

GILLESPIE FIELD DEVELOPMENT COUNCIL
March 19, 2013

AGENDA ITEM #9

Proposed Amendments to Two Industrial Leases
with GKN Aerospace Chem-Tronics, Inc.
to Implement Negotiated Rent Adjustments

The County developed industrial lots and associated infrastructure in the Gillespie Field Industrial Park in the late 1970's. Leases at Gillespie Field Industrial Park, as well as at the adjacent Cuyamaca West 1 and Cuyamaca West 2 industrial parks, 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. The FAA approval for non-aeronautical use is only possible for land that is not suitable for aeronautical use and when the land is not needed to meet aviation forecasts.

GKN Aerospace Chem-Tronics, Inc. ("Chem-Tronics") is a major manufacturer of aircraft parts, systems and structural engine components and one of the largest employers in the East County. The company currently employs approximately 650 people. Chem-Tronics owns about 10 acres adjacent to Gillespie Field and has four leases with the County in the Gillespie Field Industrial Park.

As is standard for County leases, Chem-Tronics' leases provide for periodic rental adjustments. Two of these leases (County Contract Nos. 70619R and 71871R) are due for renegotiated rental adjustments on July 1, 2013.

County Contract No. 70619R

This lease commenced on July 1, 1984 and is scheduled to terminate on June 30, 2039. It has been amended three times to increase the leased area to its current size, implement rental adjustments, and update lease language.

County Contract No. 71871R

This lease commenced on July 1, 1995 and is currently scheduled to terminate on June 30, 2040. The lease was amended once to extend the term, implement rental adjustments, and update lease language.

Both leases provide for annual cost of living adjustments and for Base Monthly Rental rate renegotiations every nine years. County and Chem-Tronics have negotiated lease amendments to adjust the Base Monthly Rent to reflect the market rent. Except for minor administrative changes, like address updates, all other terms in the leases will remain unchanged.

The proposed amendments will adjust the Base Monthly Rent as follows:

Lessee	Contract No.	Current* Rent	Proposed Rent
GKN Aerospace Chem-Tronics, Inc.	70619R	\$23,365	\$25,225
GKN Aerospace Chem-Tronics, Inc.	71871R	\$21,441	\$23,147

* Rounded to nearest dollar

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the Fourth Amendment to Industrial Lease between the County of San Diego and GKN Aerospace Chem-Tronics, Inc. (County Contract No. 70619R) and the Second Amendment to Industrial Lease between the County of San Diego and GKN Aerospace Chem-Tronics, Inc. (County Contract No. 71871R), as recommended by staff.”