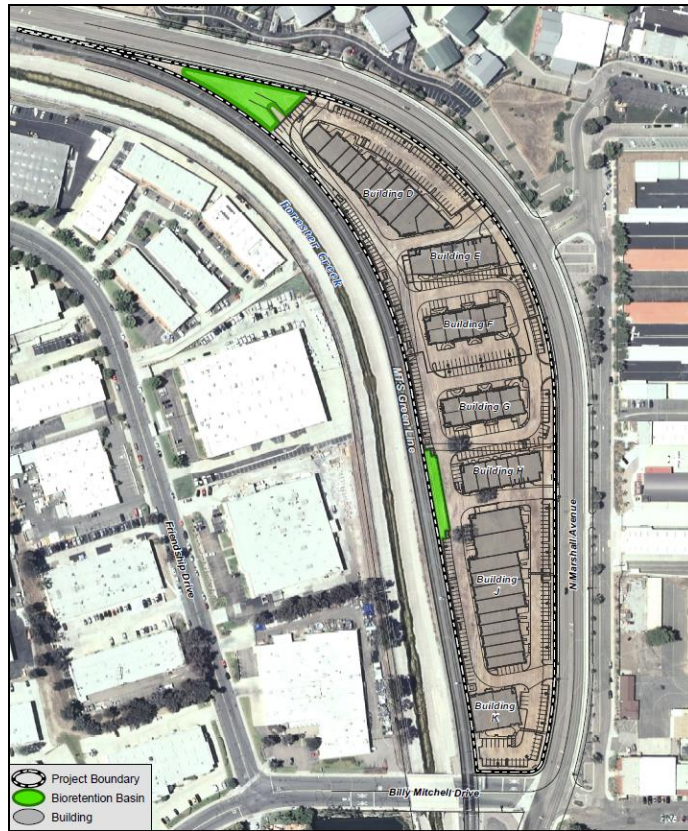


GILLESPIE FIELD DEVELOPMENT COUNCIL  
March 15, 2017

AGENDA ITEM #8

Industrial Ground Lease with Dentt Development LLC  
for Marshall Avenue Industrial Development



**BACKGROUND**

Gillespie Field includes an approximately nine-acre vacant property adjacent to Marshall Avenue. This area has been designated by County and released by the Federal Aviation Administration (“FAA”) for industrial development compatible with the Airport. 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. The FAA released this area for industrial use because the land is separated from Gillespie Field airport operational areas by Marshall Avenue. Federal law requires that County receive market rent for airport land and that revenue must be used for operation and maintenance of the County Airports system, enhancing its ability to be as self-sustaining as possible. Industrial leases generate revenue to support the County Airports system, while providing economic benefits and jobs to the surrounding community.

In 2012, the County issued a Request for Proposals (RFP) to develop this site for industrial use under a 55-year ground lease. On May 15, 2012, County staff presented its plans to issue an RFP and the key terms of that RFP to the GFDC, as an information item. The proposal selection committee, which included two members of the GFDC, selected a site

improvement concept proposed by Dentt Development (“Dentt”). Their proposed development of multi-tenant buildings that would provide startups and growing companies with flexible space for general industrial and office uses, including manufacturing, storage and distribution, was presented to the GFDC on September 18, 2012. Upon the recommendation of the GFDC, the Board of Supervisors approved, on December 5, 2012, a two-year Preliminary Agreement, which provided sufficient assurances to the developer to work on securing financing commitments, obtaining entitlements and conducting environmental reviews.

Before County can enter into a ground lease with a developer, the developer is required to successfully complete the requirements of the California Environmental Quality Act (“CEQA”). The recent updates to stormwater mitigation requirements have impacted the size and scope of the development initially proposed by Dentt and prompted the developer to revise its plans. Dentt requested an extension of the Preliminary Agreement to complete CEQA requirements. On September 17, 2014, an amendment extending the term was recommended by the GFDC; and then, on October 29, 2014, it was approved by the Board of Supervisors.

Dentt has now completed the initial studies for the project, prepared environmental reports, and submitted the application for Mitigated Negative Declaration, necessary to comply with CEQA. The public comment period expired in February of this year, with minimal comments, and the City of El Cajon, which is the lead agency for the CEQA purposes related to Dentt’s proposed development, is expected to adopt a Mitigated Negative Declaration for this project.

Dentt’s development plans provide for approximately 111,600 sf of building space to accommodate manufacturing, storage, distribution, and office uses. It is intended to develop the project in two phases, preceded by the site-preparation work, which would involve removal of the existing vegetation, excavation and disposal of the existing undocumented fill soil and re-compaction of the top eight feet of soil. Upon approval of the lease and the project plans, the development would consist of seven single-story concrete tilt-up industrial buildings with expansive window lines to maximize natural light. The project would provide approximately 380 parking spaces for tenants and visitors. On-site sewer, potable water, reclaimed water, electrical, and storm-drain utility improvements would be placed on the site. Water-efficient landscaping would be installed throughout the development, and two bio-filtration basins would be constructed for improved stormwater efficiency.

### PROPOSED LEASE

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|---|--|
| Premises:                                 | 9.34 acres (approximately 8.68 net)            |
| Term                                      | 55 years                                       |
| Commencement Date:                        | June 1, 2017                                   |
| Required Capital<br>Improvements Minimum: | \$8,000,000 (phased over the first five years) |

Base Monthly Rent: Abated until the start of construction of Phase I, up to the first 18 months, then \$14,464 up until the construction of Phase II begins, but no longer than 36 months from the start of the lease, then \$31,000 beginning on Month 37, or the start of construction of Phase II, whichever comes earlier

Rent Credit for Soil Work: Up to \$400,000, based on actual costs, applied in increments, not to exceed \$10,000 per month

The Base Monthly Rent will be subject to CPI-based adjustments every five years. There will be two negotiated market adjustments of the Base Monthly Rent, at the end of 30 years and at the end of 45 years since the start of the lease.

**RECOMMENDED MOTION**

*“Gillespie Field Development Council recommends the Board of Supervisors approve the Industrial Ground Lease with Dentt Development LLC, as recommended by staff.”*