



COUNCIL AGENDA: 05/15/18
FILE: 18-646
ITEM: 9.2

Memorandum

TO: HONORABLE MAYOR,
CITY COUNCIL AND
SUCCESSOR AGENCY BOARD

FROM: Richard A. Keit
Managing Director

SUBJECT: SEE BELOW

DATE: April 23, 2018

Approved

D. D. S. L.

Date

5/3/18

**SUBJECT: APPROVAL OF THE PURCHASE AND SALE AGREEMENT FOR
PROPERTY LOCATED AT 525 SOUTH MARKET STREET**

RECOMMENDATION

It is recommended that the Successor Agency Board approve the Purchase and Sale Agreement and Escrow Instructions between the Successor Agency to the Redevelopment Agency of the City of San Jose, as seller and the County of Santa Clara as buyer to allow the sale of 525 South Market Street ("Property") for a purchase price of \$2,635,000.

OUTCOME

Approval of the attached Purchase and Sale Agreement ("PSA") will allow the Successor Agency to sell the Property pursuant to the Direct Sale process approved by the Oversight Board. The net sale proceeds will be distributed to the taxing entities, including 14.14% to the City of San Jose.

BACKGROUND

The former Redevelopment Agency acquired the Property in 1999 with the intent of facilitating the construction of an affordable housing project. The Property was subsequently developed with a 54-unit affordable housing complex.

The Property is subject to a ground lease with Market Gateway LLC (a CORE Development affiliate) that runs through June 2056 and contains four (4) ten year options to extend the ground lease. On February 25, 1999, a Memorandum of Ground Lease between the former Redevelopment Agency and Market Gateway LLC was recorded in the Official Records of Santa Clara County. On February 26, 1999, the ground lease was executed. Subsequent to the initial Ground Lease there were four amended leases. The Fourth Amended and Restated Lease was

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executed on February 26, 2008. Under the ground lease provisions, the Property owner receives 75% of net cash flow, net sales and net refinancing proceeds until a \$3.78 million loan plus 4%

interest is repaid. After the loan is repaid the Property owner shall receive 25% of the net cash flow through the end of the ground lease. To date, the Successor Agency has received \$291,038 in three distributions.

The Property is designated for sale in the Successor Agency's Long Range Property Management Plan ("LRPMP"). In connection with approving the LRPMP, the Oversight Board also approved a Disposition Process which provides two methods of selling SARA owned property: 1) an open solicitation process; and 2) a direct sale process. Under the direct sale process, taxing entities and certain non-profit organizations were allowed to acquire property directly from the Successor Agency at the appraised value as established by an appraiser approved by the Oversight Board.

On September 18, 2015, the Successor Agency sent a letter to all the taxing entities to indicate an interest in acquiring the Market Gateway Property. The County responded to the Successor Agency within the applicable time period (October 20, 2015) indicating an interest in acquiring the Property.

ANALYSIS

Pursuant to the Disposition Process, the County selected Valbridge Property Advisors ("Valbridge") to prepare and complete an appraisal of the Property subject to the Ground Lease. On February 13, 2018, Valbridge submitted its appraisal (attached) to County staff valuing the Property at \$2,635,000. Successor Agency staff reviewed the appraisal and determined that it was prepared in accordance with the Disposition Process and is in the range of fair market value.

On April 26, 2018, the Oversight Board approved the sale of this Property. Successor Agency staff is requesting approval of the PSA from the Successor Agency Board. Pursuant to the PSA, escrow is scheduled to close thirty (30) days after all approvals have been obtained to sell the Property.

EVALUATION AND FOLLOW-UP

This item does not require any follow-up from staff.

COORDINATION

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

HONORABLE MAYOR, CITY COUNCIL AND SUCCESSOR AGENCY BOARD

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COMMISSION RECOMMENDATION/INPUT

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

CEQA

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

/s/

RICHARD A. KEIT

Managing Director

For more information, contact Richard Keit, Managing Director, Successor Agency, at 408-795-1849.