

Memorandum

To: CHAIR AND MEMBERS
Airspace Advisory Committee

Date: October 17, 2002

From: **PETER SCHULTZE**
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Airspace Program
Division of Right of Way

File: AIRSPACE
11-SD-805-15

Subject: Request to Amend a Lease with Rio Courtyard, LLC for Parking on a 75,274± Square Foot Parcel Located Beneath the 805 Bridge Structure in San Diego

RECOMMENDATION:

It is requested that the Airspace Advisory Committee (AAC) recommends approval to the California Transportation Commission (CTC) of a request to amend terms and conditions of an existing lease.

SUMMARY

The landlocked subject parcel is located beneath and adjacent to the Route 805 bridge structure between the San Diego River and Rio San Diego Drive in Mission Valley, San Diego. The parcel is approximately 75,274 ± square feet and is bounded on the east and west by privately-owned parcels, on the south by the San Diego trolley line and on the north by Rio San Diego Drive (but the westerly parcel extends across the length of our parcel along Rio San Diego Drive).

Caltrans entered into a 50-year lease commencing May 9, 1984 after offering the parcel through the public bid process to two adjacent owners. One of the adjacent owners, Conrock Property Development Corporation, was the successful bidder.

The significant terms and conditions of the existing lease are as follows:

Use – Automobile parking for adjacent shopping center

Term – 50 years (May 9, 1984 to May 8, 2034)

Starting Rent - \$1,000 per month

Escalations – CPI every 5 years with a 7% annual cap, no floor.

Reevaluations – every 10 years

The current monthly rent is \$1,113 per month, having been reduced from \$1,228 due to loss of use of a portion of the parcel for the construction of the San Diego trolley line.

Rio Courtyard, LLC (Rio) propose to develop a multi-story office building on the vacant parcel located to the west of the parcel. Rio recently purchased the parcel from our lessee and has an agreement to have the existing lease assigned to them – contingent upon their reaching agreement with Caltrans on this proposed amendment. The subject parcel would provide parking for their proposed development and would allow them to develop a larger office building on their fee-owned parcel.

Rio approached Caltrans with a request to extend the lease term to make their development feasible and obtain financing.

After negotiating for several months, the proposed terms of the amendment are as follows:

Use – Automobile parking for adjacent office building

Term – 60 years, with three 10-year options

Starting Rent - \$5,000 per month

Escalations – CPI every 5 years with a 5% annual cap, 2% floor.

Reevaluations – every 10 years, including every option period.

The highest and best use for this parcel continues to be plottage to the adjacent developer-owned parcels and the existing lease does not expire until 2034. Independent development is not feasible, as the parcel is landlocked. This undeveloped parcel has additional complications relative to dumping of uncompacted fill and the placement of “stone columns” relating to a retrofit of the existing columns. Surface parking is an ideal use for the parcel.

This proposed amendment is in the State’s best interest as the original lease contemplated a development that never occurred. This unimproved parcel has had problems with littering, dumping, and vagrants. The development of this parcel will improve the aesthetics and public safety, and the developers will also grant a permanent easement for access to the parcel resulting in a residual benefit to the State. Your approval is hereby requested.

Enclosure