



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

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DATE: August 27, 2025

05

TO: Board of Supervisors

SUBJECT

GILLESPIE FIELD – NEW 50-YEAR AVIATION LEASE WITH AIRWORLD LLC. AND RELATED CEQA EXEMPTION (DISTRICT: 2)

OVERVIEW

The proposed action is the approval of a new 50-year aviation lease with Airworld LLC. (Airworld) 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 the Airport. Airworld is currently occupying 1.5 acres of aviation land at Gillespie Field (Attachment A Vicinity Map) dedicated to commercial hangar services. The lease with Airworld originated on February 1, 2007, when the Board of Supervisors approved a 35-year lease to La Jolla Investment Group, which was later assigned to Airworld. This lease has been amended four times since then, and Airworld's current lease expires on January 31, 2047.

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Airworld has requested the County terminate their current lease and issue a new 50-year lease. Government Code Section 50478 allows the County to terminate an existing lease and enter a new lease up to a term of 50 years, with the same or a related party, to allow the lessee to make significant improvements to the site, including those that advance sustainability features. Issuing a new lease allows the tenant to amortize significant capital improvements over 50 years and access better financing options. The leaseholder has recently invested \$2.9M of sustainable upgrades into the property, including Light Emitting Diode (LED) lighting, roof prepped for solar, trench drains and water oil separator, bioswales, and insulation. These improvements in the past five years were included in the calculation of the new 50-year lease which resulted in no new additional investments being required.

These improvements are included in the tenant's property tax appraisal and will result in an increased property tax base directly benefiting the County's General Fund. Additionally, Airworld employs 25 staff contributing to the income tax base, increasing property taxes on the building and improvements, increasing aircraft use taxes for aircraft based at the leasehold, increasing fuel usage on aircraft coming to the Airworld facility for service and repairs, increasing sales tax revenues generated by the parts for aircraft repairs, contributing continuous rent income on transient parking spaces, and incorporating sustainability features into the design of the leasehold. The approval of this new 50-year aviation lease with Airworld promotes the self-sufficiency of Gillespie Field and enhances the economic viability of the County Airport system.

The County calculates the leasehold improvement amount for the current lease at \$140,625, as referenced in the Airport Leasing Guidance document (Attachment B). 70% of investments applied directly into the leased land and 30% allocated to the Airport Enterprise Fund (AEF), 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 requiring adherence to 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 Airworld 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 lease is categorically exempt from CEQA review as

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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 new Aviation Ground Lease with Airworld (**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. Lastly, with the County's adoption of the Working Families Ordinance (WFO), lessees' qualifying construction projects will require lessees to pay prevailing wage, use a skilled-and-trained workforce, and provide their employees with paid sick leave.

SUSTAINABILITY IMPACT STATEMENT

The 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 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.

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 \$26,545.06 which includes \$22,070.42 from the monthly base rent and \$4,474.64 from the leasehold improvement payment. The leasehold improvement agreement requires Airworld LLC 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 Airworld LLC to pay the County 30% of minimum investment, totaling \$42,187.50, paid over 10 years at 5% interest. The funding source is the new aviation lease agreement with Airworld LLC. 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 connect individuals to jobs and link local communities to the world. Revenue from airport

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leases enables the Department of Public Works to operate and maintain the seven County airports safely, efficiently, and cost-effectively. Today's action, approval of the new 50-year aviation lease with Airworld LLC, promotes self-sufficiency of Gillespie Field and enhances the economic viability of the County Airport system.

ADVISORY BOARD STATEMENT

On July 16th, Gillespie Field Development Council recommended, by a vote of 3 in favor, 0 against, with 1 member absent, and 1 abstention, that the Board approve the proposed new lease with Airworld LLC.

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 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 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, instrument and avionics shops, and food and beverage services. Airport businesses contribute directly to the sustainability of the airport as well as the economic health of the County by increasing property taxes, income taxes, aircraft use taxes, fuel usage fees, sales tax revenues generated by the parts for aircraft repairs, as well as contributing continuous rent income. The airport also functions as an essential emergency response resource for CalFire, Mercy Air, and Sheriff's Aerial Support to Regional Enforcement Agencies (ASTREA). The airport also 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. Airworld LLC (Airworld) is currently occupying 1.5 acres of aviation land at Gillespie Field, dedicated to commercial hangar services. The specific lease with Airworld originated on February 1, 2007, when the Board of Supervisors approved a 35-year lease to La Jolla Investment Group (Contract #120140 (8)), which was later assigned to Airworld. This lease has been amended four times, including a 5-year extension approved on April 10, 2024, with the current lease expiring on January 31, 2047.

Airworld has made significant contributions to the improvement of San Diego County, City of El Cajon, Gillespie Airport and the East County economy, such as employing 25 full time employees at the leasehold adding to the income tax base, increasing property taxes on the building and improvements, increasing aircraft use taxes for aircraft based at the leasehold, increasing fuel

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usage on aircraft coming to the Airworld facility for service and repairs, increasing sales tax revenues generated by the parts for aircraft repairs, contributing continuous rent income on transient parking spaces, and incorporating sustainability features to the design of the leasehold.

The Lessee substantially exceeded the County's leasehold improvement requirements, spending approximately \$2.9M to develop and improve the site in the 5-year period before requesting a new lease. 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 Airworld leasehold an important component of the airport and East County serving aviation users and creating economic impact for the region.

Proposed New Lease

The lessee has requested termination of the current lease to issue a new 50-year lease via the Government Code 50478 which allows the County to terminate an existing lease and enter into a new lease with the same or a related party, to provide for the addition of improvements to the leasehold for the sustainability of the airport. This new Aviation Lease would commence on September 1, 2025, and terminate on August 31, 2075. If approved, the new lease would allow the tenant to continue providing aviation services at Gillespie Field. The lease term aligns with FAA Guidance and state law regarding lease terms, which generally recommends that lease term be limited to a period of no more than 50 years, unless a longer term is necessary to allow for amortization of a substantial investment.

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. Current rent is \$2,177 per month and is subject to an annual Cost-of-Living Adjustment (COLA) with a limit of 2% maximum annual increase to be applied December 1, 2025. The new rent will increase to \$2,221 per month. A rental rate renegotiation will be effective on December 1, 2029, and subsequently every 10 years.

Leasehold Improvements

At the end of most ground leases on airport property, including Airworld'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, Airworld would pay the County compensation for postponing this interest in the improvements. The County calculates the leasehold improvement amount for the current lease at \$140,625, 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 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.

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Airworld would still be required to pay the County the remaining 30% value of \$42,187.50, which will be paid over a period of 10 years at 5% annual amortized interest.

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 the approval of a new lease with an existing lessee, Airworld, LLC, for the continuation of existing operations and facilities uses, involving no or negligible expansion of existing or former use. Accordingly, the proposed action is 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 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.

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: Leasing Guidance