



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kim Welsh  
Margaret McCahan

**SUBJECT:** PURCHASE OF REAL PROPERTY  
AT 1770 ALUM ROCK AVENUE

**DATE:** March 23, 2018

Approved

Date

3-23-18

**COUNCIL DISTRICT: 5**

## RECOMMENDATION

- (a) Adopt the following 2017-2018 Appropriation Ordinance amendments in the General Fund:
- (1) Establish the Mexican Heritage Plaza Property Acquisition City-Wide appropriation to the Office of Economic Development in the amount of \$221,050; and
  - (2) Decrease the Cultural Facilities Capital Maintenance Earmarked Reserve by \$221,050.

## OUTCOME

Purchase of a 10,224 square foot parcel (APN No. 481-18-057) located at 1770 Alum Rock Avenue and King Road from the Successor Agency to the Redevelopment Agency (SARA). The property is immediately adjacent to the School of Arts and Culture at the Mexican Heritage Plaza (MHP). Purchase of the property will maintain the integrity of the MHP facility and secure community gathering space.

## BACKGROUND

Mexican Heritage Plaza (MHP) is a City-owned cultural facility located at the corner of Alum Rock Avenue and King Road. The \$35 million facility, built in 1999, spans six acres and has 55,000 square feet of programmable space. The complex features a 500-seat theater, pavilion, gallery, classrooms, and an outdoor square and gardens built in the architectural style of a traditional Mexican plaza. MHP is in the Mayfair area of San Jose's Council District 5, a culturally and historically rich area with a majority Latino population.

After construction of MHP, the bulk of the MHP was transferred to the City. A parcel roughly 10,244 square feet in size remained in the possession of the Redevelopment Agency. When the Redevelopment Agency was dissolved, the parcel was included as an asset to be sold by SARA in the Long Range Property Management Plan.

## ANALYSIS

The property located at 1770 Alum Rock Avenue was put out to bid by Successor Agency staff, and bids were due by March 1, 2018. In preparing the City's bid for the property, staff took into consideration the importance of the location of the property due to its proximity to MHP, as well as operational issues that could be caused by losing control of the adjacent property. Under separate ownership a new owner could minimize the cohesiveness of the Plaza, diminish the aesthetic character of the space and limit operational capacity for MHP. The Administration and the MHP operator, the School of Arts and Culture (SAC) at MHP, view the acquisition of this site as core to the capital infrastructure and programming at MHP. For example, during Viva Calle the subject property served as a significant community gathering and celebration space. MHP regularly uses the adjacent property for community activities. Two bids were received for the property. The City offered a bid for \$221,050. The other bid was provided by Phuong Nguyen in the amount of \$15,000. The City, as a beneficiary of SARA funds, will get back approximately 14% of the sale proceeds or roughly \$31,000 less closing costs.

Funds for the purchase of the property are recommended to be allocated from the Cultural Facilities Capital Maintenance Reserve. This reserve was established by the City Council as part of the 2014-2015 Adopt Budget to set aside a portion of the Transient Occupancy Tax allocated to the General Fund. With the adoption of the 2017-2018 Operating Budget, this direction was modified by the City Council such that a flat \$450,000 per year is now added to the Cultural Facilities Capital Maintenance Reserve, which generally funds capital improvement projects within the City's portfolio of cultural facility assets, including the Children's Discovery Museum, Tech Museum, History San José Facilities, Museum of Art, Hammer Theatre Center, and the Mexican Heritage Plaza. The use of these funds for this site acquisition will enable Mexican Heritage Plaza to have an exterior activation space for its programming, temporary parking, as well as an unobstructed aesthetic view line into this architecturally significant theater and cultural center.

In addition to the programs of the School of Arts and Culture at MHP, activities at MHP include facility rentals for cultural programs such as special events, rehearsals, concerts, workshops; community celebrations and weddings; and monthly meetings of the local neighborhood associations. Through diverse offerings at MHP, coupled with audience engagement strategies, MHP has become a hub of community activation with over 1,000 people coming to the site on a weekly basis. About 80% of participants in SAC's arts education programs and events come directly from the immediate neighborhoods within a quarter-mile of MHP. SAC is committed to creating as many opportunities as possible for the community to visit, use, perform, and learn at MHP.

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

The sale of the Alum Rock property was approved by the Oversight Board on March 22, 2018, and the Successor Agency Board approval is scheduled for April 3, 2018. The City has 30 days to purchase the property from April 3, 2018.

### **PUBLIC OUTREACH**

The City has adhered to the SARA bid process as outlined in the bid relevant bid solicitation documents. The City's actions seek to secure the space for continued public use. This memorandum will be available for public review and comment on March 23, 2018.

### **COORDINATION**

This memorandum was coordinated with the City Attorney's Office.

### **COMMISSION RECOMMENDATION/INPUT**

This item does not have input from a board or commission.

### **COST SUMMARY/IMPLICATIONS**

As discussed above, the recommended action would reallocate funding from the Cultural Facilities Capital Maintenance Reserve in the amount of \$221,050 for the Mexican Heritage Plaza property acquisition transaction. The Status Report on Deferred Maintenance and Infrastructure Backlog accepted by the City Council at its meeting on March 6, 2018, estimated a cultural facilities capital rehabilitation need over the next five years at approximately \$9.6 million. Combining the existing reserve balance of \$4.6 million with the ongoing addition to that reserve of \$450,000 would leave a net deficit of approximately \$2.7 million over a five-year period. The action recommended in this memorandum would increase the net deficit to approximately \$2.9 million, but would still provide sufficient funding to complete the majority of anticipated projects through 2020-2021.

**BUDGET REFERENCE**

The table below identifies the fund and appropriation reference for this memorandum.

<b>Fund #</b>	<b>Appn. #</b>	<b>Appn. Name</b>	<b>Total Appn.</b>	<b>Rec. Amount</b>	<b>2017-2018 Adopted Operating Budget Page</b>	<b>Last Budget Action (Date, Ord. No.)</b>
001	NEW	Mexican Heritage Plaza Property Acquisition	\$0	\$221,050	N/A	N/A
001	8443	Cultural Facilities Capital Maintenance Reserve	\$4,631,899	(\$221,050)	945	02/13/2018 Ord. No. 30070

**CEQA**

Exempt, File No. PP18-026, CEQA Guidelines Section 15061(b)(3) Review for Exemption.

/s/  
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Director of Economic Development

  
MARGARET MCCAHAN  
Budget Director

For questions, please contact Nanci Klein, Assistant Director Office of Economic Development and Director of Real Estate (408) 535-8184.