

Holiday Island

Suburban Improvement District

110 Woodsdale Drive
Holiday Island, AR 72631
(479) 253-9700
hisid@holidayislandark.org

TO: HISID Board of Commissioners

FROM: Kevin Crosson, District Manager *KXC*

DATE: April 15, 2009

SUBJ: *Yacht Club Lease Renewal*

Please find attached a *Letter of Intent* from Holiday Island Realty to renew their lease with the District for an additional 5 years for the District's Yacht Club property. Also attached is a copy of their existing lease.

The owners of Holiday Island Realty, Greg Davis and Tom Guindon, have leased the property from the District since 2002. They have proven to be reliable tenants, and the rental of this facility provides the District with a positive income stream.

While the current lease was escalated by the annual CPI, staff recommends that the renewed lease be adjusted back to \$600 per month for the first year, and adjusted annually based on CPI. In our discussions with the tenants, they expressed significant concerns regarding heating and cooling costs over the years for the facility; staff will evaluate insulation needs for the building in the coming months.

More importantly, with the recent housing market collapse, real estate operations are increasingly more at risk financially. From a financial standpoint, the District will be much better off providing a modest rental price adjustment to encourage the continued rental of this facility. If the current tenant were to vacate, the District would have a difficult time finding a comparable tenant whose usage would be as low impact (traffic, parking, etc.) as what we currently have; in addition, a new tenant would likely require specific renovations and/or upgrades of the facility.

If this proposal is acceptable, staff will present a modified lease for Board consideration at the April regular meeting. Please feel free to contact me with any additional questions or comments regarding this issue. Thank you.

Holiday Island Realty
120 Woodsdale Drive
Holiday Island, AR 72631

January 4, 2009

Kevin D. Crosson
District Manager
Holiday Island Suburban Improvement District
110 Woodsdale Drive
Holiday Island, AR 72631

Dear Mr. Crosson,

This letter is to serve as Holiday Island Realty's Letter of Intent to renew the 5-year lease for the Yacht Club located at 120 Woodsdale Drive, Holiday Island, Arkansas.

The renewed lease term would be May 1, 2009 through April 30, 2014.



Greg Davis



Tom Guindon

LEASE

THIS AGREEMENT OF LEASE made and entered into this 1st day of May, 2004, by and between HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT of Carroll County, Arkansas, hereinafter referred to as "LESSOR" and TOM GUINDON and GREG DAVIS, hereinafter referred to as "LESSEES."

WITNESSETH:

1. LESSOR hereby lets, leases and demises to LESSEES the Yacht Club Property located at Holiday Island, Arkansas, and the fixtures and equipment located within said space hereunder to be used by LESSEES for the purpose of a real estate office; to have and to hold the same unto the said LESSEES for and during the term hereof, upon the terms and conditions hereinafter expressed. This lease shall replace any prior lease between the parties.
2. LESSEES shall have a five year exclusive lease.
3. The term of this lease is for a period of five years, commencing on the 1st day of May, 2004, and ending on the 30th day of April, 2009. LESSEES are granted the option to renew the lease for one additional five-year period, provided the parties can mutually agree upon terms no less than thirty (30) days prior to the expiration of the lease. LESSEES shall give the LESSOR a ninety (90) day written notice of intent to renew.
4. As rental for said premises, during the year May 1, 2004 through April 30, 2005 LESSEES agree to pay LESSOR \$600 per month. Should there be a sublease between LESSEES and another party, then the rental amount shall be \$850.00 per month. All rents are due and payable monthly in advance on or before the first day of each calendar month without necessity of demand by the LESSOR. The security deposit in the amount of \$600 which was paid at the time the initial lease was signed in 2002, will be applied to the last month of this lease.
5. Beginning with May 1, 2005 and again on each May 1 during the lease term, the monthly rental shall be modified as follows: The minimum rental herein set forth in this lease shall be divided by the figure in the Consumer Price Index appearing in the column "Food Items" or in any similar breakdown therein for the month of February of the corresponding year and then multiplying that amount by the corresponding Index for the month next preceding the first Index referred to is the Index for the Southwestern Region, as published by the United States Department of Labor.

- water and propane. LESSEES shall refill the propane tank at the expiration of this lease.
- b. LESSEES will provide and be responsible for a telephone and shall contract for such services directly with the telephone company.
 - c. LESSEES will provide cable television and contract such services directly with the cable company, if so desired.
6. LESSEES shall exercise due care in the use of and shall make any and all minor repairs, at its expense, to fixtures and equipment furnished by LESSOR, and shall keep and maintain the interior of the leased premises, including the plumbing, wiring, carpeting and interior decoration in good condition, excepting normal wear and tear. LESSEES shall keep, maintain and perform periodic preventive maintenance, as necessary, including but not limited to, changing filters. No less than annually, LESSEES shall perform preventive maintenance on the external and internal heating and cooling units, water heaters and other major appliances. LESSEES shall be responsible for the first \$500 in repairs to any HVAC or other equipment within the facility for any lease term.
 7. LESSOR shall pay for any repairs to HVAC or other equipment within the facility not caused by the negligence of LESSEES, in excess of the initial \$500.00 paid by LESSEES during any two-year lease period. LESSOR shall provide maintenance of the grounds of the leased property. Lessor shall not, however, be responsible for upgrading the HVAC equipment to a larger size.
 8. LESSEES and their customers and guests shall have the right to use the two upper level parking facilities located adjacent to the leased premises at any time during the lease term.
 9. LESSOR shall, at all reasonable times, have the right of entry upon leased premises for the purpose of assuring that standards of operation of said leased premises are in accordance with all the terms of this lease.
 10. LESSEES agree to defend, indemnify and hold harmless the LESSOR against any claim, expense, loss or liability as a result of LESSEES's use or occupancy of the leased premises, or as result of the carelessness, negligence or improper conduct of LESSEES, LESSEES' agents, servants, employees, customers, visitors or licensees.
 11. LESSOR shall maintain casualty (fire, windstorm, etc.) insurance for the building only. LESSEES agree to keep and maintain at all times during the terms hereof, in full force and effect, liability insurance for the leased premises, with a company or companies acceptable to LESSOR and with limits of liability

as is required by law.

12. LESSEES shall be responsible for insect and vermin control within the space being leased, as required by State Health Department rules/regulations and shall assure periodic inspections, no less than quarterly, by qualified service agencies. Should LESSOR pay for insect and vermin control, LESSEES agree to reimburse LESSOR for the full cost.
13. Through a separate contract, LESSOR shall be responsible for the operation and maintenance of public restrooms located in the lower level of the leased premises.
14. LESSEES shall not further assign or sublet this lease, either in whole or in part, except for the sublease allowed by this Lease. LESSOR hereby gives LESSEES permission to sublease a portion of the Yacht Club Property, located at Holiday Island, Arkansas in Benton County, currently subleased by LESSEE to Morrison Architecture, P.C. (Hereinafter to be named SUBTENANT(S)). LESSEES shall remain responsible to LESSOR for any activities of SUBTENANT with respect to the Yacht Club Property.
15. LESSEES shall have the right to make building renovations, with prior written approval from the LESSOR; LESSEES shall be responsible for restoring leased property to its original condition at the end of the term.
16. LESSEES shall be allowed, within the confines of the rules of the Holiday Island Planning Commission, to erect a sign(s) on the leased premises and at to-be-agreed-upon locations on HISID property on Highway 23 for identification and advertisement purposes.
17. LESSOR will not be liable to or responsible to LESSEES for any damage to the leased premises or the LESSEES' property or inventory, or for any loss of revenue, or for any other loss to LESSEES for any reason, including flood, water, fire, windstorm or any act of nature.
18. If at any time during the term of the lease, said leased premises are to be sold, LESSEES shall be given first right of refusal to purchase said leased premises.
19. LESSEES shall comply with all laws and regulations of the United States, the State of Arkansas, the County of Carroll with respect to its operation of the leased premises. No illegal or unlawful activities of any nature shall be permitted upon the leased premises.

LESSOR, LESSOR may, at any time thereafter, with notice, enter and terminate this lease. In the event that this lease is terminated under the conditions of this clause, LESSEES shall have thirty (30) days to remove LESSEES' property from the leased premises. In the event of damage to the leased premises or the building of which the leased premises are a party, by fire or other cause, all parties may, at their mutual consent, elect to terminate the lease.

21. LESSOR and LESSEES agree this lease agreement constitutes the entire agreement between LESSOR and LESSEES, all prior negotiations and discussions being merged herein, no oral agreements having been made by LESSOR (or any agent of same) and LESSEES.
22. This document constitutes the entire agreement. No waivers, modifications or amendments shall be valid unless in writing, signed by both parties and attached hereto.
23. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

IN WITNESS WHEREOF the parties have set their hands and seals, in duplicate originals, the day and year first herein above written this 24th day of February, 2004.

LESSOR:



Holiday Island Suburban Improvement
District #1, by Kevin Crosson, District
Manager

LESSEES:



Tom Guindon

