



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh
Jim Ortbal

SUBJECT: SEE BELOW

DATE: October 10, 2017

Approved

Date

10/19/17

COUNCIL DISTRICT: 3

**SUBJECT: AUTHORITY FOR CITY MANAGER OR HIS DESIGNEE TO
NEGOTIATE AND EXECUTE AN AGREEMENT FOR THE PURCHASE
OF REAL PROPERTY LOCATED AT 525 WEST ST. JOHN STREET, SAN
JOSÉ, CALIFORNIA**

RECOMMENDATION

Authorize the City Manager to negotiate and execute all documents, including any amendments or modifications, necessary for the acquisition of the property located at 525 West St. John Street, San José, California, which property can be further identified as Assessor's Parcel Number 259-29-001, -002, in an amount not to exceed \$2,966,436 from the Francia Family Trust.

OUTCOME

Acquisition of this property positions the City to provide interim parking in support of the City's obligations to support operations of the SAP Center during the anticipated construction of public transit projects and private development on surface parking lots south of the SAP Center that provide parking as required in the Arena Management Agreement.

BACKGROUND

The City has identified properties along West St. John Street, between the Guadalupe River and Montgomery Street as long-term public parking supply to ensure the City continues to meet its parking obligations for the SAP Center operations. Additionally, the property can serve as an interim supply of parking during the planned construction of the BART and High Speed Rail projects that will disrupt parking supply proximate to the San Jose Diridon Station and SAP Center.

ANALYSIS

An appraisal was commissioned in September 2016, and completed by Carneghi and Nakasako in October 2016. The appraised value of the 0.6 acre or 26,136 square foot property was set at \$2,350,000 (\$90/sf). The Francia family, as the property owners, made a counter offer, based on their analysis of land value trends in and around the area. The counter offer was \$2,966,435 (\$113.50/sf). Staff believes that the counter offer is reasonable, given the ongoing increases in demand for property in the Diridon Station area. The City conducted a Phase I Environmental Site Assessment and retained an environmental consultant to perform a Phase II soil and groundwater contamination analysis. The findings indicate the property was used as a metal foundry from at least 1950 to around 2008. The soil in several areas is contaminated with various chemicals of concern, primarily high levels of metals in the soil and the walls have deposits of various chemicals that will likely need to be decontaminated when a project is developed. Elevated levels of metals and petroleum hydrocarbons were detected in the groundwater but the concentrations do not appear to require remediation. An initial rough order of magnitude cost estimate indicates potential cleanup costs may range from \$300,000 to \$600,000.

There are no relocation expenses associated with this acquisition.

Staff has negotiated the following terms to incorporate into a Purchase and Sale Agreement (PSA) with the Francia Family Trust

1. **Purchase Price:** \$2,966,436
2. **Condition:** Property to be sold "As-Is."
3. **Tenants:** There are no tenants to be relocated.
4. **Close of Escrow:** No later than 60 days after PSA is fully executed.

EVALUATION AND FOLLOW-UP

The Department of Transportation and Department of Public Works are responsible for the delivery of the parking. Redevelopment of the site will be separately evaluated and brought forth to the City Council at the appropriate time.

PUBLIC OUTREACH

Planned acquisition of this property has been the subject of public communication for potential uses and redevelopment through projects consistent with the Diridon Station Area Plan and the

Downtown Strategy. This memorandum will be posted on the City's website for the October 31, 2017 City Council Agenda.

COORDINATION

These actions and this memo have been coordinated with the Public Works Department, Department of Environmental Services, and Department of Planning, Building and Code Enforcement, as well as the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

The purchase of this property was shared with the Downtown Parking Board at their October 4, 2017 meeting.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Purchase Price	\$2,966,436
Closing Costs	\$45,000
Hazmat Estimate	\$600,000
Demolition Estimate	\$125,000
Total	\$3,736,436

2. SOURCE OF FUNDING: General Purpose Parking Fund (533).

3. OPERATING COSTS: After property acquisition, demolition and clean-up, the site will be used in the interim as a surface parking lot. The costs to operate and maintain the lot will either be paid from the General Purpose Parking Fund or offset by revenues from parking lot patrons.

BUDGET REFERENCE

The table below describes the appropriation action recommended as part of this memorandum to provide funding to cover the costs.

Fund #	Appn #	Appn Name	Total Appn	Amt for Contract	2017-2018 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
533	7885	Greater Downtown Parking Garage	\$6,100,000	\$3,736,435	897	6/20/2017 29962

CEQA

Determination of Consistency with the San Jose Downtown Strategy 2000 Final Environmental Impact Report, (Resolution No. 72767), and addenda thereto; the Diridon Station Area Plan Final Environmental Impact Report (Resolution No. 77096), and addenda thereto; and the Final Program EIR for the Envision San José 2040 General Plan (Resolution No. 76041) and the Envision San Jose 2040 General Plan Supplemental Environmental Impact Report (Resolution 77617), and addenda thereto; File No. PP17-065.

Future redevelopment would be subject to subsequent environmental review.

/s/
KIM WALES
Deputy City Manager
Director of Economic Development

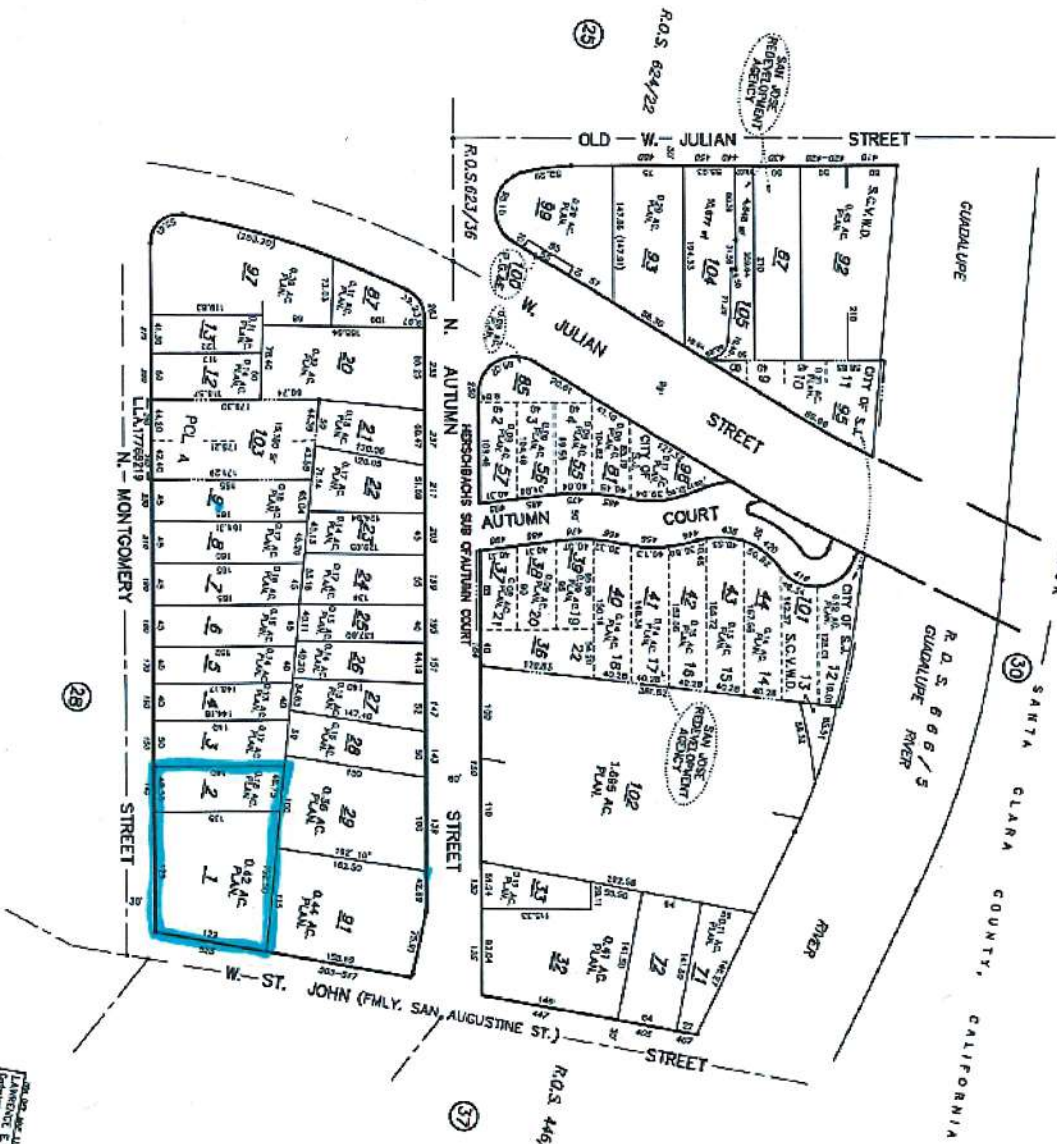
/s/
JIM ORTBAL
Director of Transportation

For questions, please contact Bill Ekern, Project Manager, at (408) 535-7637.

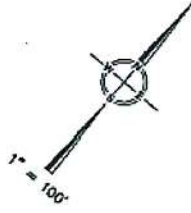
Attachment

Site Map

OFFICE OF COUNTY ASSESSOR



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