

# Memorandum

To: CHAIR AND COMMISSIONERS  
CALIFORNIA TRANSPORTATION COMMISSION

From: NORMA ORTEGA  
Chief Financial Officer

CTC Meeting: June 11, 2013

Reference No.: 2.4c.(3)  
Action Item

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

Subject: **AIRSPACE LEASE – TENANT EUROMOTORS, INC -- 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 15-year leases with Euromotors, Inc. (Euromotors) (doing business as Mercedes-Benz of San Francisco) for three freeway lease areas (FLAs) that Euromotors is currently leasing from the Department.

## **BACKGROUND**

Euromotors currently leases three FLAs under State Route 80, an elevated freeway structure in downtown San Francisco (City) at 8<sup>th</sup> Street between Bryant and Brannan Streets:

Subject FLA SF-80-04 is a 41,000 square foot (s.f) lot used by Euromotors to park customer vehicles being serviced by the dealership, and for new vehicle inventory storage as shown in Exhibit B. The existing two-year lease was established via an oral bid public auction in January 2010.

Subject FLA SF-80-05 is a 7,752 s.f. lot adjacent to FLA SF-80-04 and the Euromotors dealership building as shown in Exhibit C. Euromotors owns an appurtenant easement over a portion of this property providing access to the Euromotors building. The existing short-term lease was directly negotiated with Euromotors in May 2010 due to the easement encumbrance. Euromotors improved the FLA with new fencing and paving in 2006 when it acquired the adjoining building, and opened the dealership.

Subject FLA SF-80-06 is a 17,800 s.f. lot across the street from SF-80-05 used by Euromotors for new vehicle inventory storage as shown in Exhibit D. The existing two-year lease was established via an oral bid public auction in June 2011. Although the Department in August 2012 requested permission to directly negotiate with Euromotors for this FLA long term lease, Euromotors and 888 Brannan LP are currently negotiating the transfer of a neighboring building unrelated to this lease with the Department. The Euromotors - 888 Brannan transaction is estimated to be completed in June 2013; as a result of these negotiations, Euromotors plans to release its interest in this FLA, and in its place, 888 Brannan will be the Department's tenant subject to the same lease terms.

SF-80 Bryant to Division Streets Corridor Airspace Leases

This request is one of three separate requests involving five total neighboring FLAs, as shown in Exhibit A. In addition to the three FLAs that are the subject of this memorandum, existing airspace tenant 888 Brannan LP will be leasing one FLA, 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.

Property Maintenance and Improvements

The FLAs are 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, Euromotors will be removing several large eucalyptus trees that have caused approximately \$60,000 in property damage from falling limbs over the past 3 years. The improvements are estimated to cost approximately \$300,000 and will be constructed in coordination with neighbors 888 Brannan and Jewelry Square Associates. Euromotors 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, Euromotors will not receive any credit towards their lease amount based upon the improvements and repairs being done pursuant to the Lease.

**LEASE TERMS**

Subject FLA SF-80-04

Term: 15 years  
Area: 41,000 s.f. under elevated freeway structure  
Highest Use: Vehicle parking and/or storage  
Proposed Use: Vehicle parking  
Appraised Value: \$0.55/s.f. fair market rental rate  
Negotiated Rent: \$22,550/mo = \$0.55 x 41,000 s.f.  
Improvements: \$180,000 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

Subject FLA SF-80-05

Term: 15 years  
Area: 7,752 s.f. under elevated freeway structure  
Highest Use: Vehicle parking and/or storage  
Proposed Use: Vehicle parking  
Appraised Value: \$0.55/s.f. fair market rental rate  
Negotiated Rent: \$4,250/mo = \$0.55 x 7,752 s.f.  
Improvements: \$10,000 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

Subject FLA SF-80-06

Term: 15 years  
Area: 17,800 s.f. under elevated freeway structure  
Highest Use: Vehicle parking and/or storage  
Proposed Use: Vehicle parking  
Appraised Value: \$0.55/s.f. fair market rental rate  
Negotiated Rent: \$9,800/mo = \$0.55 x 17,800 s.f.  
Improvements: \$105,000 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

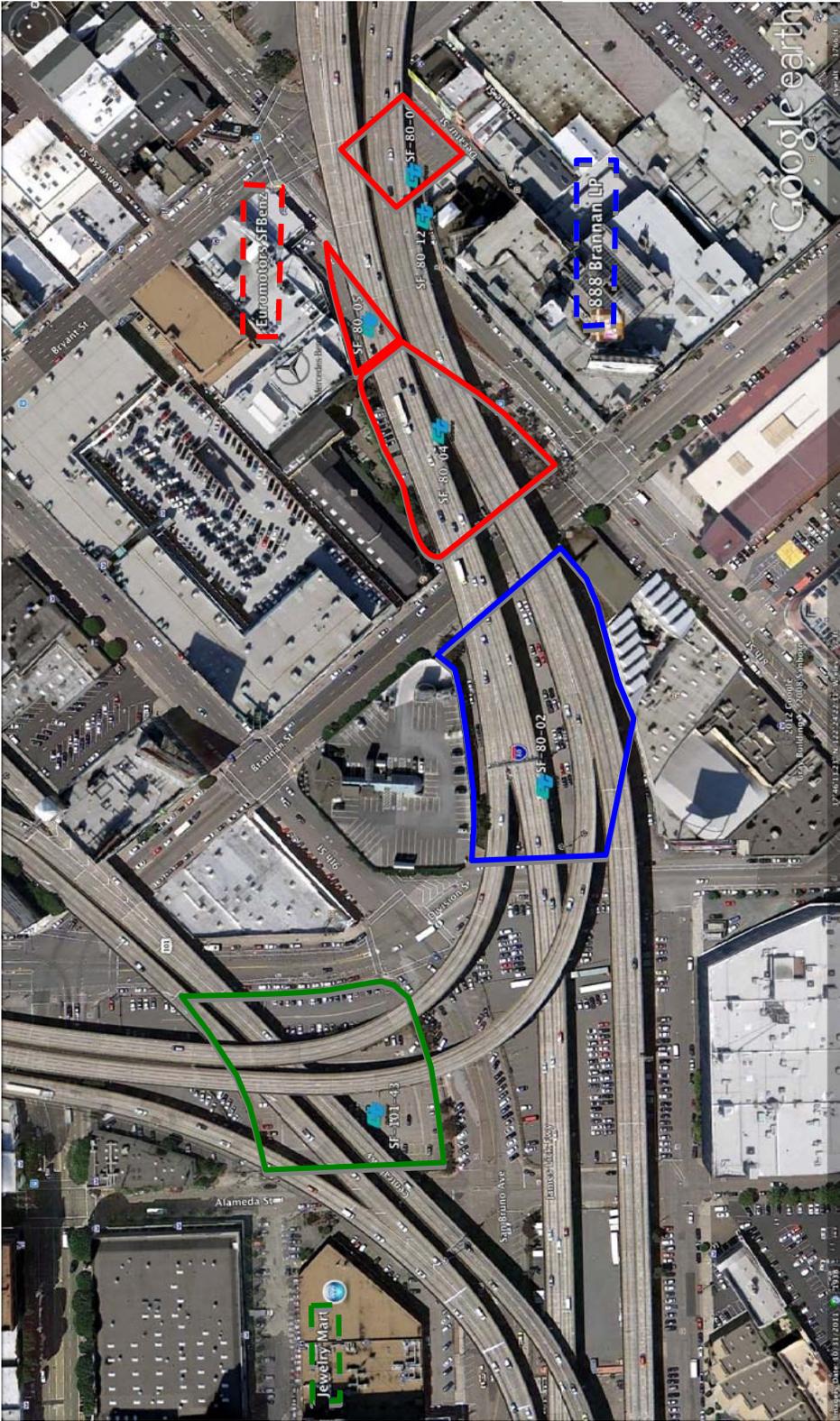
**SUMMARY**

The optimum return for these properties will be realized through a lease with Euromotors. The FLAs requires certain expensive repairs and the Department has no available funds to make these necessary repairs. Euromotors 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 A: SF-80 Bryant Street – Division Street Corridor  
Exhibit B1: SF-80-04 location photos  
Exhibit B2: SF-80-04 location map  
Exhibit C1: SF-80-05 location photos  
Exhibit C2: SF-80-05 location map  
Exhibit D1: SF-80-06 location photos  
Exhibit D2: SF-80-06 location map

SF-80/101 Bryant St to Alameda St Corridor



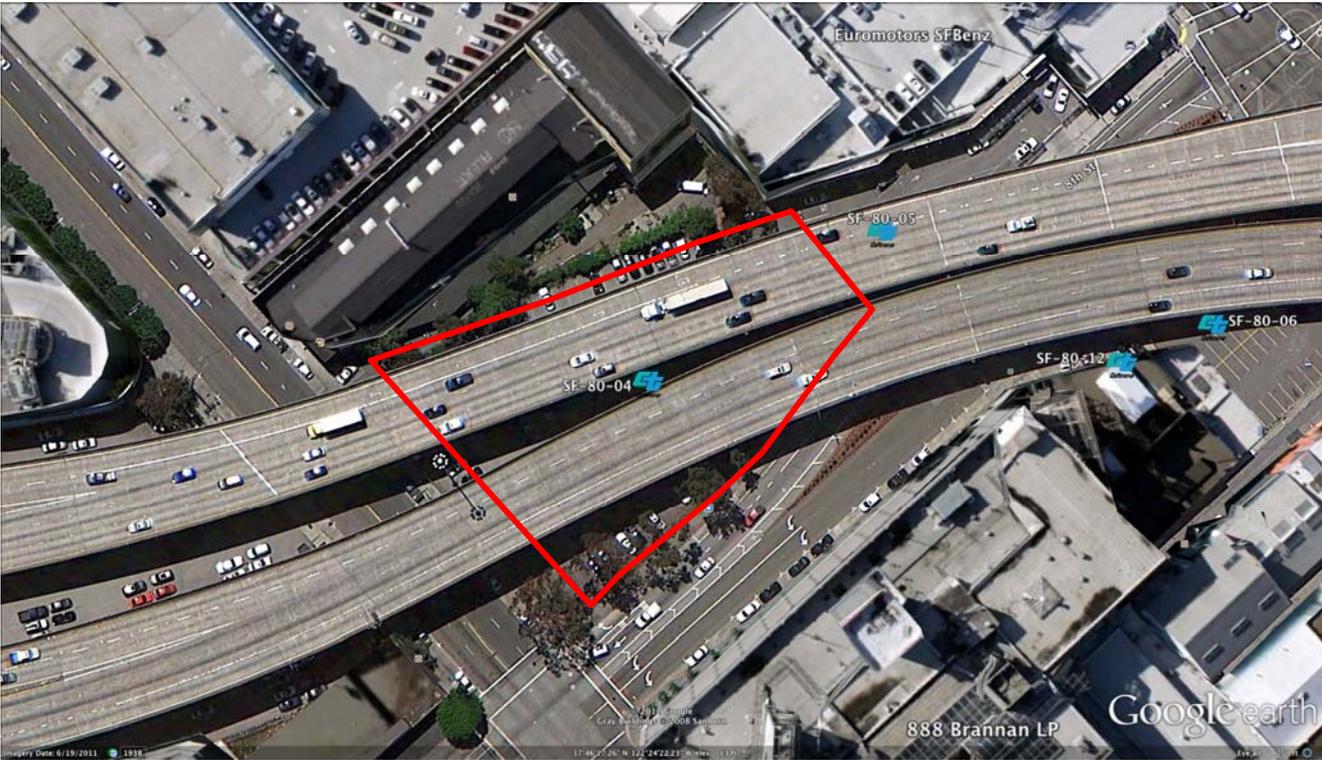
**RED**  
 Euromotors SF Benz  
 Dealership and  
 3 Airspace Sites  
 SF-80-04  
 SF-80-05  
 SF-80-06

**BLUE**  
 888 Brannan LP  
 Building and  
 Airspace Site  
 SF-80-02

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

EXHIBIT A

SF-80-04 at 8<sup>th</sup> Street & Brannan Street



Looking southwest from corner of Brannan and 8<sup>th</sup> Streets

**EXHIBIT B1**

*“Caltrans improves mobility across California”*



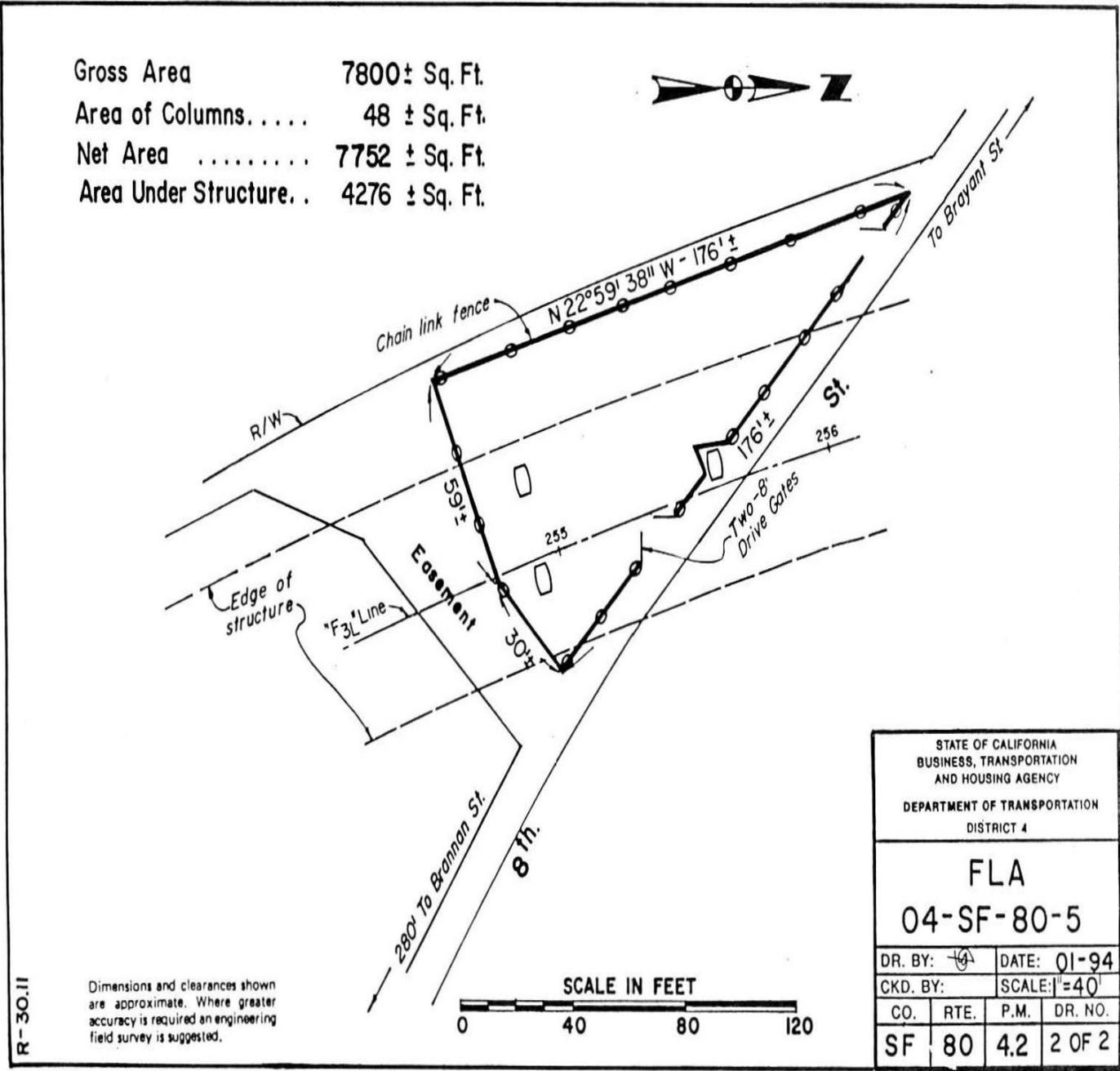
SF-80-05 at 8<sup>th</sup> Street & Bryant Street



Looking southeast across 8<sup>th</sup> Street

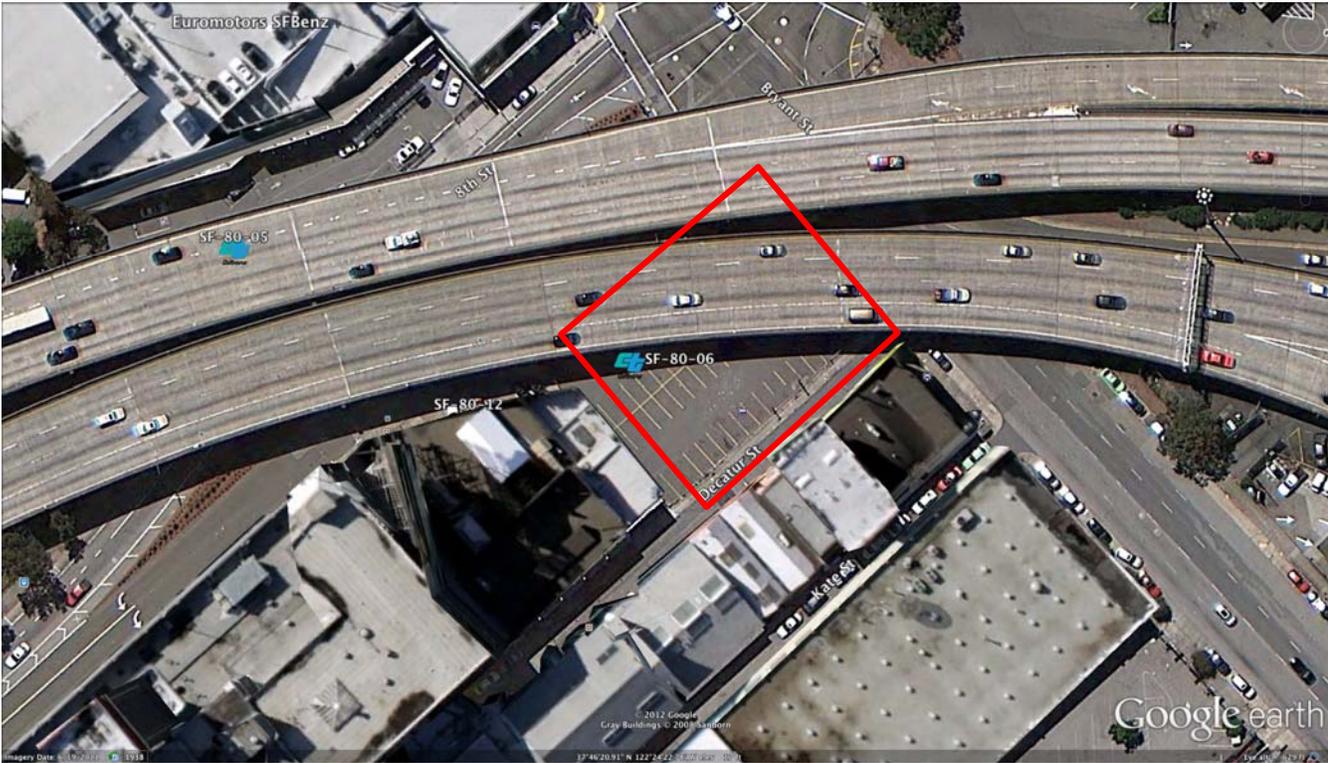
**EXHIBIT C1**

*“Caltrans improves mobility across California”*



**EXHIBIT C2**

SF-80-06 at 8<sup>th</sup> Street & Bryant Street

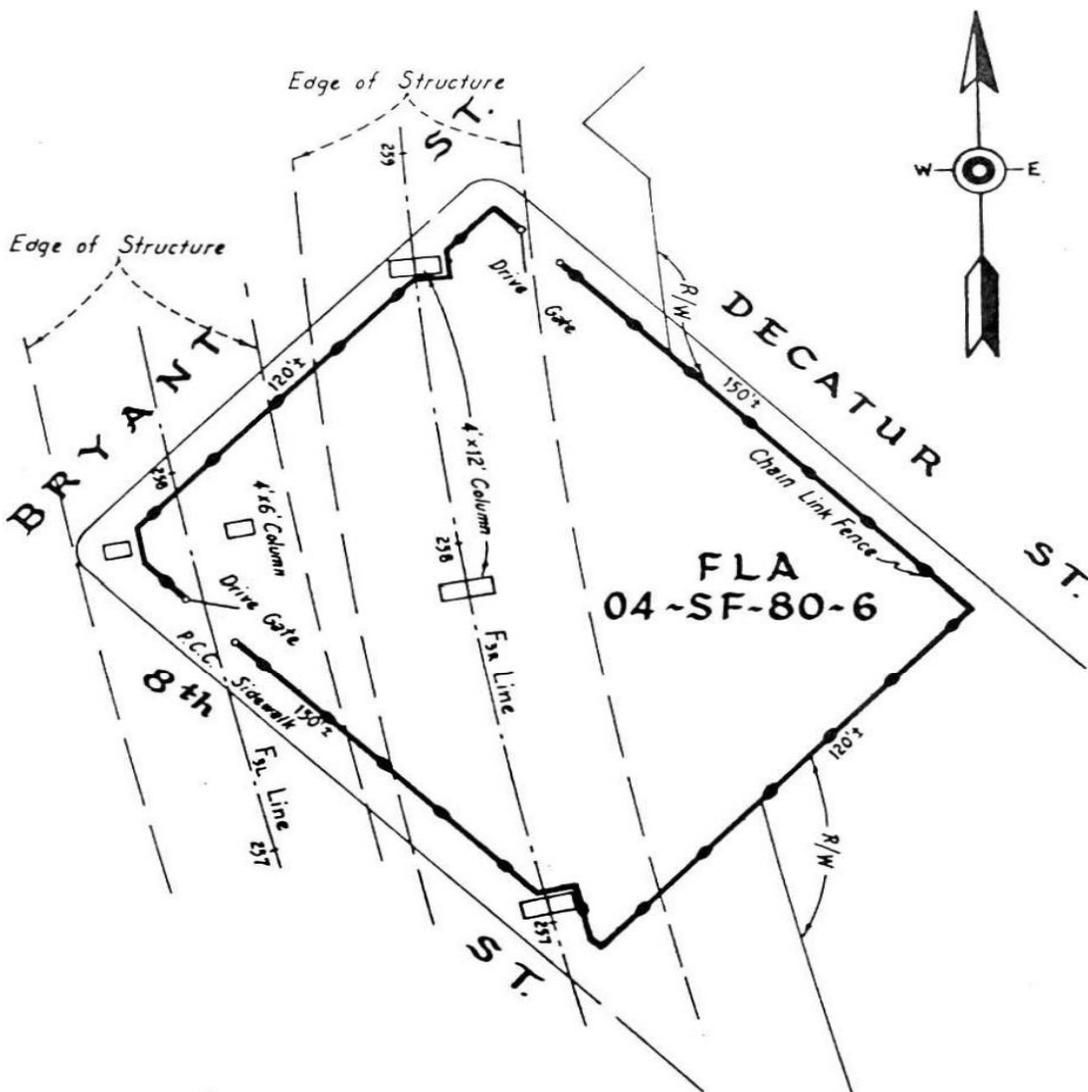


Looking west from Decatur Street

**EXHIBIT D1**

*“Caltrans improves mobility across California”*

Dimensions and clearances shown are approximate. Where greater accuracy is required an engineering field survey is suggested.



Clearance 15'



Gross Area -	17,872 Sq.Ft.±
Area of Columns -	72 Sq.Ft.±
Net Area -	17,800 Sq.Ft.±
Area Under Structure -	9,600 Sq.Ft.±

Rev. 9-5-79

STATE OF CALIFORNIA BUSINESS AND TRANSPORTATION AGENCY DEPARTMENT OF TRANSPORTATION DISTRICT 04			
<b>FLA          04-SF-80-6</b>			
DRAWN BY <i>BG</i>		DATE 10-9-5	
CHECKED BY		SCALE As Shd	
CO.	RTE.	P.M.	DR. NO.
SF	80	4.2	

R-30.11

EXHIBIT D2