

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSE

MEMORANDUM

TO: OVERSIGHT BOARD	FROM: DEBRA FIGONE EXECUTIVE OFFICER
SUBJECT: SEE BELOW	DATE: April 27, 2012

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

**RECOMMENDATION**

It is recommended that the Oversight Board adopt a resolution 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.

**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 months to determine the feasibility of their project. At that time, the Agency did not have the authority to amend the Purchase Agreement to extend the due diligence period.

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 Oversight Board approve an Amendment to the Purchase Agreement to extend the date for satisfaction or waiver 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.

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**EVALUATION AND FOLLOW-UP**

Staff will inform the 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 Oversight Board of the results of the solicitation process.

**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



DEBRA FIGONE  
EXECUTIVE OFFICER

For more information, contact Richard Keit, Managing Director, Successor Agency, at 408-795-1849.