



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

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DATE: October 22, 2025

08

TO: Board of Supervisors

SUBJECT

MCCLELLAN-PALOMAR AIRPORT - NEW AVIATION LEASES WITH PALOMAR AIRPORT ROAD 2006 LLC AND RELATED CEQA EXEMPTION (DISTRICT: 3)

OVERVIEW

The proposed action is the approval of two new 50-year aviation leases with Palomar Airport Road 2006, LLC (PAR2006), formerly known as Carlsbad Jet Center, at McClellan-Palomar Airport (Palomar Airport) to promote the self-sufficiency of Palomar Airport and enhance the economic viability and sustainability of the County Airport system.

The County of San Diego (County) owns and operates Palomar Airport, a 454-acre commercial and general aviation airport in the City of Carlsbad that serves the aviation needs of North San Diego County. 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. Palomar Airport is the County's only commercial service airport and includes runways, a control tower, and a terminal, as well as many airport-related businesses.

The Airport provides valuable general aviation, corporate, and commercial services acting as an economic engine for North San Diego County and the City of Carlsbad. Palomar Airport and its surrounding commercial leaseholds drive \$543M in direct and indirect economic impact, support over 3,200 jobs, and generate \$87M in federal, state, and local tax revenue. Airport-related capital investment, operational employment, visitor spending and airport-owned business park activity contribute directly to regional employment, industry activity, and tax revenues. Moreover, this direct spending creates indirect and induced impacts across the broader economy as direct spending drives purchases in industry-related sectors. Palomar Airport serves as a gateway to world-class resorts and tourist attractions and as a means of connectivity for residents and visitors. The Airport provides an important linkage to a global economy, attracting corporations and bringing jobs to the area. The airport is home to corporate aviation facilities, flight schools, repair and maintenance shops, aircraft storage, aircraft sales and rental services, fuel services, instrument and avionics shops, and food and beverage services.

There are six aviation leaseholds located within the fenced aviation portion of the airport. Palomar Airport Road 2006 (PAR 2006), LLC currently has two leases for a total of 16.5 acres (Attachment

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A Vicinity Map) at Palomar Airport that commenced on July 1, 2005 and were approved by the Board of Supervisors on June 22, 2005 (6). These leases terminate on June 30, 2050, and have been amended seven times, most recently on April 10, 2024 (6).

PAR2006 operates a commercial hangar and sub-leases two aviation parcels at the airport to support their operations. At this time, they are requesting the termination of the current leases and the issuance of two new 50-year leases. Government Code 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 new 50-year leases will allow the tenant more time to amortize the significant long-term improvements that they previously made, and access better financing options estimated at a value of \$3-5M for improvements 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 leaseholder invested \$15M into the property including the installation of electric vehicle chargers, a blast fence and improved fencing around the property, storm drains, sewers, and security infrastructure, as well as replacing and enhancing the pavement and subsurface of nearly the entire property and rehabilitating a 30,000 sq. ft. aircraft hangar and office complex. PAR2006's upcoming projects focus on enhancing safety, security, efficiency, and sustainability features on the leasehold, including investing in the installation of photovoltaic cells (solar energy) that will provide energy to the entire leasehold including the electric car charging stations on the property, and the installation of a new fuel farm consisting of two 20,000 gallon fuel tanks that will increase the fuel inventory as well as allowing PAR2006 to offer the use of Sustainable Aviation Fuel (SAF) to its customers. SAF, if regularly used, is estimated to reduce the carbon footprint of operating aircraft by more than 70% over the lifecycle of the aircraft.

For the proposed leases, the County calculates the required minimum leasehold improvement amount at \$1,251,525, 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. If approved, the new lease would allow the tenant to continue operations at Palomar Airport, with the leasehold area and ground rent schedules remaining consistent with the current lease. These two new aviation leases would commence on November 1, 2025 and terminate on October 31, 2075.

As a part of the lease conditions, the leases incorporate and require adherence to County Policies, such as the Working Families Ordinance (WFO) and sustainability provisions. These leases in front of the Board, will require that lessees implement practices, modify, retrofit, or replace equipment and structures in a way that is consistent with the current and future Airport's the guidance in the current and future Airports Sustainability Plan. 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. Today's request is to approve two new 50-year leases with PAR2006 that will supersede the existing leases with the same entity.

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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 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 Leases with PAR2006 **(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 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 environmental and economic sustainability goals of the County through the addition of photovoltaic cells (solar energy) that will provide energy to the entire leasehold including the existing electric car charging stations, and the installation of a new fuel farm consisting of two 20,000 gallon fuel tanks that will increase the fuel inventory at the airport as well as allow PAR2006 to offer the use of Sustainable Aviation Fuel (SAF) to its customers.

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 \$793,424.12 which includes \$417,967.12 from the monthly base rent and \$375,457 from the leasehold improvements. The leasehold improvement agreement requires Palomar Airport Road 2006 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 Palomar Airport Road 2006 LLC to pay the

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County 30% of minimum investment, totaling \$375,457, which will be in a lump sum payment at the time of execution of the lease. The funding source is the aviation lease agreement with Palomar Airport Road 2006 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 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 two new 50-year aviation leases with Palomar Airport Road 2006, LLC promotes self-sufficiency of McClellan-Palomar Airport and enhances the economic viability of the County Airport system.

ADVISORY BOARD STATEMENT

On Sept 18th, 2025, Palomar Airport Advisory Committee recommended, by a vote of 5 in favor, 2 against, 1 abstention, 0 with #1 members absent, and 0 vacant seats, that the Board of Supervisors approve the proposed new leases with PAR2006.

BACKGROUND

The County of San Diego (County) owns and operates McClellan-Palomar Airport (Palomar Airport), a commercial and general aviation airport in the City of Carlsbad. Palomar Airport is a 454-acre publicly owned facility that serves the aviation needs of North San Diego County. 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. Palomar Airport is the County's only commercial service airport and includes runways, a control tower, and a terminal, as well as many airport-related businesses.

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There are six aviation leaseholds located within the fenced aviation portion of the Airport. Palomar Airport Road 2006, LLC (PAR2006) currently has two leases for a total of 16.5 acres operating a commercial hangar business on the leasehold. On June 22, 2005, the Board of Supervisors approved two 30-year leases known as County Contracts numbers 104566 and 104567 (6) to SCIF Palomar LLC, which were subsequently acquired by PAR2006 by a Trustee's Sale on January 18, 2019. These leases were later amended seven times, the most recent one extending the term by 5 years and was approved by the Board on April 10, 2024. The current termination date of these leases is set for June 30, 2050.

PAR2006, formerly known as Carlsbad Jet Center, operates a commercial hangar business, establishing a reputation for outstanding safety, hospitality, community engagement, teamwork, innovation, and sustainability. PAR2006 also subleases space to other aviation businesses and airplane owners. The leasehold is located on Palomar Airport Road and is developed with multiple buildings that accommodate aircraft storage and aviation services. The company employs 47 staff and the leasehold supports an additional 150 employees through tenant companies, all of which contribute to the income tax base, increasing property taxes on the buildings and improvements, increasing aircraft use taxes for aircraft based at the leasehold, increasing fuel usage on aircraft coming to the facility for service and repairs, increasing sales tax revenues generated by the parts for aircraft repairs, and contributing continuous rent income. The revenue generated from this lease will help operate and maintain the County's seven airports safely, efficiently, and cost-effectively.

PAR2006 has substantially exceeded the County's requirements for capital improvements, spending over \$15M to develop and improve the site since it was acquired by a Trustee's Sale in 2019, far exceeding the minimum capital requirements. PAR2006 has made significant capital improvements to its leasehold incorporating sustainability features to the design and modernizing the facilities, which included property including the installing electric vehicle chargers, a blast fence and improved fencing around the property, storm drains, sewers, and security infrastructure, as well as replacing and enhancing the pavement and subsurface of nearly the entire property and rehabilitating a 30,000 sq. ft. aircraft hangar and office complex. These factors make the leasehold an important component of the airport and the County serving aviation users and creating economic impact for the region.

Proposed New Lease

PAR2006 is requesting two new 50-year leases and Government Code Section 50478 allows the County to terminate the existing leases 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 full 50-year leases will allow the tenant to make additional long-term improvements, estimated between \$3-5M in value, that can be amortized over a full 50 years along with the \$15M previously invested, rather than the remaining 25 years of their current leases. 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.

Under this new lease, PAR2006 intends to invest in the installation of photovoltaic cells (solar energy) that will fully provide energy to PAR2006's premises which include 14 electric car

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charging stations, and the installation of new fuel farm consisting of two 20,000 gallon fuel tanks that will increase the fuel inventory as well as allowing PAR2006 to offer the use of Sustainable Aviation Fuel (SAF) to its customers. 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 General Fund. If approved, the new Aviation Leases would commence on November 1, 2025 and terminate on October 31, 2075.

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 rent will be adjusted as stated on the current leases, applying the Cost-of-Living Adjustment (COLA) on the first day of November every year. The recent COLA adjustment on July 1, 2025 was calculated and applied as the current monthly rent as follows: contract #104566 is \$15,610.11, and for contract #104567 it is \$36,635.78. 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, any existing improvements become the property of the County. Because granting PAR2006 new leases would postpone the County's ownership of these improvements, PAR2006 will compensate the County.

The County has calculated the required compensation at \$1,251,525, a figure determined by multiplying the land lease value by the leasehold size and the length of the new lease term, as outlined in the Airport Leasing Guidance document. Of this amount, 70% (\$876,067) will be invested directly into capital improvements on the leased land, while the remaining 30% will be allocated to the Airport Enterprise Fund (AEF).

In addition to this compensation, PAR2006 must invest a minimum of \$876,067 into capital improvements within the first five years of the new lease. PAR2006 plans to exceed this minimum with \$3-5 million in upgrades. These planned projects, such as the installation of solar photovoltaic cells and a new fuel farm, will improve the leasehold's safety, security, efficiency, and sustainability. The new fuel farm, with its two 20,000-gallon tanks, will also allow PAR2006 to offer Sustainable Aviation Fuel (SAF), which can reduce an aircraft's carbon footprint by more than 70%.

Today's request is to approve two new 50-year Aviation Leases with PAR2006 that would supersede the existing leases with the same entity, pursuant to Government Code Section 50478 and would commence on November 1, 2025, and terminate on October 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

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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 two new leases with an existing lessee, Palomar Airport Road 2006, LLC, for continuation of existing use of PAR2006’s facilities and business operations, 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, flowing script.

DAHVIA LYNCH
Deputy Chief Administrative Officer

ATTACHMENT(S)

- A: Vicinity Map
- B: Leasing Guidance