

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, May 20, 2020

AGENDA ITEM #8

GILLESPIE FIELD AVIATION LEASE AMENDMENTS TO IMPLEMENT NEW RENT SCHEDULE



BACKGROUND

Gillespie Field has sixteen aviation leases for which negotiated rent is being implemented effective beginning December 1, 2019. These leases, which cover approximately 86 acres of land, are occupied by private businesses providing aviation facilities such as hangars, tie-down spaces for aircraft storage, offices and aircraft hangars for aviation related business, and fuel facilities. Services include flight training, sale and rental of aircraft, aircraft repair and maintenance, and the sale of aircraft parts and equipment. On December 16, 1997, the County Board of Supervisors (“Board”) approved lease amendments to establish a rent schedule setting Gillespie Field aviation rents through

November 30, 2010. On February 24, 2010, the Board approved lease amendments to establish a rent schedule setting Gillespie Field aviation rents through November 30, 2019, when rates would again be adjusted.

The County and lessees, working together, established that the current market rate is \$1,360 per acre per month, which represents a 13.33% increase in rates over the prior rent of \$1,200 per acre per month. This is a substantial single-year increase in rents, especially considering the downward trends in certain segments of the general aviation industry, such as piston-aircraft, that make up a significant part of the users of Gillespie Field. In consideration of this, the County and the lessees have negotiated a phased rent schedule that gradually increases rental rates over a ten-year period, capturing both the change in market rent and cost of living adjustments, for the period from December 1, 2019 through November 30, 2029.

PROPOSED LEASE AMENDMENTS

The sixteen impacted Gillespie Field aviation lessees have accepted the County’s proposal of incremental rent increases to market rate over the five-year period beginning December 1, 2019. For the first year of the lease amendments, the base monthly rent for each lease would increase by 5.33%. Rents will increase by an additional 2% plus the cost of living adjustment (based on changes in the relevant Consumer Price Index not to exceed 1% per year), for each of the following four years. Thereafter, the rent would be adjusted annually based solely on changes in the relevant Consumer Price Index for an additional five years, not to exceed 2% per year, before again being renegotiated to reflect the market rate. This rent schedule, which is based on the current appraised market rent for the Gillespie Field aviation-use properties, of \$1,360 per acre per month, is further summarized below:

Year	Increase	Year	Increase
1	5.33%	6	CPI up to a max. 2%
2	2% + (CPI up to a max. 1%)	7	CPI up to a max. 2%
3	2% + (CPI up to a max. 1%)	8	CPI up to a max. 2%
4	2% + (CPI up to a max. 1%)	9	CPI up to a max. 2%
5	2% + (CPI up to a max. 1%)	10	CPI up to a max. 2%
		11	Renegotiated to market rate 12/1/2029

The rent increases of 5.33% that are to be implemented as of December 1, 2019 are as summarized in the following table:

Contract No.	Lessee	Existing Rent Nov 30, 2019	Proposed Rent Dec 1, 2019	Monthly Increase
11281R	Gillespie Air Center	\$6,204.00	\$6,534.67	\$330.67
71629R	El Cajon Flying Service, Inc.	\$9,468.00	\$9,972.64	\$504.64
75099R	Speer Hangar Owners' Assn.	\$8,520.00	\$8,974.12	\$454.12
75169R	Classic Aircraft Hangars, Inc.	\$5,400.00	\$5,687.82	\$287.82
75658R	Cory P. Hazlewood	\$3,204.00	\$3,374.77	\$170.77
120141	La Jolla Investment Company	\$3,240.00	\$3,412.69	\$172.69
120140	Airworld LLC	\$1,800.00	\$1,895.94	\$95.94
120781	Golden State Aviation	\$1,440.00	\$1,516.75	\$76.75
122228	McHone Gillespie Field, LLC	\$7,366.00	\$7,758.61	\$392.61
504325	Circle Air Group, LLC	\$10,560.00	\$11,122.85	\$562.85
314001	The Borden Trust	\$12,086.40	\$12,730.61	\$644.21
314002	So. Cal Leasing LLC	\$4,059.90	\$4,276.29	\$216.39
315004	Safari Aviation of California, Inc.	\$6,276.00	\$6,610.51	\$334.51
315005	Mitre Aviation, L.P.	\$5,676.00	\$5,978.53	\$302.53
318007	Velocity CEA SD LLC	\$8,568.00	\$9,024.67	\$456.67
319012	Westways Aviation, Inc.	\$8,396.70	\$8,844.24	\$447.54

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 16 Gillespie Field aviation lease amendments with the following tenants: Gillespie Air Center; El Cajon Flying Service; Speer Hangar Owners' Association; Classic Aircraft Hangars; Cory Hazlewood; La Jolla Investment Company; Airworld; Golden State Aviation; McHone Gillespie Field; Circle Air Group; The Borden Trust; So Cal Leasing; Safari Aviation; Mitre Aviation; Velocity CEA SD; and Westways Aviation, as recommended by staff.”