



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jen Baker
Jim Shannon

SUBJECT: Actions Related to the
Acquisition of 447 South
Almaden Boulevard

DATE: September 8, 2025

Approved

Date:

9/18/2025

COUNCIL DISTRICT: 3

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute:
- (1) A Purchase and Sale Agreement with BXP Almaden Associates LP, a Delaware limited partnership, for the purchase by the City of approximately 3.56 acres of land commonly known as 447 South Almaden Boulevard, identified as Assessor's Parcel Numbers 264-28-176, 264-28-175, 264-28-174, 264-28-173, 264-28-172, 264-28-149, 264-28-152, 264-28-167, 264-28-168, 264-28-169, 264-28-019, 264-28-153, 264-28-160, 264-28-022, 264-28-023, 264-28-024, 264-28-028, and 264-28-025, for a price of thirteen million five hundred thousand dollars (\$13,500,000); and
 - (2) All other documents necessary to effectuate the transfer to the City.
- (b) Adopt the following 2025-2026 Appropriation Ordinance and Funding Source Resolution amendments in the Convention Center Facilities District Revenue Fund:
- (1) Establish a revenue estimate for Financing Proceeds in the amount of \$13,500,000;
 - (2) Establish a revenue estimate for Transfers and Reimbursements in the amount of \$200,000;
 - (3) Establish the Property Acquisition appropriation to the Office of Economic Development and Cultural Affairs in the amount of \$13,600,000;
 - (4) Establish the Debt Service: Commercial Paper appropriation to the Finance Department in the amount of \$2,600,000; and
 - (5) Decrease the Unrestricted Ending Fund Balance by \$2,500,000.

- (c) Adopt the following 2025-2026 Appropriation Ordinance amendments in the General Purpose Parking Fund:
 - (1) Establish a Transfer to the Convention Center Facility District Revenue Fund in the amount of \$200,000; and
 - (2) Decrease the Non-Personal/Equipment appropriation to the Department of Transportation by \$200,000.

SUMMARY AND OUTCOME

Approval of the resolution will authorize the City Manager, or her designee, to negotiate and execute a purchase and sale agreement to acquire the Property commonly known as 447 South Almaden Boulevard (see attached Site Location Map), for a purchase price of \$13,500,000. Once acquired, staff will continue the current use of the Property as the City-managed Children's Discovery Museum parking lot. The Property may be utilized in future City planning for potential uses that may include an expanded and renovated San Jose McEnery Convention Center (Convention Center) and potentially other Downtown Sports and Entertainment District uses.

BACKGROUND

The Property is approximately 3.56 acres located at 447 South Almaden Boulevard on the northwest corner of Almaden Boulevard and Woz Way. The Property has a General Plan designation of "Downtown." The Guadalupe River Trail and the Guadalupe River abut the property on the west side.

Around 1993, the Property was developed into a surface parking lot and remains virtually unchanged to this day, consisting of approximately 414 parking spaces with ancillary infrastructure as well as an electric vehicle charging station. The Property is currently leased to the City for use as a public parking lot. The City entered into a lease in December of 2001 to use the Property for off-street parking and subsequently has amended the lease 15 times. In the previous two fiscal years, the operating revenue of the parking lot has been a net positive. The current lease term expires on June 30, 2027.

BXP Almaden Associates LP (BXP) owns the Property. BXP completed assembly of the Property through a purchase of parcels in 2000 from the Redevelopment Agency of the City of San José, through a Disposition and Development Agreement (DDA) for \$93.75 per square foot. BXP's total purchase price through a series of acquisitions is approximately \$35,000,000. The DDA obligated BXP to develop three high-rise office buildings in three phases. In 2021, modifications to the DDA were approved, allowing two connected 16-story office towers with a total of 2.05 million square feet, comprised of 1.4 million square feet of office space, 37,603 square feet of retail and amenity space, and three levels of underground parking. Pursuant to the DDA, the property

cannot be sold or transferred without prior approval of the Successor Agency to the Redevelopment Agency of the City of San José. In addition to the lease allowing for use as a public parking lot, the City and BXP have entered into a site investigation and standstill agreement that runs until the end of September 2025. This agreement allows for the City to conduct environmental investigations and prohibits BXP from marketing the Property.

ANALYSIS

The Property is located in a highly strategic location for the City's future downtown planning, situated across the street from the Convention Center, and on the other side of the Guadalupe River from the Children's Discovery Museum and Discovery Meadows. Acquisition of the Property would link these two existing City-owned properties into a 32-acre contiguous block of City ownership downtown. This would be highly advantageous as the City is beginning planning efforts for an expanded Convention Center and is considering the feasibility of other uses for the property that could align with a Sports and Entertainment District, including potential uses such as a hotel, retail, restaurants, arts and cultural venues, and other gathering spaces.

Acquiring the Property provides cost savings due to flexibility for the City's future Convention Center expansion in multiple ways. The City's consultant, SkipStone, estimates this could result in cost savings in the tens of millions of dollars, as discussed below. Depending on the final Convention Center design, or other desired programmatic uses for the site, these savings could be realized through:

- Allowing for the possibility of phasing some aspects of construction, which may reduce construction costs and maintain revenue and customers during construction, so the Convention Center would not need to cancel all existing business for three years;
- Allow for more efficient parking and loading facilities, which would require less excavation and stacking;
- Allow for more efficient layout of large column-free spaces, without stacking other uses on top, which would reduce structural construction costs;
- Potentially create flexibility for ongoing retail operations, which would reduce closures of small businesses nearby during construction; or
- Increase the economic and geometric viability of shared uses on the site with a larger footprint site (e.g., increase the potential to combine five-star hotel space with the Convention Center renovation).

The Property was appraised by Valbridge Property Advisors. Using a sales comparison approach, the Property is valued at \$13,350,000. Using an Income Approach analysis, the value to the City (as operator of the parking lot), is \$13,000,000. The appraiser's reconciled opinion of value is \$11,000,000.

Summary of Key Terms:

- Purchase Price: \$13,500,000;
- As-is acquisition;
- The Executive Officer of the Successor Agency to the Redevelopment Agency has the authority to approve the City of San José as an authorized buyer under the Disposition and Development Agreement;
- Closing costs to be paid according to custom in the County of Santa Clara; and
- Anticipated close of escrow will be 20 days following the execution of the purchase and sale agreement or as agreed to by City and BXP.

Staff have conducted pre-acquisition due diligence, including environmental investigation and title review. A title analysis determined that the Property is suitable for the City's acquisition and potential future uses. The City will assume ownership of the Property subject to the DDA with the Successor Agency to the Redevelopment Agency. The City's Environmental Services Department performed a preliminary Phase II environmental investigation that targeted soil and soil gas to fill in data gaps from the previous Phase I and II investigations performed on the Property, and to determine what must be mitigated prior to redevelopment. The investigation found elevated levels of mercury in the shallow soil on roughly one-third of the Property. Contamination of this nature is typical for comparable downtown properties. This contamination can be mitigated during redevelopment through project layout, sequencing, and on-site management, which could include capping the contaminated soil beneath future structures. In the worst case, if this soil must be removed and transported to an appropriate landfill, it could add \$500,000 to \$1,000,000 to project redevelopment costs. The Property is suitable to continue use as a parking lot until redevelopment occurs.

EVALUATION AND FOLLOW-UP

Approval of the recommended actions in this memorandum will direct staff to acquire the Property for a price of \$13,500,000. Once acquired, staff will continue to operate the Property as a public parking lot.

COST SUMMARY/IMPLICATIONS

The recommended actions in the memorandum will use proceeds from the issuance of Commercial Paper (CP) notes – recommended for authorization elsewhere on the September 30, 2025 City Council agenda – to acquire the Property commonly known as 447 South Almaden Avenue for a purchase price of \$13,500,000, and use of available fund balance in the Convention Center Facilities District (CCFD) Revenue Fund to cover associated closing costs estimated at \$100,000, including appraisal and environmental investigation.

The total cost for the Property, including financing costs, is estimated to be \$15.7 million. Amortizing the CP paydown over seven years, the City's typical period for CP paydown, results in estimated annual debt service payments for principal and interest averaging \$2.3 million annually through 2031-2032. Of this amount, approximately \$2.0 million will be paid from the CCFD Revenue Fund and \$300,000 from the General Purpose Parking Fund, which is roughly equivalent to the City's existing lease to operate its off-street parking operations.

For reference, between 2025-2026 and 2031-2032, the revenue from special hotel taxes paid to the CCFD Revenue Fund averages \$15.8 million annually. With the existing annual debt service for the outstanding CCFD bonds averaging \$12.1 million over that same period, the CCFD Revenue Fund has sufficient capacity to pay the additional CP debt service of approximately \$2 million while also ensuring a modest amount of new funding remains available for capital improvement needs at the Convention Center.

Under the current lease agreement, the City pays BXP base rent of \$120,000 plus 25% of gross receipts annually for use of the Property as a parking lot. In the last two fiscal years, lease payments have ranged from approximately \$330,000 in 2023-2024 and to \$352,000 in 2024-2025. In lieu of the lease rent payments to BXP, staff recommend transferring \$300,000 per year (prorated to \$200,000 in the current fiscal year) from the General Purpose Parking Fund to the CCFD Revenue Fund to offset the costs of debt service on the CP notes. This action will preserve the Property's use as a parking lot in the near term, which will allow the net revenue from operation of the lot (approximately \$200,000 annually) to continue to accrue to the General Purpose Parking Fund.

Any subsequent adjustments to the debt service schedule, including the acceleration or deceleration of the paydown period, depending on available CCFD revenues and Convention Center capital investment needs, will be brought forward as part of a future budget process.

BUDGET REFERENCE

The table below identifies the funds and appropriations to fund the actions recommended in this memorandum.

Fund #	Appn. #	Appropriation Name	Current Appn.	Rec. Budget Action	Revised Appn.	2025-2026 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
791	R190	Financing Proceeds	N/A	\$13,500,000	\$13,500,000	878	N/A

Fund #	Appn. #	Appropriation Name	Current Appn.	Rec. Budget Action	Revised Appn.	2025-2026 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
791	TBD	Property Acquisition	N/A	\$13,600,000	\$13,600,000	878	N/A
533	TBD	Transfer to the Convention Center Facility District Revenue Fund	N/A	\$200,000	\$200,000	893	N/A
533	0512	DOT Non-Personal/ Equipment	\$7,659,653	(\$200,000)	\$7,459,653	893	6/17/2025 31230
791	R003	Transfers and Reimbursements	N/A	\$200,000	\$200,000	878	N/A
791	7655	Debt Service: Commercial Paper	N/A	\$2,600,000	\$2,600,000	878	N/A
791	8999	Unrestricted Ending Fund Balance	\$8,791,794	(\$2,500,000)	\$6,291,794	878	6/17/2025 31230

**The 2025-2026 Adopted Operating Budget was approved on June 10, 2025, and adopted on June 17, 2025, by the City Council.*

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, the Finance Department, the Planning, Building, and Code Enforcement Department, and the Transportation Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the September 30, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

HONORABLE MAYOR AND CITY COUNCIL

September 8, 2025

Subject: Actions Related to the Acquisition of 447 South Almaden Boulevard

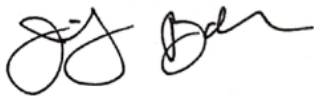
Page 7

CEQA

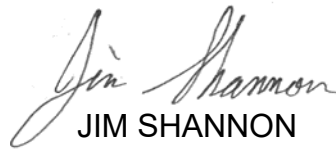
Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

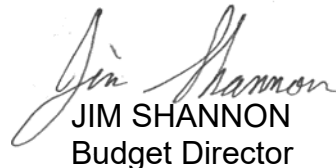


JEN BAKER
Director, City Manager's
Office of Economic Development and
Cultural Affairs



JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the Convention Center District Revenue Fund in the Fiscal Year 2025-2026 moneys in excess of those heretofore appropriated wherefrom, said excess being at least \$13,500,000.



JIM SHANNON
Budget Director

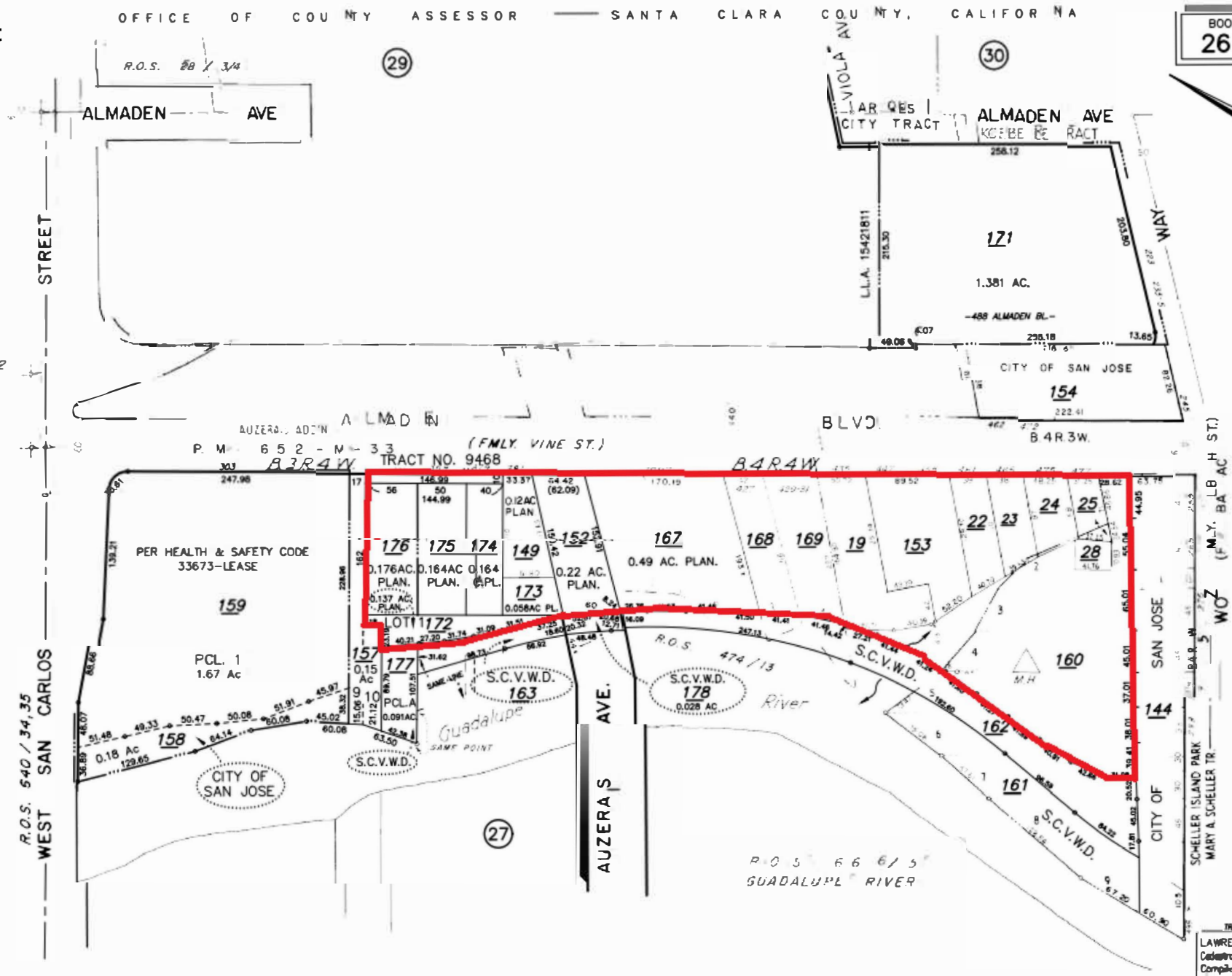
For questions, please contact Kevin Ice, Assistant to the City Manager, Director of Real Estate, City Manager's Office of Economic Development and Cultural Affairs, at kevin.ice@sanjoseca.gov.

ATTACHMENT:
Site Location Map



BOOK
259

SITE MAP



TRA DET. MAP 115

LAWRENCE E. STONE — ASSESSOR

Cadastral map for assessment purposes only.

Compiled under R. & T. Code, Sec. 327.

Effective Roll Year 2025-2026