



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Donald Rocha
Councilmember Sam Liccardo

SUBJECT: REAL PROPERTY ASSETS
DISPOSITION STRATEGY

DATE: April 27, 2012

APPROVED:

DATE: 4/27/12

Don Rocha *PH* *Chuck Reed* *Sam Liccardo* *PH*

RECOMMENDATION

1. Approve the real estate asset disposition strategy and process as recommended by staff.
2. Approve the following Statements of Council Intent regarding future uses of properties and direct staff to ensure that appropriate and legally required notices of Council's intentions are given to prospective buyers and that any potential development incentives are not made available for uses that are contrary to the Council's intended uses:
 - a. 62 S. 2nd Street: Home to San Jose Improv, the Jose Theater is a City landmark and a contributing structure to the National Historic District. The project is collateral for HUD debt. The site should be maintained as a performing arts venue.
 - b. 490 S. 1st Street: This site is home to the San Jose Stage Company, which has produced live theater performances here since 1990. The tenant has expressed interest in acquiring the site and investing in modernizing the theater. The site should be maintained as a performing arts venue.
 - c. 366 S. 1st Street: This commercial building is leased to Two Fish Design Group, which provides graphic and logo design services. The property is encumbered with a lease.
 - d. 88 E. San Fernando Street: The Central Place Garage under Tower 88 offers public parking, which should be maintained.
 - e. 201 N. Market Street: Old Fire Station #1 is a new City landmark. The Fire Fighters Museum has expressed interest in acquiring the site for use as a museum. The site should be maintained as an important cultural resource.

- f. 938 The Alameda: The Billy DeFrank Center headquartered here has provided services in San Jose since 1981. This project is partially funded with CDBG funds with restrictions that expire in June 2019 and is encumbered by a lease. The site should be maintained in its current use.

BACKGROUND

The real estate asset disposition process recommended by staff is an open and fair process that has been used successfully by the former San Jose Redevelopment Agency and will accomplish AB X1 26 goals to sell properties expeditiously and to maximize value. The staging of the solicitation and sale of the properties over the specified period of time will provide adequate time for staff to negotiate with lien holders and existing tenants and coordinate due diligence for prospective buyers. The eight (8) properties in the public realm have little or no market value and the City is currently paying for the cost of maintenance, so transferring those assets to the City makes sense.