

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: February 1-2, 2006

Reference No.: 2.4c.
Action Item

From: CINDY MCKIM
Chief Financial Officer

Prepared by: Bimla G. Rhinehart
Division Chief
Right of Way and Land Surveys

Ref: AIRSPACE LEASE DIRECT NEGOTIATIONS – MADISON PARK PARTNERS II

RECOMMENDATION:

The Department of Transportation recommends that the California Transportation Commission (commission) authorize execution of a lease between the State of California, Department of Transportation (Department) and the Lessee, Madison Park Partners II.

SUMMARY

The subject parcel is vacant and unimproved totaling 6,825± square feet near the corner of 5th Street and Adeline Street in Oakland, under Interstate-880 (I) in Alameda County (see attached maps).

Direct negotiations, pursuant to approval from the commission's Airspace Advisory Committee in January 2005, have resulted in the following terms and conditions:

Use:	Parking of apartment tenant and guest vehicles only
Initial Term:	20 years
Options:	Two 5-year options
Negotiated Rent:	\$0.11/sf = \$750.00/mo.
Annual adjustments:	Pre-negotiated 3% annual increase
Re-evaluations:	At option of Lessor every five years and at beginning of every option
Tenant Improvements:	Grading, paving, lighting, landscaping, irrigation, gate and fencing costing approximately \$70,000

Madison Park Financial Corporation, through their Real Estate Investment Trust (REIT), currently owns a twenty-seven (27) unit loft-style apartment complex named the “David Gray Building” aka “Offramp Studios” located at 1155 5th Street, Oakland, California, directly across from the subject parcel, Freeway Lease Area (FLA)-04-ALA-880-79. The lessee is a California Limited Partnership within the Madison Park Financial corporate umbrella that plans to utilize the FLA for additional tenant parking for Lessee’s adjoining apartment building.

The subject FLA is an unimproved dirt parcel that contains approximately 6,825 gross square feet. Due to the parcel’s irregular shape, unimproved condition, and the lack of demand for hourly parking in the neighborhood, the parcel has not been leased in the past. Because the city of Oakland requires prospective users of the parcel to construct substantial improvements, only through a long term lease can a prospective tenant amortize the cost of the improvements. The proposed lessee will accept the parcel in its existing condition and is planning to grade the parcel, pave the surface, stripe the lot, install lighting, install an electric gate and perimeter fence, and landscaping the area. The lessee understands these improvements will be at its sole cost and will become State property upon default or expiration of the lease.

SITE PHOTO

04-ALA-880-79

In the photo on page 2, the dirt parcel is the State FLA. The building behind the FLA is the lessee's apartment building and adjoining existing parking lot. Lessee plans to pave, light, and landscape the State FLA and merge the State FLA with the existing parking.

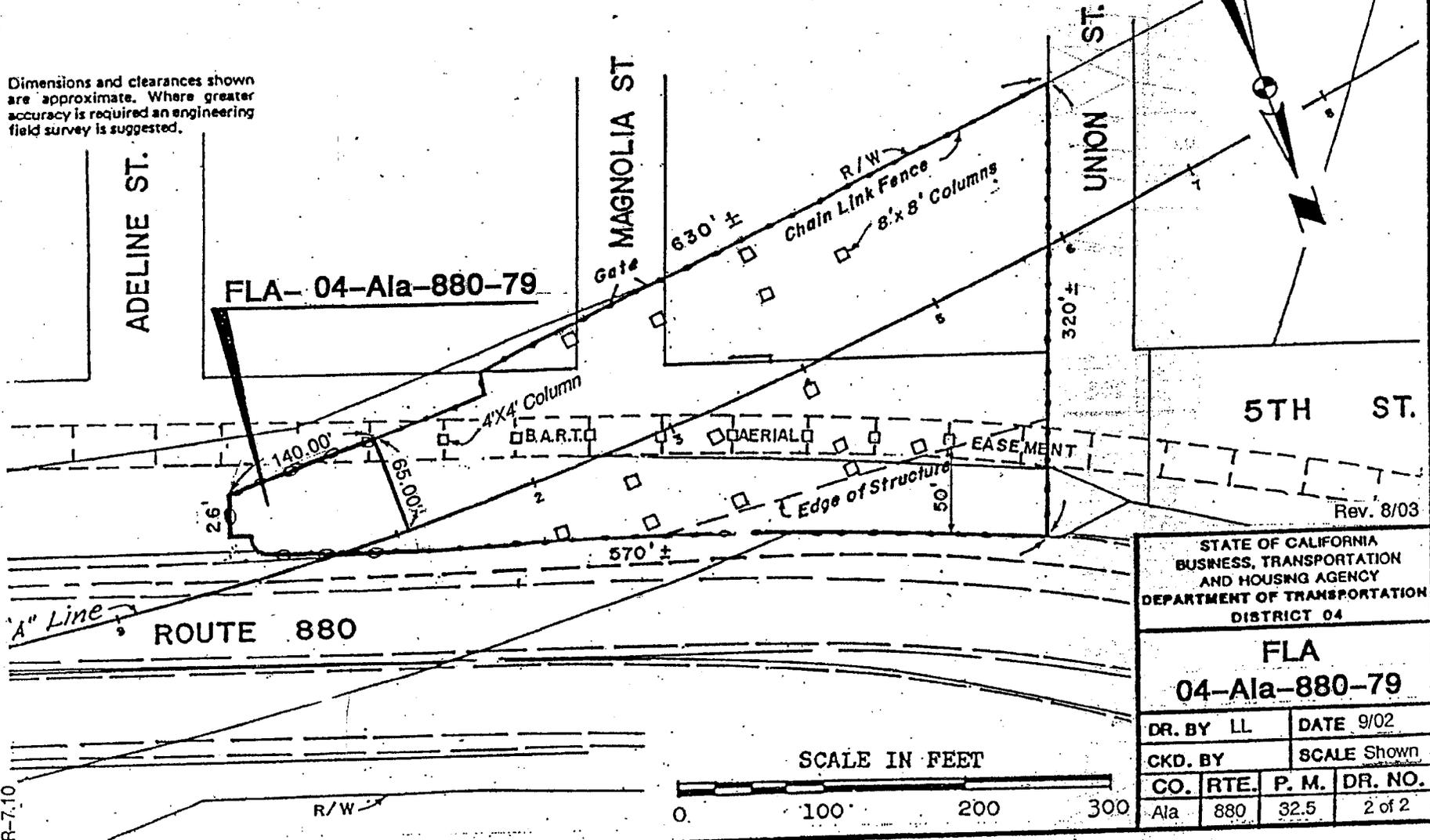
This proposed lease is in the State's best interest, as the optimum return for this site will be realized through a direct lease with said lessee for parking purposes, which is the highest and best use. As parking, the subject site adds revenue to the State and relieves the Department from continuing liability and maintenance responsibilities. The developer proposes to upgrade the site, as mentioned above. The negotiated rental rate is based upon a fair market value appraisal.

Attachments

CITY OF OAKLAND

Gross Area. 6,825.00' ± Sq.Ft.

Dimensions and clearances shown are approximate. Where greater accuracy is required an engineering field survey is suggested.



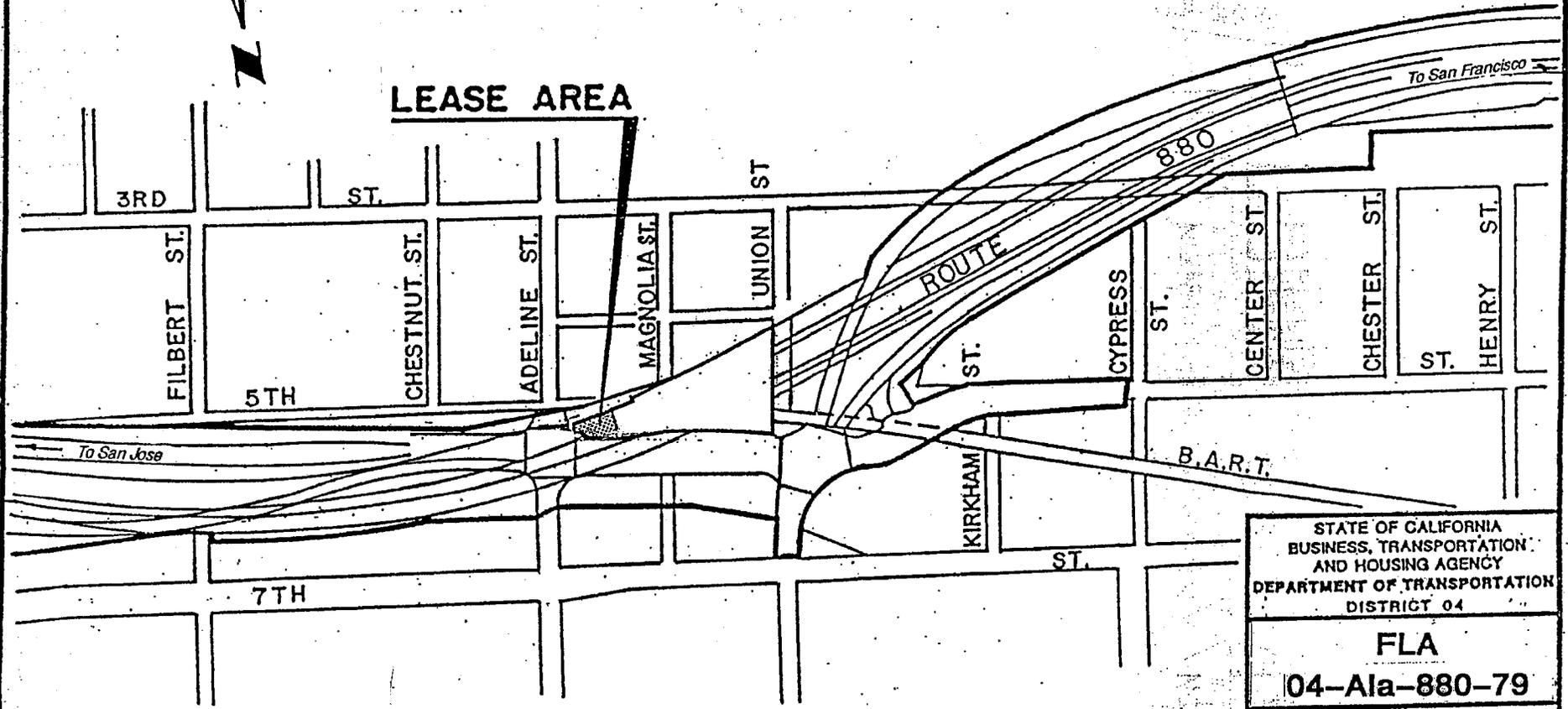
Rev. 8/03

STATE OF CALIFORNIA BUSINESS, TRANSPORTATION AND HOUSING AGENCY DEPARTMENT OF TRANSPORTATION DISTRICT 04			
FLA 04-Ala-880-79			
DR. BY	LL	DATE 9/02	
CKD. BY		SCALE Shown	
CO.	RTE.	P. M.	DR. NO.
Ala	880	32.5	2 of 2

CITY OF OAKLAND



LEASE AREA



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 04

FLA
04-Ala-880-79

DR. BY	DATE	9/02	
CKD. BY	SCALE	As Shwn	
CO.	RTE.	P. M.	DR. NO.
Ala	880	32.5	1 of 2

NO SCALE