

GILLESPIE FIELD DEVELOPMENT COUNCIL  
Wednesday, September 20, 2017  
AGENDA ITEM #7

Proposed New 30-Year Aviation Ground Lease with Velocity CEA SD LLC (Replacing El Cajon Flying Service North, County Contract Number 75505)



**BACKGROUND**

The County Board of Supervisors approved the original Lease with El Cajon Flying Service, Inc. (ECFS) which commenced on October 7, 1975. ECFS also has a second lease. Both leases have been amended multiple times and are scheduled to expire on September 30, 2022.

ECFS has been openly marketing its leaseholds, including announcing it publicly at the January 18, 2017 Gillespie Field Development Council meeting. ECFS is in the process of assigning, or selling, its north lease, Contract Number 75505R, to Velocity CEA SD LLC (Velocity). ECFS will retain ownership of, and continue to operate, its south lease. Velocity has requested a new 30-year Aviation Ground Lease following the completion of the transfer. The new lease would be subject to the transfer being completed. Velocity plans to redevelop the property in a manner that would modernize the existing flight school, aircraft storage and maintenance facilities, and retail operation.

The north lease is 7.14 acres, with leasehold improvements consisting of aircraft hangar storage, maintenance space, office, classroom, simulator, retail space, and 30 tie-down spaces. The

businesses occupying the property employ approximately 45 people and serve approximately 150 to 200 students (student population varies by time of year).

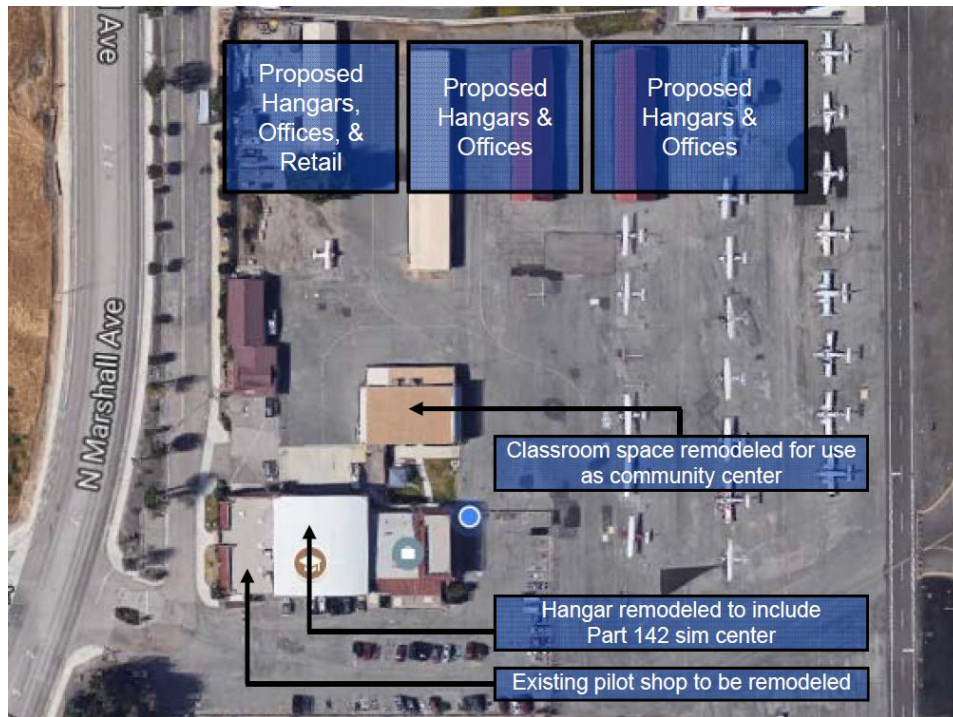
Velocity is planning a two component development of property: (A) modernize obsolete aircraft storage and maintenance space; and (B) remodel other existing buildings to benefit from more efficient space utilization and modern energy and building technologies.

With respect to modernizing obsolete hangars, Velocity intends to remove four buildings currently used for aircraft storage and maintenance, and construct three modern buildings, that will continue to be used for aircraft storage, maintenance, offices, and a retail pilot/avionics/parts shop. The three replacement hangars will be constructed in approximately the same footprint as the four existing hangars.

With respect to remodeling other hangars and office buildings, Velocity intends to update internal floorplans and modernize the general structures (e.g. install solar, replace roofing, etc.). The current pilot/parts shop will be remodeled to modern specifications. The current classroom space will be remodeled to allow for a pilot and student lounge. An existing hangar will be remodeled to include a Part 142 Flight Simulator Center, where the expected occupant, Boeing, will conduct jet orientation and other simulator training.

The new development will be built in phases subject to financing arrangements and timing of expected occupancy. The completed development plan will result in buildings that are largely similar in size, scope, and usage as with the current facilities, *i.e.* aircraft storage, maintenance, office and retail space, and aviation-related training, but will have buildings with more efficient use of space and use of modern construction and energy methods.

This is a request for Gillespie Field Development Council to recommend the County Board of Supervisors approve a new 30-year Aviation Ground Lease with Velocity CEA SD LLC. A new 30-year lease would provide adequate time for Velocity to amortize their investment in the improvements.



## **PROPOSED NEW LEASE**

The proposed new lease is follows the County's standard methodology based on the most recent County standard Aviation Ground Lease format approved by County Counsel.

### **Term**

The proposed new 30-year lease is estimated to commence on March 1, 2018 and terminate on February 28, 2048.

### **Premises**

The leasehold will remain 7.14 acres.

### **Base Monthly Rent**

The initial base monthly rent for this leasehold will be \$8,211 from commencement until December 1, 2018 when it will adjust to \$8,568. This is the same rent as the existing lease. Thereafter, base monthly rent will adjusted on the same schedule and terms contained in the existing lease.

### **Equity Payment**

As the County's ownership of the leasehold improvements would be postponed as a result of granting a new lease, lessee will pay the County compensation for the postponing of this reversionary interest, otherwise known as an "Equity Payment." The County and Lessee have agreed to an Equity Payment of \$365,000 to be paid within 30-days of Board approval of the new lease.

### **Required Leasehold Improvements**

As additional consideration for the County granting a new lease, lessee would be required to meet a minimum capital investment requirement of \$907,375. Velocity plans to redevelop the leasehold as described above, which will easily fulfill this requirement. As always, additional improvements over and above the required amount would be at the discretion of the Lessee and will not be used towards any future lease extensions.

### **Recommended Motion**

*"Gillespie Field Development Council recommends the Board of Supervisors approve the proposed new 30-year Aviation Ground Lease with Velocity CEA SD LLC, as recommended by staff."*