

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS - LAND USE
WEDNESDAY, JUNE 25, 2025**

MINUTE ORDER NO. 1

SUBJECT: WITHDRAWN - GILLESPIE FIELD - FIRST AMENDMENT TO INDUSTRIAL GROUND LEASE WITH SGCLMC-WELD INVESTMENT COMPANY, L.P. AND RELATED CEQA EXEMPTION (DISTRICT: 2)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 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 traditionally less working capital - and business owners and managers who may be socially and economically underserved.

SUSTAINABILITY IMPACT STATEMENT

This request to authorize the “First Amendment To Industrial Ground Lease With SGCLMC-Weld Investment Company, L.P.” contributes to economic and social sustainability benefits. The base monthly rent from business leases supports economic and social sustainability by providing services for the region. This lease extension will help operate, maintain, and improve the County Airports system, aligning with the County of San Diego’s (County) sustainability goal of providing just and equitable access to County services and resources in support of sustainable communities.

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.

ACTION:

This item was withdrawn at the request of the Chief Administrative Officer.

State of California)
County of San Diego)

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter