis Nova Scotia. The proposal sought total funding of \$7.5M, with one-third share of \$2.5M from HRM, to create an eastern-hub, not-for-profit tennis centre that incorporates the current 6 indoor clay courts at Daniel Nestor Tennis Centre and expands the facilities to include:

- An additional 4-6 international standard indoor hard courts, two of which will be convertible to artificial turf for multi-use purposes;
- two additional outdoor clay courts;
- 2-5 children's mini children's outdoor courts; and
- Amenities such as a viewing area and conditioning space.

On August 2, 2016 Regional Council approved the provision of a grant and the negotiation and signing of a contribution agreement with Tennis Canada for up to one-third funding towards the development of the Nova Scotia Regional Tennis Development Centre in the maximum amount of \$2.5M, paid over three years and conditional on the same level of funding being provided by the Province of Nova Scotia and facilitated by Tennis Canada.

To document the grant, HRM and Tennis Canada entered a Contribution Funding and Service Agreement on July 12, 2017. In accordance with the "Key Terms" approved by Council on August 2, 2016, section 3.01(c) of the agreement provides that HRM's funding share will be reduced by a reciprocal amount should federal funding be achieved.

## **DISCUSSION**

The Daniel Nestor Tennis Centre (DNTC) is now owned and operated by Atlantic Tennis Canada (ATC). The purchase was completed in October 2018 and, upon ownership, ATC started extensive renovations to the existing 6 clay courts and commons areas. The new facility project, which continues to be planned on these lands, has realized \$630K in private donations, total provincial grant funding of \$2.5M which was received in 2018, and HRM's first year installment of \$840K in 2017. Year 2 payment of \$840K to ATC will be released once all year end reporting is received pursuant to the contribution agreement.

A letter dated March 7, 2019 was received a letter from the Nova Scotia Regional Tennis Development Association, now known as ATC, which provided an update on the project construction costs, as well as a request to amend the contribution agreement (Attachment 1). The request is specific to section 3.1(c) of the *Contribution and Service Agreement*:

If the Recipient receives any funding from the Government of Canada towards the Project, HRM's contribution and that of the other funding partners will be reduced proportionately by a reciprocal amount. HRM may recover any excess from the Recipient or reduce its contribution by an amount equal to the excess.

ATC is requesting that HRM waive this particular condition of the agreement consistent with the provincial government which has also waived a similar condition. At the time of the staff report in 2016, Tennis Canada had not yet been able to confirm whether Federal funding was going to be considered. The Federal Government has since agreed to provide ATC with \$3.19M – partially in recognition that estimated construction costs have increased.

In 2015, the project cost was estimated at \$7.5 million which included the cost to purchase the DNTC and undertake renovations. The proposal outlined the funding requirement to be met through a mix of public and private contributions, over a three year timeframe. Table 1 outlines the proposed funding model submitted by ATC in the staff report dated July 26, 2016.

Table 1: Proposed Funding Model

<b>Funding Support</b>	<b>2016 Funding</b>	<b>2017 Funding</b>	<b>2018 Funding</b>	<b>Total Amount</b>
Tennis Canada	\$500,000			\$500,000
Naming Rights		\$500,000		\$500,000
Private Donors	\$1,000,000			\$1,000,000
Corporate Sponsors		\$500,000		\$500,000
Municipal Funding	\$840,000	\$840,000	\$820,000	\$2,500,000
Provincial Funding	\$840,000	\$840,000	\$820,000	\$2,500,000
Federal Funding	TBD	TBD	TBD	TBD
<b>Total</b>	<b>\$3,180,000</b>	<b>\$2,680,000</b>	<b>\$1,640,000</b>	<b>\$7,500,000</b>

Based on the 2015 cost proposal, funding in the amount of \$2.5 million was requested from HRM, spread over a three-year period, and was approved by Regional Council on August 2, 2016. HRM staff recommended the three-year funding to commence in 2017/18, as it was an unbudgeted expense and the three-year timeline was also sought to enable HRM to ensure that the provision of the funding was both aligned to the expansion of the facility and conditional on its completion. The \$2.5M represented 33% of the estimated \$7.5M total projected project costs.

Phase 1 was focused on the purchase and sale of the Daniel Nestor Tennis Centre to the ATC. This delayed the detailed design development and, as such, cost estimates have increased. The revised construction costs are significant and the total project costs have increased to \$10.9M, an increase of \$3.4M. The revised increase to the project construction is mainly driven by the increase to steel costs, as well as labour costs. The project cost estimates and eligible project expenses have been reviewed by the federal government, and the federal government has committed up to \$3.19M in funding.

As such, ATC is requesting HRM also waive its condition that the HRM funding will be reduced by a reciprocal amount if federal funding is received. ATC is not asking for any additional funding from HRM – only that the original \$2.5M commitment not be reduced because of the federal funding should Regional Council approve the waiver, HRM's funding will now represent approximately 23% of revised total project costs rather than the 33% initially approved.

Currently, project design is at 80% completion and the project will be ready to go to public tendering for construction.

Table 2: Proposed Funding Model Based on Revised Project Costs

<b>Funding Support</b>	<b>2017/18 Funding</b>	<b>2018/19 Funding</b>	<b>2019/20 Funding</b>	<b>Total Amount</b>
Tennis Canada		\$500,000		\$500,000
Private Donors		\$131,000	\$1,646,552	\$1,777,552
Corporate Sponsors			\$500,000	\$500,000
Municipal Funding	\$840,000	\$840,000	\$820,000	\$2,500,000
Provincial Funding	\$2,500,000			\$2,500,000
Federal Funding		\$469,850	\$2,700,000	\$3,169,850
Total	\$3,340,000	\$1,940,850	\$5,666,552	\$10,847,402.

### **FINANCIAL IMPLICATIONS**

HRM has committed funding of \$2.5M. Funding of \$840,000 for Year 1 (2017/18) has been issued. Funding for years 2 and 3 has been committed in reserve Q621, Community and Events Reserve, for a total of \$1,660,000 remaining as a commitment from the reserve. Funding has been confirmed by Accounting.

### **RISK CONSIDERATION**

There are no significant risks associated with the recommendations in this report. The risks considered rate Low.

To reach this conclusion, consideration was given to operational and financial risks. These are mitigated by the fact the contribution agreement is a legal contract that ensures the grant funding is used only for the purpose outlined by Regional Council to achieve the public benefits as outlined therein.

### **COMMUNITY ENGAGEMENT**

Not applicable.

### **ENVIRONMENTAL IMPLICATIONS**

None.

### **ALTERNATIVES**

Alternative 1: Regional Council could choose not to approve the waiving of HRM's contribution reduced proportionately by a reciprocal amount.

### **ATTACHMENTS**

Attachment 1: Letter of Request Tennis Canada

A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Trish Higby, Project Controller, 490-4685

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March 7, 2019

Denise Schofield  
Director, Parks and Recreation, HRM  
1841 Argyle Street  
PO Box 1749  
Halifax, NS B3J 3A5

Dear Denise,

This letter is an update from the Nova Scotia Regional Tennis Development Association, currently going by the name Atlantic Tennis Centre (ATC). Since our last correspondence, we have continued to work hard to see this project progress.

The purchase and sale of the Daniel Nestor Tennis Centre was completed in October 2018. The ATC now owns and operates that centre, while at the same time continues to plan for the new facility on those lands.

Upon taking ownership, the ATC undertook extensive renovations to the existing 6 clay courts and common areas, to make the facility more playable and welcoming for community members. There was a fundraising kick-off and public open house on December 7 and 8, 2018.

The project has realized \$630,000 in total private donations, to date and the total provincial grant of \$2.5M was received in 2018. The first installment of the HRM \$2.5M funding commitment was received in 2017.

The project design development is close to completion and the project is now moving into public tendering of construction contracts. The project cost estimates have been revised from the 2015 cost estimates, based on the more detailed design. The revised construction costs are significant and are estimated at \$8.6M which brings the total project cost to approximately \$10.9M (including the purchase of the Daniel Nestor Centre).

As a result, the project has continued to pursue funding from the Federal government for sport and recreation infrastructure support. The federal government has reviewed all revised cost estimates and eligible project expenses and has committed up to \$3.169M in funding towards the project.

We are grateful to have received support from all three levels of government for this project and are committed to ensure the revised project cost remains on budget to deliver this important facility to the community. The ATC original request to HRM and the province of Nova Scotia was for 33% of the project cost. Considering the total project costs have increased, ATC is not

requesting any further funding from HRM or the province. The funding from HRM and the province will remain and represent 23% of the total revised project cost.

Pursuant to the August 2, 2016 Regional Council meeting where the HRM funding for the ATC was approved, we would like to make a request for amendment based on the Key Terms and Conditions highlighted in Table 2 on Page 8 of that report. Currently, the ATC has met and/or is meeting all the required terms and conditions set out in the contribution agreement. There is one term that the ATC is requesting an amendment for. That is the term that states: "HRM's funding share will be reduced by a reciprocal amount should federal funding be achieved". At the time of our report to Council, the ATC did not have a federal funding commitment. As a result of the projects progress and its initial focus on Phase I, which was the purchase and sale of the Daniel Nestor Tennis Centre to the ATC, the timelines for the project were delayed and therefore the design development and revised cost estimates were delayed. Now that they have been completed, the project construction component has increased in cost and has impacted the total project cost. The federal government has approved funding for many of the eligible construction costs and ATC remains actively fundraising to ensure the revised cost estimates will be fully funded.

The impact of the revised costs in construction mainly due to increased steel costs, as well as labour costs, put ATC in the position of requesting that the city waive its condition that the HRM funding will be reduced by a reciprocal amount if federal funding is received. We believe the intent of this was to ensure that HRM would remain a funding partner of no more than one-third of the project cost. Based on the current budget revisions, and the addition of funding support from the federal government, HRM would still remain a funding partner at 23%. The province has already flowed its \$2.5M in funding and has agreed not to reduce its funding by any amount, given ATC has now received a federal funding commitment.

The ATC respectfully requests that HRM consider the current project status, the progress of the project to date, and the community impacts and benefits that will be achieved with this project. The ATC requests that HRM continues with its \$2.5M contribution to this project and not reduce it by a reciprocal amount based on the funding commitment received by the federal government. The full HRM funding is critical to the success of the project. We would also respectfully request that this funding be approved as soon as possible so we can move to the construction phase of the project in the first quarter of 2019.

Please find attached in Appendix A an updated overview of Cash Flow and Project Cost as of December 2018.

We are happy to discuss these details further with you and HRM Council.

Sincerely,

  
Jack Graham  
Chair, Atlantic Tennis Centre

**APPENDIX A**

**Estimated Project Cash Flow (Revised December, 2018)**

<b>Funding Source</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
Government of Canada		\$469,850	\$2,700,000	\$3,169,850
Province of Nova Scotia	\$ 2,500,000			\$2,500,000
Halifax Regional Municipality	\$ 840,000	\$ 840,000	\$ 820,000	\$2,500,000
Tennis Canada		\$ 500,000		\$ 500,000
Donors		\$ 131,000	\$1,646,552	\$1,777,552
Major Donor			\$ 500,000	\$ 500,000
<b>Totals</b>	<b>\$3,340,000</b>	<b>\$ 1,940,850</b>	<b>\$5,666,552</b>	<b>\$10,947,402</b>

**Budgeted Project Cost Table**

<b>Component</b>	<b>Description</b>	<b>Total Project Costs</b>
Component 1	Asset Purchase	\$2,100,000
Component 2	Facility Preparation and Pre-work	\$200,000
Component 3	Design and Planning	\$912,402
Component 4*	New Facility Construction	\$7,735,000
	<b>Total Estimated Costs</b>	<b>\$10,947,402</b>
<p><i>*contingency, general conditions &amp; design development included in component 4</i>  <i>**Component 3 and 4 combine to equal the newly revised estimated construction cost of \$8,647,402</i></p>		