



Memorandum

TO: HONORABLE MAYOR,
CITY COUNCIL AND
SUCCESSOR AGENCY BOARD

FROM: Richard A. Keit

SUBJECT: SEE BELOW

DATE: August 2, 2018

Approved

D. DSYL

Date

8/2/18

SUBJECT: APPROVAL OF THE PURCHASE AND SALE AGREEMENT FOR PROPERTY LOCATED AT 435 SOUTH MARKET STREET (KNOWN AS THE CONVENTION CENTER SOUTH HALL SITE)

RECOMMENDATION

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 City of San José as buyer to allow the sale of 435 South Market Street for a purchase price of \$47,000,000.

OUTCOME

Approval of the Purchase and Sale Agreement (“PSA”) will allow the Successor Agency to sell the 435 South Market Street (“Property”) pursuant to the open solicitation process approved by the San Jose Oversight Board. The net sale proceeds will be distributed to the taxing entities, including 14.14% to the City of San José.

BACKGROUND

The Property consists of twenty parcels acquired by the former Redevelopment Agency of the City of San Jose (“Redevelopment Agency”) between 1999 and 2001 for a total acquisition cost of \$14,557,943. The Property is approximately 191,688 square feet and is currently used for parking and the Convention Center South Hall. The South Hall consists of an 80,000 square feet heated and air conditioned tent structure. Revenues generated from the public parking lot go to the Successor Agency’s General Fund. The South Hall site is operated and maintained by Team San Jose as part of their Convention Center operations.

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The Property was acquired for future expansion of the San Jose Convention Center and development of a hotel. In 1985, upon request from the Redevelopment Agency the Planning Commission and the City Council approved a change in the Property's General Plan designation from Medium Density Residential and Core Area Commercial with Residential Support for the Core Area Overlay to Public/Quasi-Public. Currently, both the General Plan and Zoning designations are Public/Quasi-Public.

The Property is collateral for two outstanding Federal Housing and Urban Development ("HUD") Section 108 loans obtained by the former Redevelopment Agency. The loans were used for major improvements to the Story-King Intersection and improvements leading to the construction of the CIM/88 Residential Tower in Downtown San Jose. The original HUD loan amounts were \$18,000,000 for the Story – King intersection improvements and \$13,000,000 for the CIM/Tower 88 improvements.

ANALYSIS

On April 2, 2018 the Successor Agency placed the property out to bid. The property brochure, Purchase and Sale Agreement ("PSA"), Title Reports, and environmental documents and bid deadline were posted on the Successor Agency website. The property was noticed for sale on both Loopnet and Costar, two on-line real estate search sites. Also, an email blast was sent to approximately 200 brokers and realtors.

Bids were due July 30, 2018 at 4:00 PM. There were no minimum bid requirements and the property is to be sold as is. Listed in the table below are the four bids that were submitted by the deadline for the property:

	BIDDER	BID AMOUNT
1	City of San Jose	\$47,000,000
2	County of Santa Clara	\$31,900,000
3	Mr. Shingal	\$11,000,000
4	E2 Holdings LLC.	\$9,000,000

All bids were received prior to the deadline and prepared in accordance with the specified solicitation requirements. Successor Agency recommends approving the sale to the highest bidder, City of San Jose, and believes the bid to be in the range of fair market value for the Property.

Successor Agency staff has scheduled the approval of the Property sale with the County-wide Oversight Board on August 20, 2018. Pursuant to the PSA, escrow is scheduled to close on or about September 19, 2018.

Approval of the resolution will allow the Successor Agency to sell the property located at 435 South Market Street ("Property") and pay off in full the two HUD Section 108 loans. The current balance on the HUD loans as of August 2, 2018, is \$16.31 million. The net proceeds

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from the sale of the Property will be sent to the County for distribution to the taxing entities, including the City of San Jose. The total estimated net sale proceeds, after repayment of the HUD Loans will be approximately \$30.69 million. The City's share is approximately \$4.3 million.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation or input associated with this action.

EVALUATION AND FOLLOW-UP

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

COORDINATION

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

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.