



DATE: May 15, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Property Management Department

SUBJECT: **AMENDMENT 3 TO THE CPI PROPERTY LEASE AGREEMENT WITH HOBIE CAT COMPANY FOR A PORTION OF THE PREMISES LOCATED AT 4925 OCEANSIDE BOULEVARD**

SYNOPSIS

Staff recommends that the City Council approve Amendment 3 to the CPI Property Lease Agreement with Hobie Cat Company for a portion of the property located at 4925 Oceanside Boulevard, increasing the square footage of the premises and increasing the minimum annual revenue by \$60,710 from \$628,738 to \$689,448; and authorize the City Manager to execute the amendment.

BACKGROUND

In 1993 the City of Oceanside as landlord ("City") and the Hobie Cat Company as tenant ("Hobie") originally entered into CPI Property Lease Agreement for a portion of the property located at 4925 Oceanside Boulevard ("Property"). In 2008 the City and Hobie entered into a new CPI Property Lease Agreement ("Agreement").

The Agreement was for the lease of approximately 66,540 square feet of space in Building C and portions of Building A and B at the Property ("Premises"), with the City occupying the remainder of the space in the buildings at the Property.

In January 2011, to accommodate Hobie's need for additional warehouse and office space, the Agreement was amended to increase the Premises by an additional 10,689 square feet. The Agreement was again amended in May 2012 to add an additional 7,176 square feet of warehouse and office space, for a total of 84,405 square feet.

Due to the continued growth of their business and the need for even more warehouse space, Hobie again inquired about leasing more space at the Property. As a result of the City consolidating office and warehouse space at the Property, additional warehouse space became available for lease to Hobie.

ANALYSIS

The proposed third amendment expands the Premises by an additional 8,150 square feet for a total of 92,555 square feet leased to Hobie. The additional square footage consists of 5,145 square feet of warehouse and 3,005 square feet office space. The combined 8,150 square feet of warehouse and office space is currently occupied by the Water Utilities Department and the Public Works Division. The rent for the additional 8,150 square feet will be at the same \$0.62 per square foot rent that Hobie is currently paying for the existing 84,405 square feet of space.

FISCAL IMPACT

Hobie currently pays an annual rent of \$628,738 subject to annual Consumer Price Index ("CPI") increases. The 8,150 square feet of additional warehouse space results in an annual rent increase of \$60,710 for a total Premises rent of \$689,448. Additional revenue may be generated in future years based on the annual increases in the CPI.

It is estimated that the City will need to spend approximately \$20,000 to install the demising fence in the warehouse area and to relocate Water Utilities Department and the Public Works Division to other space at the Property. It is requested that the estimated cost of \$20,000 be appropriated to the Property Management Department Deferred Building Maintenance Account 630607581.5320 as the increase in rent is received from Hobie.

INSURANCE REQUIREMENTS

Lessee will be required to maintain the City's standard insurance requirement over the term of the Agreement.

COMMISSION OR COMMITTEE REPORT

Does not apply.

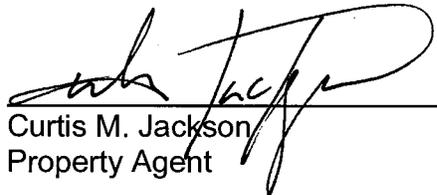
CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council approve Amendment 3 to the CPI Property Lease Agreement with Hobie Cat Company for a portion of the property located at 4925 Oceanside Boulevard, increasing the square footage of the premises and increasing the minimum annual revenue by \$60,710 from \$628,738 to \$689,448; and authorize the City Manager to execute the amendment.

PREPARED BY:


Curtis M. Jackson
Property Agent

SUBMITTED BY:

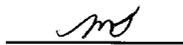

Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Douglas E. Eddow, Real Property Manager

Teri Ferro, Financial Services Director





AMENDMENT NO. 3 TO LEASE AGREEMENT

This Amendment No. 3 to Lease Agreement ("THIRD AMENDMENT") is made this 15th of May 2013, by and between the City of Oceanside ("CITY") and Hobie Cat Company, a Missouri corporation ("LESSEE").

RECITALS

WHEREAS, CITY and LESSEE entered into that certain CPI Property Lease Agreement, dated May 21, 2008 ("AGREEMENT"), for a portion of the premises located at 4925 Oceanside Boulevard, Oceanside, CA ("CITY BUILDING") consisting of approximately 66,540 square feet ("PREMISES");

WHEREAS, CITY AND LESSEE entered into that certain Amendment No. 1 to Lease Agreement, dated January 5, 2011, increasing the PREMISES by 10,689 square feet for a total of approximately 77,229 square feet;

WHEREAS, CITY AND LESSEE entered into that certain Amendment No. 2 to Lease Agreement, dated May 16, 2012, increasing the PREMISES by 7,176 square feet for a total of approximately 84,405 square feet;

WHEREAS, LESSEE is desirous of leasing additional space from CITY, which is currently occupied by the CITY, consisting of approximately 8,150 square feet, 5,145 square feet of which is warehouse space, and approximately 3,005 square feet is office space, for a total of 92,555 square feet in the CITY BUILDING; and

WHEREAS, CITY is desirous of leasing to LESSEE additional space in the CITY BUILDING and expanding the PREMISES by 8,150 square feet for a total of approximately 92,555 square feet.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, the parties hereto agree as follows:

AGREEMENT

The AGREEMENT shall be amended to read as follows:

1. Subsection 1.01 Premises of SECTION 1: USES is deleted in its entirety and replaced with the following language:

1.01 Premises.

CITY hereby leases to LESSEE and LESSEE leases from CITY, in accordance with the terms of this AGREEMENT, a portion of that certain real property situated in



the City of Oceanside, County of San Diego, State of California, commonly known as 4925 Oceanside Boulevard, Building C; a portion of Buildings A and B; and the exclusive use of the parking areas, located on a map marked Exhibit "A-2" and more particularly shown on a sketch thereof marked Exhibit "A-3", attached hereto and by this reference made a part of this AGREEMENT (hereinafter referred to as the ("PREMISES")). The building area of the PREMISES shall consist of a total of ninety-two thousand five hundred fifty-five square feet (92,555 SF).

This THIRD AMENDMENT increases the PREMISES by an additional eight thousand one hundred fifty square feet (8,150 SF) as more particularly shown on a sketch thereof marked **Exhibit "B-6"**, attached hereto and by this reference made a part of this AGREEMENT ("EXPANDED PREMISES"). LESSEE agrees to accept and lease said EXPANDED PREMISES in an "AS IS" "WHERE IS" condition without any warranties express or implied, except as set forth herein below.

2. Subsection 2.01 Term for Premises of SECTION 2: TERM is amended by adding the following language:

2.01(a) Commencement of Term for Expanded Premises.

The commencement of the term for the EXPANDED PREMISES shall be June 1, 2013 for the 5,150 SF of warehouse space and January 1, 2014 for the 3,005 SF of office space or the date the EXPANDED PREMISES is made available to LESSEE by CITY.

3. Rent for the EXPANDED PREMISES shall be initially calculated at Seven and 45/100 Dollars per square foot (\$7.45) per year for an additional annual rent of Thirty-Eight Thousand Three Hundred Twenty-Five and 43/100 Dollars (\$38,325.43) for the 5,145 SF of warehouse space and Twenty Two Thousand Three Hundred Eighty-Four and 44/100 Dollars (\$22,384.44) for the 3,005 SF of office space for a total annual rent of **Sixty Thousand Seven Hundred Nine and 87/100 Dollars (\$60,709.87)**. Rent shall begin on the commencement of the term for the EXPANDED PREMISES and be subject to all other terms and conditions of the AGREEMENT including the methodology and timing of any rent increases.

4. CITY, at its cost and expense shall provide a chain-link fence to separate the parking lot on the EXPANDED PREMISES from the CITY occupied space in the CITY PREMISES. The CITY shall be responsible for the relocation of the chain link fence located within the EXPANDED PREMISES, as more particularly shown on a sketch thereof marked **Exhibit "B-7"**, attached hereto and by this reference made a part of this AGREEMENT.

5. All other terms, conditions, covenants and provisions of the AGREEMENT shall remain in full force and effect. In the event of any conflict between the terms of the AGREEMENT and this THIRD AMENDMENT, the terms of this THIRD AMENDMENT shall control.

“CITY”

THE CITY OF OCEANSIDE,
a Municipal corporation

APPROVED AS TO FORM:

By: _____
City Manager

By: *Andrew Hamilton, ASST.*
City Attorney

“LESSEE”

HOBIE CAT COMPANY
a Missouri corporation

By: *Bill Baldwin*

Name: *Bill Baldwin*

Title: *CEO*

By: *Doug Skidmore*

Name: *DOUG SKIDMORE*

Title: *Pres. death*

NOTARY ACKNOWLEDGEMENT OF LESSEE’S SIGNATURE(S) MUST BE ATTACHED

ALL-PURPOSE ACKNOWLEDGMENT

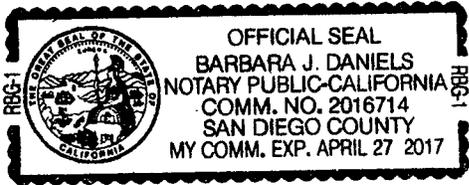
State of California

County of San Diego } SS.

On 5-1-13, before me, Barbara J. Daniels, Notary Public,

DATE personally appeared Bill Baldwin & Doug Skidmore, who proved to me on the

basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Barbara J. Daniels.
NOTARY'S SIGNATURE

PLACE NOTARY SEAL IN ABOVE SPACE

OPTIONAL INFORMATION

The information below is optional. However, it may prove valuable and could prevent fraudulent attachment of this form to an unauthorized document.

CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

- INDIVIDUAL
- CORPORATE OFFICER _____ TITLE(S)
- PARTNER(S)
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

Amendment No 3 to Lease Agreement
TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

OTHER

SIGNER (PRINCIPAL) IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY (IES)

RIGHT
THUMBPRINT
OF
SIGNER

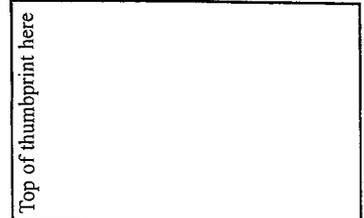
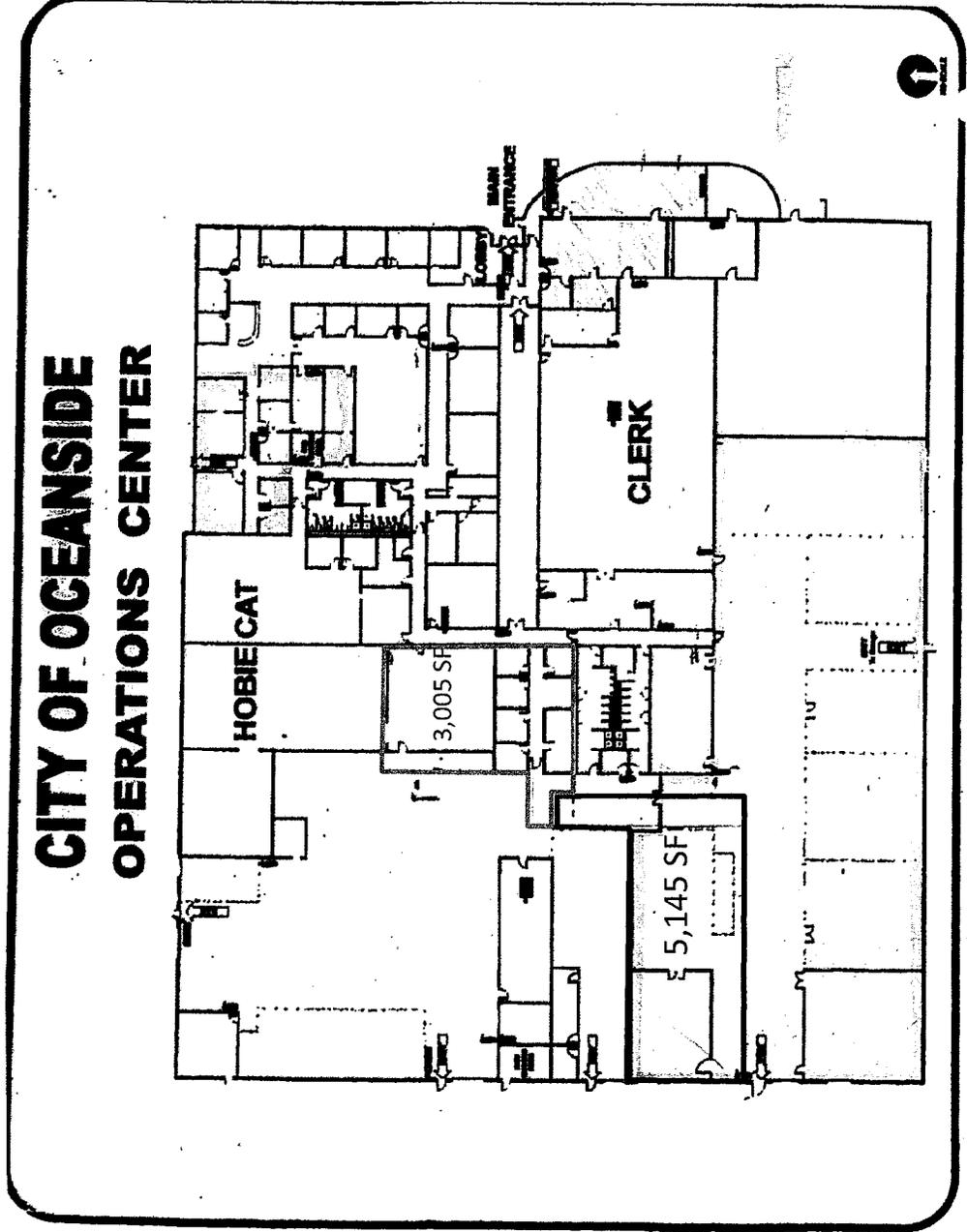


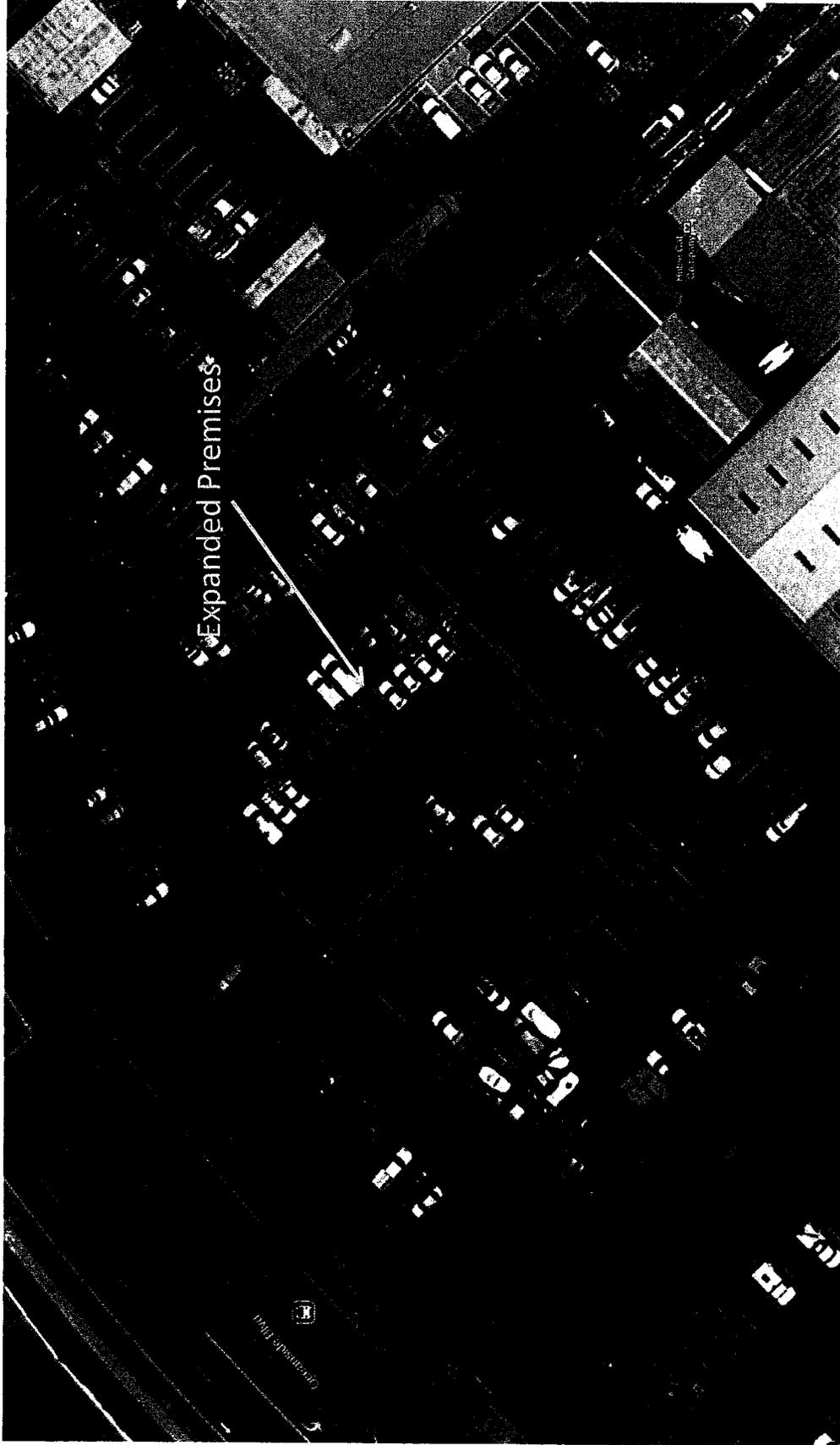
Exhibit "B-6"

Expanded Premises



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EXHIBIT "B-7"
Expanded Premises



PS