

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, November 18, 2020

AGENDA ITEM #8

FIRST AMENDMENT TO INDUSTRIAL GROUND LEASE WITH DENTT DEVELOPMENT LLC (County Contract No. 317030)



BACKGROUND

On May 3, 2017, the Board of Supervisors approved two 55-year industrial ground leases with Dentt Development LLC, a California limited liability company (Dentt), to develop a vacant site at Marshall Avenue that was released by the Federal Aviation Administration (FAA) for non-aeronautical uses. The FAA agrees to such releases only when the land is not needed to meet aviation forecasts or is not suitable for aeronautical use, as, in this case, because of its separation from the airport operational areas by Marshall Avenue. Federal law also requires that the County receive market rate rent for airport land and that the revenue must be used for the operation and maintenance of the County-owned and operated airports.

Dentt is developing the vacant site in two phases, corresponding with each of the two leases. In 2019, Dentt successfully completed the Phase 1 development, which now features four modern energy-efficient concrete buildings and serves as a reliable source of ground lease revenue for the Airport Enterprise Fund. Dentt is now seeking to replace its construction loan with a post-construction financing. The lenders have expressed concerns with the restrictive lenders' provisions of the lease and, in order to facilitate a loan for Dentt, County and Lessee have agreed to amend the lease. Certain terms have been negotiated that provide the lender with more assurances without adversely compromising County's position.

PROPOSED LEASE AMENDMENT

The proposed amendment would accommodate lenders' requirements and revise the lender's protection provisions to facilitate financing of the leasehold. 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 First Amendment to Industrial Ground Lease with Dentt Development LLC (County Contract No. 317030)."