

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, September 21, 2016

AGENDA ITEM #_

PROPOSED AMENDMENTS TO INDUSTRIAL LEASES WITH GKN AEROSPACE CHEM-TRONICS, INC. AND VERIDIAM, INC.



BACKGROUND

GKN Aerospace Chem-Tronics, Inc. (“GKN”), formerly known as Chem-Tronics, Inc., is a major manufacturer of aerospace hardware, aircraft parts, systems and structural engine components and is one of the largest employers in the East County. GKN owns approximately 10 acres of land adjacent to Gillespie Field, has four leases with the County for over 14 net acres, and also subleases over half an acre from the neighboring Veridiam, Inc. On August 8, 1984 (59), the Board of Supervisors approved one of GKN’s four industrial leases, known as County Contract No. 70619R. This 55-year lease commenced on July 1, 1984 and has been amended four times. This leasehold is currently 5.39 acres.

Veridiam, Inc. (“Veridiam”), formerly known as Carpenter Special Products Corporation, is one of the largest manufacturers of precision-engineered tubular parts and assemblies for a variety of industries. On June 22, 2005 (11), the Board of Supervisors approved the current ground lease with Veridiam, known as County Contract No. 117011. This 35-year lease commenced on May 1, 2004, and has been amended two times. This leasehold is 6.99 net acres, with a 0.57-acre portion currently subleased to the adjacent GKN.

GKN and Veridiam requested the County to adjust their leaseholds to transfer the 0.57-acre portion of land from Veridiam to GKN. This would be accomplished through an amendment to subtract that 0.57-acre portion from the Veridiam leasehold and a corresponding amendment to add it to the

GKN leasehold. Because both lessees pay rents that reflect market rates, the net economic effect of the proposed adjustment on the total lease revenue is negligible.

PROPOSED FIFTH AMENDMENT TO INDUSTRIAL LEASE WITH GKN AEROSPACE CHEM-TRONICS, INC. (COUNTY CONTRACT NO. 70619R)

Effective Date – The effective date of the premises adjustment would be December 1, 2016.

Premises – The size of the premises would be increased from 5.39 net acres to 5.96 net acres.

Rent – The rent would be increased from \$26,209 per month to \$28,981 per month. This new rental amount would continue to be subject to annual cost of living increases, consistent with the current lease.

Administrative Changes – The amendment would also update: (i) lease administrators' contacts and addresses; (ii) language regarding the appraisal processes set forth in the lease; and (iii) stormwater and hazardous materials language to clarify the types of notices Lessee may receive, of which they then should supply copies to the County.

PROPOSED THIRD AMENDMENT TO INDUSTRIAL LEASE WITH VERIDIAM, INC. (COUNTY CONTRACT NO. 117011)

Effective Date – The effective date of the premises adjustment would be December 1, 2016.

Premises – The size of the premises would be decreased from 6.99 net acres to 6.42 net acres.

Rent – The rent would be reduced from \$33,702 per month to \$30,954 per month. The new rental amount would continue to be subject to fixed increases, consistent with the current lease.

Administrative Changes – The amendment would also update: (i) name and address for notice; (ii) language regarding the appraisal processes set forth in the lease; and (iii) stormwater and hazardous materials language to clarify the types of notices Lessee may receive, of which they then should supply copies to the County.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the proposed amendments to industrial leases with GKN Aerospace Chem-Tronics, Inc. and Veridium, Inc., as recommended by staff.”