

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, May 20, 2020

AGENDA ITEM #7

FIRST AMENDMENT TO INDUSTRIAL GROUND LEASE WITH DENTT DEVELOPMENT LLC



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.

Dentt is developing the vacant site in two phases, corresponding with each of the two leases. Both leases provide for a temporary abatement of rent, up to a certain date, until the start of construction, while the developer is obtaining necessary permits and approvals. The Phase 1 construction began in the end of 2018, and Dentt started paying rent on that lease in December 2018. 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.

Over the past year, Dentt has been working on the Phase 2 plans with multiple agencies and jurisdictions, including the State Water Quality Control Board and the City of El Cajon. However, the approval process has been delayed, and Dentt has not yet started on construction of Phase 2. Currently, the rent commencement date for Phase 2 is June 1, when the \$14,464.00 monthly rent will start to accrue. Dentt has reconfirmed its

commitment to finish the project and, in efforts to preserve funds needed to complete the Phase 2, has submitted a request to postpone the rent start date until the construction can proceed, or for up to an additional 12-month maximum. To assist Dentt with the project completion, staff has prepared a lease amendment accommodating the developer's request.

PROPOSED LEASE AMENDMENT

The proposed amendment would postpone the Phase 2 rent start date for up to 12 months (until June 1, 2021) or until the date of issuance of any type of building permit by the City of El Cajon, whichever happens earlier. The amendment would also update the lease provisions related to compliance with laws, to incorporate the current standard lease language. All other terms of the lease will remain the same.

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. 317032).”