

CALIFORNIA TRANSPORTATION COMMISSION AIRSPACE ADVISORY COMMITTEE MEETING

Wednesday, April 11, 2001
12:00 p.m. – 3:00 p.m.

Los Angeles International Airport
Administration Building, Room 211
Los Angeles, CA 92612

MINUTES

The meeting of the California Transportation Commission Airspace Advisory Committee, was called to order at 12:10 p.m. on April 11, 2001, at the Los Angeles International Airport, Administration Building, Room 211, Los Angeles, CA.

Those in attendance were as follows:

Committee Members: A. Auer - Chair, N. Gruen - Vice Chair,
G. Moss, W. Greig, B. Hauf, and via telephone, R. Payne

Commission Member: A. Lawrence

Commission Staff: K. Jacobs

Caltrans Staff: S. Atkins, P. Schultze, G. Mattocks, J. Conant

Members Absent: M. Green and J. Glassmoyer

The meeting adjourned at 3:45 p.m.

Proceedings:

Item 1. Status of the Committee Membership

Kathie Jacobs, Commission staff distributed a resume for John T. Nagle, as submitted for nomination by Committee Member Nina Gruen. Mr. Auer suggested the resume be mailed to each of the members for review and recommendation. Discussion followed regarding the role and responsibilities of the Airspace Advisory Committee, including how many members should be on the Committee, as well as what would be considered quorum. Mr. Auer suggested formal roles and responsibilities be prepared for the Committee and allow the Committee members to review and comment prior to finalization. Nina Gruen requested that the e-mail address for each of the committee members get distributed to all members. Commissioner Lawrence requested that the agenda package have separation tabs that relate to each agenda item, this will allow for easier location of discussion items.

ACTION: Kathie Jacobs -- mail John Nagle's resume to each committee member with a request for recommendation -- Done

ACTION: Kathie Jacobs -- prepare roles and responsibilities for the AAC and submit to members for review and comment -- Done (roles and responsibilities can be found on the CTC web site at www.catc.ca.gov)

ACTION: Kathie Jacobs -- send e-mail addresses to each of the committee members -- Done (Al Auer does not have e-mail)

ACTION: Scott Atkins -- provide separation tabs for each agenda item for future agenda packages.

Item 2. Approval of January 2001 Minutes

The minutes were presented for approval. Committee member Hauf moved to approve the minutes. Committee Chair Auer seconded the motion, which carried 6-0 (members Green and Glassmoyer were absent).

Item 3. Use of Caltrans Properties for Affordable Housing

Gene Mattocks, Caltrans HQ Right-of-Way, and Patricia Neal, Business Transportation & Housing Agency, presented this information item. The Commission requested the Department take the issue of affordable housing back to the AAC and have it re-examine the issue of affordable housing opportunities related to Caltrans' airspace and other properties. Nina Gruen asked what the land was valued at and Gene Mattocks responded that Caltrans and the Department of General Services have different rules but that Caltrans has to sell at market value. Wylie Grieg foresees a conflict in putting affordable housing where transportation is still ongoing and suggests that a clause be included in any agreement that would be put forward that the development cannot be at the expense of transportation and that transportation development will not be needed in the foreseeable future. Patricia Neal, explained the goal of Agency is to combine jobs, housing and transit at one site. George Moss prefers to proceed with caution and take each opportunity on a case-by-case basis. Bill Hauf agreed, the Department and Agency need to proceed with caution, as the state may be forced to go back and fix a problem, especially if a particular site is found to have toxins and the cost to the state would then be enormous. Gene Mattocks agreed that some sites might be highly contaminated and housing may not be suitable. Ms. Neal, explained that Agency has been spending a considerable amount of time keeping the press off of the excess property issue and that Agency believes that combining jobs, housing and transit on these sites is an economical use. Bill Hauf would advocate the case-by-case basis suggested by George Moss and that extreme caution be used, as members have seen in the past that the state can become liable. Wylie Grieg brought it to the attention of the Committee that there is a big difference between excess parcels and mixing existing properties. Nina Gruen mentioned that the AAC encouraged Caltrans years ago to prioritize under-utilized properties. Gene Mattocks explained that by statute the Department must report annually to the State Department of General Services regarding excess lands and property holdings, including the time it takes to sell the properties. Gene also mentioned that the Department has

some land that is under-utilized and are potential surplus. Bill Hauf suggested that the Department put a list together and start at the top of the list and work down, if under-utilized, ask why is it under-utilized and what was the original purpose of putting it in, can something be done to fix it? If we don't know the answers, find out, how do we get them to use the facility for its original purpose? Pat Neal presented graphics of the Artesia Shopping Center and park and ride lot, and discussed that in many cases of under-utilized properties, it's because transit doesn't serve the area, that the location is hard to find or that access is very difficult. George Moss asked if the Department has an organized program for disposal and are these types of properties classified? Wylie Grieg suggested that the Department focus on a particular site and ask why this would be the best site for this project. Pat Neal said that Agency and the Department aren't that far into the projects yet, as there is still concern regarding cost and how Caltrans' prices properties. Agency is not just looking at Caltrans properties but other agencies properties as well. Agency is looking at all locations and they haven't reached a point to crystallize any one site. Wylie Grieg highlighted the real issue as being able to get affordable land. Commissioner Lawrence said; that when looking at these types of projects, questions need to be asked regarding what additional benefits would the state be getting, where are the savings to the state or is there an incentive to the state. Pat Neal agreed that we're a long way from specifying any one project or before getting any legislation through that could assist in bring this about, many things will need to be worked out. Affordable housing on under-utilized state properties is more of a long-range plan. She ended her presentation by saying that the Fell Street property is a good site and could be a model and that Agency would like to have Caltrans submit a property to use as a model. Nina Gruen added when this does get out there will be a lot of people coming out against affordable housing, suggesting that they'd be causing sprawl. Gene Mattocks mentioned that there is a legislative proposal and that the purpose of these type of projects would be for congestion relief benefits and that the benefits would be quantifiable.

ACTION: Gene Mattocks -- revisit the excess land issue on a future agenda; provide a summary list of excess parcels.

ACTION: Excess Land properties that are \$1 million or more that will be going to public bid come to the AAC BEFORE the bid.

Item 4. Review of Guidelines for Leasing to Public Transit Agencies
When the topic was announced general discussion ensued regarding leasing Airspace below fair market rent for new congestion relief projects. Nina Gruen, public entities must disclose why they need this land and can't use land that belongs to them. The state must be very, very careful that public agencies don't take our land and use theirs for something else. Roslyn Payne suggested that a caveat be added; "should use not be for transportation, the property must be given back without improvements." Each application would be brought to the AAC. Also include in the agreement that the use must be in perpetuity and that the State can put deed restrictions on the agencies properties to protect the State. An applicant agency would need to discuss in the application what other properties were looked at and what makes the requested property the preferred site. Wylie Grieg asked why the draft guidelines don't point out no or

below market rent and that it appears that we're back to no or low. Peter Schultze explained that all applications have to go to the AAC and then to the CTC. Consensus was that we need guidelines on how to define below market because the current guidelines are too arbitrary, they're not clear how to make a determination. Scott Atkins asked Jim if there is a way to quantify the project, is there a model? Jim was unsure if one could be developed. It was mentioned that some facilities have an overriding public interest. Jim Conant added that Caltrans had suggested that direct and indirect congestion relief benefits would be the determining factor but that the transit agencies didn't like the suggestion. Also, the sliding scale proposal was rejected. The transit agencies have suggested that they are comfortable and want to make their proposals directly to the AAC. Nina Gruen wants to see a gap analysis as part of the application and she doesn't think that the current application is going to do what the AAC wants to see when an agency is applying for property. She went on to say that the agency needs to be very specific regarding the project and that the agency needs to be aware that the Department will monitor the project to ensure that the agency is using the property for its intended use. Wylie Grieg's inclination is to not offer a below market rate unless it's legislated, it appears to be all or nothing at this point. The AAC agreed that the application needs to be more specific in regards to whether other public parcels or lots/land have been considered; why the particular parcel being requested is needed for this project, the agency needs to acknowledge that the state will monitor the project, that there needs to be a triggering mechanism so that if the property isn't being used for the approved purpose it reverts back to the state, the agency needs to submit actual data to support its claim for congestion relief and the little or no cost request, the agency should determine the amount of subsidy and should be able to justify the request, that each application will be looked at on a case-by-case basis, the agency should discuss as part of the application whether the project will be dropped and why if the application is denied.

ACTION: Jim Conant, include above items in the draft guidelines/application where appropriate and circulate to the AAC prior to taking it to the Commission with a recommendation. Done -- all comments have been incorporated into the draft guidelines and/or application. (After the AAC meeting Commission and Department staff met to discuss the revisions. It was agreed that prior to bringing the draft guidelines back to the AAC that the Department would solicit applications on a pilot-test basis to see the type of applications that might be submitted. On May 25, 2001, a letter was sent to transit agencies soliciting applications.)

Item 5. Process for Directly Negotiated Leases with Private Entities
Scott Atkins reviewed the memo in the agenda package with the AAC and explained that the Department has only used the process for 2 leases because the bulk of leases being given are done via the public bid process. Scott recommended that the Department's delegated authority be rescinded and that any directly negotiated leases go before the AAC. No formal vote was taken, the AAC unanimously agreed to have the Department bring directly negotiated leases to the AAC.

Item 6. Request to Amend Lease Terms -- INTER-MODUL TRANSIT PARTNERS

Peter Schultze presented the developers' proposal to the Committee. Nina Gruen asked about the lease provision regarding when 45% of the building is leased what happens? Peter explained that once the building is completed the negotiated lease terms would begin. Roslyn Payne asked for clarification on the option to lease and if the AAC and CTC do nothing, what happens? Peter explained that if the option to lease were not extended then Inter-Modul would no longer have an arrangement with Caltrans. Also discussed was the 1996 estimated value and that the option funds being paid are non-refundable. Roslyn felt that the appraisal is too old and a new appraisal should be done and requested that Inter-Modul provide some discussion regarding what would happen if this proposal is not approved. R. Payne stated she was unclear with what's going on with the intermodul station and she wasn't sure she'd be prepared to vote on this item without a lot more discussion. P. Schultze mentioned a May 2000 appraisal of \$870,000 for a similar property just north of the subject lot. George Moss asked if the 1-3% cost of living is a standard being used. P. Schultze stated it is not a "standard" lease escalation provision, but was negotiated. The cost of parking was discussed and it was stated by the developers that \$50 per space is the current market rate. The negotiated lease, in addition to the cost of living provisions, would also tie into the building/office rents of the proposed office building. When the lease was drafted the lease rates in airspace increased with the office rents cumulatively, with standard reevaluation of the ground rent in 5 years. When the option was extended for one year (last year) the reevaluation was accelerated so that the reevaluation would be due in 4 years. Under this proposal, 100% of net income from the parking will go to Caltrans. The developer has faith and confidence in the office building getting built and rented. They believe that Caltrans is close to cutting a deal with them regarding leasing the proposed office building. Roslyn asked what would happen if this option isn't extended now. Peter explained that the option is through July and that we could return with a different option at a later date. Nina Gruen indicated she was uncomfortable with the amount of parking and whether it will accommodate the number of people in the office building. Peter also mentioned that the developer is taking a risk in that they've assumed 100% usage in the proforma for the parking lot and they would be responsible for any losses while guaranteeing \$30,000 per year until the new office building was constructed. The committee members know that the developers need this parcel in order to construct the building; otherwise the deal would be off. Bill Hauf asked what the percent of confidence is in getting the building go-ahead in the next 12 months. Mr. Ravel (one of the developers) responded that if it were given a two-year extension of the option they would be willing to put up an additional \$100,000. Any building would trigger the lease and a re-evaluation could be called at the time of lease execution. Roslyn recommended postponing a recommendation until further discussion between the Department and the developers can come up with an alternative proposal.

ACTION: Peter Schultze, work with the Inter-Modul to decide on an alternative proposal, set up a meeting/phone conference with Roslyn and Bill to discuss the new proposal, submit recommendation to full committee for a

recommendation to the Commission. Done -- item went to the CTC on June 6, 2001, and was approved on the CTC consent calendar. The approved action was a 2-year option extension call for \$50,000 for the 1st year and \$75,000 for the 2nd year, with the right to reevaluate at exercise of the option.

Item 7. Directly Negotiated Leases -- Lessee Qualifications

Scott Atkins discussed the item. Wylie Grieg was unsure how we would be protected if the lessee has no credit. Al Auer asked Scott if he knew of anyone like that and if so, how it's typically handled. Peter mentioned that in a default, in most cases, the lenders took over. Commissioner Lawrence asked if we expect many directly negotiated leases. Scott Atkins responded there should not be many, but there will be some. Typically, there are two or three at each AAC meeting. Roslyn Payne would like to have some kind of form for the lessee to provide financial information. The Committee needs a way of telling whether the information given is true and something that can be relied on. Nina Gruen suggested a form that the lessee would sign. She also suggested that the Department might get a sample from a bank, Roslyn thought she might have a sample.

ACTION: Scott Atkins, get a sample form that a lessee would sign that provides financial information and let Nina and Roslyn review it to be sure that it'll contain all the necessary information.

Item 8. Airspace Bi-Annual Report

This item was included in the package for information.

Item 9. Discussion to Set Future Meeting Schedule

Nina Gruen suggested that the meetings be scheduled far enough in advance to provide an opportunity for AAC members to plan. This item was not discussed in detail during the meeting due to time and flight schedules.

ACTION: Kathie Jacobs/Scott Atkins/Bruce Wilson, schedule quarterly meetings for the remainder of the year. Done - all meetings have been scheduled through 2001 and will be via videoconferences in Caltrans Districts 4, 7, and 12.