



City Council Report

REPORT NUMBER 393-2025-Corporate Services-Finance

DATE

PREPARED

November 27, 2025

FILE

**CITY COUNCIL
MEETING DATE**

December 2, 2025

SUBJECT

Thunder Bay Community Tennis Centre - Referral

RECOMMENDATION TO CITY COUCIL

WITH RESPECT to Report 393-2025-Corporate Services-Finance, we recommend that an additional municipal contribution totalling \$650,000 be allocated, in the form of a Loan Agreement and Grant, for the Thunder Bay Community Tennis Centre (TBCTC) towards construction of the new indoor tennis facility;

AND THAT the additional contribution be structured as follows:

- \$325,000 in the form of a Loan Agreement
- \$325,000 in the form of a Grant;

AND THAT the Mayor and City Clerk be authorized to execute the Loan Agreement in accordance with the terms in this report, in form and content satisfactory to the City Solicitor and Commissioner, Corporate Services & City Treasurer;

AND THAT the Mayor and City Clerk be authorized to execute a Funding Agreement for the Grant in form and content satisfactory to the City Solicitor and Commissioner, Corporate Services & City Treasurer;

AND THAT the source of financing for the Loan Agreement be committed from the Renew Thunder Bay Reserve Fund;

AND THAT repayment of the loan, eliminate the commitment from the Renew Thunder Bay Reserve Fund;

AND THAT the source of financing for the Grant be from the Renew Thunder Bay Reserve Fund;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

This Report provides information related to the Thunder Bay Community Tennis Centre (TBCTC) indoor tennis facility project and presents the Finance and Administration Standing Committee's motion to consider an additional financial contribution to the project.

TBCTC requested additional financial support from the City to address a projected shortfall of approximately \$650,000 to complete construction of the indoor tennis facility.

Administration did not recommend that the City increase its financial contribution to the project. Similarly, Administration did not support the early release of the next milestone payment before it has been achieved.

It is important to reiterate, both parties entered into a land lease and Funding Agreement based on the \$4.1 million budget projection, provided by TBCTC in November 2024. Administration has an obligation to enforce the City's Agreements. It is important to avoid setting a precedent or creating an expectation that the City will modify the terms or provide additional financial support beyond the commitments of an agreement between the City and any other organization.

At the November 25, 2025, Standing Committee meeting, the Finance and Administration Standing Committee endorsed a motion for Administration to explore, in collaboration with the TBCTC, options for a loan of up to \$650,000, with a portion potentially provided as a grant if required, funded through either the Municipal Accommodation Tax Reserve Fund or Renew Thunder Bay Reserve Fund. The motion called for the results of the referral to be provided directly to City Council.

Following the meeting, Administration worked with TBCTC to develop a workable solution, resulting in a recommended financial arrangement of a non-interest-bearing loan of \$325,000 and a grant of \$325,000 towards the construction of the facility. Both Administration and the TBCTC are satisfied with this proposed funding option. Considering the time constraints, the recommended source of financing for the loan and grant is the Renew Thunder Bay Reserve Fund.

DISCUSSION

In 2019, City Council approved up to \$1.5 million be provided to the Thunder Bay Community Tennis Centre (TBCTC) towards the construction of an air-supported structure at Chapples Park. The source of financing was the Stabilization Reserve and was contingent on the TBCTC confirming full project funding.

In November 2024, the Funding Agreement between the City and TBCTC was finalized. At that time, the total project budget provided by TBCTC was approximately \$4.1 million. The Agreement outlines payment terms for the City's \$1.5 million contribution as follows:

- 50% (less 10% holdback) payable at signing of the Agreement and confirmation of signed Lease Agreement.
- 50% (less 10% holdback) payable at confirmation of substantial completion as defined by the *Construction Act, 1990*.
- Release of the total holdback at confirmation of occupancy and submission of an updated capital cost statement and provided that any liens have expired or been satisfied, discharged, or otherwise provided for.

This approach was intended to safeguard the City's interests and facilitate the advancement of the TBCTC project.

TBCTC informed City Administration the estimated cost to complete the project has now increased to approximately \$5.0 million and has requested additional financial support. Confirmed funding sources total \$4.3 million, resulting in a budget shortfall of about \$650,000. TBCTC is continuing to pursue external grant funding and support from donors to help mitigate this shortfall.

TBCTC has also shared that it is experiencing cash flow pressure and has requested that the City release the next milestone payment prior to substantial completion.

Additional Contribution Request

In general, Administration does not recommend providing additional funding to projects led by external organizations when costs exceed the original budget. However, per the motion from the Finance and Administration Standing Committee, Administration has identified potential funding options for City Council's consideration.

It should be noted that the intended purpose for the following reserves and reserve funds, as set out in the Reserve and Reserve Fund Policy 05-01-08 and Consolidated Reserve Fund By-law 220-2023, do not align with addressing the TBCTC project budget overage. However, City Council has the authority to approve their use as funding sources, notwithstanding the provisions of the applicable policy or by-law.

Stabilization Reserve

Although the Stabilization Reserve was the source of funding for the original \$1.5 million contribution, in accordance with the Reserve and Reserve Fund Policy 05-01-08 the purpose of the reserve is to provide for year-to-year variances in the tax-supported operating budget. Accordingly, using it to offset the TBCTC project budget overage would not be consistent with the reserve's stated intent under the policy. The current estimated uncommitted balance in the Stabilization Reserve is \$10.1 million which is at the low end of the target balance (4% of previous year's levy).

Municipal Accommodation Tax (MAT) Reserve Fund

In accordance with the Reserve Fund By-law 220-2023, withdrawals from the Municipal Accommodation Tax Reserve Fund are limited to Corporation projects/programs that promote tourism and benefit residents and visitors. The current estimated uncommitted balance in the MAT Reserve Fund is only \$118,000 so any contribution would have to be included in the 2026 budget for City Council consideration.

Renew Thunder Bay Reserve Fund.

In accordance with the Reserve Fund By-law 220-2023, withdrawals are limited to projects that meet the following criteria:

1. Provide economic growth/benefits to the City including direct and indirect job creation.
2. Be aligned with Federal and Provincial funding/economic stimulus programs resulting in the Corporation's contribution being highly leveraged (i.e. City share not to exceed 50% of total capital cost on an individual project basis).
3. Provide community synergies and promote community partnership opportunities.
4. Be distinct from projects included in the Corporation's existing asset management plans.
5. Improve the quality of life on a City-wide basis.
6. Be highly visible and broadly supported by the community.
7. Be affordable to Thunder Bay taxpayers in terms of both the initial capital investment and impact on future operating budgets.

The current uncommitted balance in the Renew Thunder Bay Reserve Fund is approximately \$6.9 million.

Promissory Note/Loan

Another potential option could be to provide a promissory note/loan to TBCTC. However, any loan would still need to be backed by an identified financing source.

Loan repayment costs may also create additional pressure on TBCTC's operating budget. Consideration could be given to delaying repayment for a period (e.g., two years) to allow the facility to open and establish stable operations. This would be an unsecured loan, meaning the City would have limited recourse if TBCTC is unable to repay.

If operational revenues and fundraising efforts do not meet TBCTC's projections, the City could face challenges in collecting the balance of the loan. Any requirement to enforce repayment or potentially impact facility operations could be perceived negatively by the community and other stakeholders. In the event the City cannot collect the outstanding loan balance, it would negatively affect the reserve or reserve fund.

Request to Advance Milestone Payment

The City's contribution to the TBCTC project was structured with milestone-based payments to mitigate financial risk. Most of the project's other funders are also withholding partial funds based on their own milestone funding agreements. Releasing the next payment prior to substantial completion would reduce the City's risk protection, particularly given the current budget shortfall.

City Council may choose to direct Administration to amend the Funding Agreement if it wishes funding to be released earlier, recognizing the associated financial risks. However, an early release of funds is no longer deemed critical, as explained in the last paragraph of the "Consultation" section below.

Administration continues to support the TBCTC project and recognizes its value to the community. At the same time, it is essential to maintain fiscal prudence and safeguard the City's financial position. Given the limited funding options available and associated risks, Administration did not seek endorsement from the Finance and Administration Standing Committee to support an additional financial contribution to address TBCTC's budget shortfall or early funding release to address TBCTC's cashflow pressures.

CONSULTATION

On November 25, 2025, the TBCTC delivered a deputation to the Finance and Administration Standing Committee, and Administration presented Report 368-2025 to provide Committee Members with additional information to inform the discussion.

Committee members engaged in a thorough discussion on the merits of providing the TBCTC with additional funding. Key points raised by Committee members included:

- Similarities to the recent additional financial contribution to the Art Gallery project.
 - Committee Members discussed the issue of fairness in providing additional funding to one organization but not the other, considering that both projects have encountered delays and inflationary pressures.
 - Administration clarified that the recommendation to provide additional funding to the Art Gallery was made in response to a Council referral to explore how such additional financial support could be provided.
 - Administration also explained that there were significant differences between the two projects, noting that the Art Gallery project is significantly larger in scope and complexity. Administration highlighted the Art Gallery's plan to leverage the municipal contribution to secure additional external funding and the safeguards in place to ensure city funds are only released once those funds are secured.

- Administration further noted the risks of establishing a precedent of covering cost overruns for organizations.
- Importance of building community partnerships
 - Committee Members affirmed their support for this project and emphasized the importance of fostering strong relationships with local organizations that contribute to the well-being of residents.
- Reasons for cost overruns
 - TBCTC highlighted several factors that contributed to the project overage, including electrical and fire alarm requirements, insurance and project management fees.
 - Committee members suggested that moving the sliding hill contributed to the cost increase. While that contributed to the total cost of the project, that cost was known by both parties and was factored into the \$4.1 million budget that was put forward by TBCTC in November 2024. The land lease and Funding Agreement were signed based on budgetary information provided by TBCTC.
- Promissory note/loan option
 - When discussing the loan option, Committee Members were mindful that if the City provided additional funding as a loan, the repayments should not create financial strain for the TBCTC.
 - Committee Members noted that if the TBCTC's budget projections could not accommodate the loan repayments, part of the contribution should instead be provided as a grant.

Based on the discussion, Administration developed the following motion:

With respect to Report 368-2025, we recommend administration review an additional financial contribution of up to \$650,000 for the capital costs associated with the construction of the indoor tennis facility, to be provided to the Thunder Bay Community Tennis Centre (TBCTC) in the form of a loan and/or grant and report back to City Council at the December 2, 2025 meeting of City Council;

AND THAT the source of financing to support the grant and/or load be the Municipal Accommodation Tax Fund and/or Renew Thunder Bay;

AND THAT any necessary by-laws be presented to City Council for ratification.

Standing Committee endorsed this motion.

Following the Standing Committee meeting, Administration engaged with TBCTC to find a workable solution. As a result, the following financial approach is recommended should City Council wish to provide additional funding.

A non-interest-bearing Loan of \$325,000, with a term aligned with the land-lease between the City and TBCTC. Payments would be deferred for the first two years of the Loan, with repayment amounts calculated and scheduled to begin after that period. The annual Loan repayment amount would be approximately \$19,100.

TBCTC will continue to fundraise and pursue external grants which will be used to pay down the Loan in part or in full at any time. TBCTC will also be permitted to make early repayments on the Loan as excess revenues allow.

As well, a Grant in the amount of \$325,000 to be provided to the TBCTC toward the construction cost of the facility.

TBCTC would prefer the full financial contribution to be in the form of a grant. However, the group has indicated that they are comfortable that their budget projections should be sufficient to cover these Loan payments.

The current MAT Reserve Fund is insufficient to fund this Loan/Grant; any use of MAT would require deliberation through the 2026 Operating Budget process, which would not be approved until February. Due to time constraints, TBCTC advised this was not feasible. Therefore, the proposed Loan/Grant would need to be funded from the Renew Thunder Bay Reserve Fund.

In its discussions, the Finance and Administration Standing Committee considered the project as a whole rather than focusing solely on the budget overage. Based on this perspective, the Renew Thunder Bay Reserve Fund could be considered eligible to support the Loan/Grant.

The recommendation is now presented to City Council for consideration.

Administration and TBCTC also discussed the Funding Agreement and funding release milestones. Considering construction timelines, the facility is expected to achieve substantial completion in the next few weeks, which will trigger the next payment. Once the Loan/Grant agreements are prepared and fully executed, the proceeds will also be released in full. TBCTC is satisfied with this approach, so the terms of the Funding Agreement can be upheld as originally agreed.

FINANCIAL IMPLICATION

A Loan/Grant totalling \$650,000, financed from the Renew Thunder Bay Reserve Fund, would reduce the uncommitted balance of this reserve fund to approximately \$6.25 million. As the Loan is repaid, the proceeds would be returned to the Renew Thunder Bay Reserve Fund.

BACKGROUND

The Recreation and Culture Facilities Master Plan “Fit Together” (R152/2016) in January 2017 acknowledged the development of an indoor tennis facility as a near term priority in support of the Plan’s goals to promote active recreation for all ages and abilities, especially during winter months given the anticipated decommission of the ‘College Bubble’. The erection of an air-supported structure over the Club’s existing courts was identified as a potential solution, subject to a detailed review of the draft capital and operating plans. The Plan contemplates that the facility would be developed through partnerships.

The Chapples Park Master Plan (R48/2017) supported the development of a multi-use indoor sports hub at this site as a phase 2/medium term priority (6 to 10 years) that could accommodate indoor turf and/or indoor court sports.

As part of 2018 budget deliberations and in response to a deputation from the Thunder Bay Community Tennis Centre, Council allocated a capital budget of up to \$20,500 to support the development of a Business Case/Feasibility Study for Indoor Tennis (Council Authority Amended Budget Resolution – R1/2018 – February 5, 2018).

Council approved a resolution on October 7, 2019 from the Multi-Use Indoor Sports Facility Committee that a potential of up to \$1.5 million be provided to the Thunder Bay Community Tennis Centre to work in partnership with the City of Thunder Bay on the creation of an air supported structure at Chapples Park. The City’s financial support is subject to confirmation of total project funding, due diligence review of the business plan, and future budget approval by Council. The proposed source of funding for the Project is the Stabilization Reserve Fund. Any agreements between the parties are to be created in form and content satisfactory to the City Solicitor and the City Treasurer and the Mayor and City Clerk be authorized to sign any agreements relative to the Project.

In March 2022, the Thunder Bay Community Tennis Centre made a deputation to City Council, proposing a new project concept based on successful funding grants from Fednor, NOHFC and Tennis Canada. The Thunder Bay Community Centre requested access to lands located northwest of the existing seasonal facility to erect an air supported structure for 6 indoor courts and related amenities.

On April 4, 2022, Council received an administrative update on the proposed indoor racquet facility, seeking Council direction in respect of the proposed siting of the facility within Chapples Park (R 27/2022). Council directed Administration to report back by May 9, 2022,

through consultation with the Thunder Bay Community Tennis Centre, on the available capital, operating and development costs budget associated with the various site options.

In May 2022, Council approved the Thunder Bay Community Tennis Centre's preferred location for the proposed indoor facility on City lands located northwest of the existing seasonal tennis facility and Administration was directed to amend the existing agreement or to enter into any new agreements required between the parties relative to this project. Between May 2022 and March 2023, Administration and the Thunder Bay Community Tennis Centre finalized the necessary access agreement, and the related work was completed by the Thunder Bay Community Tennis Centre in order to relocate the sliding hill to accommodate their new location for their proposed indoor facility.

In October/November 2024, the Lease, Municipal Capital Facility Agreement, and Funding Agreement were fully executed.

REFERENCE MATERIAL ATTACHED

None.

REPORT PREPARED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

Date 11/27/2025 (MM/DD/YEAR)