

GILLESPIE FIELD DEVELOPMENT COUNCIL  
January 21, 2015

AGENDA ITEM #6

Proposed Amendments to Six Cuyamaca West 2 Industrial Leases  
(Lots 16, 17, 18, 19, 20 and 21) 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 included four parcels of the Lot 15 re-subdivision, the second group included Lots 12, 13 and 14, and the third group included Lots 22, 23 and 24. On May 1, 2000, new 55-year leases were executed for the fourth group of parcels, which included Lots 16, 17 and 18. On October 1, 2000, leases were executed for the fifth and final group, which included Lots 19, 20 and 21. All Cuyamaca West 2 lots have been improved by lessees with concrete tilt-up buildings that accommodate light industrial and office uses.

Currently, Pacific Gillespie Partners III, LLC leases Lot 16. The entire leasehold is subleased to a single tenant, Viasat. Pacific Gillespie Partners III, LP leases Lots 17 and 18. The Lot 17 building is subleased to Skyline Sunrooms, Inc., Barona Casino, Access Professional, Inc. and Verizon Wireless, which leases the rooftop for its antenna. The tenants of the Lot 18 building include Hunter Insurance Services, Inc., MRO Warehouse, Jet Aeronautical, LLC, Phyre Technologies, Inc., Nova Press Group, Lundy Insurance, Inc., and Anderson & Howard Electric, Inc.

Pacific Gillespie Partners IV, LP leases Lots 19, 20 and 21. The offices of the Lot 19 building are subleased to Carver Engineering, Casteel Accident Reconstruction, Inc., San Diego Electric Signs, Inc. and Division 8, Inc. The lot 20 building is shared by Cascade Scientific, Inc. and Current Audio. The Lot 21 building is subleased to San Diego Youth Services, CSIdentity Corporation, ACC Consumer Finance, LLC, Wealth Alliance, LLC, HAVS, Inc., Hilltop Deli, Hayward Baker, Inc., Aark Engineering, L & M Russell Enterprises, LLC, Nevada National Adv., Incorporation, and Cingular Wireless, for its rooftop antenna installation.

As is standard for County leases, these six Cuyamaca West 2 leases 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. The upcoming negotiated rental adjustments for Lots 16, 17 and 18 are due on May 1, 2015. The rental adjustments for Lots 19, 20 and 21 are due on October 1, 2015.

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. This is the same rental rate increase that was recommended by the Gillespie Field Development Council and approved by the Board of Supervisors for the first three groups of properties in the Cuyamaca West 2 development in 2012, 2013 and 2014. The proposed lease amendments would implement the renegotiated rental rate adjustments and also update addresses and index references.

The proposed amendments will adjust the rent as follows:

| Lessee                              | Lot No. | Contract No. | Adjustment Due Date | Current Rent* | New Rent | Increase over Current Rent |
|-------------------------------------|---------|--------------|---------------------|---------------|----------|----------------------------|
| Pacific Gillespie Partners III, LLC | Lot 16  | 75288R       | May 1, 2015         | \$4,402       | \$5,283  | 20%                        |
| Pacific Gillespie Partners III, LP  | Lot 17  | 75289R       | May 1, 2015         | \$5,788       | \$6,945  | 20%                        |
| Pacific Gillespie Partners III, LP  | Lot 18  | 75290R       | May 1, 2015         | \$5,416       | \$6,499  | 20%                        |
| Pacific Gillespie Partners IV, LP   | Lot 19  | 75364R       | Oct. 1, 2015        | \$4,209       | \$5,051  | 20%                        |
| Pacific Gillespie Partners IV, LP   | Lot 20  | 75365R       | Oct. 1, 2015        | \$5,549       | \$6,658  | 20%                        |
| Pacific Gillespie Partners IV, LP   | Lot 21  | 75366R       | Oct. 1, 2015        | \$4,112       | \$4,935  | 20%                        |

\* Rounded to nearest dollar

This will conclude this round of renegotiated adjustments for Cuyamaca West 2 Industrial leases.

**RECOMMENDED MOTION**

*“Gillespie Field Development Council recommends the Board of Supervisors approve amendments to six Cuyamaca West 2 Industrial Leases (County Contract Nos. 75288R, 75289R, 75290R, 75364R, 75365R, and 75366R), as recommended by staff.”*