



## AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of October 15, 2024  
Second Reading Item for the City Council Meeting of October 22, 2024

**DATE:** October 15, 2024

**TO:** Peter Zanoni, City Manager

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### AI Kruse and HEB Tennis Centers Lease Agreement

#### **CAPTION:**

Ordinance authorizing a three-year lease with Elizondo Tennis Foundation, a Texas non-profit corporation, to lease the AI Kruse Tennis Center and the HEB Tennis Center, with two one-year renewal options, in consideration for a monthly percentage of net revenue to the City of 15% in year one, 20% in year two, and 25% in year three, or minimum monthly rent payments of \$2,500.00 in year one, \$2,625.00 in year two, and \$2,765.25 in year three, whichever is greater. (6 votes required)

#### **SUMMARY:**

The AI Kruse Tennis/Pickle Ball Center located at 502 King Street is currently managed/operated by the Elizondo Tennis Foundation (Operator) with a five-year Management Agreement term from March 1, 2019 - October 31, 2024. The HEB Tennis Center at 1520 Shely Street is currently managed/operated by Sweet Spot Tennis, LLC. Sweet Spot Tennis has had various agreements since 2018, and their current agreement also expires on October 31, 2024.

Parks and Recreation propose that both tennis centers be operated under one lease with one operator. The lease agreement entails that a portion of net revenue be allocated for maintenance, repairs, and potential future capital improvements at both tennis centers. The execution of this type of lease agreement bears responsibility to the Operator and creates a more self-sustaining operation; provides an avenue to achieve more revenue.

#### **BACKGROUND AND FINDINGS:**

The lease agreement outlines responsibilities between the Parks & Recreation Department and Elizondo Tennis such as maintenance/repairs, operating expenses, landscaping and staffing. Elizondo Tennis is responsible for the day-to-day operations and maintenance of each facility.

They shall provide adequate staffing to provide goods and services. They will also be responsible for all operating expenses such as salaries/wages, equipment/cleaning supplies and costs of inventory purchased for sale in the Pro Shops and snack bars. During the term, the Operator shall also provide tennis/pickleball equipment, rental of tennis balls/pickleballs, and racket stringing services.

For each facility, Elizondo Tennis will be responsible for minor facility repairs up to \$1,000 per Exhibit C of the lease agreement. The City will be responsible for major facility repairs that exceed \$1,000 as outlined in Exhibit C such as structural repairs (e.g. roof & foundation), building systems (e.g. plumbing, electrical & HVAC); repairs to parking lots, sidewalks, gates and signage. The lease agreement also stipulates responsibilities for facility utilities. For Al Kruse, the City will pay for electricity, telephone service, and water to include City trash service. For HEB Tennis Center, Elizondo Tennis will be responsible for dumpster rental/alarm services, pest control, and internet.

For landscaping responsibilities, the lease agreement has defined maintenance boundaries for each facility per Exhibit A of the lease agreement. Parks and Recreation will be responsible for landscaping beyond 25 feet from the perimeter of HEB Tennis Center. For Al Kruse, Elizondo Tennis will have landscaping responsibilities for areas within the specified, chain-link fence surrounding the facility.

The lease agreement allows for alcoholic beverages to be served/sold at each facility, year-round. Operator shall ensure compliance with all permits issued under the Texas Alcoholic Beverage Code, and rules and regulations issued by the Texas Alcoholic Beverage Commission regarding alcohol services and sales at the leased premises.

The effective date of the lease agreement is upon final City Council approval. The table below details how rental payments will be calculated.

ITEM	DESCRIPTION	QTY	UNIT	PERCENTAGE OF REVENUE	RENT (MONTHLY MINIMUM)
1	Percentage of Net Revenue Year 1	1	Year	15%	\$2,500
2	Percentage of Net Revenue Year 2	1	Year	20%	\$2,625
3	Percentage of Net Revenue Year 3	1	Year	25%	\$2,756.25

Net revenues shall not include Pro Shop revenues or revenues from snack bar food and beverages. Net revenues shall include revenues derived from the sale of alcohol.

The lease agreement also includes a reference to the “Parks & Recreation Tennis Center Contractor Compliance Policy & Procedure” which specifies tennis center review practices for facilities/programming and financial reviews for HEB and Al Kruse Tennis Centers respectively. Amendments to the City Tennis Fee Schedule are proposed and are included in the lease agreement as Exhibit D.

**PROCUREMENT DETAIL:**

Finance & Procurement conducted a competitive Request for Qualifications (RFQ) process for Parks & Recreation for a combined lease agreement of the Al Kruse and HEB Tennis Centers. The RFQ process allows the City to ensure that firms interested in these services are qualified

and have the work force to manage and conduct day-to-day operations for both facilities. The City received two statements of qualifications and is recommending award to Love Tennis & Education.

The selection committee was comprised of representatives from Parks and Recreation and Executive Departments. Final evaluations ranked firms based on firm's experience, team experience and identification, and understanding of project scope.

Ronald Elizondo of Love Tennis & Education currently maintains and manages the daily operations of the Al Kruse Tennis Center. Mr. Elizondo has proven his success at the Al Kruse Tennis Center through upgrades and maintenance to the grounds providing quality courts and establishing new programs for all age levels. During his evaluation process, Mr. Elizondo provided a detailed summary of programs he would implement and a management plan to successfully operate both the Al Kruse and HEB Tennis Centers. Parks & Recreation's management team and staff feel confident he would continue his success in managing both facilities and is recommending Love Tennis & Education for award.

**ALTERNATIVES:**

The Mayor and City Council may choose to disapprove the proposed lease agreement. Parks & Recreation would need to budget/recruit for additional staff to manage both facilities.

**FISCAL IMPACT:** This is a revenue sharing lease agreement, therefore, there is no fiscal impact.

**RECOMMENDATION:** Staff recommends approval of this ordinance authorizing the execution of a three-year lease agreement with two, one-year extension options as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Lease Agreement  
Evaluation Matrix  
Presentation