



General Business

TO: Mayor and City Council
Mark McNeill, City Administrator

FROM: Jamie Polley, Parks, Recreation & Natural Resources
Director

DATE: 10/21/2014

SUBJECT: Approval of the Term Sheet to be Presented to the Shakopee Tennis
Association for Use of Shutrop Park for an Indoor Tennis Facility (A, D)

Action Sought

The City Council is asked to review and approve the Term Sheet between the City of Shakopee and the Shakopee Tennis Association for the use of a portion of Shutrop Park for the potential construction of an indoor tennis facility, and to direct staff to present the Term Sheet to the Shakopee Tennis Association .

Background

On June 24, 2014 the Shakopee Tennis Association (STA) presented their third party assessment findings of their market analysis to the City Council. The STA had hired Management Vision, Inc from New York, NY. The executive summary of the market analysis states that "This market analysis indicates that, when considering the current concept of the Shakopee Tennis Club, it is a feasible site given its size and scope. The market analysis indicates a Positive Net Balance overall, with the demand side exceeding the supply. In this case, this club represents the only real supply. It can support the tennis component.

The STA also presented the findings of a financial analysis that was completed. The financial analysis was complete by Greg Lappin and included a number of assumptions. In summary:

1. The operating expense exposure each month is around \$20-25,000. Therefore it is critical to start with 3 months operating capital of \$60,000. \$100,000 is listed in the budget.
2. Breakeven (\$20-25,000 per month expense) could happen with:
 - a. membership at 25% every month -\$8,000 per month
 - b. court utilization at 20%- \$12,000 per month
 - c. Only 4 hours of lessons given per day - \$2,000 per month profit to the club

The City Council reviewed the information presented and directed staff to work with the City Attorney to develop terms for the use of the Shutrop Park site prior to the STA beginning their fundraising campaign.

Discussion

The City Attorney developed the attached Term Sheet to be reviewed by the City Council prior to the Term Sheet being presented to the STA. Once the basic terms are agreed to; the STA can begin their 18-24 month fundraising efforts. Once the funding is secured and the project is ready to move forward a long term ground lease will be developed. The purpose of the Term Sheet is to set forth the parameters within which the Association would construct, operate and maintain the facility on park property. The long term implications for the City during any absence of STA operations will need to be determined at that time.

If the City Council approves the Term Sheet, staff will present

the Term Sheet to the STA. Once the STA and the City are in agreement on the use of park property the STA can begin their fundraising campaign. The STA had indicated in their previous presentation to the City Council that they are looking to hire a professional fundraiser to assist with their efforts.

Relationship to Vision

- A. Keep Shakopee a safe and healthy community where residents can pursue an active and quality lifestyles.
- D. Maintain, improve and create strong partnerships with other public and private sector entities.

Action Requested

The City Council, if concur, approve the Term Sheet between the City of Shakopee and the Shakopee Tennis Association for the use of a portion of Shutrop Park for the potential construction of an indoor tennis facility and direct staff to present the Term Sheet to the Shakopee Tennis Association.

Attachments: Term Sheet 10.21.14
