

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: APRIL 24, 2007

SUBJECT: EARLY DISTRIBUTION MEMO FOR AGENCY PACKET
FOR MAY 8, 2007

Attached is the Early Distribution Board Packet for the May 8, 2007 Redevelopment Agency Board Meeting. The staff report for the Purchase and Sale Agreements at 92 & 102 South Montgomery Street (noted below) is being transmitted.

5.1 Approval of Purchase and Sale Agreements for real property located at 92 and 102 South Montgomery Street.

Recommendation:

- (a) Approval of a Purchase and Sale Agreement with Roy W. Krickeberg and Mary Ann Krickeberg, Trustees of The Krickeberg Living Trust dated January 29, 1997, in the amount of \$1,146,655 plus related closing costs, for the acquisition of real property located at 92 South Montgomery Street; and,
- (b) Approval of a Purchase and Sale Agreement with Roy Krickeberg and Mary Krickeberg, Trustees of The Krickeberg Living Trust dated January 29, 1997, in the amount of \$853,335 plus related closing costs, for the acquisition of real property located at 102 South Montgomery Street.
- (c) Approval of relocation benefits to the current commercial and residential occupants, if necessary, which are estimated to be \$388,600.

CEQA: Downtown Strategy 2000 EIR, Resolution No. 72767. [SNI:
BURBANK/DEL MONTE]



HARRY S. MAVROGENES
Executive Director

Attachments

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: MAY 8, 2007

SUBJECT: REAL ESTATE PURCHASE AGREEMENTS FOR ACQUISITION OF REAL PROPERTIES LOCATED AT 92 S. MONTGOMERY AND 102 S. MONTGOMERY STREETS AND RELOCATION OF TENANTS AND COMMERCIAL BUSINESSES

RECOMMENDATION

It is recommended that the Redevelopment Agency Board:

- (a) Approve a Purchase and Sale Agreement with Roy W. Krickeberg and Mary Ann Krickeberg, Trustees of The Krickeberg Living Trust dated January 29, 1997, in the amount of \$1,146,655 plus related closing costs, for the acquisition of real property located at 92 South Montgomery Street; and,
- (b) Approve a Purchase and Sale Agreement with Roy Krickeberg and Mary Krickeberg, Trustees of The Krickeberg Living Trust dated January 29, 1997, in the amount of \$853,335 plus related closing costs, for the acquisition of real property located at 102 South Montgomery Street;
- (c) Approve relocation benefits to the current commercial and residential occupants, if necessary, which is estimated to be \$388,600.

OUTCOME

Approval of the proposed actions will continue the assembly of the Downtown Housing Site for mixed-use development.

BACKGROUND

The two Krickeberg parcels are located at the northeast and southeast corners of San Fernando and Montgomery Streets. The properties are in the area covered by the Diridon/Arena Strategic Development Plan and are also overlapped by the Midtown Specific Plan. The Diridon/Arena area historically served as a major fruit packing, transshipment, and light industrial area. The area is in transition as industrial uses have been leaving the area and many properties are occupied by interim uses or are vacant. Recognizing this transition, and to capitalize on the strategic transportation hub located here, the City Council adopted the Diridon/Arena Strategic Development Plan in June 2005.

The objectives of the Diridon/Arena Strategic Development Plan are to:

- Create a pattern of development that reinforces transit.
- Provide a diversity of housing opportunities that establishes viable and livable neighborhoods.
- Preserve viable industrial and commercial-service uses.
- Create an extensive system of pedestrian pathways and open space.
- Balance circulation needs with considerations of livability.
- Complement and extend adjacent residential and commercial areas surrounding the Diridon/Arena area.

The Diridon/Arena Strategic Development Plan envisions a pedestrian and transit-oriented high-density community through new development with an urban character. West of the Diridon rail station, a new neighborhood has been built in the past several years with the construction of over 700 residential units. During the same period, housing development has accelerated throughout the greater downtown, with active involvement by the Redevelopment Agency in assembling properties and making them available through the Request for Proposal process. Examples of successful Agency land assemblies for housing development include: 101 San Fernando, The Plaza, Park Townsend, Block 3, Dimensions, Block 8, and North San Pedro.

At the direction of the Agency Board, staff began to assemble 13 parcels on 13.5 acres from 10 owners in the Diridon/Arena area in May 2005. On November 8, 2005, the Board approved the acquisition of the Stephens Meat property at the southwest corner of San Fernando and Montgomery Streets. The Agency took title to the property on February 2, 2006. On February 28, 2006, the Board

approved the acquisition of the Butcher and Mieuli properties. The Agency took possession of the Mieuli property on June 20, 2006 and closing on the Butcher property is anticipated this July.

The site is to be assembled for transit-oriented mixed-use development, consistent with the Council-adopted Diridon/Arena Strategic Development Plan, and as analyzed in the Downtown Strategy 2000 Environmental Impact Report (EIR).

To take advantage of infill opportunities near transit, the Diridon/Arena Strategic Development Plan includes mixed use development. The subject properties are designated under that Development Plan as Transit Oriented Mixed Use. The development potential is up to 150 dwelling units per acre, facilitating approximately 800 dwelling units, 70,000 square feet of retail/restaurant uses and 180,000 square feet of office space. A higher density mix of residential and commercial uses is allowed to maximize development opportunities.

ANALYSIS

92 South Montgomery Property Information:

Property Owners:	Roy W. Krickeberg and Mary Ann Krickeberg, Trustees of The Krickeberg Living Trust dated January 29, 1997
Land Area:	Approximately 6,534 sq. ft.
Present Use:	Multi-family
Improvements:	Six-plex rental
Assessor's Parcel Number:	259-38-019
Purchase Price:	\$1,146,655

102 South Montgomery Property Information:

Property Owners:	Roy Krickeberg and Mary Krickeberg, Trustees of The Krickeberg Living Trust dated January 29, 1997
Land Area:	Approximately 6,321 sq. ft.
Present Use:	Commercial
Improvements:	Commercial and SFR
Assessor's Parcel Number:	259-48-012
Purchase Price:	\$853,335

An original Offer to Purchase letter for 102 South Montgomery was presented to the property owner of record on September 1, 2005, based on an appraisal prepared by the Agency's consultant, Hulberg & Associates, dated July 15, 2005. The initial offer for 102 South Montgomery was for \$790,000. After periodic discussions with Agency staff, the property owner provided a counter offer in April 2006 with the proposal that the Agency purchase his properties at 102 South Montgomery and 92 South Montgomery together for a total amount of \$2,000,000. The 102 South Montgomery parcel is valued at \$853,335, which is consistent with the Butcher and Mieuli parcels acquisitions on a per square foot basis.

Agency staff evaluated the Krickeberg's offer to sell the rental property at 92 South Montgomery for \$1,146,665 or the balance of the \$2,000,000 total amount. The purchase price equates to approximately \$190,000 per unit which is within the market range of \$175,000 to \$250,000 per unit for similar properties listed or sold recently.

Recent analysis conducted on behalf of the San Jose International Airport indicates that maximum building heights in this area may be restricted to between approximately 130 to 140 feet to accommodate One Engine Inoperative (OEI) flight safety conditions. Hulberg & Associates has reviewed this potential height restriction and concluded that it does not affect the property values they have appraised here.

The Agency will have 90 days from Board approval to complete its due diligence, including environmental investigations. To enable the Seller to continue to receive rental income from his tenants, the Agency has agreed to an extended escrow period, similar to the process used on the Butcher purchase on the adjacent parcel. Escrow is scheduled to close on January 18, 2008.

The recommended acquisitions would secure the fourth of the 13 parcels targeted for assembly and the parcel across the street from the site. Staff has extended purchase offers on two other parcels that have been offered for sale by their respective owners and are continuing negotiations with those owners. Staff has also met with the other property owners within the assembly area, all of whom have expressed willingness to consider an offer to purchase their properties. Staff is planning to continue negotiations on the other outstanding offers.

ENVIRONMENTAL CONDITIONS:

To address possible environmental concerns, the Agency contracted with the firm of TRC Lowney to conduct Phase I and Phase II environmental reports. The Agency has not yet conducted any environmental inspections of the Property since

the owner was unwilling to allow the Agency access to the Property until a purchase and sale agreement had been executed. The Purchase and Sale Agreements provide for a 90-day due diligence period from the Board's approval of the contract.

RELOCATION:

There are six residential tenants on the 102 South Montgomery parcel. The two tenants are Patty's Bar and a single family house that is being rented. A relocation plan is currently in progress and it is anticipated that it will come before the Agency Board for consideration by June 26, 2007. The Agency's relocation consultant has estimated the cost of the relocation benefits for this acquisition as approximately \$388,600. The Agency will work with all of these tenants to make sure that they find suitable replacement spaces, per the Agency's relocation guidelines and the soon to be adopted relocation plan. The tenants won't be required to move until a project is identified.

PUBLIC OUTREACH/INTEREST

The proposed action meets Criteria 1 for added outreach efforts. This staff report will be distributed 14 days prior to the Agency's Board meeting, will be posted on the Agency's website and made available for public review in the agency's public lobby area.

- ✓ 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, or staffing that may have impacts to community services and have been identified by staff, the Board or Council, or a community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

COORDINATION

Preparation of this report has been coordinated with the Department of Planning, Building and Code Enforcement and the Agency's General Counsel.

FISCAL IMPACT

The \$2,000,000 purchase price, plus incidental transaction fees, is budgeted in the Agency's Adopted FY 07-08 two year CIP in Downtown Housing Site Acquisition project line in Merged Redevelopment Area.

CEQA

Downtown Strategy 2000 EIR, Resolution No. 72767



HARRY S. MAVROGENES
Executive Director