



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

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DATE: August 27, 2025

06

TO: Board of Supervisors

SUBJECT

GILLESPIE FIELD – NEW 50-YEAR AVIATION LEASE WITH MITRE AVIATION, L.P. AND RELATED CEQA EXEMPTION (DISTRICT: 2)

OVERVIEW

The proposed action is the approval of a new 50-year aviation lease with Mitre Aviation, L.P. (Mitre) at Gillespie Field Airport (Gillespie Field) that benefits the leaseholder while also promoting the self-sufficiency of Gillespie Field and enhancing the economic viability of the County Airport system.

The County of San Diego (County) operates Gillespie Field, a general aviation airport in the City of El Cajon. Gillespie Field is a 757-acre publicly owned facility that serves the aviation needs of the City of El Cajon and surrounding cities. The airport is one of seven airports owned by the County of San Diego and operated by the Department of Public Works (DPW) using funding from the Airport's self-sustaining maintenance and operations fund (Airport Enterprise Fund/AEF), at no cost to the General Fund. Gillespie Field is the oldest and largest of the seven airports and includes runways, a control tower, and a terminal, as well as many airport-related businesses.

Gillespie Field and its two airport industrial parks generate an estimated \$403 million in direct economic impact and support 3,164 jobs in the City of El Cajon. These activities generate an estimated \$919 million in direct, indirect, and induced economic impacts and support 6,250 jobs throughout San Diego County. The airport is home to flight schools, repair and maintenance shops, aircraft storage, aircraft sales and rental services, fuel providers, and instrument and avionics shops. The airport also functions as an essential emergency response resource for CalFire, Mercy Air, and Aerial Support to Regional Enforcement Agencies (ASTREA). Additionally, the airport supports public utility delivery through the San Diego Gas & Electric (SDG&E) leasehold on the property.

There are 19 aviation leaseholds located within the fenced aviation portion of Mitre currently has a 4.73-acre Aviation Lease (Attachment A Vicinity Map) at Gillespie Field that commenced on January 1, 2015, and was approved by the Board of Supervisors (Board) on October 29, 2014 (7). This lease terminates on July 31, 2038, and has been amended four times, most recently on March 17, 2021 (9).

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Mitre operates an aviation business in the leasehold and subleases hangar and office space to other aviation businesses and airplane owners. The lessee is requesting the termination of the current lease and the issuance of a new 50-year lease. Government Code Section 50478 allows the County to terminate the existing lease and enter into a new lease up to a term of 50 years, with the same or a related party, to provide for the improvements to the leasehold for the sustainability of the airport. Providing a new 50-year lease will allow the tenant more time to amortize the significant long-term improvements and access better financing options estimated at a value of \$687,500, that are planned on County property.

These improvements will be included in the tenant's property tax appraisal and will result in an increased property tax base directly benefiting the County's General Fund. During the five-year lookback period, the lessee invested \$2.7M into multiple buildings that accommodate aircraft storage and aviation services, employing multiple staff contributing to the income and property tax base which directly benefits the County General Fund. Examples of Mitre's planned upcoming projects are the installation of a solar power system, Light Emitting Diode (LED) lighting, energy efficient Heating, Ventilation and Air Conditioning (HVAC), asphalt and concrete repairs, and hangar improvements improving the sustainability of the leasehold.

This new 50-year aviation lease with Mitre promotes self-sufficiency of Gillespie Field and enhances the economic viability of the County Airport system. For the proposed lease, the County calculates the required minimum leasehold improvement amount at \$640,442, using the methodology as referenced in the Airport Leasing Guidance document (Attachment B). 70% of lease improvements are applied directly into the leased land and will include the aforementioned projects, and 30% of the value is cash payment to the Airport Enterprise Fund, ensuring that improvements benefit both the leasehold property and the broader airport infrastructure and operations. This formula is a departure from past lease methodologies and was developed in close negotiation with tenants and stakeholders to incentivize higher overall investment in the airport and increase benefits to tenants. If approved, the new lease would allow the tenant to continue operations at Gillespie Field, with the leasehold area and ground rent schedules remaining consistent with the current lease. This new aviation lease would commence on September 1, 2025, and terminate on August 31, 2075.

As a part of the lease conditions, the lease includes language updating new County Policies, such as the Working Families Ordinance (WFO) and sustainability provisions. The WFO requires lessees to pay prevailing wages on qualifying construction projects, use a skilled-and-trained workforce, and provide their employees with paid sick leave. The Airport's leases require that lessees implement practices, modify, retrofit, or replace equipment and structures in a way that is consistent with the Airport's Sustainability Master Plan.

Today's request is to approve a new 50-year lease with Mitre that will supersede the existing lease with the same entity, pursuant to Government Code Section 50478.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Find in accordance with Section 15301 of the California Environmental Quality Act (CEQA) Guidelines, that the proposed new lease is categorically exempt from CEQA review as it

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consists of the leasing of existing facilities involving negligible or no expansion of existing or former use.

2. Approve and authorize the Director of Airports to execute, upon receipt, three copies of the new Aviation Lease with Mitre Aviation, L.P. **(4 VOTES)**

EQUITY IMPACT STATEMENT

The County of San Diego (County) owns and operates seven airports that serve as essential air transportation hubs, emergency response facilities, and regional economic engines. The County strives to deliver services in a fair and equitable manner, actively working to remove barriers by providing general airport information in the County's threshold languages, encouraging participation, and offering competitive opportunities for small businesses – those with traditionally less working capital – and business owners and managers who may be socially and economically underserved. With the County's adoption of the Working Families Ordinance (WFO) in 2022, lessees' qualifying construction projects will require lessees to pay prevailing wages, use a skilled-and-trained workforce, and provide their employees with paid sick leave.

SUSTAINABILITY IMPACT STATEMENT

The State of California (State) and County of San Diego (County) have made addressing climate change and sustainability two of the top priorities for our communities. Planning, coordinating, and implementing effective sustainability objectives and measures are crucial to reducing the County's impact on the environment and ensuring safe and healthy communities. In accordance with these actions, the Department of Public Works (DPW) has incorporated new environmental sustainability language and goals into our airport property leases as new leases are created or as existing leases are amended for reasons other than scheduled rent adjustments only. Today's action contributes to the environmental and economic sustainability goals of the County through the addition of solar panels, Light Emitting Diode (LED) lighting, and energy-efficient Heating, Ventilation, and Air Conditioning (HVAC) system.

FISCAL IMPACT

Funds for this request are included in the Fiscal Year 2025-26 Operational Plan in the Department of Public Works, Airport Enterprise Fund. If approved, this request will result in current year revenue of \$89,974.33 which includes \$69,595.69 from the monthly base rent and \$20,378.64 from leasehold improvement payment. The leasehold improvement agreement requires Mitre Aviation, L.P. (Mitre) to invest in property improvements as part of their lease. Since County ownership of existing improvements is delayed by entering into the lease, the leasehold improvement agreement requires Mitre to pay the County 30% of the minimum required investment, totaling \$192,132,60, paid over 10 years at 5% interest. The funding source is the new aviation lease agreement with Mitre. There will be no change in net General Fund Cost and no additional staff years.

BUSINESS IMPACT STATEMENT

Leases at airports benefit the local business community by creating jobs, increasing economic activity, providing business opportunities, and supporting infrastructure development. Leasing Airport property attracts visitors, generates revenue, and helps small businesses grow, thereby stimulating the local economy and improving the quality of life for residents. San Diego County

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Airports connect individuals to jobs and links local communities to the world. Revenue from airport leases enables the Department of Public Works to operate and maintain the seven County airports safely, efficiently, and cost-effectively. Today's action promotes the self-sufficiency of Gillespie Field and enhances the economic viability of the County Airport system.

ADVISORY BOARD STATEMENT

On July 16, 2025, Gillespie Field Development Council recommended, by a vote of 4 in favor, 0, against, with 1 member absent, and 0 vacant seats, that the Board of Supervisors approve the proposed new lease with Mitre Aviation, L.P.

BACKGROUND

The County of San Diego (County) operates Gillespie Field, a general aviation airport in the City of El Cajon. Gillespie Field Airport (Gillespie Field) is a 757-acre publicly owned facility that serves the aviation needs of the City of El Cajon and surrounding cities. The airport is one of seven airports owned by the County and operated by the Department of Public Works (DPW) using funding from the Airport's self-sustaining maintenance and operations fund (Airport Enterprise Fund/AEF), at no cost to the General Fund. Gillespie Field is the oldest and largest of the County's seven airports and includes runways, a control tower, and a terminal, as well as many airport-related businesses.

Gillespie Field and its two airport industrial parks generate an estimated \$403 million in direct economic impact and support 3,164 jobs in the City of El Cajon. These activities generate an estimated \$919 million in direct, indirect, and induced economic impacts and support 6,250 jobs, throughout San Diego County. The airport is home to flight schools, repair and maintenance shops, aircraft storage, aircraft sales and rental services, fuel providers, and instrument and avionics shops. The airport also functions as an essential emergency response resource for CalFire, Mercy Air, and Aerial Support to Regional Enforcement Agencies (ASTREA). Additionally, the airport supports public utility delivery through the San Diego Gas & Electric (SDG&E) leasehold on the property.

There are 19 aviation leaseholds located within the fenced aviation portion of the Airport. Mitre Aviation, L.P. (Mitre) currently has a 4.73-acre Aviation Lease at Gillespie Field that commenced on January 1, 2015, and was approved by the Board of Supervisors (Board) on October 29, 2014 (7). This lease terminates on July 31, 2038 and has been amended four times: (i) on September 12, 2018 (09) to provide Mitre an additional three years before it was required to remove certain improvements located along Runway 17/35; (ii) on December 10, 2019 (16) to eliminate all sublease surcharges effective December 1, 2019; (iii) on June 24, 2020 (10) to implement a phased rental increase from December 1, 2019 through November 30, 2029; and (iv) on March 17, 2021 (9) to postpone the required demolition of certain improvements to allow time for the FAA to reevaluate current and future uses of Runway 17/35 and possibly modify its classification.

Mitre operates an aviation business on the leasehold and subleases hangar and office space to other aviation businesses and airplane owners. The leasehold is located on North Marshall Avenue and is newly developed with multiple buildings that accommodate aircraft storage and aviation services. Mitre has made significant contributions to the improvement of San Diego County, City

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of El Cajon, Gillespie Airport and the East County economy, such as increasing property taxes on the building and improvements, increasing aircraft use taxes for aircraft based at the leasehold, contributing continuous rent income, and incorporating sustainability features to the design of the leasehold. Mitre has made significant capital improvements to its leasehold, which included the construction of five new executive hangars totaling an additional 27,700 square feet of new hangars, substantially exceeding the County's leasehold improvement requirements, spending approximately \$2.7M to develop and improve the site. These capital improvements have added significant economic value to the County's leasehold and require additional terms to amortize the investment. These factors make the Mitre leasehold an important component of the airport and East County serving aviation users and creating an economic impact for the region.

Proposed New Lease

Mitre is requesting a new 50-year lease and Government Code Section 50478 allows the County to terminate the existing lease and enter into a new lease up to a term of 50 years, with the same or a related party, to provide for the addition of improvements to the leasehold for the sustainability of the airport. Providing a full 50-year lease will allow the tenant to make additional long-term improvements that can be amortized over the full 50 years. Under the new lease, Mitre plans to modernize its aging hangars, improve its ramps and taxiways and make energy-efficient upgrades including adding solar panels, Light Emitting Diode (LED) lighting, and an energy-efficient Heating, Ventilation, and Air Conditioning (HVAC) system adding approximately \$687,500 in capital improvements to the leasehold. The lease term aligns with FAA Guidance and state law regarding lease terms allowing longer term leases to allow for amortization of a substantial investment. This new Aviation Lease would commence on September 1, 2025, and terminate on August 31, 2075. This new lease adds the Working Families Ordinance (WFO) provision to bring the lease into compliance with the ordinance adopted in 2022.

Base Monthly Rent

The monthly rent complies with Board Policy F-51 County Real Property Asset Management because it is at a fair market rate and the method to determine the rent rate complies with an accepted industry standard. The current rent is \$6,863.48 per month, subject to annual Cost-of-Living Adjustments (COLA) with a limit of 2% maximum annual increase to be applied on December 1, 2025. On December 1, 2025, the current rent will increase to \$7,000.75 per month. The monthly rent complies with Board Policy F-51 because it is at a fair market rate and the method to determine the rent rate complies with an accepted industry standard. The first rental rate renegotiation will be effective on December 1, 2029, and thereafter every 10 years.

Leasehold Improvements

At the end of most ground leases on airport property, including Mitre's current lease, existing improvements revert to the County. As the County's ownership of the leasehold improvements would be postponed by granting this new lease, Mitre would pay the County compensation for postponing this interest in the improvements. The County calculates the leasehold improvement amount for this new lease term at \$640,442, derived by multiplying the land lease value of \$5000 times the leasehold size (acres) times the length of the additional lease term (number of years), as referenced in the Airport Leasing Guidance document (Attachment B). Required lease improvements are calculated with 70% of investments applied directly into the leased land and

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30% allocated to the Airport Enterprise Fund (AEF), ensuring that improvements benefit both the leasehold property and the broader airport infrastructure and operations.

Per leasing guidance and policy, the County will take into consideration any improvements made within the last five years of a lease when calculating new leasehold improvement requirements. Mitre would be required, within the first five years of the new lease, to invest a minimum of \$448,309.40, which represents the 70% required capital improvements in the leasehold. Mitre plans to invest in excess of the minimum requirement adding upgrades valued at approximately \$687,500 that improve safety, security, efficiency, and sustainability in the leasehold. Examples of Mitre's projects include the installation of solar power system, Light Emitting Diode (LED) lighting, energy efficient Heating, Ventilation and Air Conditioning (HVAC), asphalt and concrete repairs, and hangar improvements. Mitre will also be required to pay the County the remaining 30% value of \$192,132.60, which will be financed a maximum of 10 years from the date of the executed lease at a rate of 5% amortized interest with no pre-payment penalty or a lump sum payment at the time of execution of the lease.

Today's request is to approve a new 50-year Aviation Lease with Mitre that would supersede the existing lease with the same entity, pursuant to Government Code Section 50478 and would commence on September 1, 2025, and terminate on August 31, 2075.

ENVIRONMENTAL STATEMENT

Section 15301 of the California Environmental Quality Act (CEQA) Guidelines exempts from CEQA review actions consisting of the "operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features involving negligible or no expansion of existing or former use." The key consideration in applying this exemption is whether the proposed action involves expansion of an existing use. The proposed action involves approval of a new lease with an existing lessee, but continuation of existing use of facilities and business operations, involving no or negligible expansion of use, and is, accordingly, exempt from CEQA review pursuant to Section 15301 of the CEQA Guidelines. Any future capital improvements that would be subsequently proposed by the lessee and approved by the Director of Airports would be subject to the CEQA review, as applicable.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action supports the Economic Sustainability Strategic Initiative in the County of San Diego's (County) 2025-2030 Strategic Plan. Revenue derived from airport leases is placed in the County's Airport Enterprise Fund, which aligns services to available resources, maintaining fiscal stability, and ensuring long-term solvency by using lease revenue for ongoing maintenance and operation of County Airports. Airports in San Diego County are an important part of the County's physical infrastructure and the federal transportation system and provide superior service delivery to local aviation customers and the public which they serve.

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Respectfully submitted,



DAHVIA LYNCH
Deputy Chief Administrative Officer

ATTACHMENT(S)

A: Vicinity Map

B: Leasing Guidance