



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh
John Ristow

SUBJECT: SEE BELOW

DATE: November 29, 2018

Approved

Date

11/30/18

COUNCIL DISTRICT: 3 & 6

SUBJECT: FIRST AMENDMENT TO THE SAN JOSE ARENA MANAGEMENT AGREEMENT WITH SAN JOSE ARENA MANAGEMENT, LLC

RECOMMENDATION

Adopt a resolution to authorize the City Manager to negotiate and execute a First Amendment to the Second Amended and Restated Arena Management Agreement with San Jose Arena Management, LLC to revise on-site and off-site parking requirements.

OUTCOME

The proposed amendment acknowledges that the City owns and is ultimately responsible for ensuring adequate public parking facilities will be available to support the SAP Center per the requirements of the current San Jose Arena Management Agreement (Management Agreement).

BACKGROUND

On August 15, 2018, the City and San Jose Arena Management (SJAM) executed the Second Amended and Restated Arena Management Agreement. This amendment extended the term of the Agreement until 2025 with the ability of the parties to extend until 2040. Consequently, the City's obligation to assure a supply of parking within 1/3 and 1/2 mile of the SAP Center remains (see attachment A). Specifically, the City is required to provide:

- On-Site Parking: 1,650 spaces comprised of 1,422 spaces within the commonly referenced ABC Lot and 228 spaces within Lot D
- Off-Site Parking: 6,350 spaces within 1/2 mile, and half as much (3,175) within 1/2 mile

Lot D is a portion of the Successor Agency to the Redevelopment Agency (SARA) properties that are proposed for sale to Google on December 4, 2018. Lot D currently provides 228 on-site surface parking spaces in very close proximity to the SAP Center. The property is also considered by VTA to be a critical site to enable development of its Diridon BART station. It is anticipated that VTA will acquire rights to use Lot D for construction staging and other project needs beginning in 2021, at which time the surface parking will be lost.

The City's obligation under the Arena Management Agreement is to provide 228 parking spaces until BART construction is complete, or 500 new spaces are built within 1,200 feet of the south entrance (Santa Clara Street entrance) of the SAP Center. The proposed Amendment assures SJAM that the City will continue its obligation by delivering 228 parking spaces proximate to the SAP Center once they are taken for BART construction.

As a part of long term planning for substantial development around the SAP Center that would eliminate surface parking, the City has envisioned public parking on properties immediately north of the arena. For purposes of identification, these sites are known as Lot E and Milligan (see Attachment A). The intent of developing these lots, with surface parking was to ensure the City's commitment to the arena parking supply be met.

On November 15, 2016, the City Council approved a Settlement Agreement with Sharks Sports and Entertainment and the City regarding the then Trammel Crow Delmas Project. The Settlement Agreement specified that Trammel Crow contribute \$4 million to be restricted for the acquisition of properties on Lot E north of the SAP Center. In exchange, the City is required to construct a minimum of 180 surface parking spaces on these properties.

Based on this Settlement Agreement, the City acquired property along West St. John Street, between Montgomery Street and the Guadalupe River to be developed for public parking. The City continues to acquire parcels in this area to complete the site necessary for this parking facility.

ANALYSIS

Lot D is an important part of the parking program for SAP Center and loss of these spaces is considered detrimental to the successful operations of the SAP Center. The agreed upon plan for replacement of the 228 spaces in Lot D is to construct surface parking lots on the Lot E and Milligan sites.

The Lot E site requires acquisition of one property on the block between Montgomery Street and Autumn Street, fronting on St. John Street. As part of this overall site development, properties owned by the SJAM would be included in the development of a new surface parking lot to accommodate approximately 180 spaces. However, with the aforementioned Settlement Agreement, the 180 Lot E spaces will not count towards the 228 spaces needed to replace the

loss of Lot D. City staff is working on a plan to build-out a larger Lot E site by including adjacent properties which may increase the capacity to 267 spaces.

The Milligan site, a large parcel located at the corner of Autumn Street and St. John Street, was previously acquired by the City for \$11.9 million using resources from the Building and Structure Construction Tax Fund. This property was acquired as part of the planning for the construction of the final leg of the Autumn Parkway project. Presently, the site provides 163 spaces. The current conceptual plan is to demolish the existing buildings and build a surface parking lot consisting of approximately 300 spaces, with the net increase of approximately 137 over the current capacity being a credit against the Lot D loss obligation.

The First Amendment will also address the following:

- Provide an additional replacement parking option located on the Google Delmas West property
- Require that within 30 months from close of the sale of the Lot D property, City will acquire property to the north of the SAP Center (Lot E) and construct 408 new parking spaces
- Parties will enter into an operating agreement to allow SJAM to operate this lot as a public parking facility. The net revenues from such operation shall be paid to the City.

The obligation to provide the additional 228 spaces will cease when BART service to Diridon Station area is operational or Google has constructed a minimum of 500 parking spaces as part of its development project on Delmas East.

The Amendment also addresses what should occur if there is a delay in acquiring the parcels or constructing the parking lots.

Staff anticipates preparation of the documents necessary to complete acquisition of Lot E, preparation of construction and environmental clearance documents, relocation of tenants, and construction of the two surface parking lots to take approximately two years. If work begins on these necessary steps in the near future, the facilities will be available at the time VTA's BART project removes Lot D from the City's inventory.

EVALUATION AND FOLLOW-UP

Future actions to complete acquisitions, approve CEQA, and to award construction projects will be brought to the City Council.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 4, 2018 Council Meeting.

COORDINATION

This report was coordinated with the City Manager's Budget Office, and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

It is estimated that the cost of constructing both Lot E and Milligan is approximately \$9,350,000. The total estimated cost includes land acquisition, CEQA analysis, construction, and contingency. Funds in the General Purpose Parking Capital Fund from the SAP Center Area Parking Reserve fund are sufficient for this project. As the City anticipated that new parking spaces would be needed to accommodate the construction at and the intensified use around Diridon Station, this reserve was established in recent years to pay for projects such as this and is currently funded at \$10.0 million. As part of a future budget action, resources will be reallocated from this reserve into a new capital project to fund land acquisition and construction costs.

1. **COST OF PROJECT:**

| | |
|--|-------------|
| Estimated land acquisition costs related to Lot E | \$3,500,000 |
| Construction of surface parking for Lot E and Milligan | 5,000,000 |
| Contingency (10%) | 850,000 |
| <hr/> | |
| Total Project Costs | \$9,350,000 |

2. **SOURCE OF FUNDING:** General Purpose Parking Fund Capital Fund

3. **FISCAL IMPACT:** SJAM will manage parking operations for the future surface parking at the Lot E and Milligan sites. Net revenues will be received into the General Purpose Parking Fund.

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CEQA

Not a project, File No. PP17-033, Agreements/Contracts resulting in no physical changes to the environment.

/s/
JOHN RISTOW
Acting Director, Department of
Transportation

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

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

Attachment A

