

GILLESPIE FIELD DEVELOPMENT COUNCIL
January 22, 2014

AGENDA ITEM #6

Proposed Second Amendment to Industrial Lease
Veridiam, Inc.

BACKGROUND

Veridiam, Inc. (“Veridiam”) is a major manufacturer of custom tubular components used in nuclear power, aerospace, medical, industrial and other highly-critical applications. With its 170,000-square foot production complex situated on approximately seven acres at Gillespie Field, Veridiam has been one of the largest employers in the East County for over 50 years. The company currently employs 155 people.

Veridiam occupies airport-owned land that has been released by the FAA for non-aeronautical use. Such releases are only possible for land that is not suitable for aeronautical use and when the land is not needed to meet aviation forecasts. Non-aeronautical leases generate revenue to support the County Airports System, while providing economic benefits and jobs to the surrounding community.

On June 22, 2005 (11), the County Board of Supervisors (“Board”) approved a new 35-year ground lease with Carpenter Special Products Corporation (which later changed its name to Veridiam, Inc.) for 6.99 net acres adjacent to Cuyamaca Street. This lease has been amended one time to revise the rent schedule. The lease commenced on May 1, 2004. It has a 20-year extension option and will terminate on April 30, 2059 if this extension option is exercised by the lessee. As is standard for County leases, Veridiam’s lease provides for periodic rental adjustments. Renegotiations of the Base Monthly Rental rate are scheduled for every five years of the lease term.

The upcoming renegotiated rental adjustment is due on May 1, 2014. County and Veridiam have negotiated a lease amendment to adjust the Base Monthly Rent to reflect the market rent.

PROPOSED SECOND AMENDMENT

Rent Adjustment Schedule – The current Base Monthly Rent of \$30,783.37 will be adjusted according to the following schedule:

May 1, 2014 through April 30, 2015 - \$32,713
May 1, 2015 through April 30, 2016 - \$33,204
May 1, 2016 through April 30, 2017 - \$33,702
May 1, 2017 through April 30, 2018 - \$34,207
May 1, 2018 through April 30, 2019 - \$34,720

The next renegotiated rental adjustment will be due on May 1, 2019.

Administrative Changes – The amendment would also update the County lease administrator’s address, the mailing address for delivery of rent payments and lease language regarding the appraisal processes set forth in the lease.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the proposed Second Amendment to Industrial Lease with Veridiam, Inc. (County Contract Number 117011), as recommended by staff.”