



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

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DATE: October 1, 2025

02

TO: Board of Supervisors

SUBJECT

**GILLESPIE FIELD – FIRST AMENDMENT TO INDUSTRIAL GROUND LEASE
WITH SGCLMC-WELD INVESTMENT COMPANY, L.P. AND RELATED CEQA
EXEMPTION (DISTRICT: 2)**

OVERVIEW

The County of San Diego (County) operates Gillespie Field, a general aviation airport in the City of El Cajon. This approximately 700-acre property is designated for aviation use and includes a 400-acre general aviation airport, serving as a gateway to and from San Diego's East County. It provides infrastructure, facilities, and services to both corporate and general aviation. The remaining 300 acres are leased for non-aeronautical uses. The combination of uses on the 700 acres of land is leased to provide revenues to the Airport Enterprise Fund (AEF), which must be used exclusively for development, improvement, operation, and maintenance of the County's seven-airport system. The Federal Aviation Administration (FAA) requires that the County receive market rate rent for leases of airport land, and the lease revenue must be used for the operation and maintenance of the County Airport system. The non-aviation portion of Gillespie Field includes three industrial parks occupied by a variety of industrial tenants such as light industrial and manufacturing development, warehouses, mixed-use, and direct service facilities compatible with airport uses.

The Gillespie Field Industrial Park (GFIP) is one of the three industrial parks. The approximately 51-acre industrial park contains 33 individual ground leases that house numerous light industrial businesses. County Airports leases approximately 29.5 acres of vacant land to SGCLMC-Weld Investment Company, L.P (WELD), located at the northwest corner of Weld Boulevard and Cuyamaca Street, in El Cajon. The lease, approved by the Board of Supervisors on March 17, 2021 (2), is for 50 years and commenced on July 6, 2023.

The project on the leased land, consists of a 383,000-square-foot multi-tenant building. A certificate of occupancy was issued for the building on October 18, 2024. The site and building were designed to accommodate a variety of industrial businesses, including warehouse distribution and heavy manufacturing. Currently, approximately 42 percent of the building (158,328 square feet) is subleased by WELD to GKN Aerospace Chem-tronics, Inc. (GKN), a leading international manufacturer. The remaining 223,000 square feet is on the market now and includes a 16,634-square-foot interior two-story office and 7,000 amps of 480-volt power to support the needs of

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manufacturing businesses.

As a Lessee, WELD was required to make a minimum capital investment of \$20M into the site. The Lessee substantially exceeded the County's requirements, spending \$107M to develop and improve the site. These improvements greatly improved the value of the County's leasehold but also put strain on the Lessee because of the magnitude of the financing required to build out the project. The Lessee approached the County requesting additional lease years, including options, to facilitate obtaining additional funds to finance further development. FAA leasing guidelines allow airport sponsors to issue long-term lease options to allow leaseholders to amortize capital investments. This amendment will not reduce rent obligations and includes the option for periodic review and adjustments to market rate rent. Overall, this will help to ensure a fair return on investment for the Lessee, ensure the County's compliance with FAA grant requirements, and incentivize improvements and investment on airport property.

This is a request to approve an amendment to the 50-year ground lease agreement with WELD to:

I. Extend the term by an additional 25 years, with two renewal options. The first option allows the lease to be extended 15 years, and the second option provides for an additional 9 years, resulting in a total potential lease term of 99 years; the allowable maximum amount of time for an industrial ground lease. If approved, the extension will allow WELD to access financing opportunities, continue developing the project, support its amortization, and align with best leasing practices as dictated by the FAA; and

II. Add the Working Families Ordinance (WFO) provision to bring the lease into compliance with the ordinance adopted in 2022. The lease was approved in 2021 prior to the adoption of the WFO. If approved, revenues from this lease on airport property would be placed into the County's Airport Enterprise Fund (AEF) to be used to develop, operate, maintain, and improve County Airports. These revenues will affect the AEF starting in 2073, which is the termination of the current lease.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Find, in accordance with Section 15301 of the California Environmental Quality Act (CEQA) Guidelines, that the proposed lease amendment is categorically exempt from CEQA review as it 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 amendment to the ground lease with SGCLMC-Weld Investment Company, L.P., a California Limited Partnership. **(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 these 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 providing competitive opportunities for small businesses – those with

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traditionally less working capital – and business owners and managers who may be socially and economically underserved.

SUSTAINABILITY IMPACT STATEMENT

The State of California (State) and the 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. Today's action contributes to the environmental and economic sustainability goals of the County by addressing changes in environmental sustainability. An example of sustainability elements that the Lessee has agreed to add to the property include a rooftop solar farm which will generate 3.5 megawatts of electricity.

FISCAL IMPACT

Funds for this request are included in the Fiscal Year (FY) 2025-26 Operational Plan in the Department of Public Works, Airport Enterprise Fund (AEF). There is no fiscal impact to the budgeted revenue of \$420,000 in FY 2025-26 and \$420,000 in FY 2026-27. However, if this amendment is approved, there will be a future fiscal impact beginning in 2073, which marks the year of termination of the current lease. At that time, any additional revenue generated from rent will be added to the AEF. The funding source is revenue from the industrial ground lease agreement with SGCLMC-Weld Investment Company, L.P. 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 Airports (County 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 eight County Airports safely, efficiently, and cost-effectively. Today's action of extending the lease term to SGCLMC-Weld Investment Company, L.P., a California Limited Partnership, supports the self-sufficiency of Gillespie Field and strengthens the economic viability of the County Airport system.

ADVISORY BOARD STATEMENT

On May 21, 2025, the Gillespie Field Development Council (GFDC) recommended, by a vote of 5 in favor, that the Board of Supervisors approve the proposed amendment to the lease of SGCLMC-Weld Investment Company, L.P., a California Limited Partnership, extending the term of the lease up to 99 years.

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BACKGROUND

The County of San Diego's (County) operates Gillespie Field, a general aviation airport in the City of El Cajon. This approximately 700-acre area is designated for aviation use and includes a 400-acre general aviation airport, serving as a gateway to and from San Diego's East County. It provides infrastructure, facilities, and services to both corporate and general aviation. The remaining 300 acres are leased for non-aeronautical use. The 700 acres of aviation land are leased to generate revenue for the Airport Enterprise Fund (AEF), which must be used exclusively for the development, improvement, operation, and maintenance of the County's eight-airport system. Gillespie Field is located within the municipal limits of the City of El Cajon, which acts as the land-use authority for private development at the airport. Gillespie Field's non-aeronautical land has been leased primarily for light industrial and manufacturing development, with most of the available acreage developed between 1975 and 2000, under the terms of approximately 70 separate ground lease agreements.

County Airports leased approximately 29.5 acres of vacant land to SGCLMC-Weld Investment Company, L.P (WELD), located at the northwest corner of Weld Boulevard and Cuyamaca Street, in El Cajon. The lease, approved by the Board of Supervisors on March 17, 2021, is for 50 years and commenced on July 6, 2023.

The project on the leased land consists of a 383,000-square-foot multi-tenant building. A certificate of occupancy was issued for the building on October 18, 2024. The site and building were designed to accommodate a variety of industrial businesses, from warehouse distribution (minimal power and parking needed) to heavy manufacturing (maximum power required and significant parking). Currently, approximately 42 percent of the building (158,328 square feet) is subleased by WELD to GKN Aerospace Chem-tronics, Inc. (GKN), a leading international manufacturer. GKN is in the process of installing equipment, which, once completed, is estimated to cost over \$50,000,000. The remaining 223,000 square feet of the building includes a 16,634 square-foot interior two-story office and 7,000 amps of 480-volt power to meet the needs of manufacturing businesses.

Basis for extension request

WELD's \$91M construction loan is due on December 14, 2025. Securing permanent financing to pay the construction loan is difficult due to the limited remaining term of the ground lease. The ground lease required WELD to construct improvements with a minimum cost of \$20M, but to date, WELD has invested approximately \$107M in project improvements – more than five times the required amount. When the project is fully leased and operational, the combined capital investment from WELD and tenants is expected to exceed \$200M – more than 10 times the required amount. A long-term lease extension aligns with the Federal Aviation Administration's (FAA) guidance for airport leasing, as outlined in the County Airport Rules and Regulations and Minimum Standards. The FAA encourages airport sponsors to consider lease term lengths that allow leaseholders to collateralize the debt needed to develop the property. Additionally, at the end of the lease, the improvements revert to the airport sponsor, further strengthening airport funding and solvency.

Based on current market conditions after making the Capital Improvements through partial

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personal financing, WELD has informed County Staff that the limited remaining term of the ground lease has caused prospective lenders to decline any preliminary discussions about providing permanent financing. To effectively engage with potential lenders, WELD requires an extension of the ground lease term.

This is a request to approve an amendment to the 50-year ground lease agreement with WELD to:

- i. extend the term by an additional 25 years, with two renewal options. The first option allows the lease to be extended 15 years, and the second option provides an additional 9 years, resulting in a total potential lease term of 99 years. If approved, the extension will allow WELD to access financing opportunities, continue developing the project, support the amortization, and align with best leasing practices as dictated by the FAA; and
- ii. add the Working Families Ordinance (WFO) provision to bring the lease into compliance with the ordinance adopted in 2022. The lease was approved in 2021 prior to the adoption of the WFO

Anticipated Additional Capital Investment

Future Tenants: When the remaining 223,000 square feet of the building is leased, additional capital investment will be required to prepare the space for tenants' business operations. WELD estimates that the combined investment from WELD and tenants will total approximately \$30M, bringing the total capital investment from WELD and current and future tenants to approximately \$200M.

Roof Top Solar Facility: WELD plans to install solar panels on the building's roof to generate 3.5 megawatts of electricity. The solar installation will occur in three phases, with an estimated total cost of \$12M.

Project Quality and Features.

Project Inspiration: This 29.5-acre parcel of land, located at the west end of the airport on a hillside, inspired WELD's team to create a landmark project that reflects the native land rather than the typical "industry standard" industrial building. The landscape design was influenced by the Mission Trails Regional Park and includes a meandering trail that begins at the highest point to the west and wraps around the property. Emphasis is placed on the wetlands frontage along Cuyamaca Boulevard, featuring park benches where visitors can enjoy the natural surroundings and take in the eastern views of Gillespie Field Airport, with the granite-faced El Capitan mountains as a backdrop. WELD's architectural team designed the building to honor the history of Gillespie Field and aviation. The building features a Blue 'Wing' canopy symbolizing the discovery of flight, and an aluminum panel art piece on the south elevation that pays tribute to the WWII pilots and others who served in the armed forces.

Green Building: Gillespie Field Park is a state-of-the-art "Class A" industrial project that meets and exceeds the County's Climate Action Plan, Renewable Energy Plan, and the State of California's Green Build standards.

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Conservation: The site, previously a “greenfield”, underwent significant environmental reviews and integration. Notably, a neglected water drainage channel along Cuyamaca Boulevard was transformed into a native wetlands creek that supports necessary water flows while creating a beautiful natural waterway along the major street frontage. This waterway also integrates with a portion of the regional bike route into El Cajon.

Additionally, WELD transplanted over 3,000 individual plants from the leased property to the banks of the San Diego River in Lakeside, on a land preserve that WELD financially supports. This initiative supports the management of the federally endangered San Diego Ambrosia (California Ambrosia), a plant species unique to the San Diego area. The relocation of these plants has been successful and has received recognition from industry and regulatory agencies. Notably, the San Diego Ambrosia is the only known plant species capable of converting solar light into energy (photosynthesis) in such a unique manner.

During site grading, expert biologists and archeologists were involved in monitoring for evidence of early human activity. They discovered evidence of small groups of native people who camped along the shores of Forester Creek (abutting the property on the northeast corner) and used large granite boulders to grind acorns into a paste for making bread. Two large granite boulders with characteristic “bowls” were preserved and relocated to the restored wetlands channel along the project’s main frontage. These boulders are now positioned in a location where they can be appreciated by project employees, as well as pedestrians and cyclists passing by the property.

ENVIRONMENTAL STATEMENT

Section 15301 of the California Environmental Quality Act (CEQA) Guidelines exempts from CEQA review actions related to 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 any expansion of the existing use. The proposed action involves an amendment to an existing ground lease with SGCLMC-Weld Investment Company, L.P. As there are negligible or no changes to the current use, the action is exempt from CEQA review under Section 15301 of the CEQA Guidelines.

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 the local aviation customers and the public which they serve.

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Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Dahvia Lynch', with a stylized flourish extending to the right.

DAHVIA LYNCH
Deputy Chief Administrative Officer

ATTACHMENT(S)

A: Vicinity Map

B: Lease Amendment