

# GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, July 15, 2015

## AGENDA ITEM #6

### PRELIMINARY AGREEMENT CONCERNING DEVELOPMENT AND DISPOSITION OF LAND WITH CREO REAL ESTATE GROUP, LLC

The County owns a vacant 31.47-acre developable property at the northwest corner of Weld Boulevard and Cuyamaca Street, at Gillespie Field in El Cajon, California. The property was previously under option to Pacific Scene Commercial; however, that developer failed to perform and the option was terminated in January 2013. After briefing GFDC, the County then issued Requests for Proposals (RFPs) in 2013 and 2014 to identify a possible developer for the site. The proposed developer provided a proposal to the County, which was ultimately accepted after some negotiation. This developer, CREO Real Estate Group, LLC ("CREO"), proposes to develop the site for industrial/commercial development compatible with the Airport. The preliminary site plan as of July 2015 includes approximately 254,500 sq. ft. of manufacturing space and approximately 191,500 sq. ft. of warehouse/industrial space. The site plan is expected to evolve throughout the planning and approval process and the final design may include commercial uses and up to 20% retail space. All development must be consistent with the Airport Land Use Compatibility Plan for Gillespie Field.

Before County can enter into a ground lease of the site, environmental and technical reports needed to comply with the requirements of the California Environmental Quality Act ("CEQA") must be completed. Due to the expense involved in completing such work, CREO is seeking some certainty regarding the potential future lease terms before pursuing the entitlements. The Preliminary Agreement Concerning Development and Disposition of Land ("DDA") will provide CREO with sufficient certainty to process necessary entitlements and CEQA documents for the Project. Any future ground lease of the property would be presented to both GFDC and the Board in the future, only after such entitlements were secured.

#### DDA Term and Payments

The term of the DDA will be two years, with two one-year extension options to be exercised only by mutual agreement of the Parties. No additional extensions will be permitted. CREO will pay \$10,000 within 15 days of execution of the DDA and \$10,000 on the one-year anniversary of issuance of the DDA. If the parties agree to extend the term, CREO would pay \$20,000 for year three of the term and \$30,000 for year four of the term.

#### Preliminary Lease Terms

The preliminary lease terms for the project are as summarized below:

*Term* – The potential lease(s) would have an initial term of 55 years, plus two 10-year options for a maximum term of 75 years.

*Size/Use* – The property consists of approximately 31.47 gross acres of land. The net acres ultimately leased, in up to five separate ground leases, will total an estimated 28 (+/-) acres, which equals the total gross acres less any publicly dedicated right-of ways needed for the project. Use of the property is currently planned for manufacturing and industrial/warehouse, but it may ultimately include commercial and up to 20% retail space as well.

*Minimum Rate of Development* – Development may be phased with up to five separate ground leases. The acreage for each lease may be determined by CREO, prior to approval of the leases by the Board, as long as the minimum size meets the amounts shown below. The first lease shall commence on or before the termination date of the DDA. The final lease shall commence no later than four years from the commencement date of the first lease.

Minimum land leased each year:

1st lease, minimum 6 net acres for first year

2nd lease, additional 5 net acres for second year, minimum total 11 net acres

3rd lease additional 5 net acres for third year, minimum total 16 net acres

4th lease, additional 5 net acres for fourth year, minimum total 21 net acres

5th lease, remaining net acres for fifth year, total approximately 28 net acres

**Rent** – Rent for each lease shall start upon the earlier of the Certificate of Occupancy or one year after commencement. The proposed initial monthly rental rate of the project would be based on \$35,000/month total (adjusted by CPI if commenced after the end of year 2 of the DDA). Initial rent would be prorated per lease by dividing \$35,000/month (as may be adjusted by CPI as described herein) by the number of total net acres for the complete project and then multiplying that by the number of net acres for the lease.

Rent abatement shall begin on the rent commencement date of the first lease and continue for five years. Individual leases must commence within these five years to participate in all, or any part, of the rent abatement schedule as follows: For years 1 and 2, a 50% reduction in Base Rent; for years 3 and 4, a 30% reduction; and for year 5, a 15% reduction.

*Preliminary Site Plan (Subject to Change) –*



**PROJECT DATA**

PHASE 1	
BUILDING A1	45,520 SF
BUILDING A2	39,659 SF
<b>PARKING SUMMARY</b>	<b>85,179 SF TOTAL</b>
REQUIRED	159
PROVIDED	295 (3.10/1000)
PHASE 2	
BUILDING B1	47,562 SF
BUILDING B2	46,670 SF
<b>PARKING SUMMARY</b>	<b>94,232 SF TOTAL</b>
REQUIRED	140
PROVIDED	262 (3.10/1000)
PHASE 3	
BUILDING C	191,473 SF (INCLUDES MEZZANINE)
<b>PARKING SUMMARY</b>	
REQUIRED	192
PROVIDED	237 (2.01/1000)
PHASE 4	
BUILDING D	75,000 SF (INCLUDES MEZZANINE)
<b>PARKING SUMMARY</b>	
REQUIRED	125
PROVIDED	170 (2.27/1000)

**Recommended Motion**

*“Gillespie Field Development Council recommends that the Board of Supervisors approve the Preliminary Agreement Concerning Development and Disposition of Land with CREO Real Estate Group, LLC, a California limited liability company.”*