



Memorandum

TO: HONORABLE MAYOR,

CITY COUNCIL AND

SUCCESSOR AGENCY BOARD

FROM: David Sykes

**SUBJECT: STATUS OF SUCCESSOR
AGENCY PROPERTY SALES AND
TRANSFERS**

DATE: March 6, 2019

INFORMATION

On February 1, 2012, all 400 California Redevelopment Agencies were dissolved pursuant to State Dissolution Legislation AB x1 26, AB 1484, AB 471, and SB 107. In compliance with the Dissolution Legislation requiring “Successor Agencies” to sell or transfer all assets, the Successor Agency to the Redevelopment Agency of the City of San Jose (“Successor Agency”) has completed the sale and transfer of all but three assets. Twenty-one, Successor Agency properties were transferred to the City of San José at no cost. These were “government purpose” properties consisting of parks, paseos, street right-of-way, trail and sidewalk segments, and plazas. The Successor Agency also transferred property to the non-profit First Community Housing, at no cost and pursuant to two North San Pedro Housing Disposition and Development Agreements. That project will yield 135 affordable housing units for veterans and special need individuals, with construction beginning in April 2019.

The attached table demonstrates the success of Successor Agency property and revenue participation sales since dissolution – over \$195.4 million in gross sales. Net property sale proceeds prior to the sale of 1770 Alum Rock Avenue in May 2017 were distributed to the County of Santa Clara to satisfy obligations under the Settlement Agreement and to JP Morgan to pay off variable rate debt. In early calendar year 2018, after the successful refunding of all outstanding former Redevelopment Agency bonds the Successor Agency reached “sufficiency of funds” status and property sales proceeds were distributed to the taxing entities.

The colored section of the attached table indicates sale proceeds distributed to fourteen taxing entities, including the City of San José. The City Manager’s Budget Office has reviewed the County distribution statements and determined that about \$17.1 million were recognized in the City’s General Fund from nine property sales. The October 10, 2018, sale of the South Hall Convention Center site to the City paid off all US Housing and Urban Development Successor Agency loans. Approximately \$17 million was distributed to taxing entities and the City’s portion (approximately \$4.3 million) was recognized in the Convention Center Facilities District Revenue Fund.

The table does not include the \$22.6 million direct payment to the Successor Agency from the private sale of the Fairmont Hotel. The payment to the Successor Agency was a required

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disbursement when the previous owner sold the property to the current owner in 2018. The payment was deposited in the Successor Agency's General Fund and paid enforceable obligations including City loans.

Two of the three remaining Successor Agency assets, mentioned above, are real property and one is a revenue participation agreement. The real property assets are the California Theatre and Billy DeFrank Lesbian, Gay, Transgender Community Center. The California Theatre will be transferred to the City of San Jose, at no cost, pursuant to a fully executed Compensation Agreement. All fourteen taxing entities must sign the Compensation Agreement. To date, thirteen taxing entities have signed. The fourteenth, San Jose Unified School District ("SJUSD"), has agreed to sign as soon as a Use Agreement between the City and SJUSD is executed. The Use Agreement, allowing SJUSD to use City-owned theatres for up to ten days a year, will be presented to the City Council on the March 26, 2019 agenda.

The City Office of Economic Development is currently in early negotiations with the County of Santa Clara regarding redevelopment of the Billy DeFrank Community Center and site. The current proposal is to continue operation of the Community Center and construct affordable housing on the site.

The third asset is a revenue participation agreement with the Sheraton Four Points Hotel that Successor Agency/City staff recommended (the Oversight Board agreed) should not be solicited for sale until the Promissory Note is paid down to enhance the sales proceeds to the Successor Agency.

Much of the success of the property sales and transfers can be contributed to Richard Keit, Managing Director of the Successor Agency (retiring April 6), and Tom Murtha of the City Attorney's Office (recently retired from City service). I thank them for their efforts regarding the sale and transfer of Successor Agency properties over the last six years.



DAVID SYKES
City Manager

For questions regarding property sales, please contact Richard Keit at (408) 795-1849. For questions regarding the California Theatre or the Billy DeFrank Community Center, please contact Kim Walesh at (408) 535-8177.

Attachment: Copy of Property Sales Table Since Dissolution

Successor Agency Property Sales Since Dissolution

FISCAL YEAR	PROPERTY RECORDED	PROPERTY	APN	GROSS SALES PRICE	
				DATE RECORDED	
2014-15	6/22/2015	135 E. Santa Clara/Pacific Car Wash Site	467-20-008 (+8)	\$	12,800,000
2015-16	6/1/2016	201 N. Market Street (Fire Museum)	259-33-077	\$	1,000,000
2015-16	6/15/2016	5647 Gallup St./1171 Mesa St. (City)	567-52-028,029,039	\$	1,160,000
2015-16	6/15/2016	96 South Almaden Avenue/Plaza Hotel (City)	259-40-071	\$	740,000
2015-16	6/15/2016	The 88 Public Parking Garage	467-64-001, 002	\$	3,575,500
2016-17	7/27/2016	92 S. Montgomery Street	259-38-019	\$	613,000
2016-17	8/26/2016	226 Balbach Street (City)	264-31-109	\$	2,400,000
2016-17	8/31/2016	300 S. Almaden Blvd./Hilton Ground Lease	264-29-109	\$	96,000
2016-17	12/16/2016	501 Vine Street, San Jose, CA	264-31-037	\$	876,000
2016-17	2/8/2017	South Almaden Blvd. Landscape Area	264-31-101	\$	508,000
2016-17	3/9/2017	30 Eastwood Ct.	481-13-009	\$	88,250
2016-17	3/14/2017	301 S. Market/Marriott Participation Interest	NA	\$	12,350,000
2016-17	3/30/2017	140 E. San Fernando Participation Interest	NA	\$	99,000
2016-17	4/10/2017	Block H - North San Pedro Housing (Tower Residential)	259-24-008,020,039	\$	5,179,526
2017-18	7/14/2017	289 Jackson St./Miraido Apartments/Retail	249-38-051	\$	2,800,000
2017-18	10/20/2017	261 N.2nd St. Participation Interest (Germania)	NA	\$	32,056
2017-18	12/21/2017	Blocks A & C - North San Pedro Housing (Towhouses)	259-33-011 (+9)	\$	6,444,332
2017-18	12/21/2017	201 S. Second Street/Cinema Complex	467-46-103	\$	726,000
2017-18	12/21/2017	551 West Julian Street	259-27-008	\$	650,000
2017-18	12/22/2017	1343 The Alameda	261-23-064	\$	363,000
2017-18	1/12/2018	366 S. First Street - Two Fish Design	467-46-075	\$	1,050,000
2017-18	1/16/2018	292 Stockton Avenue	259-28-028	\$	4,000,000
2017-18	5/17/2018	1770 Alum Rock Ave. - Front of Mexican Heritage	481-18-057	\$	221,050
2017-18	6/26/2018	525 South Market - Market Gateway Apts. - Ground Lease	264-30-119	\$	2,635,000
2018-19	8/28/2018	Block D - North San Pedro Housing (Townhouses)	259-32-079	\$	1,584,620
2018-19	9/19/2018	Block E - North San Pedro Housing (Tower Residential)	259-31-040,042,068	\$	4,704,627
2018-19	9/28/2018	Block B/F - North San Pedro Housing (Apartments)	259-32-044 (+7)	\$	10,288,633
2018-19	10/9/2018	490 S. First - San Jose Stage Company	467-47-098	\$	2,300,000
2018-19	10/10/2018	South Hall Convention Center (City)	264-30-010 (+19)	\$	47,000,000
2018-19	12/19/2018	Diridon Properties and Lot D (Google)	259-48-011 (+8)	\$	67,000,000
2018-19	12/27/2018	62 South Second Street - Jose Theatre	467-22-137	\$	2,139,000
				Total	\$ 195,423,594

Colored area indicates property sales with net proceeds distributed to fourteen (14) Taxing Entities including the City of San Jose