

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 11, 2013

Reference No.: 2.4c.(2)
Action Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Brent L. Green
Chief
Division of Right of Way
and Land Surveys

Subject: **AIRSPACE LEASE – TENANT 888 BRANNAN LP -- REQUEST TO AUTHORIZE EXECUTION OF 15 YEAR LEASE**

RECOMMENDATION

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) authorize the execution of a 15-year lease with 888 Brannan, LP (Brannan).

BACKGROUND

Subject FLA SF-80-02

Brannan currently leases the freeway lease area (FLA) SF-80-02 under State Route 80, an elevated freeway structure in downtown San Francisco (City) at 8th Street between Brannan and Division Streets. FLA SF-80-02 is a 73,709 square foot (s.f.) lot used by Brannan for employee and customer parking for the commercial tenants of the 888 Brannan building as shown in Exhibit A1. The existing two-year lease was established via an oral bid public auction in January 2010.

SF-80 Bryant to Division Streets Corridor Airspace Leases

This request regarding FLA SF-80-02 is one of three separate requests involving five total neighboring FLAs, as shown in Exhibit B. In addition to the single FLA that is the subject of this memorandum, existing airspace tenant Euromotors, Inc. (San Francisco Mercedes Benz dealership) will be leasing three FLAs, and existing tenant Jewelry Square Associates will be leasing the fifth neighboring FLA under the same lease terms, and employing similar coordinated improvements to the properties.

SF-80-02 Property Maintenance and Improvements

The FLA is currently paved and fenced with chain link. The original improvements were installed approximately 30 years ago, and the property now requires certain drainage repairs to correct standing water issues, paving repairs, new fencing, and new lighting for safety. Additionally, Brannan will be removing a large eucalyptus tree that has caused property damage from falling limbs. The improvements are estimated to cost \$290,000 and will be constructed in coordination with Brannan's neighbors Euromotors and Jewelry Square Associates. Brannan will make the required improvements, and will also construct additional aesthetic and safety repairs at their sole costs. Although these improvements and repairs will benefit the Department, Brannan will not

receive any credit towards their lease amount based upon the improvements and repairs being done pursuant to the Lease.

LEASE TERMS

Term:	15 years
Area:	73,709 s.f. under elevated freeway structure
Highest Use:	Vehicle parking and/or storage
Proposed Use:	Vehicle parking
Appraised Value:	\$0.45/s.f. fair market rental rate
Negotiated Rent:	\$33,900/mo = \$0.46 x 73,709 s.f.
Improvements:	\$290,000 in maintenance and capital improvements
Adjustment:	3% annual escalation
Re-evaluation:	Every 5 years
Termination:	By either party with notice; or by the State in case of project requirements

SUMMARY

The optimum return for this site will be realized through a lease with 888 Brannan. The FLA requires certain expensive repairs, and the Department has no available funds to make these necessary repairs. Brannan will make the required repairs, and also construct a number of aesthetic and safety improvements that will benefit both the Department and the surrounding neighborhood. The rental rate is based upon a Fair Market Appraisal and Highest and Best Use Study. We therefore request authorization to execute 15-year leases for these FLAs per the described terms.

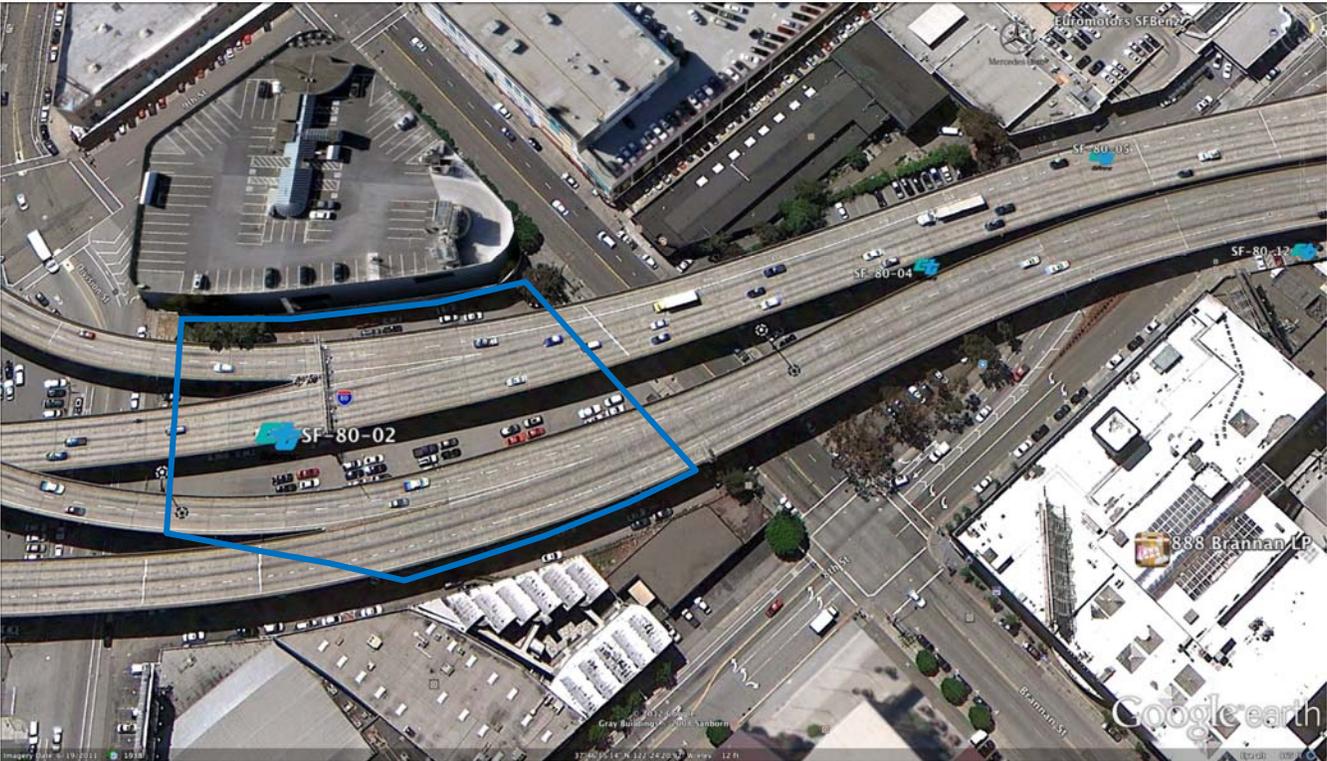
Attachments:

Exhibit A1: SF-80-02 location photos

Exhibit A2: SF-80-02 location map

Exhibit B: SF-80 8th Street Corridor

SF-80-02 at 8th Street & Brannan Street

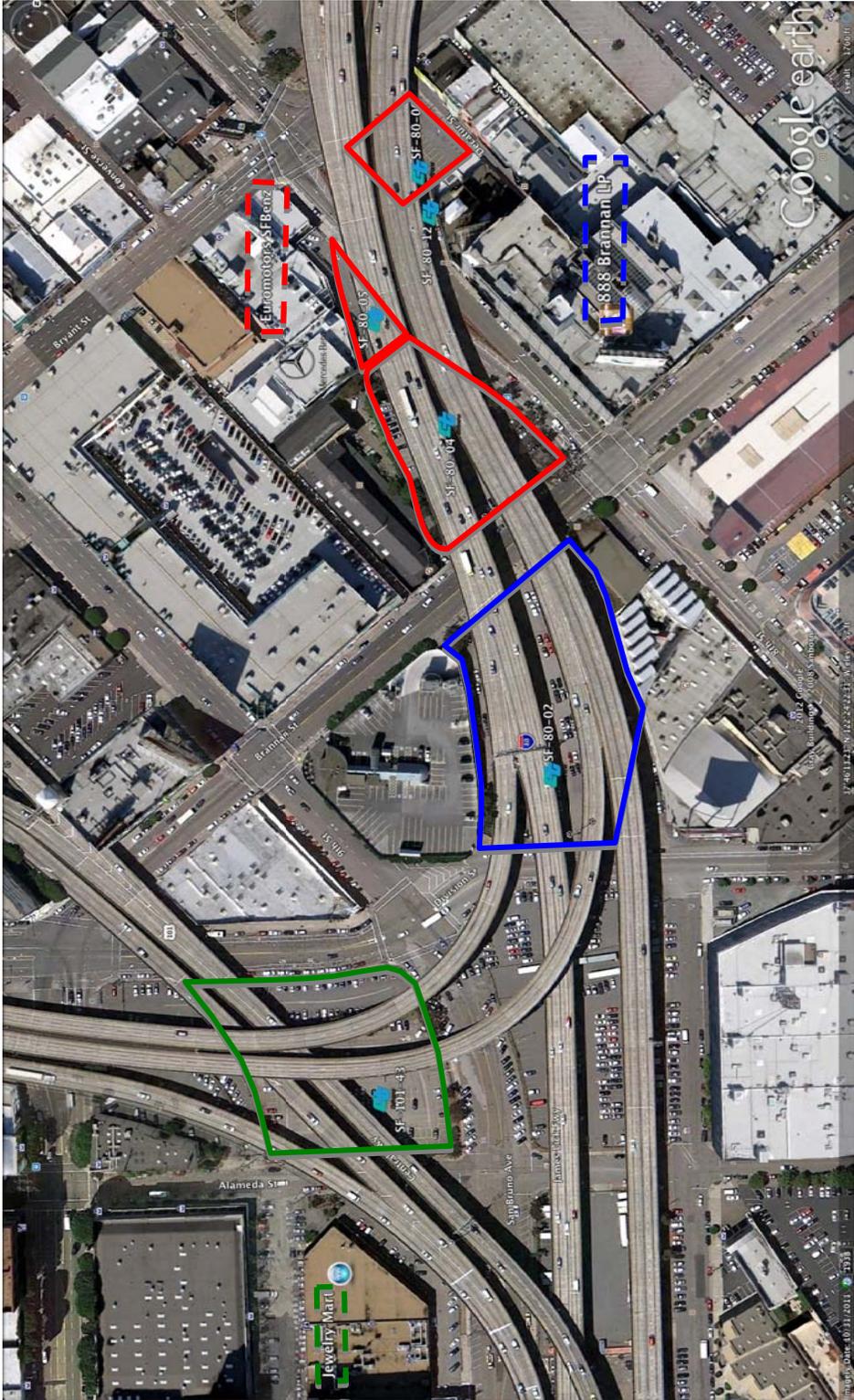


Looking southeast from Brannan Street

EXHIBIT A1

“Caltrans improves mobility across California”

SF-80/101 Bryant St to Alameda St Corridor



RED
 Euromotors SF Benz
 Dealership and
 2 Airspace Sites
 SF-80-04
 SF-80-05

BLUE
 888 Brannan LP
 Building and
 2 Airspace Sites
 SF-80-02
 SF-80-06

GREEN
 Jewelry Mart Building
 and Airspace Site
 SF-101-43

EXHIBIT B