



DATE: June 3, 2015
TO: Honorable Mayor and City Councilmembers
FROM: Property Management
SUBJECT: **AMENDMENT 4 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 4 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, increasing the minimum annual revenue by \$13,200 from \$705,998 to \$719,198, and include an additional five-year renewal option; 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.

To accommodate Hobie's need for additional warehouse and office space, the Agreement has been amended three times since 2011 to increase the Premises by an additional 26,015 square feet for a revised total of 92,555 square feet. Due to continued growth of their business and the subsequent need for more warehouse space, Hobie has requested to lease additional space within the Property.

ANALYSIS

The proposed fourth amendment expands the Premises by an additional 3,150 square feet for a total of 95,705 square feet leased to Hobie. The additional square footage includes use of the exterior areas at the Property which are adjacent to the Premises. The rent for the additional 3,150 square feet will be at \$0.35 per square foot as it is mostly outside storage.

FISCAL IMPACT

Hobie currently pays an annual rent of \$705,998 subject to annual Consumer Price Index ("CPI") increases. The 3,150 square feet of additional warehouse space results in a annual rent increase of \$13,200 for a total Premises rent of \$719,198 to be deposited in account number 1101.4351.009. Additional revenue may be generated in future years based on the annual increases in the CPI.

INSURANCE REQUIREMENTS

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

COMMISSION OR COMMITTEE REPORT

Does not apply.

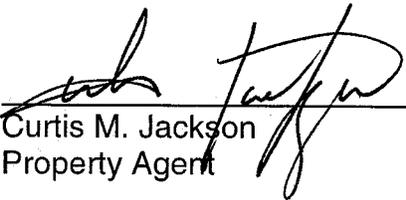
CITY ATTORNEY'S ANALYSIS

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

RECOMMENDATION

Staff recommends that the City Council approve Amendment 4 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, increasing the minimum annual revenue by \$13,200 from \$705,998 to \$719,198, and include an additional five-year renewal option; and authorize the City Manager to execute the amendment.

PREPARED BY:


Curtis M. Jackson
Property Agent

SUBMITTED BY:


Michelle Skaggs Lawrence
Interim City Manager

REVIEWED BY:

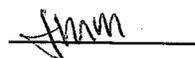
Peter A. Weiss, Assistant City Manager



Douglas E. Eddow, Real Property Manager



Jane M. McPherson, Interim Financial Services Director



AMENDMENT NO. 4 TO LEASE AGREEMENT

This Amendment No. 4 to Lease Agreement ("FOURTH AMENDMENT") is made this 20th of May 2015, 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 ("PROPERTY") 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, CITY AND LESSEE entered into that certain Amendment No. 3 to Lease Agreement, dated May 15, 2013, increasing the PREMISES by 8,150 square feet for a total of approximately 92,555 square feet;

WHEREAS, LESSEE is desirous of leasing additional space from CITY, which is currently occupied by the CITY, consisting of approximately 3,150 square feet, which includes use of the Automobile Paint Booth, for a total of 95,705 square feet of the PROPERTY; and

WHEREAS, CITY is desirous of leasing to LESSEE additional space of the PROPERTY and expanding the PREMISES by 3,150 square feet for a total of approximately 95,705 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-3" and more particularly shown on a sketch thereof marked Exhibit "A-4", attached hereto and by this reference made a part of this AGREEMENT (hereinafter referred to as the ("PREMISES")). The building area of the PREMISES, including the EXPANDED PREMISES described below, shall consist of a total of ninety-five thousand seven hundred five square feet (95,705 SF).

This FOURTH AMENDMENT increases the PREMISES by an additional three thousand one hundred fifty square feet (3,150 SF) as more particularly shown on a sketch thereof marked **Exhibit "B-8"**, attached hereto and by this reference made a part of this AGREEMENT ("EXPANDED PREMISES"). The EXPANDED PREMISES includes use of the Automobile Paint Booth, hereinafter referred to as the ("Booth"). 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(c) Commencement of Term for Expanded Premises.

The commencement of the term for the EXPANDED PREMISES shall be June 1, 2015 for the 3,150 SF of warehouse space.

3. Subsection 2.02 Renewal Options of SECTION 2: TERM is deleted in its entirety and replaced with the following language:

2.02 Renewal Options.

The LESSEE may request two additional extension of the term of this AGREEMENT for the PREMISES for **two (2) additional five (5) year periods** each under the terms and conditions of this AGREEMENT, provided that the LESSEE is not in default or breach of any term, condition, covenant or provision of this AGREEMENT. LESSEE may request the first of two additional five (5) year extensions of the term by providing the City Manager with its written request no later than one-hundred eighty (180) days prior to the expiration of the term of this AGREEMENT, and the second additional five (5) year period as applicable. No later than thirty (30) days from the receipt of LESSEE'S written election to extend the term of this AGREEMENT, the City Manager shall in writing provide LESSEE with the CITY'S calculated fair market rent which the CITY is willing to accept for the PREMISES. No later than thirty (30) days after the City Manager provides LESSEE with the CITY'S fair market rental rate LESSEE shall provide CITY

with its determination of acceptance or rejection of the CITY'S calculated fair market rent. In the event the parties cannot agree on the fair market rent, each party shall select an MAI appraiser, which appraisers shall select a third MAI appraiser who will make a determination of the fair market rent for the PREMISES, which rent shall be the recalculated rental rent for the PREMISES for the extended term. Provided, however, in no event shall the rental rate be less than that required during the preceding annual term. The CITY and LESSEE shall split the cost of the appraisal for the recalculated fair market rent, if required.

In no event shall the term of this AGREEMENT be extended in excess of the two (2) five (5) year extensions beyond the expiration of the term of this AGREEMENT without the mutual written agreement of the parties and the prior approval of the City Council.

4. Rent for the EXPANDED PREMISES, including use of the Booth, shall be calculated at Four and 19/100 Dollars per square foot (\$4.19) per year for an additional annual rent of **Thirteen Thousand Two Hundred Dollars (\$13,200)** for the 3,150 SF of EXPANDED PREMISES. 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. The revised total monthly rent as of June, 1, 2105 is **\$59,933.14**.

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 FOURTH AMENDMENT, the terms of this FOURTH AMENDMENT shall control.

“CITY”

THE CITY OF OCEANSIDE,
a Municipal corporation

APPROVED AS TO FORM:

By: _____
City Manager

By: *Paul D. Hamilton, 1987*
City Attorney

“LESSEE”

HOBIE CAT COMPANY
a Missouri corporation

By: *Doug Skidmore*

Name: DOUG SKIDMORE

Title: PRESIDENT

By: *Bill Baldwin*

Name: BILL BALDWIN

Title: CFO

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

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of San Diego

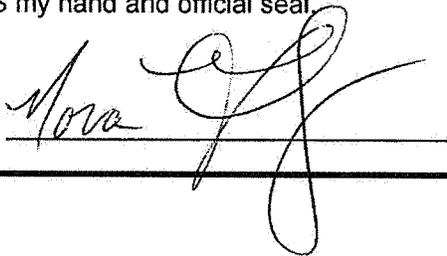
On 05/14/2015 before me, Nora Freerking Notary Public
(insert name and title of the officer)

personally appeared 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.

Signature



(Seal)

