

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, January 16, 2019

AGENDA ITEM #7

FOURTH AMENDMENT TO INDUSTRIAL LEASE WITH VERIDIAM, INC.



BACKGROUND

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 (County Contract No. 117011). The 35-year lease commenced on May 1, 2004, and has been amended three times. The lease has a 20-year extension option and will terminate on April 30, 2059, if that extension option is exercised by the lessee. Veridiam currently leases approximately 6.42 net acres, located between Cuyamaca Street and Marshall Avenue, from the County.

Veridiam occupies airport-owned land that has been released by the FAA for non-aeronautical use. Such releases are only possible for land that is not suitable for aeronautical use and when the land is not needed to meet aviation forecasts. The land occupied by Veridiam is separated from Gillespie Field airport operations area by a flood control channel and Marshall Avenue. Federal law requires that the County receive market rent for non-aeronautical use of the land and that the revenue must be used for the operation and

maintenance of the County owned and operated airports. As is standard for County leases, Veridiam's lease provides for periodic rental adjustments. Renegotiations of the Base Monthly Rental rate are scheduled for every five years of the lease term.

The upcoming renegotiated rental adjustment is due to be effective on May 1, 2019. County and Veridiam have negotiated a lease amendment to adjust the Base Monthly Rent to reflect market rates and to update the lease language related to compliance with laws.

PROPOSED FOURTH AMENDMENT TO INDUSTRIAL LEASE WITH VERIDIAM, INC.

Rent – Effective May 1, 2019, the rent would be increased to \$33,320 per month. This represents less than 4.5% increase over the current rent of \$ 31,889.00 per month. The new rent would be subject to annual Cost of Living Adjustments based on the changes in the Consumer Price Index and to periodic rental rate renegotiations in accordance with the terms of the lease.

Lease Language Update – The amendment would also update the language of Section 6.3 (Compliance with Laws) to current standards approved by County Counsel.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the proposed Fourth Amendment to Industrial Lease with Veridiam, Inc., as recommended by staff.”