

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: January 8, 2013

Reference No.: 2.4c.(2)
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 – REQUEST TO DIRECTLY NEGOTIATE A LONG-TERM LEASE
RENEWAL/EXTENSION WITH SUTTER GENERAL HEALTH**

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) approve a request to directly negotiate a 50-year extension to the existing lease with Sutter General Health (Sutter Health). The lease would include an annual escalation as well as lease rate re-evaluation every 5 years. The initial lease rate will be at fair market value as determined by an appraisal completed by Staff.

BACKGROUND:

Sutter Health has been providing medical services to the City of Sacramento and outlying areas at their current location, Capitol and 29th Streets since 1925. In 1983, the Department and Sutter Health entered into an airspace lease for parcel numbers 03-FLA-80-2 and 80-3, located between K, Capitol, 20th and 30th Streets in the city of Sacramento. Total ground square footage is 249,945. Per the terms of the lease, Sutter Health built a parking garage to meet the parking needs of the hospital. The lease also states that the improvement, once constructed becomes the sole property of the Department. Sutter Health has maintained the parking garage in excellent condition.

Recently, Sutter Health completed a long term expansion project of their medical facilities. Within this expansion project, Sutter Health sought and received approval from the Department to construct a pedestrian walkway that connects the second floor of the hospital to the second floor of the parking garage structure. These plans were approved by the City, County, and Department (including the District Airspace Review Committee and Headquarters Structures.). Sutter Health submitted the plans for an encroachment permit for the pedestrian walkway on October 22, 2012.

BEST INTEREST:

The Department requests approval to pursue direct negotiations with Sutter Health for the following reasons:

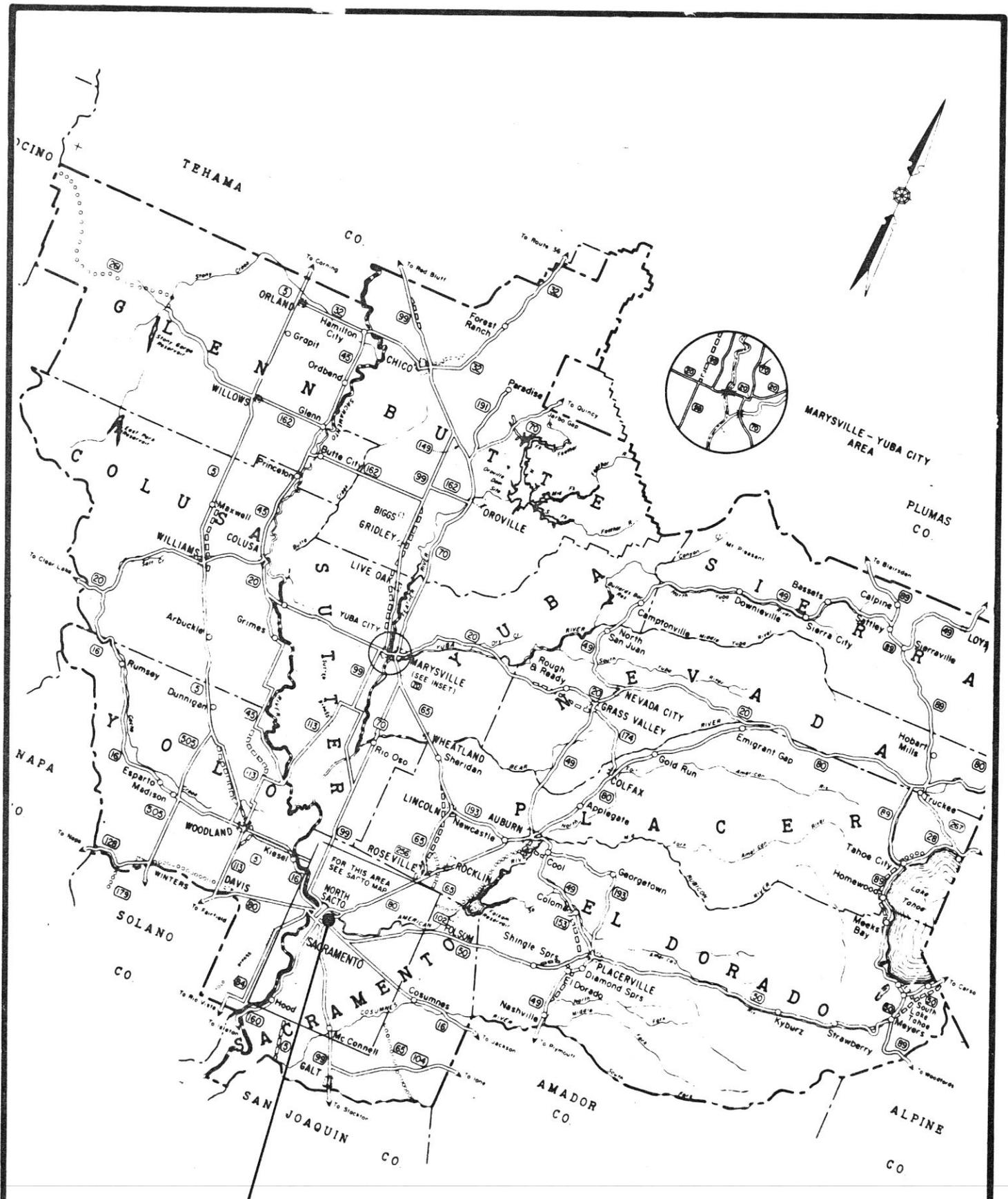
- The former Airspace Advisory Council and the Commission approved an extension of the current lease for 50 years in July 1994. An amicable agreement over the rental rate could not be reached, which delayed the implementation of the extension. When the Amendment was completed in 2003 with the new rental rate, the extension of the lease was inadvertently excluded from the amendment.
- Sutter Health currently pays rent in accordance with the lease amendment to the Department. Upon approval of this Request, an appraisal will be completed including the inclusion of the constructed parking garage, which will result in a higher fair market value and increase revenues to the Department.
- Sutter Health has already integrated a pedestrian walkway plan that will provide a safer way for pedestrians to access the hospital from the parking structure. Construction is forthcoming in 2013.
- It is in the best interest of the Department to continue to lease this property to Sutter Health and to be recognized as a State Agency who works cooperatively with local entities in the spirit of fairness and good business practices. Sutter Health has already improved the property with a parking garage, which increases the value of the Department's asset and with the completion of the pedestrian walkway, at the sole expense of Sutter Health; additional increases to value will be recognized.
- Sutter Health is a non-profit organization providing a vital public service to the City of Sacramento, County of Sacramento, and the surrounding area.
- The needed parking for a working hospital complex cannot be fulfilled with only on-street parking.
 - The South lot (between L and Capital) is reserved for staff only.
 - The North garage (between L and K) is reserved for visitor parking.

SUMMARY:

It is in the Department's best interest to directly negotiate a lease extension for 50 years with Sutter Health for all the reasons stated above. Sutter Health has been an excellent tenant for many years and has improved the Department's asset at no cost to the Department.

The Department requests approval to directly negotiate a 50 year lease extension with Sutter Health for the subject property.

Attachments:

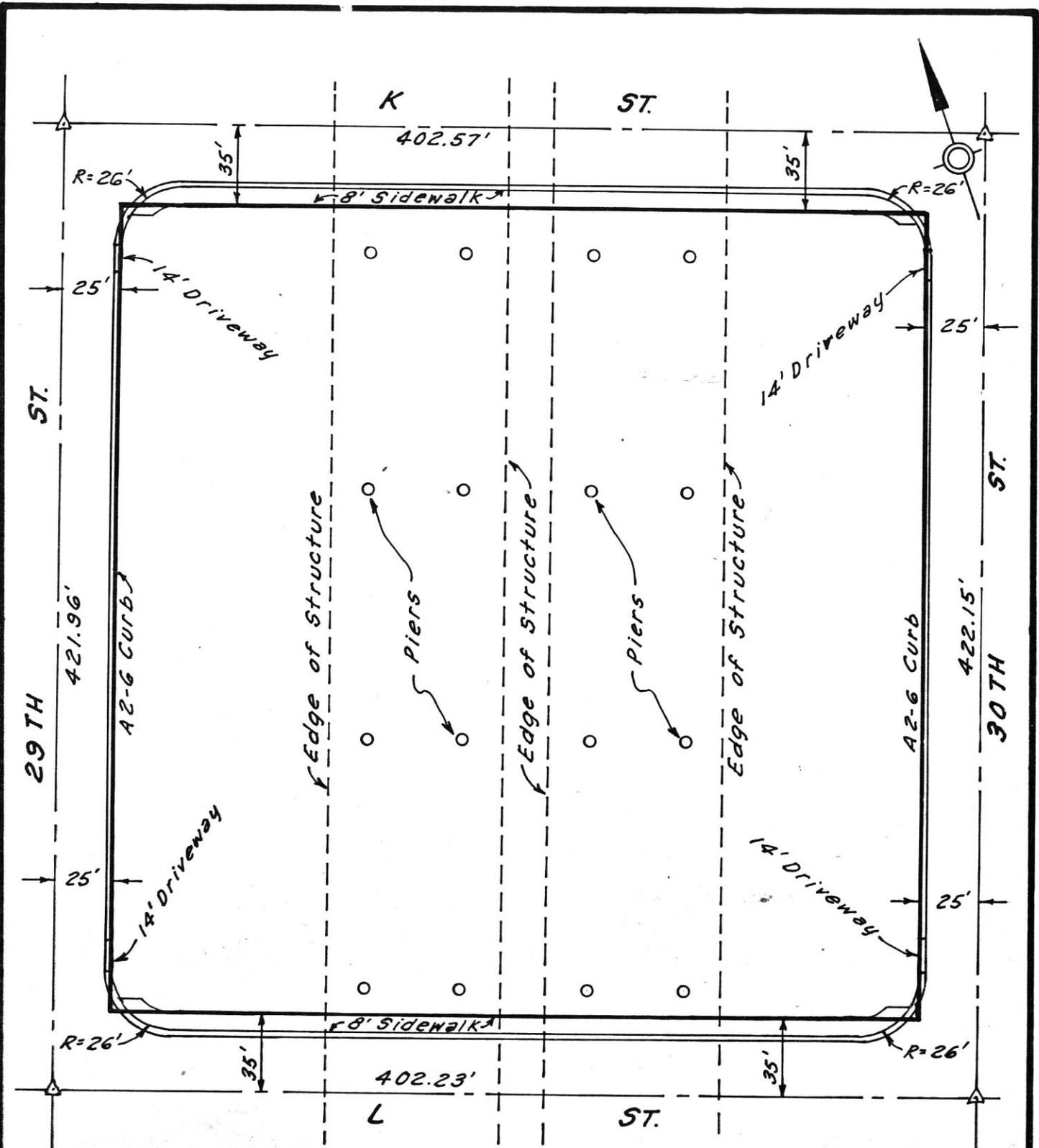


FLA 80-2

FLA 80-2

| DIST | CO | RTE | PM |
|------|-----|-----|-----|
| 03 | SAC | 80 | 3.5 |

Exhibit A



GROSS AREA: 124,080 SF
 LESS PIER AREA: 600 SF
 NET AREA: 123,480 SF

BRIDGE PIERS SHOWN: ○

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| FLA 80-3 | | | |
| PAR NO 14239 | | | |
| DIST | CO | RTE | PM |
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