State of California
Business, Transportation and Housing Agency
Department of Transportation

Prepared By:
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HIGHWAY RIGHT OF WAY MATTERS
Airspace Lease Direct Negotiations
03-Sac-51-P.M. 0.3
Action Item

CTC Meeting: July 19-20, 2000
Agenda Item: 2.4c.(1)

Original Signed by Jim Nicholas for
W.J. EVANS, Deputy Director
Finance
July 1, 2000

AIRSPACE LEASE – INTER-MODUL TRANSIT PARTNERS

The Department of Transportation recommends that the California Transportation Commission (CTC) authorize execution of a one-year extension of an existing Option to Lease between the Department of Transportation and the Optionee, Inter-Modul Transit Partners.

The subject airspace site is located beneath and adjacent to the Fort Sutter Viaduct of State Route 51 in Sacramento. The site is 121,495 ± square feet and bounded on the east by 30th Street, on the west by 29th Street, on the south by S street and on the north by a Sacramento Regional Transit Light Rail Station on R Street.

The original option and lease terms were presented to the CTC's Airspace Advisory Committee in April 1997 and subsequently passed by the CTC on May 1, 1997 (see attachment.)

The Optionee proposes to develop a multi-story office building northeast of the subject known as Farmers Market IV. The Department of Transportation, through the Department of General Services, has been negotiating with the developer for additional office space. There are three existing multi-story office buildings to the east and northeast of the subject parcel known as Farmers Market I, II, and III that are already occupied by The Department. A parking structure to support these buildings is located on an airspace site just south of the subject. The subject site would provide parking for the proposed Farmers Market IV development.

The Optionee is requesting a one-year extension of the Option to Lease for the sum of $50,000. In addition, the first scheduled adjustment to the rent will be accelerated by one year.

The negotiated lease terms are still believed to represent a fair market return to the State and it is in the State's best interest to option/lease this parcel to the proposed lessee to achieve the highest return to the State.

The proposed terms and conditions of the one-year option extension have been reviewed and recommended for approval by the CTC's Airspace Advisory Committee.

Attachments

July 19-20, 2000
Attachment

State of California
Business, Transportation & Housing Agency
Department of Transportation

HIGHWAY RIGHT OF WAY MATTERS
Airspace Lease
03-SAC-051-04
CTC Meeting: April 30-May 1, 1997

Prepared By:
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PASSED BY
MAY 0 1 1997
CALIFORNIA TRANSPORTATION COMMISSION

Agenda Item: 2.4 d (1)

CRAIG L. HOUSE, Deputy Director
Finance
May 1, 1997

AIRSPACE LEASE - Inter-Modul Transit Partners and Buzz Oates Enterprises

It is recommended that the California Transportation Commission (CTC) approve the terms and conditions of an airspace lease on the above referenced parcel with Inter-Modul Transit Partners and Buzz Oates Enterprises. It is in the best interest of the State to lease by direct negotiations and not bid this parcel publicly in order to optimize rental income by leasing to adjacent owners. The airspace parcel will be improved by the proposed lessees, and the lease will compliment development on a nearby parcel. Approval of this lease requires the unanimous approval of the CTC.

BACKGROUND:

The subject property contains 121,495 net square feet and is located beneath and adjacent to the Capital City Freeway viaduct, west of 30th Street, east of 29th Street, south of R Street and north of S Street in the midtown area of the City of Sacramento.

The parcel is currently vacant and has been included in the bid offerings for the last four years. There were no meaningful proposals received from this exposure. The proposed lessees indicated their interest at each of the last two bid offerings and submitted proposals for terms longer than those offered.

One of the proposed lessees developed a multi-story office building east of the subject known as Farmers Market III. They have plans to build another office building Farmers Market IV (FMIV) northeast of the subject and propose to improve the subject parcel for surface parking with provisions to build a parking structure at a later date, if needed, to provide off-site parking for potential additional office development to the east and west of the subject.

The proposed terms and conditions of this lease are as follows:

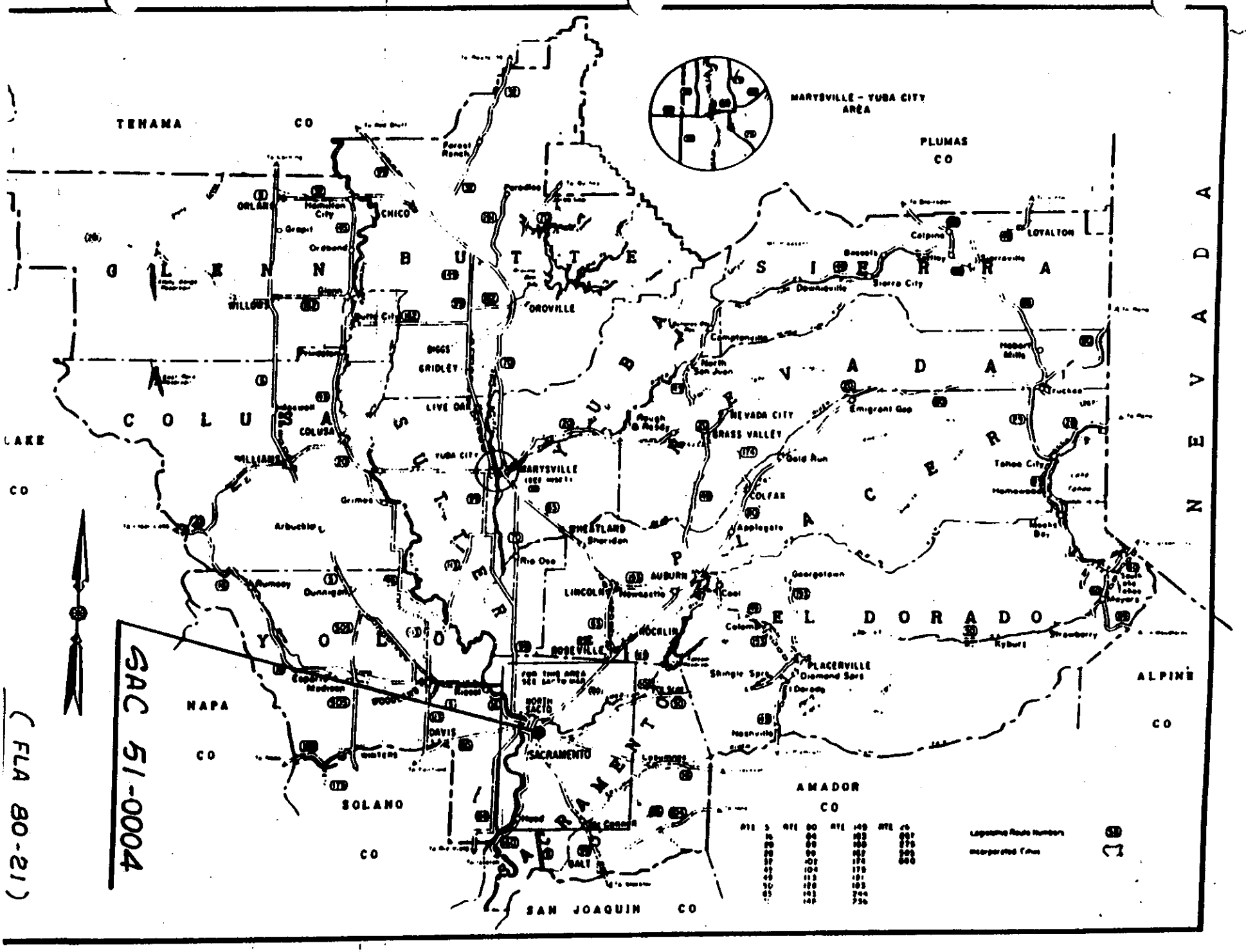
Option: $10,000 per year for 2 years. $30,000 for the third year, if necessary. Payments are due lump sum at beginning of year(s). No prorations or credit if exercised early.

Term:	55 years.
Area:	121,495 square feet.
Use:	Parking.
Consideration:	$10,000 per month for initial one year of lease, then $13,500 per month.
Adjustments to rent:	1. Ground rent will be adjusted every 5 years and will be indexed to the greater of (1) the percentage increase in the office rents from the lessee's proposed office building as compared to the initial base office rents, versus, (2) the percentage increase in the Consumer Price Index with a floor of 1% per year and a ceiling of 4% per year. 2. If the parcel is ultimately developed with a parking structure, rent will be reduced at the start of construction by 50% for a period not to exceed 12 months or the period of construction, whichever is shorter. The base rent will then be reinstated and increased by $5,000 per month for the balance of the lease term. The rent will be subject to the adjustment noted in (1) above, and any subsequent reevaluations. If the multi-level structure is developed after the 15th year, a formal reevaluation would occur taking into consideration the additional parking capacity and current fair market value at the time of the reevaluation. 3. The lease also includes provisions for reevaluation of rent at years 15, 30 and 45 of the lease term. The rent established through a reevaluation is also subject to #1 above.
Improvements:	Prior to construction of any parking structure improvements under the freeway, a project report for these improvements will be approved by Caltrans. This is to comply with Department's seismic policy for structures under freeways.

The proposed terms and conditions have been reviewed and are recommended for approval by the CTC's Airspace Advisory Committee.

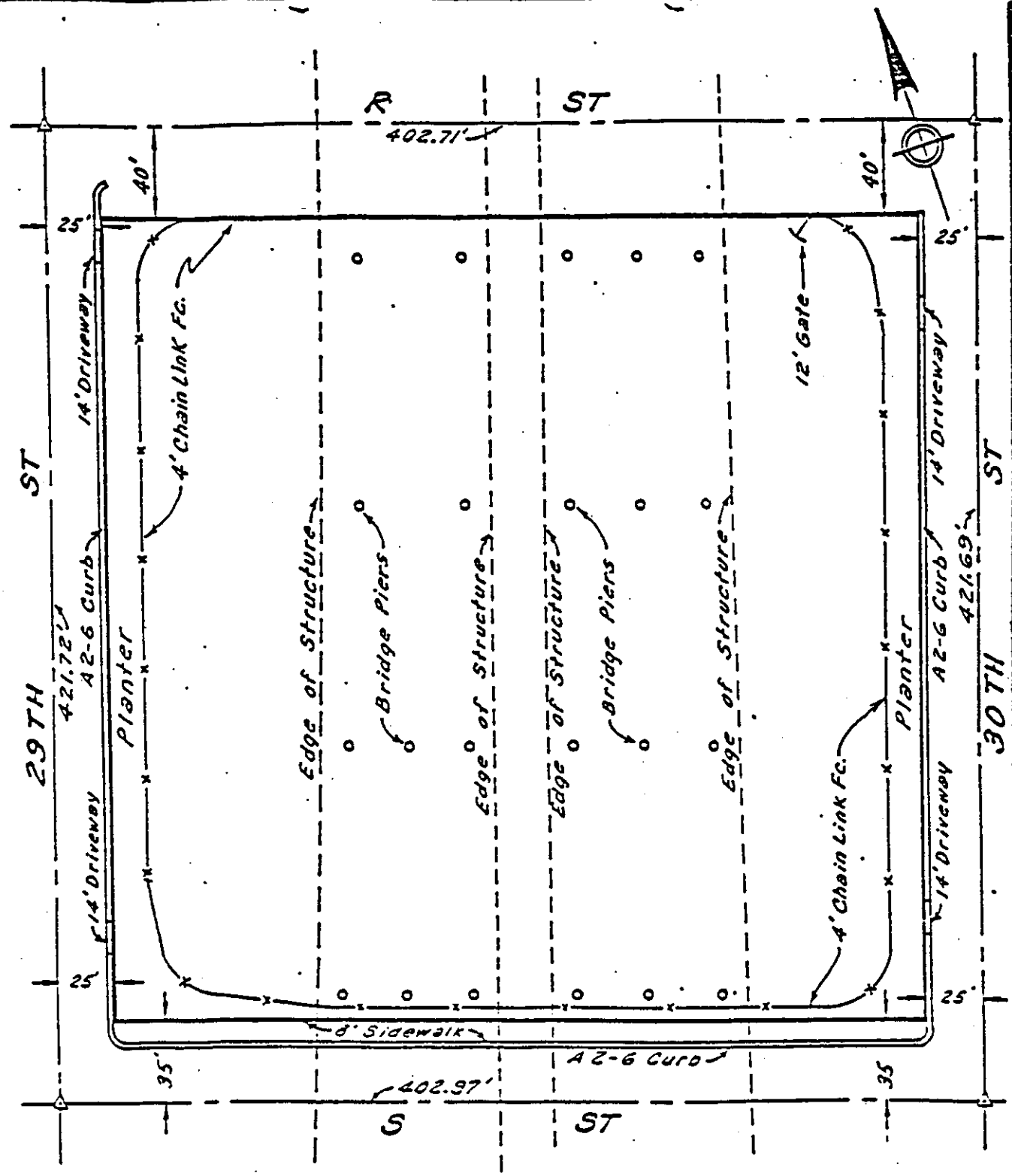
It is in the State's best interest to lease this parcel to the proposed lessees to achieve the highest return to the State.

Attachments



SAC 51-0004

(FLA 80-21)



GROSS AREA: 122,320 SF
LESS PIER AREA: 825 SF
NET AREA: 121,495 SF

BRIDGE PIERS SHOWN THUS: ∘
MAXIMUM and MINIMUM CLEARANCE: 26' and 22'

SAC 051-0004

FLA 80-21

PAR. NO. 9514

DIST	CO	RTE	PM
03	SAC	80	3.0