

# Memorandum

To: CHAIR AND COMMISSIONERS  
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 19-20, 2016

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

From: NORMA ORTEGA  
Chief Financial Officer

Prepared by: Jennifer S. Lowden, Chief  
Division of Right of Way  
and Land Surveys

Subject: **AIRSPACE LEASE - LEE PUBLISHING REQUEST TO AUTHORIZE EXECUTION OF  
A LONG TERM LEASE**

## **RECOMMENDATION:**

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) authorize the execution of a new lease to Lee Publishing (Lessee).

## **BACKGROUND**

The subject parcel (Subject) is currently under a month to month lease for parking purposes with the Lessee. The Subject is a 20,826 square foot, rectangular parcel. The Subject is located under the on ramp to US Route 50 from State Route 99, behind the Lessee's building at the corner of 'X' Street and Alhambra Boulevard in downtown Sacramento. The existing lease term started July 1, 2004 and expired June 30, 2009. The lease has continued on a month to month basis since this time. The Lessee has continued paying the same rate in effect at the time of the lease expiration in 2009. The Lessee has the only viable access to the Subject.

The Department has been working to renegotiate the lease agreement since 2009, when the original term expired. After the approval from the Commission in July 2010 to directly negotiate, it was discovered that a possible Department construction project may impact the Lessee. As a result, an investigation was made to determine what impacts, if any, the proposed project would have on the Lessee and/or the Subject. The investigation determined that there would be no impacts to the Lessee or the Subject. Further, district project delivery priorities delayed the appraisal for two years. Due to these delays, the October 2015 Commission Meeting Agenda Item 2.4c.(2), the Commission approved a "Request to Extend Approval for Direct Negotiations with Lee Publishing Company." An appraisal for the Subject was completed November 19, 2015.

**BENEFITS TO DEPARTMENT:**

It is in the Department's best interest to execute this lease with Lee Publishing. The Lessee is the only viable tenant due to the Subject's placement within the right of way. The 20-year lease term reduces the risk of exposure to the Department that is encountered with shorter term leases. The new lease includes the lease language for annual Consumer Price Index (CPI) increases, a rate reevaluation to fair market value every 10 years and modern language regarding hazardous materials, storm water runoff and water pollution control.

**NEGOTIATED LEASE TERMS**

	<u>Existing Lease</u>	<u>New Lease</u>
Remaining Term:	Month to month	20 years (ending November 1, 2036)
Rent:	\$600 /mo.	\$1,060/month (beginning November 1, 2016)
Annual Increase:	None	Annual CPI Adjustments
Re-evaluation:	None	Every 10 years
Next Rent Increase:	None	November 1, 2017 (CPI)
Appraised Value:		\$1,060/month

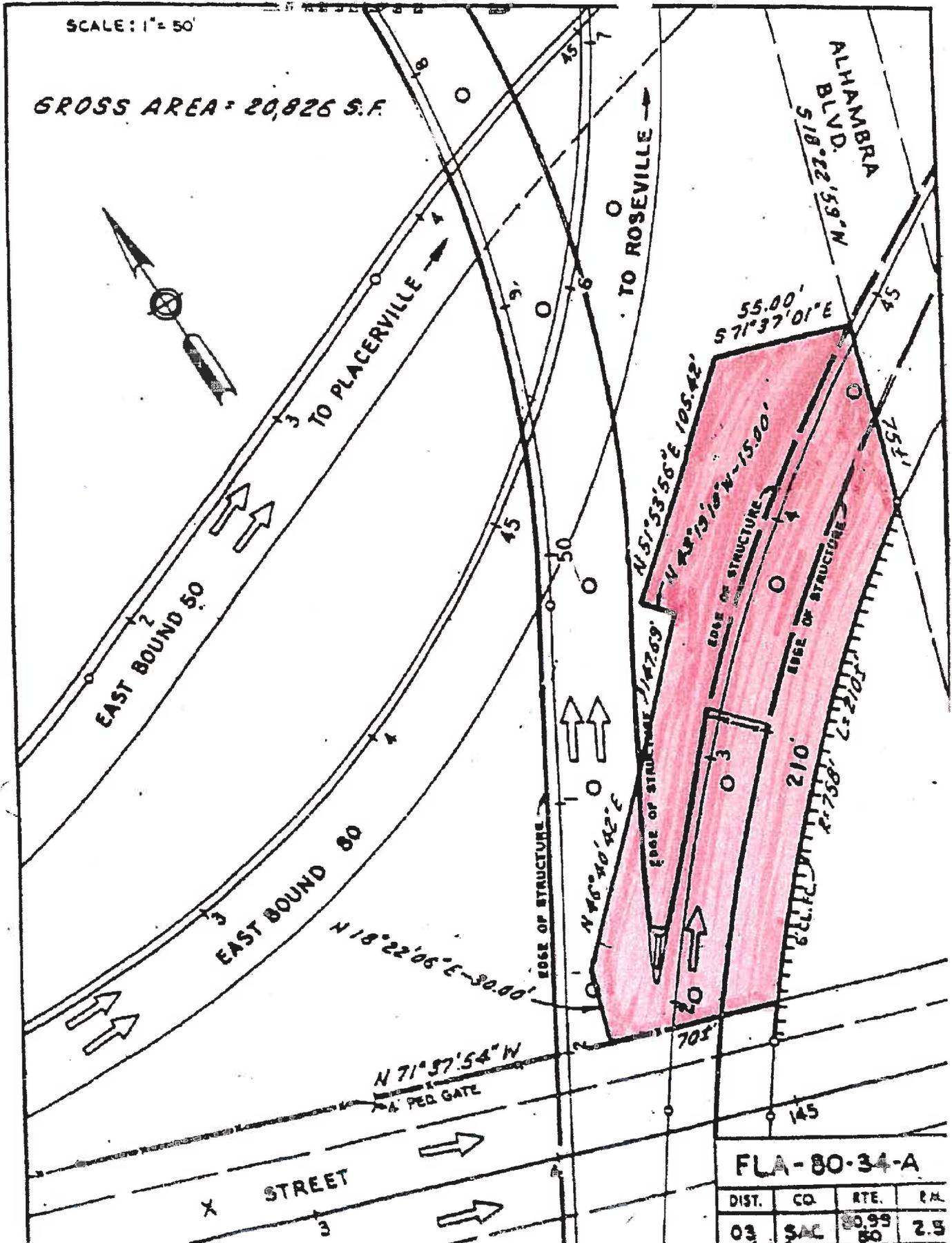
**SUMMARY**

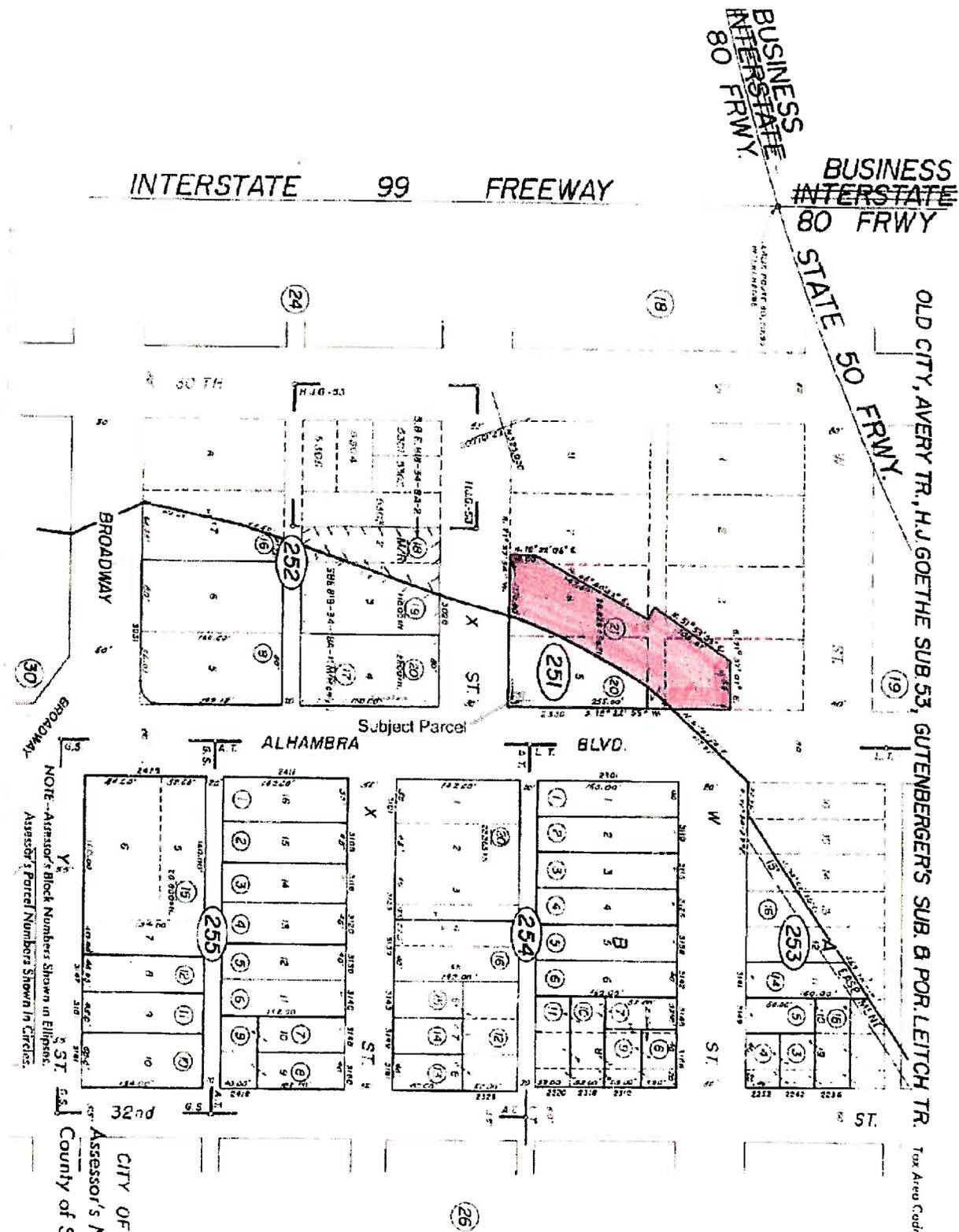
It is in Department's best interest to authorize execution of the 20-year lease term extension proposed by the Lessee. The Lessee is the only possible tenant for this parcel. The Lessee will maintain and keep the subject clean of trash and debris. This reduces Department maintenance costs. The Department will financially benefit by bringing the lease up to the market rate with set market rent increases. The new lease ensures the rate remains at the market rate, strengthening the State's position as lessor and reducing future risk. We therefore request approval to authorize the lease execution as negotiated per the described terms.

Attachments

- Exhibit A: Airspace map
- Exhibit B: Assessor's map
- Exhibit C: Aerial map

Exhibit A





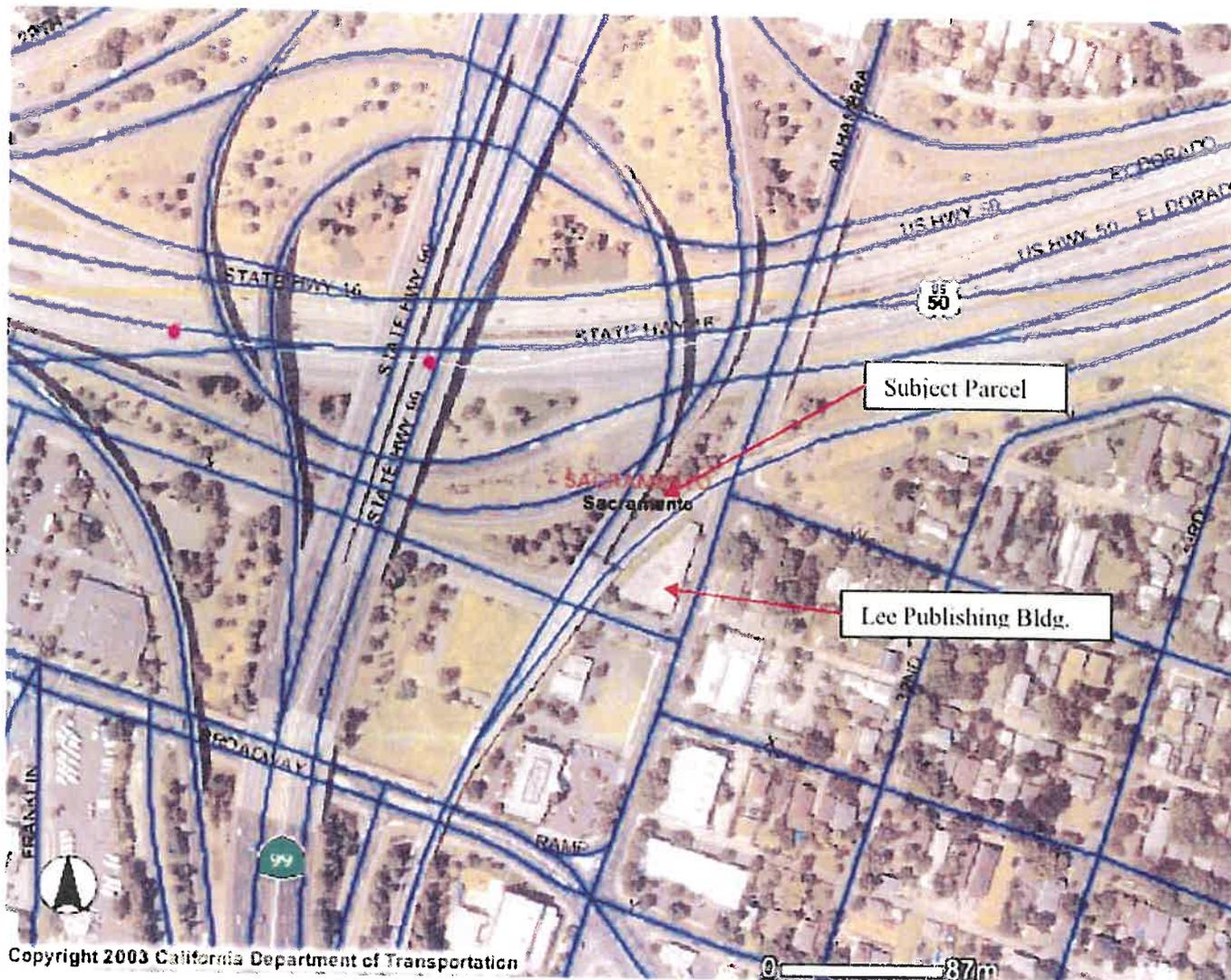
NOTE: Assessor's Block Numbers Shown in Ellipses.  
Assessor's Parcel Numbers Shown in Circles.

CITY OF SACRAMENTO  
Assessor's Map Bk. 10 - Pg. 25  
County of Sacramento, Calif.

EXHIBIT "B"



Exhibit C



Aerial Mapping, Parcel 03-SAC050-0017  
Lee Publishing