



Agenda Report

18-748

Agenda Date: 5/22/2018

REPORT TO COUNCIL

SUBJECT

Various Actions on a Purchase and Sale Agreement and Other Documents as Necessary Related to the Sale of the North-South Parking Parcel located at 4911 Great America Parkway [APN: 104-43-051] (City Council and Successor Agency to the Former Redevelopment Agency of the City of Santa Clara)

BACKGROUND

The State of California dissolved all redevelopment agencies in California effective February 1, 2012. At the time of dissolution, the Santa Clara Redevelopment Agency and following, the Successor Agency to the Former Redevelopment Agency of the City of Santa Clara (Successor Agency) owned a number of parcels of land in north Santa Clara. In accordance with Dissolution Statutes (AB1x 26, AB 1484 and SB 107) and the Settlement Agreement entered into by the City, the Successor Agency and the County of Santa Clara et al, the Successor Agency is required to sell all its properties. The proceeds from the initial sale of properties, after deduction of costs of sale, were used to pay the Successor Agency's enforceable obligations.

The Successor Agency has sold two properties: Santa Clara Gateway Parcel 2 located at 5451-5455 Great America Parkway and Santa Clara Hilton parcel located at 4949 Great America Parkway. The proceeds from these sales were used to fully repay all of the Successor Agency's obligations. Proceeds from the sale of any of the remaining Successor Agency properties will be distributed to the taxing entities. As a taxing entity, the City of Santa Clara will receive approximately 10 percent of any proceeds received from the sale of Successor Agency property.

In February 2018, the Oversight Board authorized the Successor Agency to engage the services of Eastdil Secured to provide brokerage and real estate advisory services related to the sale of the North South Parcel and the Great America Theme Park Parcel.

The North South Parcel (Property) is a 9.4-acre parcel currently used as a portion of the surface parking for Great America Theme Park and Levi's Stadium. The Property is encumbered by a Lease, Parking Agreement and Parking Easement (Existing Agreements) with Cedar Fair, Forty Niners SC Stadium Company (StadCo), Santa Clara Stadium Authority, and the City of Santa Clara (collectively "Parking Parties"). The Existing Agreements provide that the Property be available for use by the Parking Parties for Stadium and Great America parking through the terms of the Stadium Lease and the Great America Theme Park Lease or 2074. Per the Existing Agreements, a nominal annual income (i.e., less than \$30,000 per year escalated over time) is derived from the Existing Agreements for the benefit of the Property owner.

In March 2018, Eastdil prepared an Offering Memorandum and solicited interest from more than 30 capital sources to seek offers from qualified investors. Marketed as a future investment opportunity,

Eastdil sought offers from parties who may be willing to invest capital without a market rate return. Three rounds of bidding took place; each round escalated the purchase price. The top bidders were requested to submit a sealed bid on April 26, 2018 with an executed Purchase and Sale Agreement containing a purchase price to the penny, and a \$500,000 cash deposit. After the third round of bidding, Jamestown Realty Co., LLC (Jamestown) made the best offer (\$5,150,000.49) with a combination of the highest purchase price and with competitive terms.

On May 8, 2018, staff presented a Purchase and Sale Agreement for \$5,150,000.49 with Jamestown to the Council acting as the Successor Agency. The Council was concerned that the price was too low with respect to the prospective value of the land and referred the item back to staff in order to provide the City with an opportunity to submit a bid to purchase the property.

On May 17, 2018, the County of Santa Clara submitted a letter to the Santa Clara City Council and the Santa Clara Oversight Board, objecting to the City's interest in the purchase of the Property. On May 18, 2018, the Santa Clara Oversight Board convened to discuss among other items, the sale of the North South Property. The Oversight Board was advised of the sale process and of the City of Santa Clara's interest in purchasing the Property. The members of the Oversight Board expressed frustration with the agenda because it did not allow the Board to approve a Purchase and Sale Agreement on May 18; the Board directed staff to schedule a special meeting of the Oversight Board as soon as possible. As of the preparation of this report, May 20, 2018, the meeting has not been calendared.

DISCUSSION

The form of Purchase and Sale Agreement for the North South Property is attached. Council is scheduled to discuss the offer to purchase the Property in its Closed Session on May 22, 2018. The purchase price will be announced at the May 22, 2018 City Council meeting prior to the final consideration of this item by the City Council. In addition to the purchase price, key terms of the Agreement include:

Deposit:	A non-refundable deposit of \$500,000 to be deposited into escrow, three days following the execution of Purchase and Sale Agreement.
Contingency Period:	None.
Closing:	Closing to occur fifteen (15) days following the execution of the Purchase and Sale Agreement.

Approval of the recommended actions would: 1) authorize the City Manager execute a Purchase and Sale Agreement on behalf of the City as the Buyer of the Property; 2) on behalf of the Successor Agency as the Seller, authorize the City Manager/Executive Officer to execute a Purchase and Sale Agreement with the City of Santa Clara; and 3) authorize minor modifications to the form of agreement subject to the approval of the City Attorney.

Sale of the Property is subject to the approval of the Oversight Board. As discussed earlier, the next Oversight Board has not been scheduled such that the Board could consider approval of the sale of the Property.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to the CEQA Guidelines section 15378(a) as it has no

potential for resulting in either direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment

FISCAL IMPACT

Funds for the purchase of the property are available from the City's General Fund Land Sale Reserve. If the Council chooses to purchase the property, the Council will have to take an appropriation action to use funds from the Reserve.

In addition, since the Successor Agency retired all debt of the former Redevelopment Agency with the proceeds from the Gateway 2 sale in Fiscal Year 2016-17, sales proceeds not needed to pay closing costs will be distributed to the taxing entities including the City. The City receives approximately 10% of revenue distributed back from the Successor Agency.

COORDINATION

This report has been coordinated with the Finance Department and the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Approve the offer and sale of the Property to the City of Santa Clara
2. Not approve the offer and sale of the Property to the City of Santa Clara
3. Approve an alternate action

RECOMMENDATION

Council note and file the May 8, 2018 report on a Purchase and Sale Agreement with Jamestown Realty Co., LLC (Item 2.H./18-510) and adopt a Resolution:

- 1) Authorizing the City Manager to make an offer to purchase the North-South Parking Parcel at a price competitive with the Jamestown Realty offer and authorizing the negotiation and execution of a Purchase and Sale Agreement in a form as approved by the City Attorney; and,
- 2) Approving and authorizing the City Manager to execute minor amendments to the Agreement as necessary in coordination with the City Attorney and all documents and corresponding budget adjustments necessary to accomplish the transfer.

Council acting as the governing body of the Successor Agency to the Former Redevelopment Agency of the City of Santa Clara adopt a Resolution:

- 1) Approving the sale and transfer of the North South Parcel property located at 4911 Great America Parkway (APN: 104-43-051) and authorizing the City Manager/Executive Officer to execute a Purchase and Sale Agreement with the City of Santa Clara for the purchase; and,
- 2) Approving and authorizing the City Manager/Executive Officer to execute minor amendments to the Agreement as necessary in coordination with the City Attorney and all documents necessary to accomplish the transfer.

Reviewed by: Ruth Shikada, Assistant City Manager
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. May 8, 2018 Jamestown Realty report
2. Resolution of the City authorizing an Offer to Purchase and the Execution of the Purchase and Sale Agreement
3. Resolution of the City acting as the Successor Agency authorizing the Execution of a Purchase and Sale Agreement with the City of Santa Clara
4. Form of Purchase and Sale Agreement
5. Letter from the County of Santa Clara dated May 17, 2018