

GILLESPIE FIELD DEVELOPMENT COUNCIL

Wednesday, July 17, 2019

AGENDA ITEM #8

NEW AVIATION GROUND LEASE WITH CLASSIC AIRCRAFT HANGARS, INC.



BACKGROUND

On April 14, 1999 (10), the Board of Supervisors approved a 30-year aviation lease with Classic Aircraft Hangars, Inc. ("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, to adjust rent and revise certain lease provisions. Classic has requested a new lease, with a termination date of September 31, 2034, which would extend the lessee's tenancy on that leasehold premises to the maximum cumulative 50-year term allowable under the law.

PROPOSED LEASE

The new lease is based on the most recent standard aviation lease format approved by County Counsel. If the proposed action is approved, the new 14-year 10-month lease for the same 4.5-acre parcel would commence on December 1, 2019 and terminate on September 30, 2034.

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 be \$5,687.82, or a 5.33% increase as of December 1, 2019, as offered to all Gillespie Field Aviation Lessees. Rent will increase by an additional 2% plus the CPI-based cost of living adjustment for each of

years 2-5 of the new lease. This rent schedule is based on the appraised market rent for the Gillespie Field aviation use properties, of \$1,360/acre/month, phased-in over 5 years, plus any decrease in the purchasing power of the dollar over that same period.

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." The amount of the \$121,112 Equity Payment was based on the property value, which was determined by several factors, such as the buildings' size, age, use, and condition, as well as the equity portion accrued by the County since the beginning of the current lease, with the 30-year amortization period.

Required Improvements

As additional consideration for the County granting a new lease, Classic would be required to meet minimum 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 for Gillespie Field Development Council to recommend the County Board of Supervisors approve the new aviation ground lease with Classic, which would supersede their current lease.

RECOMMENDED MOTION

"Gillespie Field Development Council recommends the Board of Supervisors approve the proposed new Aviation Ground Lease with Classic Aircraft Hangars, Inc., as recommended by staff."