



COUNTY OF SAN DIEGO

LAND USE AGENDA ITEM

BOARD OF SUPERVISORS

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First District

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Fifth District

DATE: **October 16, 2019**

07

TO: Board of Supervisors

SUBJECT

GILLESPIE FIELD – NEW AVIATION LEASE WITH CLASSIC AIRCRAFT HANGARS, INC. (DISTRICT: 2)

OVERVIEW

Gillespie Field is a general aviation airport owned and operated by the County of San Diego's (County) Department of Public Works (DPW) within the municipal limits of the City of El Cajon. The airport includes 19 aviation leases and is a gateway to and from San Diego's east county providing infrastructure, facilities, and services to corporate and general aviation communities. Leasing of airport property generates lease revenue within the airport enterprise fund, which is used by DPW to ensure that all County airports are properly maintained and safe for airport users.

On September 11, 1984 (82), the Board of Supervisors approved a 30-year aviation lease for aircraft storage hangars with Classic Aircraft Hangars, Inc. (Classic), which commenced on October 1, 1984. On April 14, 1999 (10), the Board of Supervisors approved a new 30-year aviation lease with Classic, which replaced their previous lease for the same premises. The current lease commenced on April 1, 1999 and is scheduled to terminate on March 31, 2029. The lease was amended on February 24, 2010 (12), to adjust rent and revise certain lease provisions. Classic has requested to extend its cumulative tenancy on the leasehold to 50 years, which is the maximum allowed by Government Code Section 50478. As a result, the Classic lease could be extended through 2034. DPW and Classic have negotiated a new lease as summarized below.

This is a request to approve a new 14-year 10-month aviation lease to replace the existing lease with Classic, beginning on December 1, 2019 and ending on September 30, 2034. Approval of this action would provide the County with updated lease language including environmental sustainability provisions, increased rental revenue, and a one-time equity payment from the lessee. If the proposed action is approved, current fiscal year revenue would increase by \$123,128 over the budgeted amount.

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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 amendment is categorically exempt from CEQA review as it consists of leasing of existing facilities involving negligible or no expansion of existing or former use.
2. Approve and authorize the Clerk of the Board to execute, upon receipt, three copies of the new Aviation Lease with Classic Aircraft Hangars, Inc. (County Contract No. 320005) **(4 VOTES)**

FISCAL IMPACT

Funds resulting from this request are partially included in the Fiscal Year 2019-20 Operational Plan for the Airport Enterprise Fund. If approved, this request would result in total annual revenue of \$187,928 in Fiscal Year 2019-20, an increase of \$123,128 over the amount budgeted. The funding source for the additional revenue is a total of \$2,016 increase in rental payments from the lessee under the terms of the amended lease and a one-time equity payment of \$121,112. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

On July 17, 2019, the Gillespie Field Development Council unanimously recommended, by a vote of 4 Ayes, 0 Noes, and 0 Abstentions, with 0 absent and 1 vacant seat, that the Board of Supervisors approve the new aviation lease between the County and Classic Aircraft Hangars, Inc. (County Contract No. 320005).

BACKGROUND

Gillespie Field is a general aviation airport owned and operated by the County of San Diego's (County) Department of Public Works (DPW) within the municipal limits of the City of El Cajon. The airport provides infrastructure, facilities, and services for corporate and general aviation users and serves as the base for Sheriff Department's Aerial Support to Regional Enforcement Agencies. Along with aviation-related facilities, Gillespie Field includes three off-airport industrial parks developed with airport-compatible uses. Leasing of airport property generates lease revenue within the airport enterprise fund, which is used by DPW to ensure that all County airports are properly maintained and safe for airport users.

On September 11, 1984 (82), the Board of Supervisors approved a 30-year aviation lease with Classic Aircraft Hangars, Inc. (Classic), which commenced on October 1, 1984. On April 14, 1999 (10), the Board of Supervisors approved a new 30-year aviation lease with Classic, which replaced their previous lease for the same premises. There are two buildings on the leasehold, with hangars used for aircraft storage. The current lease, known as County Contract No. 75169R, commenced on April 1, 1999 and is scheduled to terminate on March 31, 2029. The lease was amended on February 24, 2010 (12), to adjust rent and revise certain lease provisions. Classic has requested an additional term, to extend its cumulative tenancy on the leasehold to 50 years,

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as allowed by Government Code Section 50478. This leasehold has no commercial subleases and no flight schools.

Proposed New Lease

DPW and Classic have negotiated a new lease of the 4.5-acre premises. The new 14-year, 10-month lease would commence on December 1, 2019 and terminate on September 30, 2034. The lease will contain standard lease terms consistent with other new aviation leases, including language promoting environmental sustainability, including energy conservation, water conservation, recycling, and waste reduction, and specific terms as follow:

Base Monthly Rent

Classic has accepted the County's proposal of incremental rent increases over the five-year period beginning December 1, 2019. Thereafter, the rent would be renegotiated to reflect the market rate. For the first year of the new lease, the base monthly rent would increase by \$288 per month, from \$5,400 to \$5,688, or a 5.33% increase as of December 1, 2019. Rent will increase by an additional 2% plus the cost of living adjustment (based on changes in the relevant Consumer Price Index) for each of the following four years, after which it will again be readjusted to market rate. This rent schedule is based on the current appraised market rent for the Gillespie Field aviation-use properties, of \$1,360 per acre per month, phased-in over five years.

Equity Payment

At the end of most ground leases, including the current Classic lease, existing improvements become the property of the County. As the County's ownership of leasehold improvements would be postponed as a result of granting a new lease, Classic would pay to the County a compensation, otherwise known as an equity payment. DPW and Classic have agreed to an equity payment of \$121,112, as representing the County's extended reversionary interest in the property.

Required Leasehold Improvements

As additional consideration for the County granting a new lease, Classic would be required to meet capital investment requirements. As the lease parcel has been completely built-out, Classic would invest into property enhancement and sustainability projects, including drought-tolerant and xeriscape landscaping, LED lighting, low-flow bathroom fixtures, and the ongoing maintenance of a fully permitted onsite hazardous waste oil recycling tank for aircraft oils.

This is a request to approve a new 14-year 10-month aviation lease to replace the existing lease with Classic, beginning on December 1, 2019 and ending on September 30, 2034. Approval of this action would provide the County with updated lease language including environmental sustainability provisions, increased rental revenue, and a one-time equity payment from the lessee. If the proposed action is approved, current fiscal year revenue would increase by \$123,128 over the budgeted amount.

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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 existing use. The proposed action involves approval of a new lease with minor alteration of existing structures and no proposed changes in use from what currently exists. The proposed action relates to the continued leasing and operation of existing uses, involves no expansion of use, and is, accordingly, exempt from CEQA review pursuant to Section 15301 of the CEQA Guidelines.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today’s proposed action supports the Operational Excellence Strategic Initiative in the County of San Diego’s 2019-2024 Strategic Plan. Revenue derived from airport leases is placed in the County’s Airport Enterprise Fund, which aims at aligning services to available resources and maintaining fiscal stability by using lease revenue for ongoing maintenance and operation of County airports. Airports 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 general public.

Respectfully submitted,



SARAH E. AGHASSI
Deputy Chief Administrative Officer

ATTACHMENT(S)

Attachment A – Vicinity Map

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AGENDA ITEM INFORMATION SHEET

REQUIRES FOUR VOTES: ☒ Yes ☐ No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED

☐ Yes ☒ No

PREVIOUS RELEVANT BOARD ACTIONS:

February 24, 2010 (12), approved First Amendment to Aviation Lease with Classic Aircraft Hangars, Inc.; April 14, 1999 (10), approved new 30-year Aviation Lease with Classic Aircraft Hangars, Inc.

BOARD POLICIES APPLICABLE:

F-51 County Real Property Asset Management

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION
NUMBER(S):**

320005

ORIGINATING DEPARTMENT: Department of Public Works

OTHER CONCURRENCE(S): N/A

CONTACT PERSON(S):

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