



Memorandum

TO: HONORABLE MAYOR,
CITY COUNCIL AND
SUCCESSOR AGENCY BOARD

FROM: Richard A. Keit
Managing Director

SUBJECT: SEE BELOW

DATE: April 23, 2018

Approved

Date

5/3/18

**SUBJECT: APPROVAL OF THE PURCHASE AND SALE AGREEMENT FOR
PROPERTY LOCATED AT 490 SOUTH FIRST STREET**

RECOMMENDATION

It is recommended that the Successor Agency Board approve a 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 San Jose Stage Company as buyer to allow the sale of 490 South First Street ("Property") for a purchase price of \$2,300,000.

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 July 1999 and has leased the Property to The San Jose Stage Company ("The Stage") since that time. The Lease has been amended several times and the last amendment ("Fourth Amended and Restated Lease") expired in March 2013. The Stage is currently on a month-to-month holdover. The Property consists of a 19,320 square foot parcel with a building area just over 6,760 square feet. The Fourth Amended and Restated Lease references in Exhibit C a Parking Agreement that remains in force until the end of June 2018. The Parking Agreement allows the adjacent property owner to use twelve spaces on the Property, for specified times and requires a \$100 a year payment.

The San Jose Stage Company is a 501(c)(3) not-for profit organization and dedicated to putting on plays authored by local, national, and international playwrights. The Stage Company wants

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to acquire the Property to continue its twenty-year plus operation as a live performing arts theatre.

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 25, 2014, the Successor Agency sent letters to the President of the Board of Directors, Jerry Strangis and to the Executive Director, Cathleen King stating that the Stage had until October 28, 2014, to indicate interest in acquiring the Property. On October 23, 2014, the Stage responded to the Successor Agency indicating its interest in acquiring the Property and notifying the Successor Agency that it intended to obtain an appraisal of the Property.

The Stage selected and paid Smith and Associates to complete the appraisal. Smith and Associates completed the appraisal on October 13, 2017, and appraised the Property for \$1,010,000. On November 9, 2017, the Oversight Board voted to not accept the appraisal and instructed Successor Agency staff to complete a new appraisal and to pay for it.

ANALYSIS

The Successor Agency hired Carneghi – Nakasako & Associates to complete the appraisal with Rick Nakasako as designated appraiser of the Property. On February 13, 2018, Carneghi-Nakasako submitted its appraisal (attached) to the Successor Agency appraising the Property at \$2,300,000. 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 one-hundred and twenty (120) days after all approvals have been obtained to sell the Property.

EVALUATION AND FOLLOW-UP

This item does not require any follow-up action.

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COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

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.