



COUNCIL AGENDA: 10/31/17

ITEM: 4.2

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

CLARA
SANTA
30

GUADALUPE

R. D. S. 666 / 3
GLADALUPPE
RIVER

CALIFORNIA

BOOK	PAGE
259	20

1. = 100.

R.O.S. 624/22
(25)

OLD — W. — JULIAN

SAN JOSE
REDEVELOPMENT
AGENCY

11

R.O.S. 623/36

N. AUTUMN

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274
275
276
277
278
279
280
281
282
283
284
285
286
287
288
289
290
291
292
293
294
295
296
297
298
299
300
301
302
303
304
305
306
307
308
309
310
311
312
313
314
315
316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358
359
360
361
362
363
364
365
366
367
368
369
370
371
372
373
374
375
376
377
378
379
380
381
382
383
384
385
386
387
388
389
390
391
392
393
394
395
396
397
398
399
400
401
402
403
404
405
406
407
408
409
410
411
412
413
414
415
416
417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458
459
460
461
462
463
464
465
466
467
468
469
470
471
472
473
474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523
524
525
526
527
528
529
530
531
532
533
534
535
536
537
538
539
540
541
542
543
544
545
546
547
548
549
550
551
552
553
554
555
556
557
558
559
560
561
562
563
564
565
566
567
568
569
570
571
572
573
574
575
576
577
578
579
580
581
582
583
584
585
586
587
588
589
590
591
592
593
594
595
596
597
598
599
600
601
602
603
604
605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625
626
627
628
629
630
631
632
633
634
635
636
637
638
639
640
641
642
643
644
645
646
647
648
649
650
651
652
653
654
655
656
657
658
659
660
661
662
663
664
665
666
667
668
669
670
671
672
673
674
675
676
677
678
679
680
681
682
683
684
685
686
687
688
689
690
691
692
693
694
695
696
697
698
699
700
701
702
703
704
705
706
707
708
709
710
711
712
713
714
715
716
717
718
719
720
721
722
723
724
725
726
727
728
729
730
731
732
733
734
735
736
737
738
739
740
741
742
743
744
745
746
747
748
749
750
751
752
753
754
755
756
757
758
759
760
761
762
763
764
765
766
767
768
769
770
771
772
773
774
775
776
777
778
779
780
781
782
783
784
785
786
787
788
789
790
791
792
793
794
795
796
797
798
799
800
801
802
803
804
805
806
807
808
809
810
811
812
813
814
815
816
817
818
819
820
821
822
823
824
825
826
827
828
829
830
831
832
833
834
835
836
837
838
839
840
84

STREET

AL

JOHN (FMLY. SAN. AUGUSTINE ST.)

N. — MONTGOMERY

STREET

28

LAURENCE E STONE - A55E5204
Copyright rep for illustrational purposes only
Criminal Act Year 2018-2019