

APPROVED
SEP 06 2006

REPORT OF GENERAL MANAGER

NO. 06-254

DATE September 6, 2006

**BOARD OF RECREATION
and PARK COMMISSIONERS**

C.D. 5

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: WESTWOOD TENNIS PROFESSIONAL - AWARD OF CONCESSION AGREEMENT

J. Combs _____	J. Kolb _____
H. Fujita _____	*F. Mok <u>Jim</u>
S. Huntley _____	K. Regan _____
B. Jensen _____	M. Shull _____

Robert H. Jensen (for)
General Manager

Approved

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Award the Westwood Tennis Professional Concession to Atonal Tennis, Inc.;
2. Approve a five-year concession agreement, with a five-year renewal option exercisable at the City's sole discretion, substantially in the form on file in the Board Office, subject to approval of the Mayor, in accordance with Executive Directive No. 3, approval of the City Council, and approval of the City Attorney as to form;
3. Direct the Board Secretary to transmit the proposed agreement to the Mayor and City Attorney; and,
4. Authorize the Board President and Secretary to execute the subject agreement upon receipt of necessary approvals.

SUMMARY:

The Westwood Tennis Professional Concession (WTPC) is located just west of Century City and east of Brentwood above the Interstate 10 Freeway. Within a two mile radius of the park are hotels, museums, Federal Government offices, the 20th Century Fox Studios, Westwood Village, and the University of California at Los Angeles. The Westside area is home to over 100,000 residents and Westwood Tennis consists of eight courts in the popular Westwood Recreation

REPORT OF GENERAL MANAGER

PG. 2

NO. 06-254

Center Complex. Two courts are used predominately for tennis lessons under a concession contract and the remaining six courts are used by the general public under the Department's pay-for-reservation tennis program. In calendar year 2005 the facility generated over \$407,000 in gross receipts and \$40,696 in rent to the Department.

The WTPC has been operated by On Court Tennis Management Systems (OCTMS) since January 1, 2001, whose three-year agreement expired on December 31, 2004.

On December 14, 2005, the Board approved the release of a Request for Proposal (RFP) (Board Report No. 05-320). Responsive and responsible proposals were received from the following companies on March 7, 2006:

- Atonal Tennis, Inc. (current tennis concessionaire at Palisades Park)
- MRTW Academy (a newly-formed business entity)
- Innovative Tennis, LLC (a newly-formed business entity)
- OCTMS (incumbent concessionaire at WTPC)

A preliminary review of the proposals indicated that all proposers have varying expertise in the operation of a tennis professional business. The criteria for selecting the best proposer, as stated in the RFP, were:

- Qualifications and experience applicable to the tennis industry
- Proven performance and quality of current comparable operations
- Vision for concession, including business plan and marketing
- Capital Improvements; appropriateness, reflection of entrepreneurship, monetary value
- Financial return to the City
- Financial viability to operate the concession as proposed

A three-person panel with background in tennis, finances, and contract management was assembled to assist staff in assessing the merits and viability of each proposal, interviewing the proposers, and recommending an operator. A listing of the panel members and resulting scores are attached. With valuable and diverse knowledge and experience in their respective fields, input from the three panel members was instrumental in understanding and analyzing details from the four proposals - some technical in nature and some fundamental to their operational concepts of a tennis concession business.

The panel ranked the proposals according to each of the evaluation criteria listed in the RFP, assigned points according to rank, and recommended a proposer that best met the objectives of the RFP. Panelists assigned all categories equal weight; ties in rank in any one category were not allowed. The panel ranked Atonal highest, with 171 points, and Innovative Tennis second, with 148 points. OCTMS and MRTW Academy ranked third and fourth, with 129 and 94 points

REPORT OF GENERAL MANAGER

PG. 3

NO. 06-254

respectively. Subsequent to the panel's ranking, staff continued their analysis of the proposals. Where possible, staff visited tennis facilities currently operated by the proposers to evaluate their ability to successfully operate this concession. Trade and financial references were checked as appropriate. Staff concurred with the panel's finding recommending Atonal Tennis, Inc., for award of this Concession.

It should be noted that in past RFP processes, although numerous entities have shown interest in proposing, it has been common to receive a proposal only from the incumbent, or from the incumbent and only one other proposer, and so the need for a competitive proposal process has not always been fully satisfied. However, with four proposers responding to this RFP, a truer competition has been generated, benefiting the public by providing the City with a larger pool of qualified contractors to provide needed services.

The following sections summarize the results under each criterion:

Qualifications and Experience

The panel felt that all proposers are qualified to adequately manage the WTPC. Atonal Tennis and OCTMS were ranked highest due to their success in running their respective tennis concessions for many years. However, the panel was impressed by Atonal's flourishing program at Pacific Palisades, noting that the activities that were offered have been extremely successful in bringing patrons to the facility, and ranked Atonal the highest.

The two primary owners of OCTMS each have over 30 years of experience teaching and playing tennis, including the operation of the City's Westwood and Balboa Tennis Concession. Atonal's president also has over 30 years of experience in the tennis industry, including the operation of the Pacific Palisades Tennis Center. The panel felt Innovative proposed many great ideas and were impressed with their combination of teaching and business experience. The panel felt that MRTW, as a single entity, lacked the experience demonstrated by the top-ranking proposers.

Proven Performance

OCTMS and Atonal demonstrated practical, hands-on experience running a facility. Atonal Tennis received the highest ranking in this category based in part on their success at the Pacific Palisades Tennis Center over the past several years. Currently, the facility earns over \$1 million in gross revenues each year, and has a full program of tennis classes and unique activities for the patrons to enjoy. They have been very successful in promoting their summer and junior camps, both of which have contributed to the sustained growth that the site has enjoyed over the years. Currently the site is the highest performing tennis concession in the Department.

The panel was also impressed that OCTMS improved the site from when they first took over, but was not convinced that their past performance out-ranked Atonal.

REPORT OF GENERAL MANAGER

PG. 4

NO. 06-254

Although Innovative has enthusiastic participation from their patrons based on site visits to their operation by staff, they have less experience as a single entity than OCTMS and Atonal.

Vision for Concession Including Business Plan and Marketing

Atonal's vision for the site was the most impressive and appropriate for what the site needs. They also want to expand and improve the current tennis program at WPTC to include many of the activities currently offered at Palisades, including the very popular LiveBall program which combines exercise with tennis.

Atonal plans to implement tennis programs which have driven the success at Palisades, which is a similar demographic to the Westwood clientele, will provide a coaching venue for local adult and junior league play, and plan to increase the amount of options offered to 70+ classes per week.

The panel ranked Innovative second. They offered the largest number of classes amongst the proposers, with up to 23 types of activities weekly available in 80 different time slots. There are a variety of clinic types, including traditional classes for adults and juniors, Fast Ball clinics, a Tiny Tots and Baby Boppers program, as well as specialized clinics for seniors, women, and singles. One idea that the panel liked was their plan to provide a tennis garden for the patrons to comfortably sit and enjoy the scenery.

OCTMS' ideas were well planned according to the panel, but a proposed concept of constructing a skate park on the site was viewed as inappropriate for the core function of the facility. Their other plans included offering a variety of clinics, programs, and workout sessions.

MRTW's vision focuses on quality teaching and occasional participation from well-known, named tennis personalities at the site. Their plans for the site include promoting free seminars to the local community and using alliances with USTA and SCTA to obtain grant money for community outreach programs. MRTW feels that they will be able to increase attendance by having John McEnroe, famous celebrities, and other top pro or junior players practice at WTPC when they are in town. They also state that companies like Nike and Wilson will be willing to offer donations and scholarships for kids who participate in the programs. While the panel was impressed with their achievement in the world of tennis, they felt that MRTW focused on name recognition of accomplished players to increase interest from the public and would not achieve the projected growth.

Capital Improvements

According to the terms of the RFP, the selected concessionaire will be required to provide a Capital Improvement contribution of \$20,000, which will be used to fund the replacement of the pro shop/office and restroom roofs at WPTC.

REPORT OF GENERAL MANAGER

Innovative and Atonal had the strongest capital improvement offers, according to the panel, and were ranked first and second respectively. Innovative proposed \$41,700 in improvements, and unconditionally proposed installation of a new Pro Shop, as well as a tennis garden. The tennis garden would have four concrete courtyard picnic tables and six concrete planters with plants/trees. The panelists felt that Innovative provided the highest value in capital and was realistic, and they received high ratings for their ideas. The value on Atonal's capital improvements matched the required \$20,000 figure from the RFP.

Ranking third, OCTMS proposed adding two new courts, constructing a new building to serve as an office and pro shop, and possibly adding a skateboard park to the site, if allowed. The panel felt that the OCTMS' stated provisions for implementing their capital improvement ideas, which included increasing the length of the contract beyond the stated five-year term, were of concern. Although high in value, the panel felt these improvements were beyond the scope of the terms of the RFP and the vision of the Department for this recreation center.

MRTW had plans to resurface the courts, set up a referee stand, and install more seating for patrons.

Financial Return to the City

The RFP required each proposer to propose a return to the City based on a percentage of gross receipts. The following table reflects the rental percentage to the City proposed by each entity and their five -year projected results.

<u>Atonal Tennis</u>	Lessons: 10% of gross receipts of lessons and pro shop sales for the first \$400K Lessons: 10% of gross receipts of lessons and 8% pro shop sales after \$400K Lessons: 10% of gross receipts of lessons and 6% pro shop sales after \$500K Starting year 2, a monthly minimum of \$3,200 rent and a maximum of \$5,000 Starting year 3, a monthly minimum of \$3,500 rent and a maximum of \$5,500
<u>Innovative</u>	10% of all gross receipts
<u>MRTW</u>	(MRTW requests a 50% increase in prices over the 1997 approved rates that are currently being used.) 10% gross receipts of tennis and group lessons 10% of clinics and pro shop sales 1% utility fee for clinics and lessons
<u>OCTMS</u>	10% gross receipts of private and group lessons, pro shop sales and snacks

REPORT OF GENERAL MANAGER

PG. 6

NO. 06-254

All four companies proposed a percentage of 10% for lessons. Atonal proposed differing percentages for Pro Shop sales, which decreased incrementally, based on levels of gross receipts and proposed monthly minimum and maximum monthly rental percentages beginning in their second year.

Initially the panel had mixed feelings regarding Atonal's proposed maximum rental percentage. On the surface, a maximum rental percentage appeared to benefit the concessionaire at the expense of the City. Upon further discussion, the panel concluded that the maximum rental scenario as proposed is in reality an incentive for the concessionaire to achieve consistently high results. When looking at the history of revenues at this location, Atonal would have to achieve an approximate 65% – 75% rate of growth before the maximum rent would apply, which is mutually beneficial to the City and concessionaire.

The panel ranked Innovative second, stating that their projections might be overly optimistic compared with the number of courts available. However, they felt that, regardless of their projections, their aggressive programming with large numbers of classes maximized the potential of the facility and would result in a higher level of return to the City and service to the community.

OCTMS was ranked third. The panel was impressed with the steady growth achieved by OCTMS at Westwood over the first three years of their operation. However, the panel was not convinced they could maintain this growth rate, as OCTMS stated in their proposal that they would not be able to continue to grow unless granted certain conditions. In part, those conditions included the use of additional courts, a reduction in the required utility percentage, and an extension of the length of the contract, which were material changes from the RFP.

MTRW ranked last, as the panel expressed that their high projections were not attainable compared with those of the other proposers and the limited number of courts permitted for instruction.

Staff concurs with the panels' results under this category.

Financial viability to operate the concession as proposed:

The panel concluded, and staff's review of the verifiable documentation submitted with the proposals supports, that all four entities have the financial viability to successfully operate the concession as proposed. The panel's ranking in this category was limited to a review and comparison of financial documents compared with projections submitted with the proposals and discussed during the interviews. All proposers have accessible means to finance this operation as proposed, so staff ascertained a final ranking in this category by comparing each company's overall assets with their net worth. Atonal ranked first with the highest combination of assets and cash on hand. Innovative ranked second, MRTW and OCTMS ranked third and fourth respectively.

REPORT OF GENERAL MANAGER

PG. 7

NO. 06-254

Conclusion:

It is always in the best interests of the City when several well-qualified companies compete for a concession opportunity. In this case, we had four interested and qualified tennis entrepreneurs for the Westwood tennis professional concession. While receiving multiple proposals is a positive situation for the City to choose the best operator for needed services, in some cases this presents a greater challenge to the incumbent operator, whose history of performance and stability is ranked and compared against new entities that bring fresh new approaches to providing services to the community. The panel brought specific expertise to evaluate and make an overall recommendation and staff's review of references, financial ability and visits to current operations, supports their ranking and final scores, and therefore recommends Atonal for award of the Agreement.

FISCAL IMPACT STATEMENT:

Ninety percent of revenues received in the form of rental payments from this concession are deposited into the Department's general fund and the remaining ten percent is deposited into the Department's concession improvements account. Approximately \$225,000 will be deposited in the general fund and \$25,500 into the concession improvement accounts over the five years of this agreement.

Report prepared by Shaun Larsuel, Concession Analyst, Administrative Resources Division

ATTACHMENT

WESTWOOD PARK TENNIS PROFESSIONAL CONCESSION
REQUEST FOR PROPOSAL

Review Panel and Ranking

The individuals on the panel were as follows:

- Melanie Chacon - Bureau of Sanitation analyst with extensive experience in finance as well as managing contracts and budgets
- Kelly Werling - Currently a Sr. Recreation Director II at Cheviot Hills, previously served as supervisor of the tennis program for Municipal Sports
- Richard Rollins – Long time tennis player and successful business person

The aggregate panel scores are summed as follows:

Rating Criteria	Atonal Tennis, Inc		Innovative Tennis		OCTMS		MRTW Academy	
Qualifications and experience	R1	29	R3	22	R2	26	R4	14
Proven performance	R1	30	R3	19	R2	27	R4	14
Vision for concession, including business plan and marketing	R1	29	R2	27	R3	19	R4	16
Capital Improvements	R2	26	R1	28	R3	18	R4	17
Financial return to the Department	R1	28	R2	25	R3	22	R4	15
Financial viability to operate all aspects of the concession	R1	29	R2	27	R4	17	R3	18
Total	R1	171	R2	148	R3	129	R4	94