



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kim Welsh  
Matt Cano  
Robert Sapien Jr.

**SUBJECT: SEE BELOW**

**DATE:** June 19, 2020

Approved

Date

**6/19/2020**

**COUNCIL DISTRICT: 3**

**SUBJECT: ACQUISITION OF PROPERTY AT NORTH 13TH STREET AND EAST SANTA CLARA STREET**

## RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute:

- (a) A Purchase and Sale Agreement, and all other documents necessary to effectuate the Property transfer to the City, with Santa Clara County Housing Authority for the purchase by the City of 0.37 acres of land located at the northwest corner of North 13<sup>th</sup> Street and East Santa Clara Street, identified as Assessor's Parcel Number 467-16-091 and APN 467-16-092 ("Property"), for a price of \$2,350,000, with up to \$150,000 reimbursement due to the Housing Authority should the City choose to sell the Property within 10 years without performance of environmental remediation or mitigation; and
- (b) A one-year Option to Purchase Agreement with the Santa Clara County Housing Authority, for \$5,000 for the initial one-year term, granting the City the option to purchase 0.34 acres of land located at the northeast corner of North 13th Street and East Santa Clara Street, identified as Assessor's Parcel Number 467-15-010 ("Option Property"), for a price of \$2,194,200, and to extend the Option to Purchase Agreement up to five years after the term of the initial option period, for no greater than \$5,000 for each one-year option extension.

## **OUTCOME**

Approval of the resolution will authorize the City to negotiate and execute a purchase and sale agreement to acquire the Property known as 575-579 East Santa Clara Street. In the event that the City decides to sell the Subject Property within 10 years of acquisition, without performance of environmental remediation or mitigation, the City will reimburse the Housing Authority up to \$150,000 of any revenue above \$2,350,000 to account for the deduction to the purchase price for environmental cleanup.

Project planning for a potential fire station would commence upon the City's ownership of the Property.

Approval will authorize the City to enter into an option to purchase the Property known as 601 East Santa Clara Street. The Purchase Option will be in effect for one year. Acquisition of the Option Property would be contingent on future discretionary approval of the Council.

## **BACKGROUND**

On November 6, 2018 the City of San Jose voters passed Measure T—The Disaster Preparedness, Public Safety and Infrastructure Bond which authorized the City to issue up to \$650 million in general obligation bonds to fund public safety, emergency and disaster responses, infrastructure, and roads. On November 27, 2018, City Council unanimously approved a report titled *General Obligation Bond (Measure T-The Disaster Preparedness, Public Safety and Infrastructure Bond) Item 8.43*, which included Mayor Liccardo's recommendation to expedite the construction of Fire Station 37, add at least two new fire stations, and rebuild/relocate two fire stations, including Fire Station 8.

Relocating Fire Station 8 is the second highest priority for Measure T's fire station program objectives. According to a report of point-in-time assessment of response time analysis entitled "*2019 Fire Station Placement Priority Order*," Fire Station 8 is amongst the top six highest emergency response areas in the City.

Fire Station 8 is currently located at the intersection of South 17<sup>th</sup> Street and East Santa Clara Street, and sits at the edge of a riparian embankment adjacent the Coyote Creek. The station must be relocated due to the risk of erosion compromising the structural integrity of the structure. The Fire Department finds that the fire station is otherwise ideally located and recommends relocation to the closest available site.

The subject Property, approximately 0.37 acres of land, consists of two contiguous parcels located at 575/579 East Santa Clara Street, identified as Assessor's Parcel Number 467-16-091 and APN 467-16-092. The current use of the Property is a vacant paved parking lot. The Property was historically used as a gas station, and there is soil contamination present on site from an underground storage tank associated with this use.

The site has a generally rectangular shape and a corner lot configuration at the signalized intersection of North 13th Street and East Santa Clara Street. Site access is provided via two curb cuts along North 13th Street. The Property has a general plan designation of Urban Village and is in the East Santa Clara Street Urban Village Plan. The Property is zoned for General Commercial. Overall, the Property benefits from good visibility at a signalized intersection just east of downtown San Jose and close proximity to San Jose State University. According to the City's appraisal report, the highest and best use of the site is for high density residential development with a ground floor commercial component.

The Option Property enjoys many of the same benefits as the subject Property including access and has the same General Plan and zoning designations.

### **ANALYSIS**

The existing Fire Station 8 cannot be demolished and rebuilt on its existing site and needs to be relocated as close as possible to its existing location. Staff conducted an extensive search of potential sites based on a 4-minute emergency response time standard within the service area and found the subject Property to be the optimal location for relocation amongst the available opportunities.

The City obtained an appraisal valuing the Property at \$3,135,000. The City's original offer price, based on staff analysis of comparable sales, was \$2,500,000. Subsequent to this offer, due diligence identified and characterized environmental contamination on site.

Based on analysis conducted by the Environmental Services Department and Cornerstone Earth Group, the Property had a former leaking underground gasoline tank that will require soil remediation and mitigation to accommodate development. To mitigate soil vapor impacts, remediation would consist of excavation and disposal of contaminated soil, backfill with clean fill, and a possible vapor barrier. This work is anticipated to take up to one year to complete and cost \$150,000 to \$200,000.

To account for the necessary environmental remediation, the Housing Authority agreed to a \$150,000 reduction in the purchase price below the City's original offer. In exchange, the City will agree to reimburse the Housing Authority up to \$150,000 of any profits on a sale above \$2,350,000 if the City sells the Property within 10 years without performance of environmental remediation or mitigation.

Should the City acquire the Property, the planning, design, and construction of any fire station development would be subject to future discretionary action of the Council and CEQA review.

The BART project, led by the VTA, may require the subject Property for a venting shaft and emergency access. After acquiring the subject Property, the City would work with the VTA to accommodate both a potential fire station and BART's infrastructure on the site, or to work with

the VTA to see if they can shift their venting shaft and emergency access to another location. Should this accommodation not be feasible, the City could choose to sell the Property to the VTA and instead acquire the Option Property for the development of a fire station. Both actions would be subject to future discretionary action of the Council. The Purchase Option allows the City to acquire the subject Property, which is the preferred location for a fire station, now while preserving the flexibility to accommodate both the fire station and the BART project should the two uses conflict later. The location on the northwest corner is strongly preferred as it ensures we can provide sufficient space onsite for the structure as well as parking and other exterior features. The northwest corner also provides for better ingress and egress for fire apparatus.

The Option to purchase will be effective for one year. Staff will extend the option, in one-year increments, up to five times. The City will pay \$5,000 to the Housing Authority as consideration for the Purchase Option, which will cover the Authority's maintenance costs for the year. The Option's purchase price is \$2,194,200, which is the same per-square-foot land value as the subject Property's purchase price. The Option Property has similar drivers of market value as the subject Property and it is beneficial for the City to lock in the ability to pay this price throughout the Option term.

Any potential purchase of the Option Property would be subject to further environmental review and other typical diligence activities prior to Council approval. The purchase price for the Option Property could be renegotiated as needed based on the results of this examination or market trends.

#### Summary of Key Terms

- 575-579 East Santa Clara Street: Purchase price of \$2,350,000 reflects a \$150,000 discount to account for environmental contamination
- \$150,000 profit reimbursement due back to the Housing Authority if the City sells the Property within 10 years without having performed environmental remediation
- As-is sale
- Closing costs to be split according to Santa Clara County custom
- 601 East Santa Clara Street: City to pay \$5,000 for a one-year option to purchase for \$2,194,200. Option subject to up to five, one-year extensions for no greater than \$5,000 for each one-year extension. Property acquisition subject to due diligence and future discretionary action of the Council

#### CONCLUSION

Approval of the recommendation will direct staff to complete negotiations and execution of a purchase and sale agreement for the 0.35 acres of land located at 575-579 East Santa Clara Street. Staff will enter into a one-year option to purchase 601 East Santa Clara Street, with up to five, one-year extensions of the option term.

### **EVALUATION AND FOLLOW-UP**

The acquisition of the subject Property is anticipated to be completed within 90 days, upon execution of the Agreement. The Public Works Department will be responsible for the delivery of any new fire station project, as well as relocation and demolition of the existing Fire Station 8.

### **CLIMATE SMART SAN JOSE**

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals.

### **COORDINATION**

This memorandum has been coordinated with the Fire Department, Department of Public Works, Planning, Building, and Code Enforcement, the Environmental Services Department, the City Attorney's Office, and the City Manager's Budget Office.

### **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

### **FISCAL/POLICY ALIGNMENT**

The proposed project aligns with the City's General Plan and the Measure T Bond program.

### **COST SUMMARY/IMPLICATIONS**

This recommendations in this memorandum will approve the purchase of the Property for the relocation of Fire Station 8. All costs to facilitate the recommended land acquisition will be funded by the Measure T–Fire Station 8 Relocation appropriation in the Public Safety and Infrastructure Bond Fund. The 2021-2025 Proposed Capital Improvement Program includes a five-year total budget of \$16.0 million, with \$6.2 million allocated in 2020-2021, in the Public Safety Capital Program. This funding will provide for the purchase of the subject Property for \$2,350,000.

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**BUDGET REFERENCE**

The table below identifies the fund and appropriation proposed to fund the purchase of Property recommended as part of this memorandum.

<b>Fund #</b>	<b>APPN #</b>	<b>Appn. Name</b>	<b>Current Total Appn</b>	<b>Amount for Purchase</b>	<b>2020-2021 Proposed Capital Budget Page*</b>	<b>Last Budget Action (Date, Ord. No.)</b>
498	414Z	Measure T - Fire Station 8 Relocation	\$6,242,000	\$2,350,000	V-334	N/A

\* The 2020-2021 Capital Budget and 2021-2025 Capital Improvement Program is scheduled to be reviewed and approved by City Council on June 16, 2020 and adopted on June 23, 2020.

**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

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

/s/  
**MATT CANO**  
 Director of Public Works

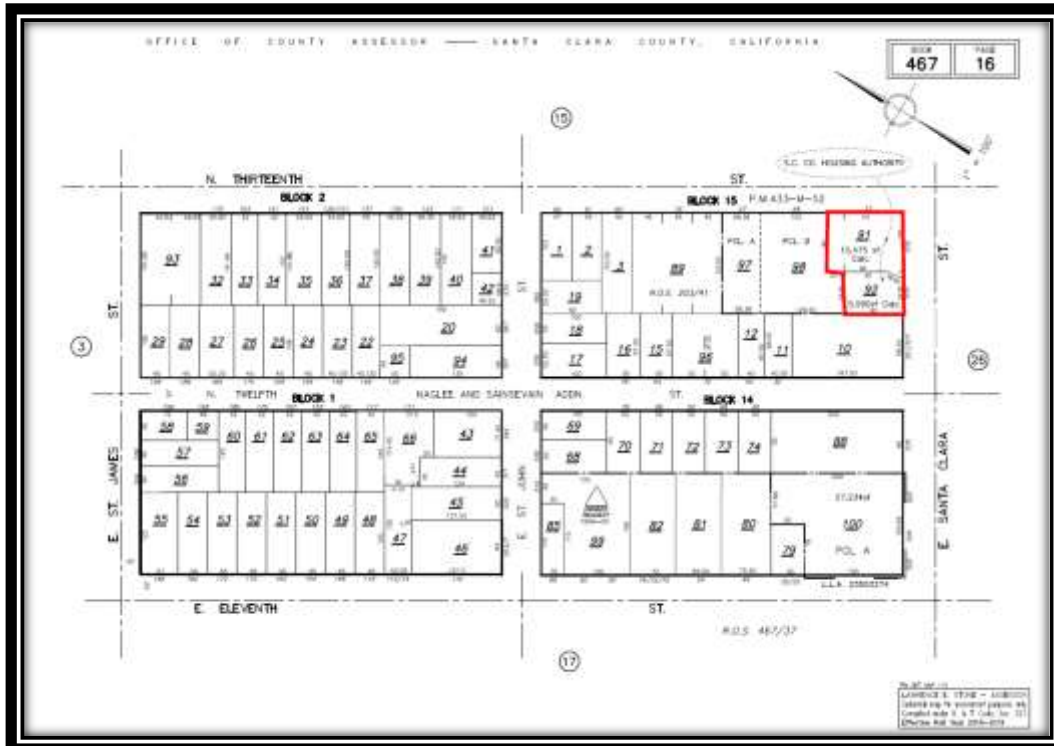
/s/  
**ROBERT SAPIEN JR**  
 Fire Chief  
 Fire Department

For questions, please contact Nanci Klein, Assistant Director of Economic Development, Director of Real Estate, at (408) 535-8184; or Matt Cano, Director of Public Works, at (408) 535-8477.

Attachments

# ATTACHMENT A

## Aerial and Parcel Map of Property



## ATTACHMENT B

### Legal Description of Property

Real property in the City of San Jose, County of Santa Clara, State of California, described as follows:

PARCEL ONE:

BEGINNING AT THE POINT OF INTERSECTION OF THE NORTHWESTERLY LINE OF SANTA CLARA STREET AND THE SOUTHWESTERLY LINE OF 13TH STREET, RUNNING THENCE NORTHWESTERLY ALONG SAID SOUTHWESTERLY LINE OF 13TH STREET, 115 FEET AT RIGHT ANGLES SOUTHWESTERLY 90 FEET, THENCE AT RIGHT ANGLES SOUTHEASTERLY 90 FEET, THENCE AT AN ANGLE TO THE RIGHT OF 21° 48' A DISTANCE OF 26.92 FEET TO A POINT ON THE NORTHWESTERLY LINE OF SANTA CLARA STREET, WHICH SAID POINT BEARS SOUTHWESTERLY ALONG THE NORTHWESTERLY LINE OF SANTA CLARA STREET 100 FEET FROM THE INTERSECTION OF SAID NORTHWESTERLY LINE WITH THE SOUTHWESTERLY LINE OF 13TH STREET, AND THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY LINE OF SANTA CLARA STREET 100 FEET TO THE POINT OF BEGINNING AND BEING A PORTION OF LOT 10 IN BLOCK 15 OF THE NAGLEE AND SAINSEVAIN ADDITION TO THE SAID CITY OF SAN JOSE.

APN: 467-16-091

PARCEL TWO:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF SANTA CLARA STREET, DISTANT 150.50 FEET WESTERLY FROM THE INTERSECTION OF THE NORTHERLY LINE OF SANTA CLARA STREET WITH THE WESTERLY LINE OF THIRTEENTH STREET; RUNNING THENCE NORTHERLY AND PARALLEL WITH THE WESTERLY LINE OF THIRTEENTH STREET NINETY (90) FEET; THENCE AT RIGHT ANGLES EASTERLY AND PARALLEL WITH THE NORTHERLY LINE OF SANTA CLARA STREET 63.50 FEET; THENCE SOUTHERLY AT RIGHT ANGLES AND PARALLEL WITH THE WESTERLY LINE OF THIRTEENTH STREET NINETY (90) FEET TO THE NORTHERLY LINE OF SANTA CLARA STREET AND THENCE ALONG THE NORTHERLY LINE OF SANTA CLARA STREET 63.50 FEET TO THE POINT OF BEGINNING, AND BEING PORTIONS OF LOTS FIVE (5) AND TEN (10) IN BLOCK FIFTEEN (15) OF THE NAGLEE AND SAINSEVAIN ADDITION TO THE CITY OF SAN JOSE, AS RECORDED IN [BOOK "A" OF MAPS, PAGES 72 AND 73](#), IN THE OFFICE OF THE RECORDER OF SANTA CLARA, CALIFORNIA.

EXCEPTING THEREFROM THAT PORTION THEREOF LYING WITHIN THE FOLLOWING DESCRIBED PARCEL:

BEGINNING AT THE POINT OF INTERSECTION OF THE NORTHWESTERLY LINE OF SANTA CLARA STREET AND THE SOUTHWESTERLY LINE OF 13TH STREET; RUNNING THENCE NORTHWESTERLY ALONG SAID SOUTHWESTERLY LINE OF 13TH STREET, 115 FEET; THENCE AT RIGHT ANGLES SOUTHWESTERLY 90 FEET; THENCE AT RIGHT ANGLES SOUTHEASTERLY 90 FEET; THENCE AT AN ANGLE TO THE RIGHT OF 21° 48' A DISTANCE OF 26.92 FEET TO A POINT ON THE NORTHWESTERLY LINE OF SANTA CLARA STREET, WHICH SAID POINT BEARS SOUTHWESTERLY ALONG THE NORTHWESTERLY LINE OF SANTA CLARA STREET 100 FEET FROM THE INTERSECTION OF SAID NORTHWESTERLY LINE WITH THE SOUTHWESTERLY LINE OF 13TH STREET, AND THENCE NORTHEASTERLY ALONG SAID NORTHWESTERLY LINE OF SANTA CLARA STREET 100 FEET TO THE POINT OF BEGINNING AND BEING A PORTION OF LOT 10 IN BLOCK 15 OF THE NAGLEE AND SAINSEVAIN ADDITION TO THE CITY OF SAN JOSE.

APN: 467-16-092.