

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 11, 2013

Reference No.: 2.4c.(1)
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 JEWELRY SQUARE ASSOCIATES - 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 Jewelry Square Associates (Associates).

BACKGROUND

Subject FLA SF-101-43

The Associates currently lease FLA SF-101-43 under State Route 101, an elevated freeway structure in downtown San Francisco at San Bruno Avenue and Division Street. The freeway lease area (FLA) is a 56,000 square foot (s.f.) lot used by the Associates for employee and customer parking for the Jewelry Square Associates businesses as shown in Exhibit B. The existing two-year lease was established via an oral bid public auction in May 2012.

SF-80 Bryant to Division Streets Corridor Airspace Leases

This request regarding FLA SF-101-43 is one of three separate requests involving five total neighboring FLAs, as shown in Exhibit A. 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 888 Brannan LP will be leasing the fifth neighboring FLA under the same lease terms, and employing similar coordinated improvements to the properties.

SF-101-43 Property Maintenance and Improvements

The FLA is currently paved and fenced with chain link. The original improvements were installed approximately 33 years ago by the same tenant, and the property now requires new paving, new fencing, and new landscaping. The improvements are estimated to cost \$115,000 and will be constructed in coordination with Brannan's neighbors Euromotors and 888 Brannan. Jewelry Square Associates 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, Jewelry Square Associates will not receive any credit towards their lease amount based upon the improvements and repairs being done pursuant to the Lease.

LEASE TERMS

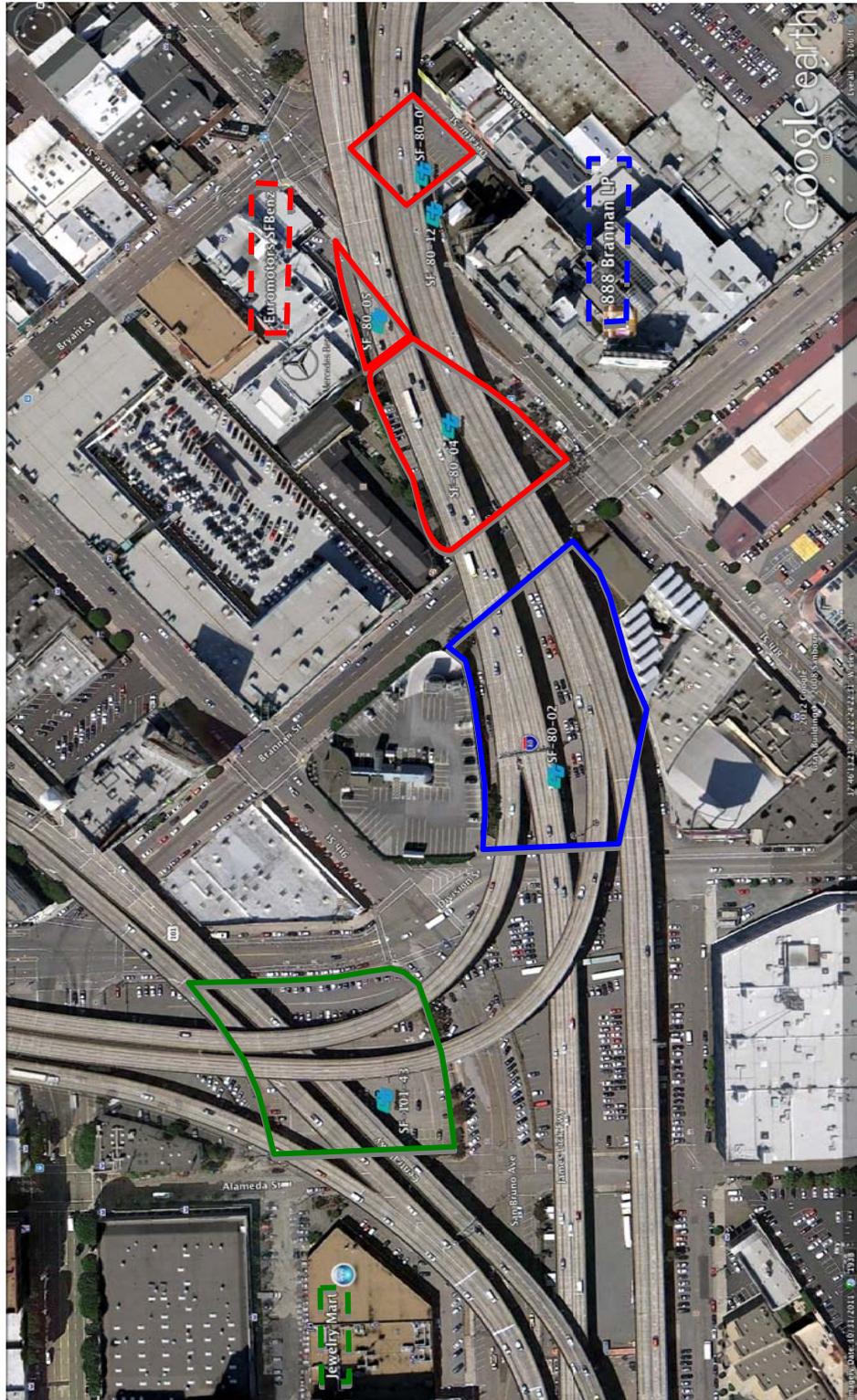
Term: 15 years
Area: 56,000 s.f. under elevated freeway structure
Highest Use: Vehicle parking and/or storage
Proposed Use: Vehicle parking
Appraised Value: \$0.30/s.f. fair market rental rate
Negotiated Rent: \$18,000/mo = \$0.32 x 56,000 s.f.
Improvements: \$115,000 in maintenance and capital improvements
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 Jewelry Square Associates. The FLA requires certain expensive repairs and the Department has no available funds to make these necessary repairs. Associates will make the required repairs and also construct a number of aesthetic 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 this FLA per the described terms.

Attachments:
Exhibit A: SF-80 Bryant Street– Division Street Corridor
Exhibit B1: SF-101-43 and photos
Exhibit B2: 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

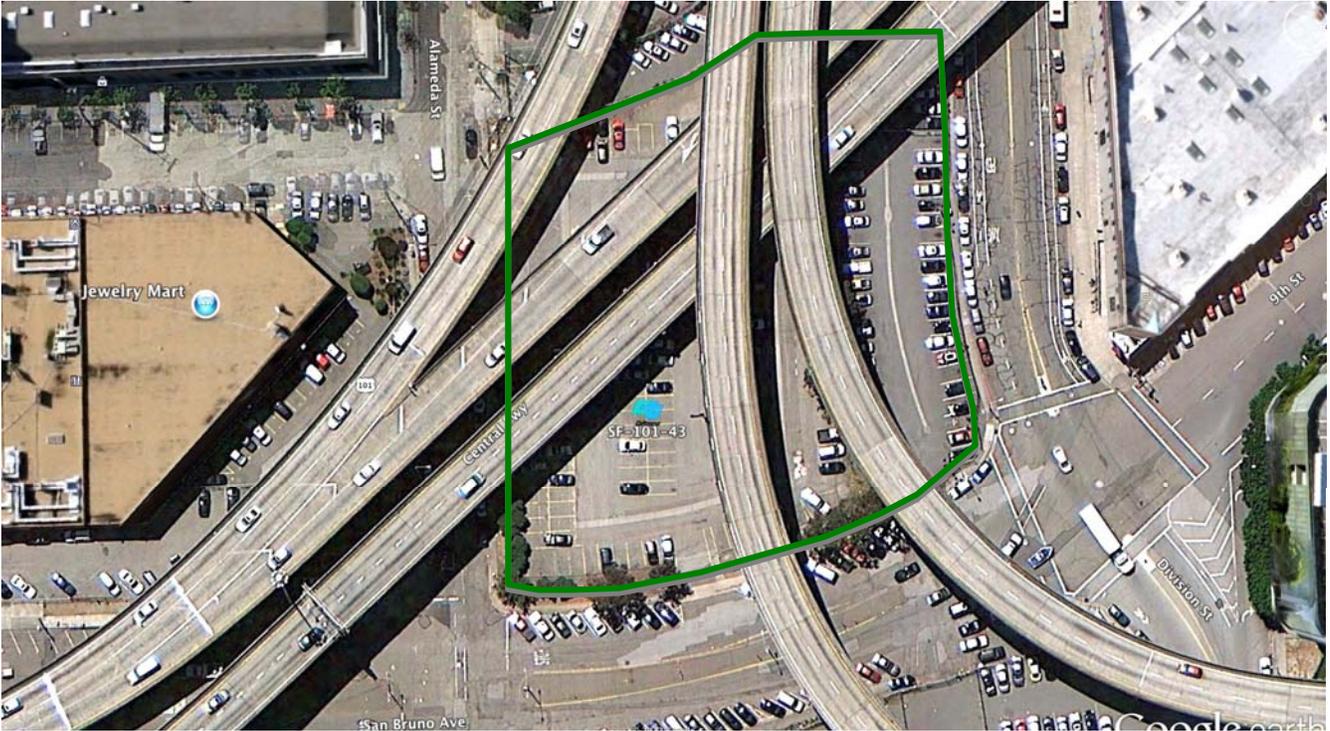
888 Brannan LP
Building and
Airspace Site
SF-80-02

GREEN

Jewelry Mart Building
and Airspace Site
SF-101-43

EXHIBIT A

SF-101-43 at Division St. and San Bruno Ave. and Alameda St.



Looking west from San Bruno Avenue

