



CITY COUNCIL STAFF REPORT

DATE: ~~NOVEMBER 4, 2009~~ CONTINUED TO 11/10/2009 UNFINISHED BUSINESS
NOVEMBER 4, 2009 CONSENT CALENDAR

SUBJECT: AUTHORIZING THE CITY MANAGER TO EXECUTE A
SUBLEASE AMENDMENT WITH PLAZA RACQUET CLUB FOR A
CITY TENNIS RECREATION PROGRAM

FROM: David H. Ready, City Manager

BY: Sharon Heider, Director of Parks & Recreation

SUMMARY

This action would authorize the City Manager to execute a Sublease Amendment with Plaza Racquet Club, a tennis center located at 1300 Baristo Road, allowing for up to a two year extension, including a partnership with the City of Palm Springs Parks and Recreation Department for a City tennis recreation program.

RECOMMENDATION:

Approve a Sublease Amendment with Plaza Racquet Club, for up to two years, including a City tennis recreation program, in an amount not to exceed \$22,502 per year. Subject to a forthcoming lease extension with the School District.

STAFF ANALYSIS:

On November 20, 2002, the City Council approved a Sublease Agreement with Plaza Racquet Club to operate a private tennis center which is also open to public memberships. Located at 1300 Baristo Road, the facility was previously vacant and is on land owned by Palm Springs Unified School District (PSUSD) who provides the underlying lease to the City of Palm Springs.

The underlying lease with PSUSD terminates August 6, 2010, and the Plaza Racquet Club has requested to extend their Sublease with the City. PSUSD has indicated a willingness to extend the underlying lease with the City (forthcoming to Council) which, in turn, would allow the City to extend the Sublease with Plaza Racquet Club.

ITEM NO. 4.B.

Based on an appraisal by PSUSD, the new Lease rate will be \$46,502 annually. This is a substantial increase from the original amount of \$250 per year, which was based upon a reciprocal lease rate given to the PSUSD for property they leased from the City's Airport and which will also terminate in August 2010. Hence, both properties will require market rate leases for any renewals or extensions.

The Plaza Racquet Club operators, Kurt and Ana Haggstrom, indicated they would not be able to continue their business at the increased lease rate. Hence, they have proposed a partnership with the City to provide a tennis program through the Parks and Recreation Department to offset a portion of the rate increase.

As the City does not have a formal tennis recreation program, staff reviewed the request and indicated several elements of a possible partnership that would be beneficial to City residents with regard to a tennis program. Those suggestions have been incorporated into the proposed Sublease Agreement and include the following:

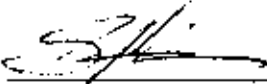
1. Palm Springs residents will be allowed free access to the Plaza Racquet Club two half days (1 full day) per week.
2. Palm Springs residents shall be offered a free instructional clinic one day each week.
3. The Plaza Racquet Club will expand its free program for Palm Springs fifth graders, by offering nine free "Introduction to Tennis" classes – up to 350 students per year.
4. Up to six resident youths will be given free one year memberships to the club, based on need.
5. The City of Palm Springs will be publicized as co-sponsors in tennis tournaments at the Plaza Racquet Club, both for non-profit organization fundraisers and regular tennis tournament events.

Additionally, the Sublease requires that Plaza Racquet Club commence these public benefits upon execution of the agreement, at no cost to the City, nine months before the expiration of the original Sublease, which does not include these provisions.

Finally, another consideration of this proposal is the negative impact to the neighborhood if the tennis facility closes and the site once again becomes abandoned. A City partnership for a tennis recreation program with Plaza Racquet Club could ensure a viable use at the site for at least another two years.

FISCAL IMPACT:

The total cost of the underlying PSUSD Lease extension with the City is \$46,502 per year for two years; Plaza Racquet Club will be required to pay a Sub-Lease rate to the City of \$24,000 per year and the City will pay the balance of \$22,502 per year. The City's total two year net cost will not to exceed \$45,004. New funds for this program would be required through the Parks and Recreation budget in the next City Fiscal Year (2010/2011).



Sharon Heider, Director of Parks & Recreation


David H. Ready, City Manager

Attachments:

1. Sublease

SECOND AMENDMENT TO SUBLEASE AGREEMENT
For
The Palm Springs Tennis Center

(Kurt & Ana Haggstrom d/b/a Plaza Racquet Club and City of Palm Springs)

THIS SECOND AMENDMENT TO LEASE AGREEMENT ("Second Amendment") is made by and between KURT & ANA HAGGSTROM d/b/a PLAZA RACQUET CLUB ("Tenant"), and CITY OF PALM SPRINGS, a charter city and a municipal corporation ("City" or "Landlord"), as of _____, 2009 ("Effective Date of the Second Amendment"), and it amends that certain Sublease Agreement dated as of October 1, 2002, by and between Tenant and Landlord ("Sublease"), and that certain First Amendment thereto dated as of November 20, 2002 ("First Amendment"). All terms defined in the Agreement shall have the same meaning when used herein.

RECITALS

A. City leases the real property located at or near 1300 Baristo Road, Palm Springs, California, commonly known as the "Palm Springs Tennis Center" ("Demised Premises") pursuant to a Lease and Agreement by and between City as Lessee and the Palm Springs Unified School District ("PSUSD") as Lessor dated August 7, 1974 ("Lease"), as amended from time to time.

B. The Lease and the Sublease expire on or about August 6, 2010.

C. Landlord and Tenant desire to extend the term of the Sublease contingent upon the extension of the Lease.

D. Landlord and Tenant now mutually desire to amend the Sublease and First Amendment as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant mutually agree to amend the Sublease as follows:

AGREEMENT

1. Section 1.3 of the Sublease shall be replaced in its entirety and amended to read as follows:

This Second Amendment extends the Term of the Sublease as set forth in Section 1.2 hereinabove for a period of up to two (2) years terminating on August 6, 2012 ("Extension"), subject to and contingent upon the City and

PSUSD mutually approving and executing an extension of the Lease for a period of no less than two (2) years ("Contingency") and notwithstanding any provision of this Sublease to the contrary, the term of the Extension shall terminate on the date the Lease terminates.

2. Section 1.4 of the Sublease shall be amended to add the following paragraph:

Upon the termination of the initial term of the Sublease and for the term of the Extension as provided in Section 1.3 of the Sublease, Rental shall be in the amount of Twenty Four Thousand Dollars and 00/100 (\$24,000), with Tenant to pay all operational, utility, and maintenance cost necessary to operate the Demised Premises in accordance with the maintenance standards of Section 5.3 and the other provisions of the Sublease. All such amounts shall be deemed payment of rent hereunder.

3. Section 1.6 of the Sublease shall be amended to add the following:

In addition to the foregoing, Tenant shall provide the following performance obligations which shall commence immediately upon the Effective Date of this Second Amendment:

(a) Palm Springs resident privileges (aka, "Member for a Day") which shall include free access and use of the Demised Premises for the equivalent of one full day per week allocated over such days of the week, times, and rules as Tenant and the City's Parks and Recreation Director mutually agree and establish.

(b) Non-member Palm Springs residents shall be offered a free instructional clinic on one (1) day of each week.

(c) Expand the Palm Springs "Fifth (5th) Grade Students Program" to include nine (9) free "Introduction to Tennis" classes. The classes shall run for a minimum of one (1) hour and fifteen (15) minutes per instructional session with three (3) tennis professionals and all necessary tennis equipment provided. Up to 350 students per year shall be provided instruction pursuant to this program..

(d) Up to six Palm Springs resident youths shall be granted a free one (1) year club membership based on financial need as determined by the PSUSD "Free Lunch Program" criteria.

(e) Partner with the City's Department of Parks and Recreation, including but not limited to, advertising and marketing as a City facility with a link on the City's website and in City promotional materials.

(f) Host up to three (3) city non-profit organization funding raising tournaments annually and include the City of Palm Springs as a sponsor.

(g) To increase the City's tourism base, the Plaza Racquet Club is encouraged to pursue a variety of Tennis Tournaments which will include the City of Palm Springs as a sponsor.

3. Except as expressly amended herein, all terms and provisions of the Sublease and First Amendment shall remain unamended and in full force and effect as originally executed. In the event there is a conflict between the terms and provisions of this Second Amendment and the terms and provisions of the Sublease and First Amendment, the terms and provisions of this Second Amendment shall control. In the event of any conflict between the terms of this Second Amendment and the Lease, the terms and provisions of the Lease shall control.

4. Failure to perform the obligations specified under Section 1.6 of the sublease shall be deemed defaults under the provisions of Section 10.1 of the Sublease.

5. This Second Amendment shall be binding upon and inure to the benefit of Tenant and Landlord and their respective successors and assigns. This Second Amendment may be executed in counterparts, each of which, when taken together, shall constitute one fully executed original. Facsimile signatures shall be binding for all purposes of this Second Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Tenant and Landlord have executed this Second Amendment as of the date first written above.

"Tenant"

KURT & ANA HAGGSTROM d/b/a PLAZA RACQUET CLUB

By: _____
Kurt Haggstrom

Date: _____

By: _____
Ana Haggstrom

Date: _____

"City" or "Landlord"

CITY OF PALM SPRINGS, a charter city and a municipal corporation

By: _____
David H. Ready, City Manager

Date: _____

Attest:

James Thompson, City Clerk

Approved as to form by:

WOODRUFF, SPRADLIN & SMART

Douglas C. Holland, Esq., City Attorney