



CITY COUNCIL AGENDA REPORT

MEETING DATE: APRIL 20, 2010

ITEM NUMBER: _____

SUBJECT: FIVE YEAR EXTENSION OF TENNIS CENTER OPERATING AGREEMENT

DATE: APRIL 8, 2010

FROM: ADMINISTRATIVE SERVICES/RECREATION DIVISION

PRESENTATION BY: JANA RANSOM, RECREATION MANAGER

FOR FURTHER INFORMATION CONTACT: Donna Theriault, Management Analyst 714-754-5636

RECOMMENDATION:

Approve an Amendment to the Agreement for the second of two, 5-year extensions with HML Tennis, LLC for the operation of the Costa Mesa Tennis Center (Attachment 1), and authorize the Mayor to sign.

BACKGROUND:

In February 1998, the City entered into an agreement for the operation of the Costa Mesa Tennis Center with Hank Lloyd's Orange County Tennis (HLOCT). At that time, HLOCT was selected over several other candidates as a result of an extensive Request for Proposal process.

The term of the 1998 Agreement was 5 years, with two 5-year renewal options (15 total years). The initial 5-year contract period expired in February 2003 and HLOCT operated on a month-to-month basis until 2005, with City consent. The reason for the month-to-month rental was that the planning of the Skate Park was in process and the City wanted to assess the impact of the Skate Park on Tennis Center operations. In 2005, staff determined the Skate Park would have no impact on the Tennis Center operation and Council approved the first of two, 5-year extensions from April 2005 to April 2010.

In 2009, the operator of the Tennis Center, Hank Lloyd, changed the name of his company from Hank Lloyd's Orange County Tennis to HML Tennis, LLC and the Agreement was amended to reflect the name change.

ANALYSIS:

HML Tennis, LLC has notified the City of its desire to extend the contract for the second of the 5-year extension options (Attachment 2). Under the direction of Hank Lloyd Tennis, LLC (Operator), the Costa Mesa Tennis Center has done well. The Operator has successfully completed the capital improvements as required in the initial agreement which included resurfacing and re-stripping of all 12 courts, replacing all

windscreens, replacing all nets, replacing pro-shop doors and installing an alarm system. The Operator has maintained the Tennis Center to a high standard and in 2001 received the “Best Public Tennis Facility” award by the Orange County Tennis Association. In 2009, the United States Professional Tennis Association (USPTA) honored Hank Lloyd as the “2009 Tennis Director of the Year” for the California Division.

Throughout the term of the Agreement, the Operator has been very active in the community with tournaments, classes and junior events. Each year the Tennis Center hosts the Pro Classic Men’s Professional Tennis Tournament attracting upcoming professional tennis players. Overall, the Operator makes a strong effort to help the community learn and play the sport of tennis.

ALTERNATIVES CONSIDERED:

No alternatives to the extension of the Agreement are available. Unless justification can be found to terminate the subject Agreement under other provisions of the Agreement, Lessee has the option to extend the Agreement and has met all the conditions required to do so.

FISCAL REVIEW:

The existing Agreement specifies payment of rental on a monthly basis. Currently HML Tennis pays the greater of \$1,000/month or 10 percent of the gross amount received from court rental plus 5% of the gross amount received from pro shop sales. HML Tennis has consistently paid greater than the minimum, with annual rent payments to the City averaging \$30,000. Annual revenue received by the City for the Tennis Center operation for the last five fiscal years is:

FY 04-05	\$27,638
FY 05-06	\$30,346
FY 06-07	\$30,321
FY 07-08	\$32,518
FY 08-09	\$28,576

LEGAL REVIEW:

The City Attorney’s Office has reviewed and approved the attached Amendment to the Agreement as to form.

CONCLUSION:

HML Tennis has provided quality tennis programming to the community during the initial and extended contract term. The Operator has met all of the contractual obligations of the Agreement, including the required capital improvements, and staff has been

satisfied with the Operator's performance. It is recommended that the City Council extend the Costa Mesa Tennis Center Operation Agreement for the second of two, 5-year terms and authorize the Mayor to sign the Agreement Amendment.

JANA RANSOM
Recreation Manager

STEPHEN MANDOKI
Director of Administrative Services

COLLEEN O'DONOGHUE
Assistant Finance Director

DISTRIBUTION: City Manager
City Attorney
Assistant Finance Director
City Clerk
Staff

ATTACHMENTS: 1 [Amendment to the Tennis Center Agreement](#)
2 [Letter from HML Tennis, LLC](#)

File Name Tennis Center Extension

Date April 5, 2010

Time 3:00 pm