



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL AND CITY
OF SAN JOSE FINANCING
AUTHORITY BOARD

FROM: Kim Welsh
Julia H. Cooper

SUBJECT: SALE OF THE HAYES MANSION

DATE: June 21, 2018

Approved

Date

6/21/18

COUNCIL DISTRICT: 2

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

The reason for this supplemental memorandum is to add an action to the recommended resolution of the City Council and restate staff's recommendation.

The restated recommendation below includes the addition of action (2), authorizing the City Manager to negotiate an additional provision in the Purchase and Sale Agreement to address potential financial implications related to the collective bargaining agreement between Dolce Hayes Mansion and UNITE HERE, Local 19.

RECOMMENDATION

(a) Adopt a resolution to the City Council:

- (1) Approving a Purchase and Sale Agreement with JMA Ventures, LLC for the sale of the Hayes Mansion hotel and conference center, including all furniture, fixtures, equipment, and vehicles, located at 200 Edenvale Avenue. in San Jose, for the amount of \$30,000,000;
- (2) Authorizing the City Manager to negotiate a provision in the Purchase and Sale Agreement to address potential financial implications related to the collective bargaining agreement between Dolce Hayes Mansion and UNITE HERE, Local 19;
- (3) Authorizing the City Manager to negotiate and execute an Assignment of the Hotel Management Agreement to the Purchaser;
- (4) Authorizing the City Manager to execute the deed and all other documents needed to complete the transaction;

June 21, 2018

Subject: Sale of the Hayes Mansion

Page 2

- (5) Accepting the transfer of the Grant Deed for the Hayes Mansion property as of the closing date of the sale of the property to JMA Ventures, LLC in exchange for funds sufficient (in combination with proceeds on hand in associated Debt Service Reserve Funds) to retire all bonds issued by the City of San José Financing Authority that are secured by the Hayes Mansion property;
 - (6) Directing staff to apply the sale proceeds and other related proceeds and savings to the retirement of debt and payment of obligations related to the Hayes Mansion as set forth herein; and
 - (7) Directing staff to return to the City Council with recommendations to allocate any remaining proceeds in accordance with City Council Policy 1-18.
- (b) Adopt a resolution of the City of San Jose Financing Authority Board directing the Executive Director or the Treasurer of the Authority or their authorized designees to take the necessary actions to effectuate the transfer of the Hayes Mansion property to the City in conjunction with the sale of the property to JMA Ventures, LLC and apply the sale proceeds, Debt Service Reserve Funds and other funds on hand related to the City of San Jose Financing Authority Lease Revenue Bonds, Series 2008C and Series 2008D (Hayes Mansion Refunding Project) to retire these outstanding bonds and repealing Resolution No. 129.

OUTCOME

Adoption of the Resolutions, containing the additional action noted above, will allow for the sale of the Hayes Mansion property. The implications of this sale are detailed in the original staff memorandum dated June 8, 2018.

BACKGROUND

Staff and the proposed purchaser of the Hayes Mansion (JMA Ventures LLC) have become aware of potential additional financial implications related to the collective bargaining agreement between Dolce Hayes Mansion and UNITE HERE, Local 19. It is not yet known if a new collective bargaining agreement will be achieved.

The proposed purchaser has requested that a provision be added to the proposed Purchase and Sale Agreement to address this item in order to move forward with the sale of the property.

ANALYSIS

The potential financial implications of achieving a new collective bargaining agreement are unclear at this time, though staff is working with appropriate parties to determine what, if any, implications exist. Once the financial implications are determined, a provision to address them should be added to the Purchase and Sale Agreement. It is not anticipated that the financial

Subject: Sale of the Hayes Mansion

Page 3

impact, if any, will exceed the amount available in the flow of funds identified in the Source and Use Statement presented on page 10 of the June 8, 2018 staff report.

In order to move forward with the sale process, thereby realizing the benefits of the sale to the City, staff recommends that the City Council authorize the City Manager to negotiate the provision and add it to the proposed Purchase and Sale Agreement.

EVALUATION AND FOLLOW-UP

After the sale is completed, staff will return to City Council to recognize the revenue and provide a final accounting of the sale transaction.

COORDINATION

This supplemental memorandum was developed in coordination with the City Manager's Budget Office and the City Attorney's Office.

COST SUMMARY/IMPLICATIONS

For conservative financial planning purposed and to ensure sufficient funds will be available to eliminate all the long-term debt associated with the Hayes Mansion, the estimated Source and Use of Funds presented on page 10 of the June 8, 2018 staff report contains a reserve for "other related obligations" which could include among other items, potential costs of the financial implications associated with the collective bargaining agreement between Dolce Hayes Mansion and UNITE HERE, Local 19.

CEQA

Exempt, Section 15301 Existing Facilities, File No. PP16-016.

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development

/s/
JULIA H. COOPER
Director of Finance

For questions, please contact Nanci Klein, Assistant Director of Economic Development at (408) 535-8184.