



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Richard A. Keit
Managing Director

SUBJECT: SEE BELOW

DATE: April 23, 2012

Approved

Date

4/26/12

COUNCIL DISTRICT: 3

SUBJECT: APPROVAL OF AN AMENDMENT TO THE PURCHASE AND SALE AGREEMENT FOR 193 EAST SANTA CLARA STREET

RECOMMENDATION

It is recommended that the City Council, acting as the Successor Agency to the Redevelopment Agency of the City of San Jose, adopt a resolution:

1. Approving an Amendment to the Purchase and Sale Agreement ("Purchase Agreement") for the sale of real property located at 193 East Santa Clara Street ("Property") with Brandenburg Properties, LLC and Green Valley Corporation (collectively, "Buyer"), to, among other things, extend the close of escrow date to May 31, 2012; and direct staff to place the Successor Agency owned Property for sale through a solicitation process if escrow is not closed by Buyer by May 31, 2012; and
2. Directing staff to present the items to the Oversight Board for approval.

OUTCOME

Approval of the recommended action will require that Buyer satisfy or waive all conditions to closing under the Purchase Agreement by May 24, 2012 and close escrow for acquisition of the Property by May 31, 2012. If Buyer does not waive the conditions to closing by May 24, 2012 or does not close escrow by May 31, 2012, the Successor Agency will put the property out for solicitation.

BACKGROUND

On January 13, 2011, the former Redevelopment Agency solicited offers for the sale of several parcels, including the Property. The information for the properties was e-mailed to the top 25 brokerage houses in Silicon Valley (as determined by size) as well as a list of 175 potential buyers that was compiled by Agency staff. The sale solicitation was also posted on the Agency's website, advertised in the Mercury News and placed on the commercial real estate listing service Loopnet.com. The deadline for offers was Monday, January 31, 2011. The Agency received two offers for the Property. The offers did not meet the Agency's price threshold and the offers were rejected. Subsequently, the Agency entered into negotiations with the highest bidder on the parcel, Green Valley Corporation. Green Valley Corporation partnered with Brandenburg Properties, LLC during the negotiation period.

On June 16, 2011, the former Redevelopment Agency entered into a Purchase and Sale Agreement with the Buyer for the sale of the Property for a purchase price of \$3,500,940 ("Purchase Agreement"). The conditions to close escrow required the Agency to remove a Deed of Trust with the U.S. Department of Housing and Urban Development (HUD) from the Property and close escrow by December 31, 2011. The Agency received approval from HUD for the reconveyance of the Deed of Trust on December 23, 2011.

Due to the delay in receiving approval from HUD for the reconveyance of the Deed of Trust, the date for the close of escrow was extended to allow the Buyer additional time to complete their due diligence on the Property. On February 22, 2012, the Buyer requested an extension of the due diligence period of six (6) months to determine the feasibility of their project.

Pursuant to AB X1 26, successor agencies are required, among other things, to wind down the affairs of the former redevelopment agencies. On January 24, 2012, the City Council, on behalf of the City, affirmed its decision to serve as the Successor Agency for the Redevelopment Agency of the City of San Jose. On February 1, 2012, all redevelopment agencies in the State of California were dissolved pursuant to AB X1 26. Since that date, the City, acting as the Successor Agency to the Redevelopment Agency, has been engaged in winding down the affairs of the former Redevelopment Agency. In connection with winding down the affairs of the former Redevelopment Agency, the Successor Agency is required to dispose of the assets and properties of the former Redevelopment Agency. AB X1 26 requires that the disposal is done expeditiously and in a manner to maximize value.

ANALYSIS

Staff recommends that the City Council, acting in its capacity as the Successor Agency, approve an Amendment to the Purchase Agreement to extend the date for satisfaction or waive of the conditions to closing, including the due diligence period, to May 24, 2012 and to extend the close of escrow to May 31, 2012 to allow the Buyer additional time to complete their due diligence. By virtue of the extension of the Purchase Agreement, Buyer will have had over three months past the required closing date to do their due diligence. Buyer will have until May 24,

2012 to satisfy or waive the conditions to closing to allow for the close of escrow to occur by May 31, 2012.

If the Buyer does not waive or satisfy the conditions to closing by May 24, 2012, or escrow does not close by May 31, 2012, staff will include the Property in the first round of properties to be put out for public solicitation as outlined in the Real Property Disposition Strategy.

The approval of the Amendment will allow the Successor Agency to sell this Property quickly without the additional time required to conduct another solicitation. Based upon the results of the previous solicitation of this Property, staff believes the purchase price of \$3,500,940 under this Purchase Agreement is fair market value and may not be achieved if the Property went through the solicitation process again. The sale of the Property to this Buyer by May 31, 2012 will achieve the goals set forth in AB X1 26 to dispose of its assets expeditiously while maximizing value.

EVALUATION AND FOLLOW-UP

Staff will inform the City Council and Oversight Board upon the sale of the Property to Buyer or if Buyer does not close escrow by May 31, 2012. If this property is included in the solicitation process, staff will also notify the City Council of the results of the solicitation process.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action does not meet any of the criteria above, however this memorandum will be posted on the City's website for the May 1, 2012 City Council Agenda.

HONORABLE MAYOR AND CITY COUNCIL

April 23, 2012

Subject: 193 East Santa Clara Street PSA Amendment

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COORDINATION

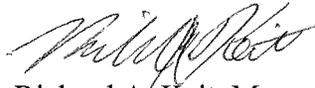
This item was coordinated with the City Manager's Office, the Finance Department, the Housing Department and the City Attorney.

FISCAL IMPACT

If Buyer closes escrow by May 31, 2012, the sale of the Property will provide revenue of \$3,500,940 less closing costs to the Successor Agency to pay enforceable obligations.

CEQA

Exempt, File No. PP12-058.



Richard A. Keit, Managing Director
Successor Agency to the
Redevelopment Agency

For questions, please contact Richard Keit at (408) 795-1849.