



# Memorandum

**TO:** HONORABLE MAYOR,  
CITY COUNCIL AND  
SUCCESSOR AGENCY BOARD

**FROM:** Richard A. Keit

**SUBJECT:** SEE BELOW

**DATE:** October 25, 2018

Approved

Date

10/26/18

**SUBJECT: TERMINATION AGREEMENT AND RELEASE WITH INTEGRATED DEVICE TECHNOLOGY ("IDT")**

## RECOMMENDATION

Approve a Termination Agreement and Release ("Termination Agreement") between the Successor Agency to the Redevelopment Agency of the City of San Jose and Integrated Device Technology ("IDT") whereby IDT would be paid a lump sum payment of \$617,249.50 to terminate the agreements with the Successor Agency, thereby, saving the Successor Agency \$264,535.50 over the life of such agreements.

## OUTCOME

Approving the Termination Agreement and payout saves the Successor Agency \$264,535.50 and provides more funds to the taxing entities including the City of San Jose.

## BACKGROUND

In 2004, IDT and the former Redevelopment Agency of the City of San Jose ("Agency") entered into an Agreement Regarding Real Property ("Agreement") with respect to certain real property located at 6024 Silver Creek Valley Road, San Jose, California ("Property"). Pursuant to the Agreement, IDT and the Agency entered into a Declaration of Parking Covenants dated December 14, 2004, which was recorded against the Property. The Agreement was executed for use of IDT's parking lot for public parking nights and weekends. Also, pursuant to the Agreement, IDT and the Agency entered into a Lease of Real Property with Option to Purchase, dated March 2, 2010 ("Lease"), which provided for the Agency's lease of certain riparian property located adjacent to the Property. In the Lease, the area was to be made available for potential improvements to the adjacent public trail system, Coyote Creek Trail.

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The Agreement and Lease terminate in 2023 with the last payment due in July 2022 for the July 1, 2022 through the June 30, 2023 period. The combined annual payments pursuant to the Agreement and Lease is \$176,357.

During the five Fiscal Years 2012-13 to 2016-17, IDT was not paid the annual payments due to the Successor Agency's insufficiency of funds. In the latter part of Fiscal Year 2017-2018, the Successor Agency was no longer in an insufficient funding position. With funds available, IDT was paid (in July 2018) \$705,428, for the four-year period July 1, 2014 through June 30, 2018.

The outstanding amount currently owed pursuant to the Agreement and Lease, through 2023, is \$881,785. This represents five (5) annual payments of \$176,357, beginning with the July 2018 payment through the July 2022 payment. However, the parking is no longer needed and staff has looked to remove the obligation.

On September 17, 2018, the County-wide Oversight Board unanimously approved the Termination Agreement with IDT. The Resolution was sent to the State Department of Finance ("DOF") on September 24, 2018. DOF has forty (40) days to review the Oversight Board action. As of the date of this Memorandum, DOF has not yet approved the Resolution.

### **ANALYSIS**

On August 1, 2018, Brian White, IDT's Senior Vice President and Chief Financial Officer was sent a letter from Successor Agency staff offering a lump sum payout of \$617,249.50 to terminate all of the agreements with IDT. The payment represented seventy percent (70%) of the total amount owed by the Successor Agency under the IDT agreements. The payout, if accepted, would save the Successor Agency \$264,535.50 over the five (5) years remaining on the Agreement and Lease. The letter clearly indicated that should the offer be accepted, approval would be required from the County-wide Oversight Board and the DOF.

On August 18, 2018, Mr. White emailed Successor Agency staff agreeing to the lump sum payout. Therefore, Successor Agency staff recommends that the Oversight Board approve the termination of the Agreement and Lease and the lump sum payout. The payout and termination of Agreement and Lease not only includes a substantial long-term savings of over \$264,533 but also accelerates the winding down process through the advanced termination of the agreements described above.

Upon approval from the Successor Agency Board and DOF and upon execution of the Termination Agreement, a termination payment would be made to IDT and within ten (10) business days of the payment, IDT and the Successor Agency shall record a Notice of Termination against the Property.

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**EVALUATION AND FOLLOW-UP**

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

**PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda Website for the November 6, 2018 Council Meeting.

**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 at 408-795-1849.