

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, November 17, 2021

AGENDA ITEM #9

**SECOND AMENDMENT TO INDUSTRIAL GROUND LEASE
WITH MARSHALL INDUSTRIAL II, LP
(County Contract No. 317032)**



Phase 2 - Ongoing



BACKGROUND

Dentt is developing the vacant site in two phases, corresponding with each of the two leases. Dentt completed the Phase 1 development in 2019 and assigned the Phase 2 leasehold to its affiliate, Marshall Industrial II, LP. The development of the 4-acre Phase 2 site is currently underway. The planned project includes three light industrial/warehouse buildings, totaling approximately 48,000 square feet, within walking distance of the trolley station. Phase 2 is expected to create 160 to 170 construction jobs and between 115 and 190 permanent jobs in East County. The project design includes energy and water-efficient features, such as LED sensor activated lighting, electric vehicle charging stations, low-water irrigation drip systems, low flow water faucets and toilets, and drought-tolerant landscaping. The Lessee is now seeking a loan to complete construction of Phase 2. To make the leasehold more attractive to prospective lenders and to obtain better financing terms, Lessee has requested to amend the lease to make it more lender friendly. The proposed revisions are consistent with changes approved by the County for the Phase 1 lease and other lease amendments to obtain financing.

PROPOSED LEASE AMENDMENT

The proposed amendment would revise the language related to lease assignments and loans on the property. It would strengthen lender protections in the event of lessee’s default or bankruptcy. For example, it would provide lenders additional time to start foreclosure, if circumstances are beyond the lender’s control. If the lease is terminated due to lessee’s default or is rejected in bankruptcy proceedings, the lender may seek a new lease for the remainder of the term under the same conditions. The lender’s consent would be required for future lease amendments that may affect the lender’s collateral, other than amendments adjusting the rent. The amendment would establish a lien priority for the lender if the County sells or mortgages the property.

The amendment would also add environmental sustainability requirements to the Phase 2 lease and set the Future Operations Sustainability Standards, providing the timeline for gradually switching to renewable energy sources, with the goal of deriving 50% of the energy use from renewable sources by January 1, 2030 and 100% by January 1, 2035. All other terms of the lease would remain unchanged.

This is a request for Gillespie Field Development Council to recommend the County Board of Supervisors approve the proposed lease amendment.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the Second Amendment to Industrial Ground Lease with Marshall Industrial II, LP (County Contract No. 317032).”