

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 27, 2010

INFORMATION

SUBJECT: SALE OF ADOBE GROUND LEASE

In September 1994, the Redevelopment Agency entered into a Disposition and Development Agreement with Adobe Systems Incorporated for the phased development of a high-rise office complex to house Adobe's corporate headquarters. The Agency subsequently entered into three separate Ground Leases to facilitate the construction of each of the three towers. Under the Ground Leases, the Agency retained ownership of the real property underneath the Adobe office towers; Phase One (345 Park Avenue), Phase Two Tower One (321 Park Avenue), and Phase Two Tower Two (151 Almaden Boulevard), while Adobe owns all of the improvements. Under each Ground Lease, Adobe had an option to purchase the fee title to the underlying real property. Adobe exercised the Phase One option and the Phase One property was sold and conveyed to Adobe on July 24, 2008, for \$6,801,559.85.

Under the Phase Two Tower One Ground Lease, Adobe had the option to purchase the fee title to the property any time on or after September 1, 1998. Under the Phase Two Tower Two Ground Lease, Adobe had the option to purchase the fee title to the property at anytime during the term of the Ground Lease. In April 2010, Adobe notified the Agency of its election to exercise its option to purchase the Phase Two Tower One and Tower Two parcels. The Ground Leases prescribed a specific method to calculate the sales price of the parcels. The Phase Two Tower One purchase price is \$7,476,790 and the Phase Two Tower Two purchase price is \$3,738,395. Escrow is scheduled to close on, or near, June 4, 2010. The total of these two transactions will be \$11,215,185.

Adobe will own the property but covenants for the benefit of the City remain in place until June 2055. These covenants include the maintenance of the property in a first class condition and the availability of public parking in the parking garage. Consistent with the Mayor's Budget Message of March 12, 2010, these funds will be available to acquire other properties for economic development purposes. Funds from this transaction (minus closing costs) have been added to the Agency's Capital Reserve Fund, as budgeted in the current FY 2009-10 and FY 2010-11.



HARRY S. MAVROGENES
Executive Director