

GILLESPIE FIELD DEVELOPMENT COUNCIL
November 19, 2013

AGENDA ITEM #7

Proposed Amendments to Three Cuyamaca West 2 Industrial Leases
(Lots 22, 23 and 24) to Implement Negotiated Rent Adjustments

The County developed industrial lots and associated infrastructure at Cuyamaca West Industrial Park, Unit 2 ("Cuyamaca West 2"), also known as the Gillespie Field Business Park, in the late 1990's. Leases at Cuyamaca West 2, as well as at the adjacent Cuyamaca West 1 Industrial Park and Gillespie Field Industrial Park, occupy airport-owned land that has been released by the FAA for non-aeronautical use. These leases generate revenue to support the County Airports System, while providing economic benefits and jobs to the surrounding community. FAA approval for non-aeronautical use is only possible for land that is not suitable for aeronautical use, for example, in this case, because of the topography, and when the land is not needed to meet aviation forecasts.

In a Development Agreement approved by the County Board of Supervisors on May 20, 1997, Cuyamaca West 2 lots were separated into groups, with the developer leasing each group according to an agreed upon schedule. The first group of lots to be leased was the Lot 15 re-subdivision, and the second group included Lots 12, 13 and 14. Then, on May 1, 1999, new 55-year leases were executed for the third group of parcels, which included Lots 22, 23 and 24. Other groups of leases followed over the next couple of years. All Cuyamaca West 2 lots have been developed by lessees with concrete tilt-up buildings that accommodate light industrial and office uses.

Currently, 760, LLC leases Lot 22. The entire leasehold is subleased to a single tenant, New Brunswick Industries, Inc. Pacific Gillespie Partners II, LLC leases Lots 23 and 24. The Lot 23 building is subleased by multiple tenants, including CBS Payroll, Inc., Kenard Construction, Inc., Mark Harris Plumbing, Inc., and Sunfood Corporation. The tenants of the Lot 24 building include Age Advantage Franchising, Inc., EdPro Education Services, Inc., James E. Daniels Corporation, Inc., Kennon S. Shea & Associates, Mouser Electronics, Inc., and Wade, Howard & Associates.

As is standard for County leases, Cuyamaca West 2 leases such as these provide for periodic rental adjustments. In addition to five-year cost of living adjustments, the rental rate of Cuyamaca West 2 leases is renegotiated every 15 years. Within the last two years, Airports' staff brought for your consideration lease amendments to four industrial leases of the Lot 15 re-subdivision and to the industrial leases for Lots 12, 13 and 14. The negotiated rental adjustments for Lots 22, 23, and 24 are due on May 1, 2014.

County staff and lessees agreed that, as the leases had no other opportunities for negotiated increase for the past 15 years, the adjusted rental rate should be increased by 20% over the current rent, which is the maximum allowed under these leases for this

adjustment. The proposed lease amendments would implement the renegotiated rental rate adjustments and also update addresses and index references. This is the same increase that was recommended by Gillespie Field Development Council and approved by the Board of Supervisors for the first two groups of properties in the Cuyamaca West 2 development in September 2012 and June 2013.

The proposed amendments will adjust the rent as follows:

Lot	Lessee	Contract No.	Current* Monthly Rent	Proposed* Monthly Rent
Lot 22	760, LLC	117103	\$3,705	\$4,446
Lot 23	Pacific Gillespie Partners II, LLC	75197R	\$4,445	\$5,334
Lot 24	Pacific Gillespie Partners II, LLC	75198R	\$5,125	\$6,150

* Rounded to nearest dollar

Other Cuyamaca West 2 leases will also be adjusted at each one's 15-year point, so staff will continue bringing similar lease amendments to your council over the next couple of years.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the First Amendment to Industrial Ground Lease Agreement between the County of San Diego and 760, LLC (County Contract No. 117103), the First Amendment to Industrial Ground Lease Agreement between the County of San Diego and Pacific Gillespie Partners II, LLC (County Contract No. 75197R), and the First Amendment to Industrial Ground Lease Agreement between the County of San Diego and Pacific Gillespie Partners II, LLC (County Contract No. 75198R), as recommended by staff.”