

**GILLESPIE FIELD DEVELOPMENT COUNCIL**  
Wednesday, July 20, 2022  
AGENDA ITEM #7

**THREE LEASE AMENDMENTS FOR SCHEDULED RENT ADJUSTMENT  
WITH GKN AEROSPACE CHEM-TRONICS**



**BACKGROUND**

GKN Aerospace Chem-Tronics, Inc. (GKN) is a well-known manufacturer of aircraft parts, systems, and structural engine components. GKN is one of the east county's largest employers, with 800 people working at its El Cajon campus. GKN owns an approximately 10-acre parcel on Bradley Avenue and leases portions of the adjacent land from the County in the Gillespie Field Industrial Park.

The land in the Gillespie Field Industrial Park was released by the Federal Aviation Administration (FAA) for non-aeronautical uses. The FAA agrees to such releases only when the land is not needed to meet aviation forecasts or is not suitable for aeronautical use, as, in this case, because of its separation from the airport operational areas by Marshall Avenue and Forester Creek channel. Federal law also requires that the County receive market rate rent for airport land and that the revenue must be used for the operation and maintenance of the County-owned and operated airports.

On August 8, 1984 (59), the Board of Supervisors (Board) approved a 55-year industrial lease (County Contract Number 70619R) with Chem-Tronics, Inc. for approximately 4.38 acres. Subsequently, additional parcels were included into this lease, and with the Board approvals on January 29, 1994 (57), June 4, 1996 (22), and October 19, 2016 (10), the leasehold gradually expanded to its current size of 5.96 acres. On June 4, 1996 (22), the Board approved a 15-year lease with Chem-Tronics, Inc. (County Contract Number 71871R) for approximately 4.946 acres, which was amended on September 20, 2006 (15) to extend the term through June 30, 2040. On April 22, 2015 (5), the Board approved a new 25-year lease with GKN Aerospace Chem-Tronics, Inc. (County Contract Number 315017) for approximately 1.46 acres.

These three leases require periodic renegotiated rent adjustments, consistent with market rates. The current renegotiated adjustment is scheduled to take effect on July 1, 2022. The County and GKN, individually, have ordered formal appraisals of the market rents for the subject leases, which

were performed by independent appraisers qualified to appraise the land values in accordance with the requirements prescribed by the lease agreements and by the Federal Aviation Administration guidelines.

**PROPOSED LEASE AMENDMENT**

Based on appraisals, DPW and GKN have agreed that the fair market rate is \$5,880.60 per acre per month, which is an increase of approximately 4% to 5% in rent for these leases. The proposed lease amendments would implement the adjustments of the base monthly rents as follows:

Contract No.	Acreage	New Rental Rate ac/mo.	<b>New Base Monthly Rents</b>	Current Monthly Rents	Monthly Increases
315017	1.46	\$5,880.60	<b>\$8,586</b>	\$8,252	\$334
70619R	5.96	\$5,880.60	<b>\$35,048</b>	\$33,360	\$1,688
71871R	4.946	\$5,880.60	<b>\$29,085</b>	\$27,684	\$1,401
Total			<b>\$72,719</b>	\$69,296	\$3,423

These adjustments are contemplated in the existing lease agreements, and all other terms of the leases would remain unchanged. These three leases would continue to provide for annual Consumer Price Index-based rent adjustments and for periodic rental rate renegotiations every nine years. The next renegotiated rent adjustment to reflect fair market rates is scheduled to occur on July 1, 2031.

This is a request for Gillespie Field Development Council to recommend the County Board of Supervisors approve the proposed lease amendments.

**RECOMMENDED MOTION**

*“Gillespie Field Development Council recommends the Board of Supervisors approve the proposed lease amendments with GKN Aerospace Chem-Tronics, Inc. (County Contract Nos. 70619R, 71871R, and 315017).”*