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Title:	INTERIM LEASE AGREEMENT FOR THE TEMPORARY OPERATION OF THE COSTA MESA TENNIS CENTER		
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Date	Ver.	Action By	Action	Result
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TITLE:

INTERIM LEASE AGREEMENT FOR THE TEMPORARY OPERATION OF THE COSTA MESA TENNIS CENTER

DEPARTMENT: PARKS & COMMUNITY SERVICES

PRESENTED BY: JASON MINTER, PARKS & COMMUNITY SERVICES DIRECTOR

CONTACT INFORMATION: (714) 754-5065

RECOMMENDATION:

Staff recommends that City Council approve the Assignment and Assumption of the Costa Mesa Tennis Center's Lease Agreement for the temporary operation of the center to Top Seed Tennis Academy, Inc., effective March 1, 2022 for a period of four months.

BACKGROUND:

The Costa Mesa Tennis Center is an approximately 2.25 acre facility located at TeWinkle Park near the intersection of Arlington Drive and Junipero Drive. The facility includes a pro shop with restrooms, a patio area with gazebo, and twelve (12) tennis courts with sports lighting. The Tennis Center is adjacent to the Costa Mesa Bark Park and the Costa Mesa Skate Park.

In February 1998, the City entered into an agreement with Hank Lloyd's Orange County Tennis, Incorporated, for the lease and operation of the Tennis Center. The original term of the lease was for five (5) years, with options for two (2) five (5) year extensions provided the City and lessee were in agreement.

Included in the agreement was the scope of service, including the provision of recreational and competitive tennis programming to the general public and the furnishing and operation of a tennis pro shop. The scope of service also established minimum operating hours, the identification of time slots for public access, and maintenance requirements (Attachment 1).

The agreement with Hank Lloyd's Orange County Tennis, Inc., was amended on two occasions, in April of 2005 and in May of 2010. In addition, the lease was assigned from Hank Lloyd's Orange County Tennis, Inc., to HML Tennis, LLC, in 2009. Since April 30, 2015, HML Tennis, LLC has been operating on a month-to-month basis, which is still in effect through February 28, 2022.

In late 2021, Hank Lloyd notified City staff that he intended to retire in February 2022. Staff met with Mr. Lloyd to begin discussion of the transition process for the operation of the Tennis Center. At the time, the original intention was to create a Request for Proposals (RFP) for a new long-term Tennis Center operator while City staff prepared to assume the basic operations of the Center on an interim basis. This interim period would allow staff to observe the operations, collect feedback from users and instructors, and better prepare for the RFP process. Subsequently, City staffing shortages were identified in terms of operating the center, including a lack of available part-time staff to provide coverage for the entire 7 days a week and full operating hours for the Tennis Center.

As the HML Tennis agreement neared its close, staff considered potential revisions to the transition plan and a potential reduction in the hours of operation. Staff received information about a known experienced tennis operator, Top Seed Tennis Academy, Inc., and has decided to enter into a short-term interim agreement until there is an open competitive RFP process to select the next operator.

ANALYSIS:

Staff has engaged in conversations with Steve McAvoy, President of Top Seed Tennis Academy, Inc. regarding an interim agreement. Top Seed currently operates the Calabasas Tennis Center, a facility with 16 tennis courts, 2 pickleball courts, and other amenities. Mr. McAvoy confirmed his availability and interest in an interim agreement and has been tentatively scheduled to begin operations effective March 1, 2022, if necessary, to provide continuity of services as was provided by HML Tennis.

Staff consulted with the City Attorney to draft the Assignment and Assumption Agreement for an interim Lease period during which Top Seed Tennis Academy, Inc., would operate the Tennis Center for a period of 4 months, beginning March 1. This agreement can be extended for two (2) additional one-month periods, should the RFP process require additional time. This Assignment and Assumption of Lease stipulates that Top Seed Tennis Academy, Inc., will continue the terms of the agreement that are currently in place with HML Tennis, including the provision of all tennis programs, court rentals, and oversight of the pro shop.

The Agreement also requires that Top Seed will be required to pay the City ten (10) percent of gross from all court-use revenue sources (i.e. lesson, tournament entries, hourly court rentals, etc.) and five (5) percent of pro shop gross sales, or \$1,000, whichever is greater. Payments shall be made on a monthly basis to the City on or before the fifteenth (15th) day of the calendar month following each month of the term.

Further, as the City will be issuing an open competitive Request for Proposals for the long term operation of the Tennis Center, the City has notified Mr. McAvoy that Top Seed Tennis Academy, Inc., cannot be involved in the development of the scope of work for the RFP or the RFP review process. Top Seed will be allowed to submit a proposal provided they follow all requirements that will be

included within the RFP and there is no presumption of an award of this lease to Top Seed based on the interim arrangement.

The current timeline is to release the RFP in March after a community input process, with proposals due in early April. The tentative goal is to bring forth a recommendation to City Council for a long term operator in May of this year.

ALTERNATIVES:

City Council may choose to approve an Assignment and Assumption of Lease to another vendor that has the experience and resources necessary to operate the Costa Mesa Tennis Center, or City Council can assign City staff to operate the facility on an interim basis. Either option would ensure a continuation of service to allow public access to the facilities for Recreational Tennis activities.

FISCAL REVIEW:

Historically, the City has received between \$49,000 and \$85,000 per year in tennis rental revenues. This Assignment of Lease expects to continue to receive the same revenue terms as per the agreement with HML Tennis.

LEGAL REVIEW:

The City Attorney's Office has reviewed this agenda report, prepared the Assignment and Assumption of Lease Agreement and approved as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Maintain and enhance the City's facilities, equipment and technology.

CONCLUSION:

Staff recommends that City Council approve the Assignment and Assumption of Lease to Top Seed Tennis Academy, Inc., effective March 1, 2022. Staff will continue to work on the transition plan and perform site visits of the Tennis Center throughout the duration of the Assigned Lease.