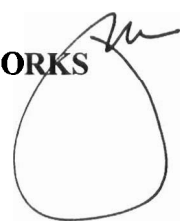


TO: JAMES L. APP, CITY MANAGER
FROM: JOHN R. McCARTHY, DIRECTOR OF PUBLIC WORKS
SUBJECT: AIRPORT LEASE - SPECIALTY SILICONE
(RMB&B JOINT VENTURE)
DATE: FEBRUARY 16, 1999



Needs: For the City Council to consider approval of an assignment of a Municipal Airport property lease from Franciscan Company to RMB&B Joint Venture, with the addition of new property to the lease.

- Facts:**
1. Franciscan Company currently leases Parcels 3, 4, & 5 (approximately 4 acres) at the Paso Robles Airport.
 2. Specialty Silicone currently subleases this property from Franciscan Company.
 3. Franciscan Company and Specialty Silicone have requested that the lease be assigned to Specialty Silicone, to facilitate expansion capabilities. (See attached letter.)
 4. In order to obtain the necessary financing for expanding its existing facilities, Specialty Silicone has requested an extension to the term of the existing lease from 30 years to 50 years, and to include additional property to the lease.
 5. The Council subcommittee that reviews Airport leases has recommended that the assignment, modification, and extension in the term of the lease, be approved.

Analysis and

Conclusion: Presently, Specialty Silicone has its corporate headquarters located at the Paso Robles Airport, and employs approximately 170 locally. It is necessary for Specialty Silicone to expand its facilities at the Airport in order to supply the demand and stay competitive in their market. It is anticipated that an additional building consisting of approximately 18,000 square feet of manufacturing and office space will be added. It is anticipated that they will employ 200 ± people once the expansion is complete.

The owners of Specialty Silicone have formed a Joint Venture Partnership (RMB&B) to purchase the leasehold interest from Franciscan Company for

Parcels 3, 4, & 5 at the Paso Robles Airport. These parcels encompass approximately 4 acres fronting Airport Road and Propeller Drive.

In order to accommodate the parking requirement of an expanded facility, additional property was needed. Parcels 4, 5, & 6 of PRAL 96-025 is being added to the lease to accommodate parking needs.

Policy

Reference: None.

Fiscal

Impact: The currently monthly rental rate of the lease to be assigned is \$1,522.42. An additional \$545.00 per month revenue will be realized from the additional property to be leased. Both of these amounts will be escalated every five years, with the next escalation to take place on January 1, 2000.

- Options:**
- A. That the City Council approve the assignment and modification of Lease document from Franciscan Company to RMB&B Joint Venture, subject to final approval by the City Attorney and completion of escrow by RMB&B Joint Venture.
 - B. For the City Council to amend, modify or reject the above option.

Attachments: (2)

- 1) Assignment
- 2) Letter

C:\b\ccagenda\airport\Spec. Silicone

**CONSENT TO ASSIGNMENT OF LEASE
and
AMENDMENT TO LEASE
Franciscan Company – RMB&B Joint Venture
Parcels 3, 4, and 5 of PRAL 88-207**

THIS ASSIGNMENT OF LEASE is herewith incorporated as part of the Master Lease made and entered into on the 16th day of **October, 1979**, by and between the **CITY OF EL PASO DE ROBLES**, a Municipal Corporation and a political subdivision of the State of California, referred to herein as “City” or “Lessor”, and **RICHARD J. OROSEL and JOANN OROSEL**, and subsequently, on the 2nd day of **April, 1991**, assigned to **FRANCISCAN COMPANY**, hereinafter referred to as “Lessee”, and **RMB&B JOINT VENTURE**, hereinafter referred to as “Assignee”.

RECITALS

WHEREAS, the City and Richard J. Orosel and Joann Orosel entered into a long-term lease dated October 16, 1979, for Parcels 6, 7, 8, 9, 10, 11, 12, 13, and 32 of Parcel Map 77-469 (Master Lease); and

WHEREAS, Parcel 32 was deleted from the Master Lease effective November 30, 1982, and said parcel 32 went back to the full control of the City; and

WHEREAS, Upon recordation of Parcel Map PRAL 88-207 Parcels 6, 7, 8, 9, 10, 11, 12, and 13 of Parcel Map 77-469 were renumbered to Parcels 3, 4, and 5 of PRAL 88-207; and

WHEREAS, an Assignment of Master Lease for Parcels 3, 4, and 5 of PRAL 88-207 was made on April 2, 1991, from Richard J. Orosel and Joann Orosel to Franciscan Company; and

WHEREAS, Franciscan Company, Lessee and RMB&B Joint Venture, Assignee have requested that the Master Lease for Parcels 3, 4, and 5 of PRAL 88-207 be assigned to RMB&B Joint Venture; and

WHEREAS, The Master Lease is subject to amendments made on January 1, 1980, November 30, 1982, June 7, 1983, and April 2, 1991, and any other amendments made thereto; and

WHEREAS, All terms and conditions of Master Lease, as amended will remain in full force and effect upon assignment to RMB&B Joint Venture.

NOW THEREFORE, it is hereby agreed by all parties as follows;

1. The parties hereby consent to the assignment of the Master Lease, wherein Franciscan Company agrees to relinquish all rights, title and interest in the Master Lease as herein provided. Assignment is to be effective concurrently with close of escrow at First American Title Company, Escrow No. 936678-BJS, between Lessee and Assignee.

2. Upon assignment, RMB&B Joint Venture is hereby designated as Lessee under the terms and conditions of the Master Lease for Parcels 3, 4, & 5 of PRAL 88-207.

3. Section I of the Master Lease is hereby amended to extend the term by an additional four (4) five (5) year terms, to expire October 16, 2049.

4. City and Assignee, hereby agree that the monthly rental rate for Parcels 3, 4, and 5 is currently One Thousand Five Hundred Twenty-two Dollars and Forty-two cents (\$1,522.42) per month, and that per the terms of the Master Lease, as amended, the rental amount will be escalated on January 1, 2000, and on January 1 every five (5) years thereafter.

5. City and Assignee hereby agree to further define the Premises to include Parcels 4, 5, and 6, of PRAL 96-025 in the Master Lease (Exhibit "A"). Parcel 4 consists of approximately 6,590.21 square feet, with the southerly boundary starting approximately 36 feet from the northerly boundary of Parcel 3. Parcel 5 consists of approximately 2,401 square feet. Parcel 6 consists of approximately 13,153.1 square feet. A lot line adjustment will be completed and recorded by the City that will clarify and finalize the lot size of this property.

6. City and Assignee hereby agree that the monthly rental rate for Parcels 4, 5, and 6, of PRAL 96-025, as described in paragraph 5, above, is Five Hundred Forty-five Dollars (\$545.00), in addition to the rental amount set forth in paragraph 4, above, and will be escalated on the same schedule.

7. Any notice to be given or other document to be delivered by either party to the other party may be given by personal delivery, generally recognized overnight courier, prepaid, or may be deposited in the United States mail, duly registered or certified, with postage prepaid, and addressed to the party for whom intended as follows:

Lessor: City of Paso Robles
Department of Public Works
1000 Spring Street
Paso Robles, CA 93446

Lessee: RMB&B Joint Venture
3034 Propeller Drive
Paso Robles, CA 93446

8. In all matters not specifically addressed by this amendment, the terms and conditions of the Master Lease and all amendments thereto shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Consent to Assignment of Lease and Amendment to be duly executed this _____ day of _____, 1999.

LESSEE
Franciscan Company

LESSOR
City Of El Paso de Robles

Nicholas Murphy, President

James L. App, City Manager

Charles Belcher, Secretary

Attest:

ASSIGNEE AND LESSEE
RMB&B Joint Venture

William E. Reising

Thomas J. Mazelin

David B. Batdorf, Sr.

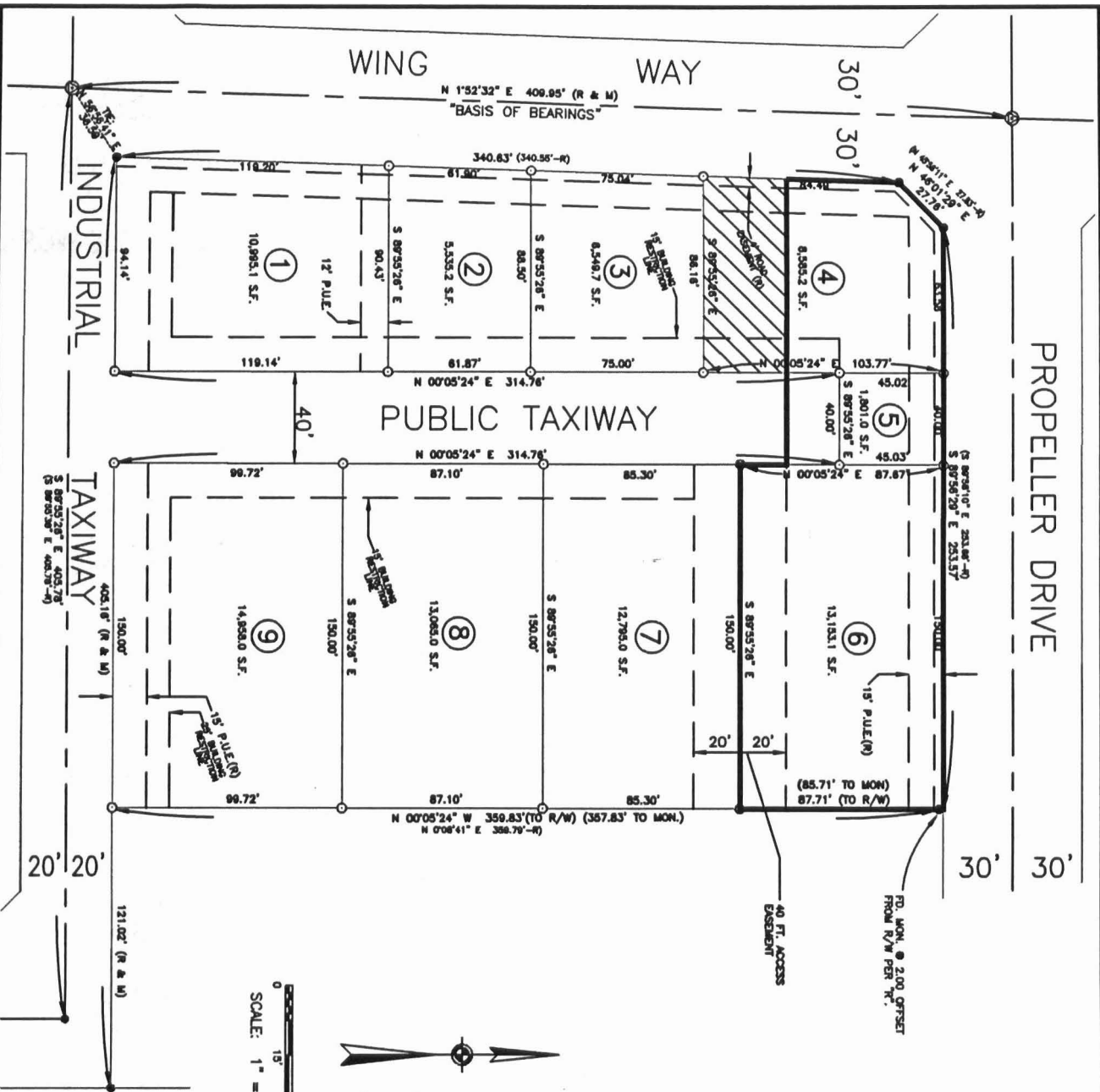
David B. Batdorf, Jr.

H

PROPELLER DRIVE

PARCEL MAP PR 96-025

A DIVISION OF
 PARCEL 16 OF PARCEL MAP PRAL 88-207
 RECORD PER BOOK 48 OF PARCEL MAPS AT PAGE 23
 CITY OF EL PASO DE ROBLES
 SAN LUIS OBISPO COUNTY
 STATE OF CALIFORNIA



LEGEND:

- SET 1/2" REBAR W/CAP TOE 14894"
- PD 1" LP. W/TAG L.S. 5201" PER "R"
- PD SPINE & WASHER STAMPED L.S. 5201" PER "R"
- ⊙ PD STANDARD CITY WELL MONUMENT
- (---R) DENOTES RECORD DATA PER 48-PM-23
- ⑨ DENOTES PARCEL NUMBER

NOTE: THE BASIS OF BEARINGS FOR THIS MAP AND SURVEY IS THE CONTIGUOUS SECTION LINE AS ESTABLISHED BY THE SURVEY OF JOHN W. FREED AND NOTED AS N 1°32'32" E PER 48-PM-23.

DANIEL J. STEWART & ASSOC.
 ENGINEERS AND SURVEYORS

597 17th STREET / P.O. BOX 2038
 SAN LUIS OBISPO, CA 95440
 805-238-0700

ISSAC
A California Corporation

RECEIVED
JAN 25 1999

January 25, 1999

DEPT. OF PUBLIC WORKS

VIA FEDERAL EXPRESS
AND FAX
(805) 237-6565

Mr. John McCarthy
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

- Re: Assignment and Amendment of Lease, Parcels 3, 4, and 5 of Parcel Map PRAL88-207 (3.9 Acres), Paso Robles Airport
- Re: New Lease on Lots 4, 5, and 6 of Parcel 16 for Parking Lot

Dear Mr. McCarthy:

On behalf of David Batdorf, Thomas Mazelin, and myself, we request that the City of Paso Robles take the following actions with respect to our acquisition of the leasehold estate described above from the Franciscan Company:

1. Amend the lease on Parcels 3, 4, and 5 referenced above, dated the 2nd day of April 1991 as amended, to reinstate the original term to the full 50 years. The current lease is scheduled to expire on October 1, 2029.
2. Execute a new lease on Lots 4, 5, and 6 referenced above to RMB&B on identical terms as that requested with respect to Parcels 3, 4, and 5 above.
3. Assign the lease on Parcels 3, 4, and 5 referenced above from the Franciscan Company to RMB&B Joint Venture, consisting of myself, David B. Batdorf, Thomas J. Mazelin, and David B. Batdorf, Jr., who represent 100 percent of the outstanding ownership of Specialty Silicone Fabricators, Inc.

It is currently the intent of RMB&B to not only purchase the leasehold interest of the Franciscan Group, the escrow of which is scheduled to close on March 8, 1999, but to also subsequently erect on the leasehold an additional approximately 15,000 square foot two-story manufacturing facility to house a state-of-the-art silicone extrusion facility. This additional facility will require the parking spaces made possible by the lease on lots 4 and 6 referenced above. Enclosed please find as Exhibits "A" and "B", the preliminary site plan prepared by our architect, James Goodman Architecture, for the additional facility and parking lot. The facility

Reply To:

☐ **Corporate Offices:** 3034 Propeller Drive, Paso Robles, CA 93446
Telephone: (805) 239-4284 FAX: (805) 239-2815

✓ **Legal Department:** 32222 Camino Capistrano, Suite A, San Juan Capistrano, CA 92675
Telephone: (949) 661-7302 FAX: (949) 661-7381

Mr. John McCarthy
City of Paso Robles
January 25, 1999
Page 2

will be of an architectural style similar to that on-site with an upscale formalized entry. Additional manufacturing would be located on the ground floor with corporate offices above. We estimate the construction costs will exceed \$750,000. Additional tenant improvements including air handling and clean rooms will add approximately another \$250,000.

The purchase of the leasehold is dependent upon obtaining an SBA 504 loan. There could be a difficulty in obtaining this loan and the subsequent financing necessary for the additional construction on-site if the term of the lease does not exceed the scheduled 39-year term of depreciation. The entire purpose behind this acquisition is to continue the presence in the Paso Robles area of the Specialty Silicone Fabricators main manufacturing facility and provide for its expansion in lieu of relocation or expansion in a different locale. This acquisition, expansion and extension of lease would provide SSF the opportunity to significantly expand its current work force from 160+ to an excess of 200. Furthermore, it would justify the additional tenant improvements at Paso Robles in the existing facilities, such as clean rooms and R&D facilities due to the certainty of recovery of the cost over the term of the lease.

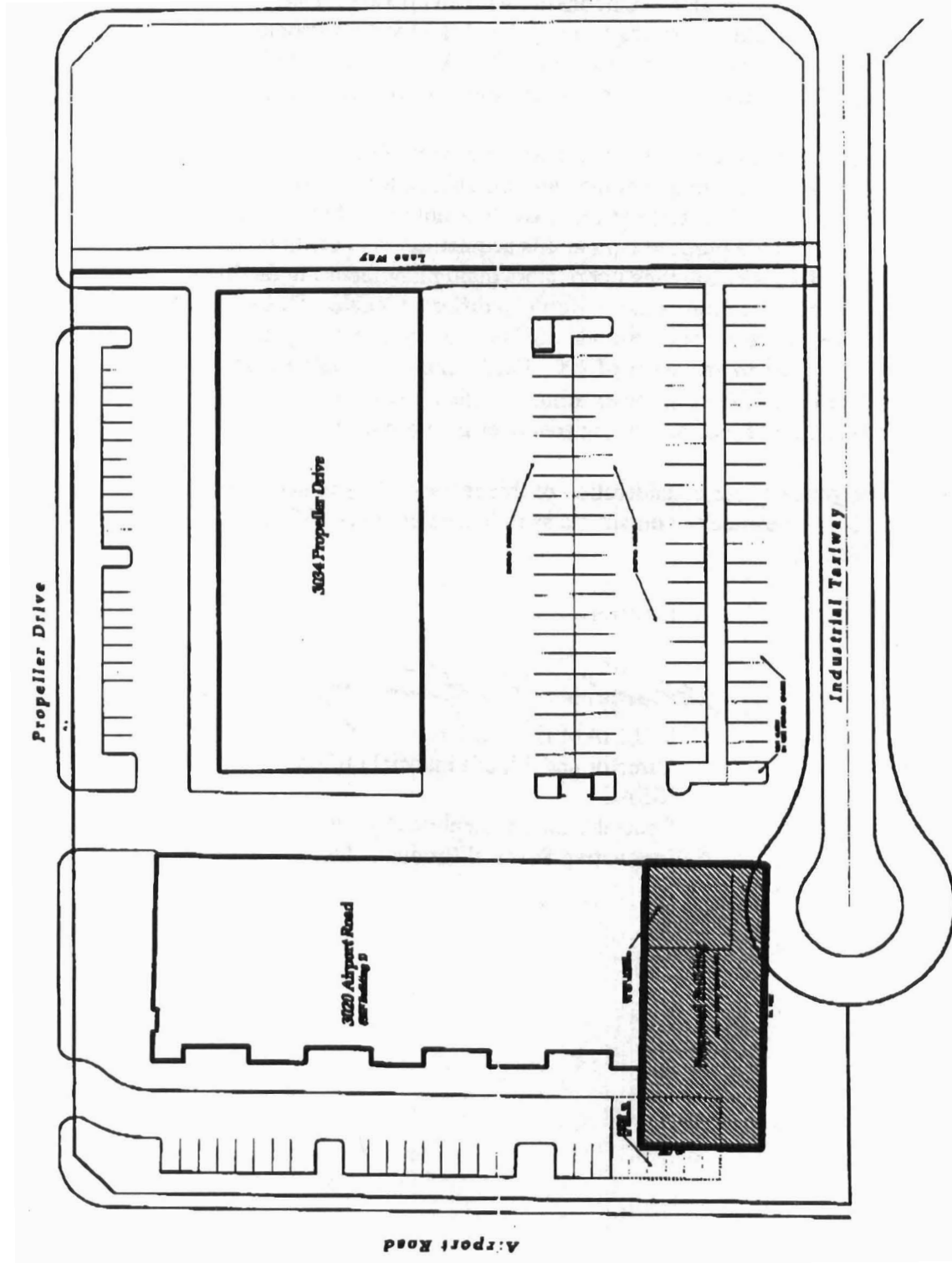
Thank you for your consideration of this request. If you need any further information, please do not hesitate to contact me as indicated below, or Mr. James Goodman, AIA at (949) 493-0740.

Sincerely,

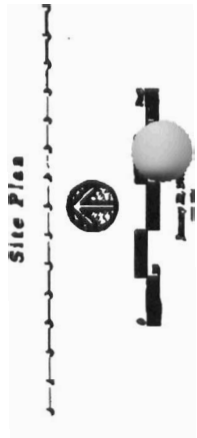


WILLIAM E. REISING
Director and Chief Financial Officer
ISSAC
Specialty Silicone Fabricators, Inc.
Innovative Surgical Products, Inc.

WER:jmg



Proposed Engineer
Specialty Silica Fabricators Inc.
 Building 1 - Airport Road
 Phoenix, California
 Jerry Goodness
 President



8

