



CITY COUNCIL STAFF REPORT

DATE: November 5, 2014 CONSENT CALENDAR

SUBJECT: APPROVE AMENDMENT NO. 3 OF A LEASE WITH PALM SPRINGS UNIFIED SCHOOL DISTRICT AND AMENDMENT NO. 4 TO A SUBLEASE AGREEMENT WITH KURT & ANA HAGGSTROM D/B/A PLAZA RACQUET CLUB FOR A PROPERTY AT 1300 EAST BARISTO ROAD

FROM: David H. Ready, City Manager

BY: Community & Economic Development Department

SUMMARY

This action extends the Plaza Racquet Club lease for a period of six months past their current expiration date of June 30, 2015, to December 31, 2015.

RECOMMENDATION:

1. Approve the Amendment No. 3 to a Lease Agreement with Palm Springs Unified School District for a property located at 1300 East Baristo Road, extending the term to December 31, 2015.
2. Approve Amendment No. 4 to a Sublease Agreement with Kurt & Ana Haggstrom d/b/a Plaza Racquet Club for a property located at 1300 East Baristo Road, extending the term to December 31, 2015.
3. Authorize the City Manager or his designee to execute all necessary documents.

STAFF ANALYSIS:

This lease is for the Plaza Racquet Club at 1300 East Baristo Road. The City Council originally approved a lease on April 9, 2002 with Kurt & Ana Haggstrom (the "Lessee") of the Plaza Racquet Club for the developed portion of the facility.

The City owns the Tennis Center under the terms of a Lease with the Palm Springs Unified School District ("District"), which was originally entered into in 1974 and which expired in August, 2010. That lease was renegotiated in 2009 at a new, fair market rent.

The original sublease with the Lessee, until 2010, only required them to pay \$150 per year in rent to the City (the amount of the City's rent to the School District), but required them to cover all of the cost of operating and maintaining the Center on an annual basis. The overall operation and maintenance cost of the Center including utilities, water, and landscape maintenance was approximately \$1,500 per month in 2002. In addition, they are responsible for capital upgrades, including court resurfacing, windscreens, the parking lot and the clubhouse.

The new lease payment to the District, based upon a reappraisal of the property, was Forty Six Thousand Five Hundred and Two Dollars (\$46,502.00), paid by the City. The new sublease payment from the Lessee is Twenty Four Thousand Dollars and 00/100 (\$24,000). There is community value to keeping a Tennis Center, and the Lessee agreed to provide additional public benefit to the City. These include:

(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 fund 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.

In early 2014, the City was notified by PSUSD that it intends to sell the property as surplus property. The City and PSUSD are negotiating on a possible acquisition of the property but negotiations have not concluded.

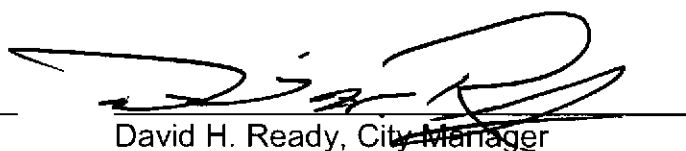
If the City does not acquire the property from PSUSD, the City and Lessee would occupy the property until the expiration of the lease and sublease, after which the improvements would become property of PSUSD and/or a new buyer.

The Lessees, Kurt & Ana Haggstrom, have requested that the City and PSUSD extend the lease for at least six more months in order to allow them to sell full year memberships to Plaza Racquet Club during the negotiation period. The District has informed City Staff that they are okay with this proposal and will bring it to their Board after approval by the City Council.

All provisions of both lease agreements shall remain unchanged, with the exception of the expiration date, which shall now become December 31, 2015.



John Raymond, Director



David H. Ready, City Manager

Attachments:

1. Amendment No. 3 to Lease Agreement with PSUSD
2. Amendment No. 4 to Sublease Agreement with Kurt & Ana Haggstrom d/b/a Plaza Racquet Club

PALM SPRINGS UNIFIED SCHOOL DISTRICT

AMENDMENT No. 3

TO LEASE AND AGREEMENT No A1079

This Amendment No. 3 dated _____ to Lease and Agreement No. A1079 between the Palm Springs Unified School District and City of Palm Springs herewith attached and incorporated to the terms and conditions of the original agreement and any previous amendment(s).

[x] This amendment represents a change to services described as follows:

Amendment No. 1 – Item 2 “Term”

The Lease and Agreement shall terminate on December 31, 2015 unless the parties mutually agree to extend the Agreement.

[x] This amendment represents a change in compensation described as follows:

No Change to compensation

ALL OTHER TERMS AND CONDITIONS OF THE ORIGINAL AGREEMENT AND ANY PREVIOUS AMENDMENT(S) SHALL REMAIN THE SAME.

City of Palm Springs

Palm Springs Unified School District

Signature Date

David H. Ready, Esq., Ph.D., City Manager
Print Name and Title

760-322-8350
Phone

Date

Christine J. Anderson, Ed.D., Superintendent

Date of Board of Education Approval

APPROVED AS TO FORM:

City Attorney Date

ATTEST:

City Clerk Date

FOURTH 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 FOURTH AMENDMENT TO LEASE AGREEMENT ("Fourth 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 _____, 2014 ("Effective Date of the Fourth 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") and that certain Second Amendment thereto dated as of _____, 2009 ("Second Amendment") and that certain Third Amendment thereto dated as of _____, 2011 ("Third Amendment"). The Sublease and all Amendments shall be collectively referred to as the Sublease. 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 expired on or about August 6, 2010 and were extended by the First Amendment to the Lease and Second Amendment to the Sublease to June 30, 2012.
- C. The Amended Lease and Sublease expired on June 30, 2012 and were extended by the Second Amendment to the Lease and Third Amendment to the Sublease on January 10, 2012, to expire on June 30, 2015.
- D. Landlord and Tenant desire to extend the term of the Sublease contingent upon the extension of the Lease.
- E. Landlord and Tenant now mutually desire to amend the Sublease 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 Fourth Amendment extends the Term of the Sublease as set forth in Section 1.2 hereinabove for a period of six (3) months terminating on December 31, 2015 ("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 six (3) months ("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. Except as expressly amended herein, all terms and provisions of the Sublease and First and Second Amendments 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, Second and Third Amendments, the terms and provisions of this Fourth Amendment shall control. In the event of any conflict between the terms of this Fourth Amendment and the Lease, the terms and provisions of the Lease shall control.

3. 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.

4. This Fourth Amendment shall be binding upon and inure to the benefit of Tenant and Landlord and their respective successors and assigns. This Fourth 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 Fourth Amendment.

[SIGNATURE PAGE FOLLOWS]

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

"Tenant"

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

By: _____ Date: _____
Kurt Haggstrom

By: _____ Date: _____
Ana Haggstrom

"City" or "Landlord"

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

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
