



SFMTA
Municipal
Transportation
Agency

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Edward D. Reiskin, *Director of Transportation*

November 14, 2017

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Subject: SFMTA Agreements with Caltrans

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the execution of the following with Caltrans: 1) an Airspace Lease (Lease) with Caltrans; 2) a License Agreement (Access License) for Caltrans access; and (3) an Access Easement Agreement (Easement) for Caltrans access. The property, known as the Islais Creek Yard, is currently used for the motor coach operation and maintenance.

On September 19, 2017, the SFMTA Board of Directors approved an Agreement for the Purchase and Sale of Real Estate (PSA) for the Fee Parcels shown in Attachment 1. The Board of Supervisors is not required to take additional action on the PSA. However, the Board of Supervisors is required to approve the Lease, the Access License, and the Easement. The SFMTA Board Calendar Item and Resolution are attached as background in Attachment 2.

Lease and Appraisal

The proposed Lease would allow the SFMTA to lease the Open Space Parcels depicted in Attachment 1 for public access purposes. The proposed term is 50 years, with two 15-year extension options for a total of up to 80 years. Caltrans must make the Open Space Lease Parcels available to the SFMTA free of charge for public access purposes. Accordingly, the rent will be \$1.

To determine the rent for the remainder of the Lease Parcels, the SFMTA commissioned an appraisal in May 2014 that determined a fair market rental value of \$0.25/square foot/month. With the \$1 Open Space Lease Parcel, the proposed lease rate for the Lease Parcels is \$191,241 annually (\$0.25 per square foot), with 3% annual increases and Caltrans' right to readjust the rent to appraised fair market value no more than once every ten years after the first ten lease years. In addition, the SFMTA would pay for its use of the Lease Parcels since 2007 through a one-time payment equal to \$0.25 per square foot, plus interest on such amount between January 31, 2007, and December 1, 2017, which is projected to be a total of \$2.2 million. Interest is calculated using California Surplus Money Investment Fund (SMIF) which is what is used for Caltrans property.

The City's Director of Property has confirmed the 2014 appraisal, and current lease rates for similar property, are appropriate and relevant data to determine the proposed Lease rent terms are no greater than Market Rent (as defined in San Francisco Administrative Code Section 23.2).

As a condition of the Lease, Caltrans requires that the SFMTA maintain and repair bike path improvements that the SFMTA installed on Caltrans property adjacent to the Lease Parcels.

Access License

Caltrans currently has an access easement from Cesar Chavez Street to the Lease Parcels for highway maintenance purposes. With the sale of the Fee Parcels to the SFMTA, Caltrans believes it will lose access between the Lease Parcels and a public street for non-highway maintenance purposes. Caltrans agreed a non-exclusive license to access a portion of the Lease Parcels during the term of the Lease, and a non-exclusive easement to access a portion the Lease Parcels once access license terminates.

The City's Director of Property determined that no Market Value determination is required for the Access License under Administrative Code Section 23.30 because the Access License is being granted as a condition to Caltrans' sale of the Fee Parcels and in consideration of Caltrans terminating the 1962 Easement and its reserved floating access easement over the Fee Parcels.

Easement Agreement

After the Lease terminates, Caltrans will access the Lease Parcels via an Easement Agreement which will be restricted to vehicular and pedestrian access.

The City's Director of Property determined that no Market Value determination is required for the Easement under Administrative Code Section 23.3 because the Access License is being granted as a condition to Caltrans' sale of the Fee Parcels and in consideration of Caltrans terminating the 1962 Easement and its reserved floating access easement over the Fee Parcels.

Summary

The SFMTA requests that the San Francisco Board of Supervisors authorize the execution of the Lease, the Access License, and the Easement.

Thank you for your continued support of transportation. Please let us know if you have any questions.

Sincerely,



Edward D. Reiskin
Director of Transportation

Attachments:

1. Islais Creek Site Ownership Map
2. SFMTA Board Calendar Item and Resolution, September 19, 2017
3. Board of Supervisors Resolution
4. Airspace Lease Agreement between Caltrans and City
5. Indiana Street Access License Agreement
6. Cesar Chavez Access Easement Agreement