

Memorandum

To: Chairman and Commissioners

Date: November 19, 2004

From: Diane C. Eidam

File No: Item 4.6
ACTION

Ref: 2004 Airspace Annual Report by Airspace Advisory Committee Chair

Issue: Should the Commission accept its Airspace Advisory Committee (AAC) Report on Airspace Issues for inclusion in the Commission's Annual Report?

Recommendation: Staff recommends that the AAC report be included as part of the Commission's Annual Report to the Legislature.

Summary: Airspace Advisory Committee Vice-Chair Bill Hauf is expected to provide a summary at the Commission's December 9, 2004 meeting, regarding AAC accomplishments for 2004. The AAC met four times this year. The AAC continues to provide its expert advice on the sale of excess properties. The AAC's advice to Caltrans has helped the State, in part, to obtain \$25.1 million from the sale of excess properties. Wireless telecommunications revenues increased from \$1.63 million in 2001-02 to \$2.44 million in 2002-03-and then to \$3.19 million in 2003-04. The wireless income has grown at a 40% annualized rate. This increase in revenues is due to the Department's stewardship and the advice it gets from the Commission's Airspace Advisory Committee. Finally, the AAC was concerned about legislation (AB 1874) that would reduce the Department's airspace and wireless income stream and, accordingly, recommended that the Commission request the bill's author to amend it to make clear that the Department could require compensation for the use of controlled-access rights-of-way, as permitted by federal law. The Commission accepted the recommendation as requested the author to amend the bill. The bill was ultimately vetoed by the Governor.

Background: In the early and mid 1980's, the real estate development issues requiring oversight by the Commission were becoming increasingly more sophisticated. As a result, in 1986, the Commission created the Airspace Advisory Committee to serve in an advisory role to both the Commission and the Department in reviewing proposed airspace (real estate) development leases and joint development. In October 1994, the Commission directed the AAC review, as appropriate, the Department's asset management and excess land activities. Then, in July 1997, the Commission directed the AAC to review and comment on the Department's Telecommunications Program. The nine members (see attachment) are all from the private sector with a wide range of expertise in finance, property development and management. The primary objective of the AAC is to assist in maximizing State income from leasing and managing Caltrans properties while remaining removed from the political arena. The members are volunteers and receive only travel expenses for their efforts. As such, the AAC members serve as valuable consultants to the Commission.

Airspace Advisory Committee Members

<p>Nina Gruen - Committee Chair Principal – Gruen Gruen & Associates San Francisco</p> <p>Over 35 years experience in market analysis and land use planning.</p> <p>Committee member since 1991.</p>	<p>William Hauf - Committee Vice Chair Principal - William J. Hauf Company San Diego</p> <p>Over 17 years experience in real estate development and finance.</p> <p>Committee member since 1993.</p>
<p>Wylie Greig Principal and Director of Research for RREEF Management Company San Francisco</p> <p>Over 20 years experience as a land use economist and market analyst.</p> <p>Committee member since 2000.</p>	<p>Peter Inman Inman & Associates Irvine</p> <p>Over 30 years experience in real estate investments, development and consulting.</p> <p>Committee member from 1986 to 1996, and since 2002.</p>
<p>Walter Mosher, Jr. Ph.D. President, Precision Dynamics Corp.</p> <p>Over 40 years experience in the transportation field.</p> <p>Committee member since 2002.</p>	<p>George Moss Chairman Moss Group Encino, Los Angeles County</p> <p>46 years experience in real estate development, management, financing and investment</p> <p>Committee member since 2000.</p>
<p>Jack Nagle Partner - Goldfarb & Lipman Oakland</p> <p>Over 21 years experience in redevelopment/real estate transactions representing local public agencies and private developers.</p> <p>Committee member since 2001.</p>	<p>Roslyn Payne Principal - Jackson Street Partners San Francisco</p> <p>Over 30 years experience in real estate development, finance and investment banking.</p> <p>Committee member since 1993.</p>
<p>Vacant CTC Commissioner Liaison</p>	<p>Robert Chung – CTC Staff Liaison</p>

2004 ACTIVITY AND ACCOMPLISHMENTS

Airspace Advisory Committee

In 2004, the California Transportation Commission's Airspace Advisory Committee provided expert advice regarding the sale of excess properties, helping the state obtain \$25.1 million from the sale of excess properties. The Committee reviewed and commented on the Department of Transportation's Airspace and Excess Lands Annual Report.

Airspace Advisory Committee

In the early and mid-1980's the real estate development issues requiring action by the Commission were becoming increasingly more sophisticated. As a result, in 1986, the Commission created the Airspace Advisory Committee to serve in an advisory role to the Commission by reviewing proposed airspace (real estate) development leases and joint development. In October 1994, the Commission also directed the Airspace Advisory Committee to review and comment on the Department's excess land activities. In July 1997, it directed the Committee to review and comment on the Department's newly developed telecommunications program.

The primary objective of the Committee is to assist in maximizing state income from leasing and managing Caltrans properties, as a disinterested third party panel of experts. The eight members, listed below, are all from the private sector with a wide range of expertise in finance and property development and management. All Committee members are volunteers and receive only travel expenses for their time and effort. The expertise of the Committee has proven to be valuable to the Department and the Commission. The members include:

- Nina Gruen, Chair, Gruen Gruen + Associates, San Francisco
- William J. Hauf, Vice-Chair, William J. Hauf Company, San Diego
- Wylie Grieg, RREEF Management Company, San Francisco
- Peter Inman, Inman & Associates, Irvine
- Walter Mosher, Jr., Ph.D., Precision Dynamics Corporation, San Fernando
- George E. Moss, Moss Group, Encino
- Jack Nagle, Goldfarb & Lipman, Oakland
- Roslyn B. Payne, Jackson Street Partners Ltd., San Francisco

Airspace Program, 2003-04

The Department reported that, at the end of June 2004, it had 568 occupied airspace sites throughout the state, including 131 wireless communication sites. Possessory interest taxes, paid by airspace tenants in lieu of property taxes, had increased from \$3.9 million to \$4.2 million, a 7.7% increase from last year. In addition, the Department reports substantial savings by utilizing airspace sites for the Department's own maintenance stations and equipment yards.

The Department reported the following statewide income and expenses for its Airspace and Telecommunications Licensing Program in 2003-04 and the prior year:

**Airspace and Telecommunications Licensing Program
Income and Expenses**

Category	2002-03	2003-04
Airspace lease income	\$13,831,857	\$14,465,822
Wireless telecommunications income	2,446,515	3,193,858
Total income	\$16,278,372	\$17,659,680
Program expenses	-1,917,506	1,823,014
Net income	\$14,360,866	\$15,836,666

In 2002-03, the net income was \$14.36 million. According to the Department, the small increase of \$1.47 million in 2003-04 was due in part to airspace sites being used for staging and construction purposes of the west approach of the Bay Bridge and the pending transfer of state properties to the City and County of San Francisco as required by SB 978 (Burton, 1999). Wireless telecommunications revenues increased from \$1.63 million in 2001-02 to \$2.44 million in 2002-03 and then to \$3.19 million in 2003-04. The wireless income has grown at a 40% annualized rate. This increase in revenues is due to the Department's stewardship and the advice it gets from the Commission's Airspace Advisory Committee.

Legislative Recommendation, AB 1874

AB 1874, which would have enacted the Telecommunications Information and Advanced Communications Deployment Act of 2004, included provisions that could have clouded the Department's right to receive compensation for granting access to controlled-access rights-of-way on expressways and highways. The Airspace Advisory Committee was concerned that this would reduce the Department's airspace and wireless income stream and, accordingly, recommended that the Commission request the bill's authority to amend it to make clear that the Department could require compensation for the use of controlled-access rights-of-way, as permitted by federal law.

The Commission accepted this recommendation and also sought to amend the bill to permit all eligible applicants to request use of the controlled-access rights-of-way rather than limiting the right-of-way use to specific franchises such as telephone, telegraph or cable television corporations. Competition for the use of the rights-of-way, within reason, could generate more revenues for California to use on its transportation system.

The Governor vetoed AB 1874, stating that the Legislature should work with the Administration in the coming year to develop a comprehensive plan to expand the economic prosperity of the state. The suggested legislation, he said, must be a comprehensive plan that includes methods to accelerate broadband deployment in the best interests of the state, its businesses and its citizens.