

## **GILLESPIE FIELD DEVELOPMENT COUNCIL**

Wednesday, July 16<sup>th</sup>, 2025

### **AGENDA ITEM #10**

#### **Mitre Aviation, L.P. New 50-Year Lease**

##### **Background**

Mitre Aviation, L.P. (Mitre) operates an aviation business on the 4.73-acre leasehold and subleases space to other aviation businesses and airplane owners. The leasehold is located on North Marshall Avenue and is developed with multiple buildings that accommodate aircraft storage and aviation services. Mitre has made significant capital improvements to its leasehold and the costs of those improvements exceeded the required minimum capital improvement amounts.

##### **Proposed New Lease**

Mitre is requesting a new 50-year lease, extending its occupancy by 37 years and 1 month, compared to the current lease termination date. Today's request is to approve a new 50-year lease with Mitre that will supersede the existing lease with the same entity, pursuant to Government Code Section 50478. This new Aviation Lease would commence on September 1, 2025 and terminate on August 31, 2075. Under the new lease, Mitre plans to modernize its aging hangars, make energy-efficient upgrades, and improve its ramps and taxiways.

##### **Base Monthly Rent**

For the new lease, the County and Mitre negotiated the initial base monthly rent of \$7,000.75 to begin on December 1, 2025. The initial base monthly rent would be subject to annual cost of living adjustments (COLA) and to periodic rental rate renegotiations. The first renegotiated rent rate increase will take effect on December 1, 2029 and thereafter every 10 years.

##### **Equity Payment**

At the end of most ground leases, including Mitre's current lease, existing improvements revert to the County. As the County's ownership of the leasehold improvements would be postponed as a result of granting this new lease, Mitre would pay the County compensation for postponing this reversionary interest in the improvements, otherwise known as an equity payment. The County and Mitre have agreed to an Equity Payment of \$192,132.60 as representing the County's reversionary interest. Mitre's repayment will begin 30 days of the Board's approval of the new lease, at 5% interest rate during the first 10 years.

##### **Required Leasehold Improvements**

As additional consideration for the County granting a new lease, Mitre would be required, within the first ten years of the new lease, to invest a minimum of \$448,309.40 in capital improvements in the leasehold. This requirement is based on a standard

formula that County airports uses when granting new leases for additional term. As this lease parcel has been completely built out, the lessee would invest this amount into upgrades that improve safety, security and efficiency in the leasehold. Examples of potential projects that may qualify for toward the lessee's satisfaction of the minimum capital improvement requirement include installation of solar power system, LED lighting, energy efficient HVAC, asphalt and concrete repairs, hangar improvements. All improvements would require the County's prior written approval. If the value of the improvements is less than the required capital investment amount at the end of the ten-year period, the lessee will pay the balance to the County.

### **Benefits to County**

The new lease will result in improved property that will enhance the appearance of Gillespie Field. Airports will benefit through continued dependable rent revenue, as well as a one-time equity payment from the lessee.

### **RECOMMENDED MOTION**

*"Gillespie Field Development Council recommends the Board of Supervisors approve the new 50-year lease with Mitre Aviation, L.P., as recommended by staff."*