



# City of Oceanside

300 North Coast Highway,  
Oceanside, California 92054

## Staff Report

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**File #:** 26-1275

**Agenda Date:** 3/11/2026

**Agenda #:** 21.

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**DATE:** March 11, 2026

**TO:** Honorable Mayor and City Councilmembers

**FROM:** Public Works Department

**TITLE: PURCHASE AND SALE AGREEMENT WITH THE HATTER FAMILY TRUST DATED DECEMBER 4, 1986 FOR THE PURCHASE OF 615 MISSION AVENUE**

### **RECOMMENDATION**

Staff recommends that the City Council approve a Purchase and Sale Agreement with Larry W. Hatter and Cathleen E. Hatter, Co-Trustees of the Hatter Family Trust dated December 14, 1986, in the amount of \$3,080,000 for the purchase of 615 Mission Avenue, to be used by the City for library-related purposes. The requested actions are further described below:

1. Authorize budget appropriations from the General Fund Assigned Infrastructure Account in an amount not to exceed \$3,622,630, for the acquisition of real property, due diligence expenditures, and improvement expenses;
2. Approve a Memorandum of Understanding with the Oceanside Public Library Foundation and a Property Use Agreement with the Friends of the Oceanside Public Library;
3. Authorize the City Manager to execute the Purchase and Sale agreement, the Memorandum of Understanding and the Property Use Agreement upon receipt of all supporting documents;
4. Authorize the City Manager, or his designee(s), to carry out the terms of the Purchase and Sale Agreement, and consummate the closing of escrow for acquisition of the real property upon receipt of all supporting documents; and
5. Authorize the City Clerk to accept the Grant Deed for the property.

### **BACKGROUND AND ANALYSIS**

In January 2026, the City of Oceanside ("City") was offered an opportunity to acquire certain real property located at 615 Mission Avenue, Assessor's Parcel Number 147-281-01 ("Property") from Larry W. Hatter and Cathleen E. Hatter, Co-Trustees of the Hatter Family Trust, dated December 14, 1986 ("Seller"). The Property consists of a .66-acre parcel of land containing a building with a grade-level main floor fronting Mission Avenue containing approximately 5,000 square feet and a basement level area of the same size, for a combined total building square footage of approximately 10,000 square feet. The Property, located at the southwest corner of Mission Avenue and Ditmar Street, is

located in the Downtown District D-2 zone (Financial Center/Office Professional/Residential (MU)) and is included within the boundaries of the Downtown Oceanside Property and Business Improvement District ("PBID") area.

The Seller's asking price is \$3,080,000 ("Purchase Price"). The Seller desires to support the Oceanside Public Library through this transaction and therefore, as a condition of the sale, is requiring the City to use the Property for library-related purposes for an extended period of time. Such uses would initially include the relocation of the READS Learning Center to the Property in addition to use by the Friends of the Oceanside Public Library ("Friends") for a bookstore on a portion of the main floor, and for a book storage and sorting facility on the basement level. A proposed Memorandum of Understanding ("MOU") with the Oceanside Public Library Foundation ("Foundation") and Property Use Agreement ("Use Agreement") with the Friends are designed to satisfy this requirement, as further described below.

The essential terms and conditions for the City's acquisition of the Property as set forth in the Purchase and Sale Agreement are generally described as follows:

- Purchase Price: \$3,080,000, subject to an appraisal to determine the market value of the Property
- Opening of escrow to occur within seven (7) business days from approval of the Purchase and Sale Agreement by Council, with no deposit required
- Purchase Price to be deposited in escrow and payable to Seller through a deferred sales trust or a structured installment sale pursuant to Internal Revenue Code Section 453
- Due Diligence period of approximately 75 days (until May 25, 2026) for the City to perform investigations and review the physical condition and suitability of the Property for City's intended use
- Close of escrow ("Closing") to occur within ninety-six (96) days of Council's approval of Purchase and Sale Agreement and no later than June 15, 2026, assuming all contingencies have been satisfied, unless otherwise extended by mutual written agreement of the parties
- Execution of MOU between the City and the Foundation, as described below, as a condition to Closing
- Execution of Property Use Agreement with the Friends, as described below, as a condition to Closing

In early February 2026, the City engaged the services of Arens Group, Inc. to appraise the Property, and the appraiser issued a report on March 2, 2026. The estimated market value for the Property as of February 9, 2026 was determined to be \$2,780,000, which is \$300,000 less than the Purchase Price. The appraisal recognizes the challenges of appraising the property due to its unique design (i.e., containing a large basement area) which limits the ability to ascertain its value based on comparable real estate transactions in the area. The proposed Purchase and Sale Agreement contemplates a scenario in which the property appraises at a value lower than the Seller's asking

price and does not preclude the City from proceeding based on such a discrepancy. Given the property's strategic location in the downtown core and the limited opportunities to expand the City's civic footprint in an area in which additional civic space is needed to support City operations, staff recommends proceeding with the purchase as presented by the Seller. Staff's recommendation to proceed with the purchase also recognizes the value of the \$500,000 contribution to the Property that is being offered by the Oceanside Public Library Foundation as further described below. These facts and features provide significant public benefits for Oceanside residents.

#### Memorandum of Understanding with the Oceanside Public Library Foundation

As indicated above, it is the desire of the Seller that the Property be used to support library-related services. To further those desires, the City proposes to enter a Memorandum of Understanding with the Foundation, committing usage of the building for public library purposes for a term of 55 years from the close of escrow for acquisition of the Property. In exchange, the Foundation will contribute \$500,000 to the City to be used for improvements to the Property. Under the MOU, the Foundation will also have the naming rights for the Building/Property and the right to design the building signage for the Property, subject to the City's review and approval.

Execution of the MOU is a condition to the Closing. The "Form" of the MOU with detailed terms and conditions is included as Attachment 3 to this staff report (Exhibit "D" to the Purchase and Sale Agreement). As long as the final MOU substantially conforms to the attached Exhibit "D" of the Purchase and Sale Agreement, the document will not be brought back to Council for separate approval.

#### Property Use Agreement with Friends of the Oceanside Public Library

As another condition to Closing, the City will enter a long-term property use agreement ("Use Agreement") with the Friends of the Oceanside Public Library for an initial term consisting of approximately 10 years with initial monthly rent of \$3,000 effective upon the move-in date. The Friends will lease approximately 7,000 square feet of the building, to be confirmed and documented prior to commencement of the Use Agreement, and the monthly rent will be increased effective on the sixty-first (61st) month of the initial term. The increase will be based on the then current consumer price index for the San Diego All Urban Consumers ("CPI"). The Use Agreement will commence after the completion by the City of initial improvements required for occupancy. The Use Agreement will also provide for three (3) consecutive ten (10)-year extension options, upon the same terms and conditions, including CPI rent increases at the commencement and mid-point of each extended term, if exercised. The Friends, but not the City, will have the right to terminate all or a portion of the Use Agreement for any reason, by providing ninety (90) days' advance written notice to City. Any extension option exercised by the Friends will not require additional Council action beyond approval of the Use Agreement.

The ongoing maintenance expenses, utilities, and cleaning expenses related to the leased premises will be the responsibility of the City during the term of the Use Agreement. It is the intention that the Friends will occupy a portion of the first floor of the Property for use as a bookstore, and the entire basement floor for use as a book sorting and storage area, or for other library uses as may be first approved in writing by the City throughout the term of the Use Agreement.

The Friends will be responsible for all tenant improvements necessary for its occupancy, except the

City will install a demising wall on the first floor of the Property to separate the bookstore space from the remainder of the first floor, as well as a private entry door for access to the leased premises, interior painting for the first floor, and carpet or vinyl flooring for the first floor area only. The remainder of the leased premises shall be in an “as-is” condition. The City will also install an elevator within the building, which is required for use of the basement area, with the exact location of the elevator to be determined by the City. The elevator will be purchased and installed at the City’s cost; however, such costs may be offset by the Foundation’s contribution of \$500,000, as further described in the MOU.

Execution of the Use Agreement is a condition to Closing. The “Form” of the Use Agreement with detailed terms and conditions is included as Attachment 4 to this staff report (Exhibit “E” to the Purchase Agreement). As long as the final Use Agreement substantially conforms to the attached Exhibit “E” to the Purchase and Sale Agreement, the document will not be brought back to Council for subsequent approval.

The City intends to relocate the READS Learning Center, currently located at 804 Pier View Way, to the Property to occupy a portion of the first floor, once all required Americans with Disabilities Act (“ADA”) and Property improvements have been completed after Closing. At such time, the READS program will not require continued use of the existing leased premises; however, the City will continue use of the space and repurpose it for other City uses.

### Due Diligence

During the Due Diligence period, staff will be investigating the overall condition of the building and, if favorable, recommend that the City purchase the Property. Staff will complete the remaining Due Diligence work, including, but not limited to, review of title, obtaining a Phase I Environmental Assessment report, a hazardous materials assessment report, an evaluation of the existing heating and air conditioning system and water heater, determining improvements required for ADA compliance, and any other studies that may be required, along with the review of other related documents provided by the Seller.

The Due Diligence expenditures, and estimated cost of improvements/upgrades/repairs and operating expenses for FY2026/27 are not expected to exceed \$1,042,630. The estimates are detailed as follows:

- Elevator purchase and installation, including structural engineering and architectural expenditures (\$650,000);
- Installation of a demising wall to separate the bookstore use from the rest of the first floor space, front entryway reconfiguration inside building with new doors, paint and flooring for the entire first floor, and lighting improvements for basement area (~\$134,468);
- Upgrades to air conditioning and heating, water heater, building electrical, and existing restroom on first floor for ADA, and roof repairs, other architectural, and IT expenses (~\$180,162);
- Studies and reports, closing costs and contingency (\$27,000); and

- Estimated building operating expenses for FY2026/27 (\$51,000).

**FISCAL IMPACT**

The acquisition of the property from the Seller and associated due diligence expenditures, closing costs and improvement expenses are \$4,122,630. Staff is requesting to use General Fund reserves in the amount of \$3,622,630 and appropriate the funds to the Library Building 615 Mission Ave as shown in the table below. The funding source is General Fund Assigned Infrastructure account 101.3020.0054, which has an available balance of approximately \$27.79 million. Therefore, sufficient funds are available.

The remaining \$500,000 will be funded by a one-time contribution from the Oceanside Public Library Foundation in the amount of \$500,000 will be deposited into 935205125276.4376.

Description	Amount	Request to Appropriate	Account Number	Funding Source	Available Balance
Property Acquisition	\$3,080,000	\$3,080,000	907205125501 5701.10600	General Fund Assigned Infrastructure 101.3020.0054	\$27.79 million
Building Improvements /upgrades/ repairs, Operational Costs & Operating Expenses	542,630	542,630	907205125501 5320.10600		
<b>Total</b>	<b>\$3,622,630</b>	<b>\$3,622,630</b>			
A transfer of \$3,622,630 is required from account 1101.6900.0501 to 907205125501.6800.0101					

Description	Amount	Account
One-Time Contribution from the Oceanside Public Library Foundation	\$500,000	935205125726.4376 935205125726.5320

The PBID annual payment paid by the Seller in 2025 was \$1,124.50 and the payment is expected to increase based on the expenditures within the PBID from year-to-year. This cost could be offset by the rental income described below.

The minimum rental revenue from the Friends over the initial ten-year term is \$360,000. Operational costs will be billed to the Library Building 615 Mission Avenue account for the first year and are estimated to be \$51,000. Future years of operational costs will be billed to the OPD/Library Building

Maintenance account 630615851, funded by General Fund through internal service charges, and budgeted during the normal budget process.

**COMMISSION OR COMMITTEE REPORT**

Does not apply.

**INSURANCE REQUIREMENTS**

Standard insurance requirements for the Use Agreement. Does not apply to remaining documents.

**CITY ATTORNEY'S ANALYSIS**

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

Prepared by: Vicki Gutierrez, Real Estate Manager  
Reviewed by: Hamid Bahadori, Public Works Director  
Submitted by: Jonathan Borrego, City Manager

attachments:

1. Staff Report
2. Purchase and Sale Agreement
3. Exhibit "D" - Form of Memorandum of Understanding
4. Exhibit "E" - Form of Property Use Agreement