State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

TAB 54

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 21-22, 2015

Reference No.: 2.4c.(2) – ***REPLACEMENT ITEM***
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 - REQUEST FOR DIRECT NEGOTIATIONS WITH LEE PUBLISHING COMPANY**

RECOMMENDATION

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) approve a request to directly negotiate a 20-year lease with Lee Publishing Company (Lee Publishing). The lease would include options to extend the lease for two additional five-year terms. It is in the Department's best interest to lease this site by direct negotiations rather than utilize the competitive bid process because there is only one viable lessee for this parcel.

The Commission had approved direct negotiations for the above terms on July 1, 2010 and again in January 2013. However, the lease was not executed within the 12-month time frame for a number of reasons. An appraisal has been completed and the District is now prepared to move forward with execution of the long term lease.

BACKGROUND

The subject property is currently under lease for parking purposes with Lee Publishing and consists of 20,826 square feet. It is located adjacent to 'X' Street and Alhambra Boulevard in downtown Sacramento. The parcel is triangular in shape and is located behind the Lee Publishing building at the corner of 'X' Street and Alhambra Boulevard and Highway 50. See attached Airspace map (Exhibit A), Assessor's Parcel Map (Exhibit B), and aerial map (Exhibit C) for depiction of subject parcel's layout.

This parcel was competitively bid in May 2004 with a five-year lease term and the only viable bidder was Lee Publishing. The lack of market interest in this site is directly related to the parcel's configuration, which makes Lee Publishing the only viable lessee.

After the approval from the Commission in July 2010, negotiations ceased for the following reasons:

- It was discovered that a possible Department construction project may impact Lee Publishing. As a result, an investigation was initiated to determine what impacts, if any, the proposed project would have on Lee Publishing and/or the subject property. Once the investigation was complete (took several months), it was determined that there would be no impacts to Lee Publishing or the subject property.

- An appraisal of the subject parcel had to be completed in lieu of the public sale estimate that was previously prepared. Due to work load issues and staff turnover at the time, the appraisal was delayed for several months. An appraisal has now been completed.

BEST INTEREST

As discussed in 2010, it continues to be in the Department's best interest to negotiate this lease directly with Lee Publishing, as it is the Department's expert opinion that Lee Publishing is the only viable lessee due to the configuration of the subject property. Additionally, direct negotiations for a longer-term lease have resulted in a higher lease rate and an optimal return to the Department, as an appraisal considered the plottage value to Lee Publishing's property and the value as a parking lot. If the Department was to utilize the competitive bid process, plottage value would not be considered as part of the public sale estimate, most likely resulting in a lower value.

Lee Publishing has been a good tenant for many years, and they consistently maintain the subject parcel in excellent condition. See attached photo (Exhibit D) of the subject parcel.

SUMMARY

It is in the Department's best interest to directly negotiate a new lease with Lee Publishing for all the reasons stated above. Lee Publishing has been a good tenant for many years and would continue to be a good tenant.

The Department requests permission to negotiate directly with Lee Publishing for a lease of the subject property.

Attachments

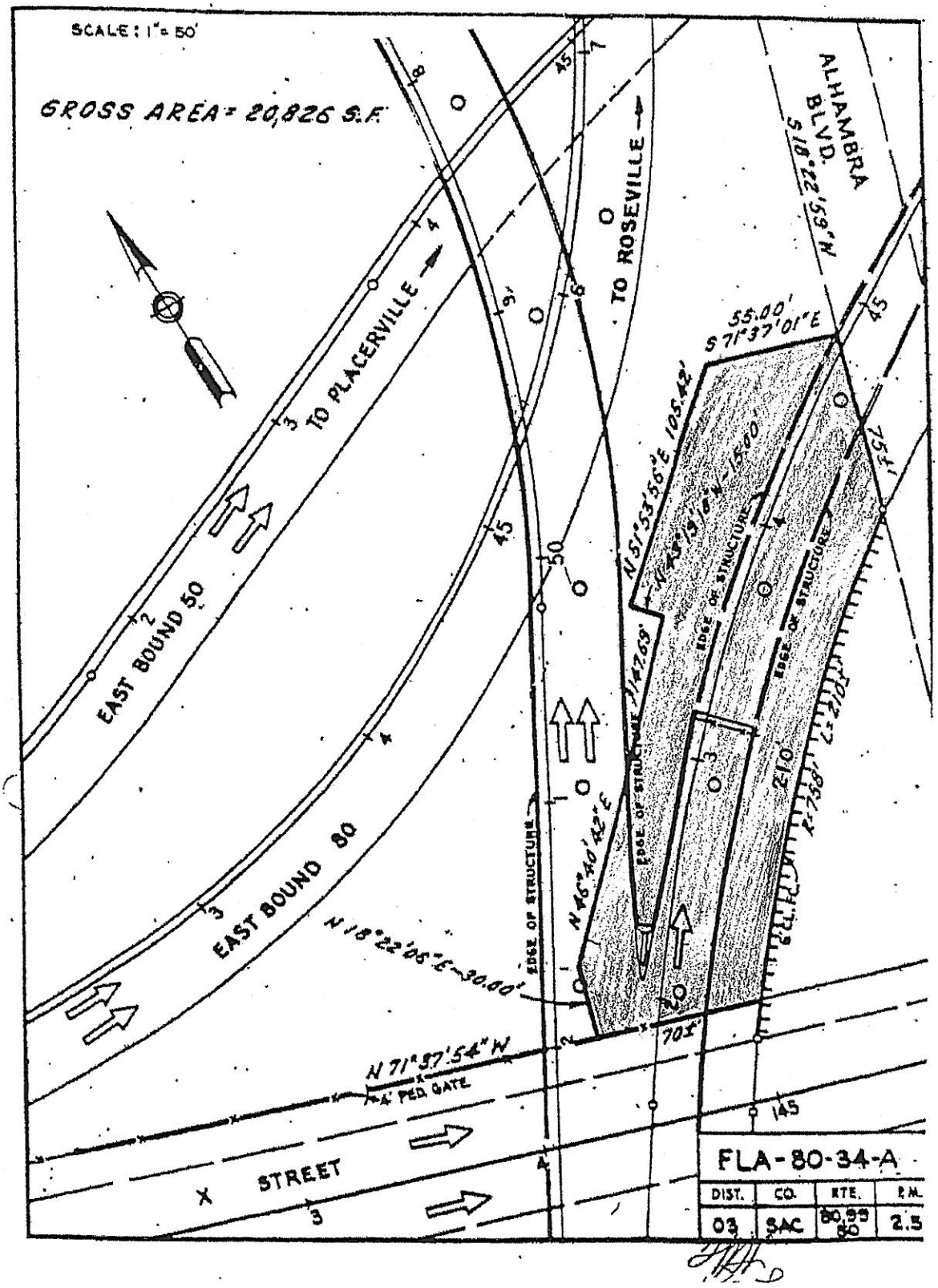

SCALE: 1" = 50'
GROSS AREA = 20,826 S.F.
TO PLACERVILLE
TO ROSEVILLE
ALHAMBRA BLVD.
S 18°22'59" W
55.00'
S 71°37'01" E
N 51°53'56" E 105.42'
N 43°19'18" W 15.00'
147.69'
EDGE OF STRUCTURE
EDGE OF STRUCTURE
EDGE OF STRUCTURE
EDGE OF STRUCTURE
EAST BOUND 50
EAST BOUND 80
N 18°22'06" E 30.00'
N 46°40'42" E
N 71°37'54" W
4' PED. GATE
STREET
70±'
75±'
210
R=758'
L=210±'
FLA-80-34-A
DIST. 03
CO. SAC
RTE. 80,99 80
P.M. 2.5

EXHIBIT A

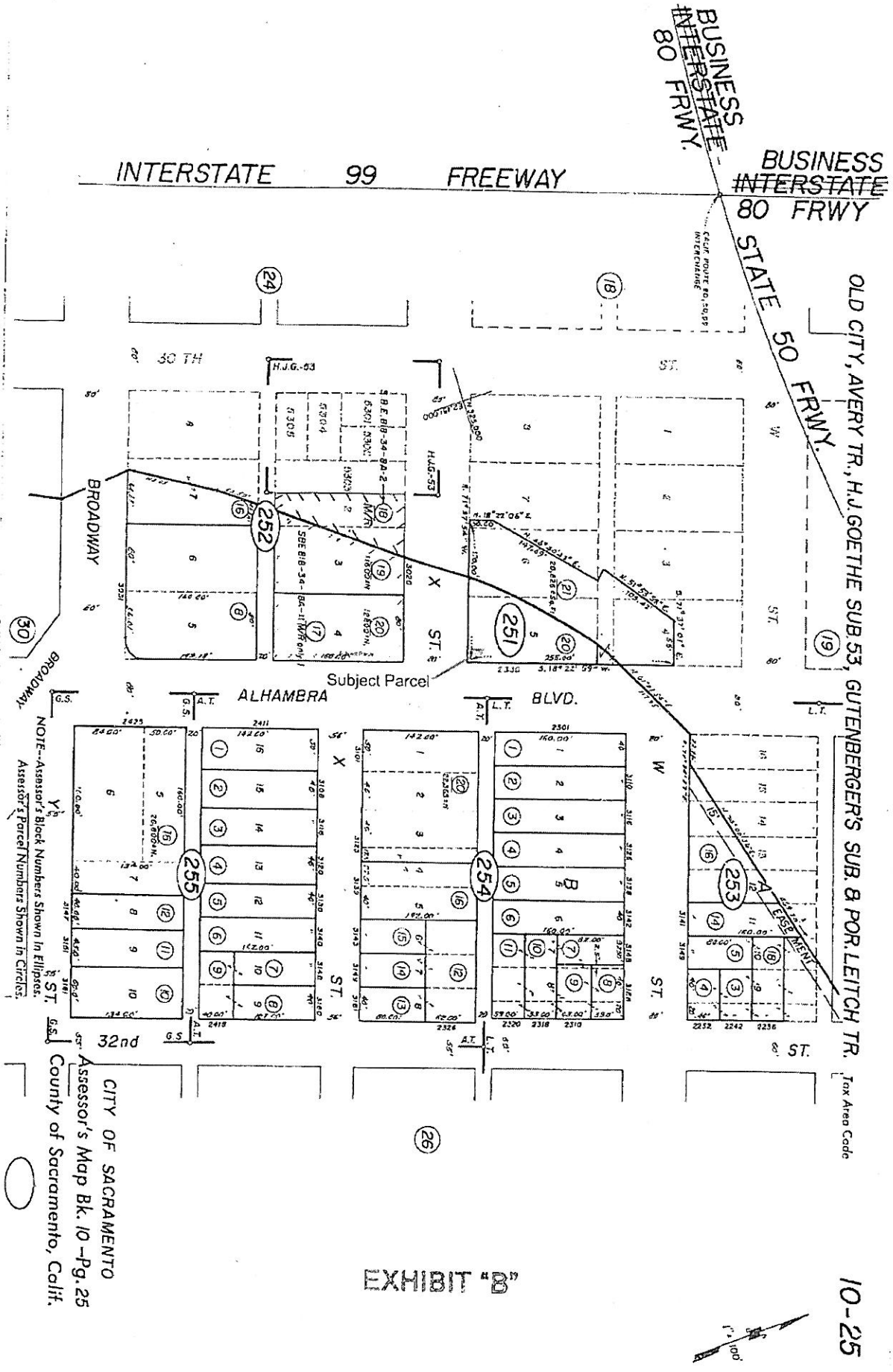
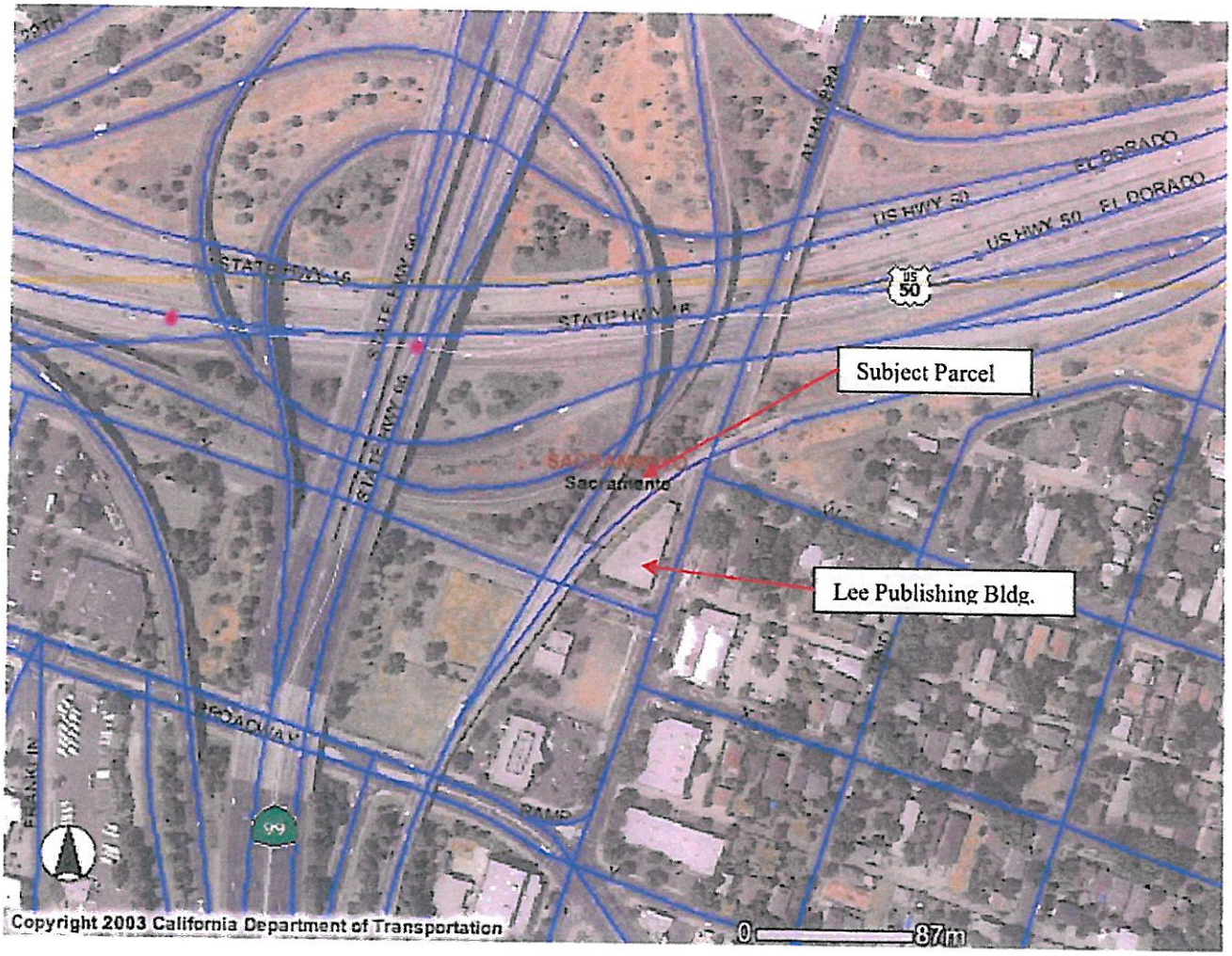


EXHIBIT "B"

EXHIBIT B



Aerial Mapping, Parcel 03-SAC050-0017
Lee Publishing

EXHIBIT C

Lee Publishing
Airspace Parcel 03-SAC050-0017

EXHIBIT D