

# THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

## MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: FEBRUARY 25, 2011

### INFORMATION

SUBJECT: SECOND UPDATE ON SOLICITATION FOR DISPOSITION OF AGENCY OWNED ASSETS

On January 13, 2011, the Agency offered six assets for public solicitation. The sale information for the assets was e-mailed to the top 25 brokerage houses in Silicon Valley (as determined by size) and to an interest list of 175 potential buyers that was compiled by Agency staff. The sale solicitation was also conducted on the Agency's website, in the Mercury News and through the commercial real estate listing service Loopnet.com. The deadline for offers was Monday January 31, 2011.

The assets considered for disposition included: Fairmont Hotel Annex Retail (McCormick's, Bijan Bakery and the vacant space to 1<sup>st</sup> Street), Central Place Parking Lot (the Block 3 Development site), the Fairmont Parking Garage (under the Fairmont Hotel), Fountain Alley Parking Lot (S. Second Street between E. Santa Clara and E. San Fernando Streets), East Santa Clara Development Site (across from City Hall) and the Paseo Retail (Paseo de San Antonio between 3<sup>rd</sup> and 4<sup>th</sup> Streets).

As of January 31, 2011, the Agency had received a total of 24 bids for all properties. Updates on the current status of each property are below:

1. Fairmont Hotel Annex Retail (170 S. Market Street): The Agency received a total of five offers for the property. The Agency rejected all offers for this property because new pertinent information became available concerning the intention of McCormick & Schmick's to potentially exercise options and request a rent concession. The Agency decided to reject all offers and solicit new offers from the five initial proposers. The Agency's consultant Keyser Marston Associates supported this approach. The new offers were submitted on February 22<sup>nd</sup>. The

Agency received a total of four offers and the high bid was made by Imwalle Properties at \$3,925,000. This offer met the Agency's price threshold and is \$225,000 higher than the previous high bid. Imwalle Properties is currently performing their due diligence. The Agency anticipates bringing the purchase and sale agreement to the Board for approval in April. All bids received are listed below:

Entity: Imwalle Properties  
Offer: \$3,925,000

Entity: BAB Capital (Black Sea Gallery)  
Offer: \$3,911,000

Entity: Abachi Food Bijan  
Offer: \$3,756,256

Entity: Silicon Valley Investments  
Offer: \$3,520,000

2. Central Place Parking Lot (150 S. Second Street): Sobrato Development was the high offer on this property. This offer met the Agency's price threshold. Sobrato Development is in the process of conducting its due diligence with the anticipation of closing escrow by April 15, 2011. The Agency anticipates bringing the purchase and sale agreement to the Board for approval in March.

3. Fairmont Parking Garage (170 S. Market Street): The Agency received one offer for the Fairmont Parking Garage. The offer did not meet the Agency's price threshold and the offer was rejected.

4. Fountain Alley Parking Lot (35 S. Second Street): The Agency received ten offers for the Fountain Alley Parking Lot; however, the initial high bidder decided to reduce their bid from \$6,400,000 to \$5,400,000 because of a financial miscalculation. The Agency decided to reject all offers and solicit new offers from the ten initial proposers. The Agency's consultant Keyser Marston Associates supported this approach. The new offers were submitted on February 16<sup>th</sup>. The Agency received a total of four offers and the high bid was made by Next Realty at \$6,175,000. This offer met the Agency's price threshold. Next Realty is currently performing their due diligence. The Agency anticipates bringing the purchase and sale agreement to the Board for approval in April. All bids received are listed below:

Entity: Next Realty  
Offer: \$6,175,000

Entity: Green Valley  
Offer: \$5,450,900

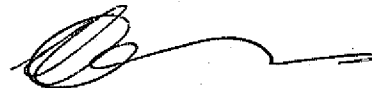
Entity: Union Property Capital  
Offer: \$5,400,000

Entity: Swire Properties  
Offer: \$4,911,500

5. E. Santa Clara Development Site (193 E. Santa Clara Street): The Agency received two offers for the E. Santa Clara Development Site. The offers did not meet the Agency's price threshold and the offers were rejected.

6. Paseo Retail (125 Paseo de San Antonio): Chardonnay Associates II was the high offer on this property. The Agency and Chardonnay Associates II are in discussions regarding the details of the offer.

The Agency is considering a second property solicitation composed of properties that did not receive a bid that met the Agency's price threshold along with other assets that have not been previously offered.



HARRY S. MAVROGENES  
Executive Director