

The following transcript is provided for your convenience, but does not represent the official record of this meeting. The transcript is provided by the firm that provides closed captioning services to the City. Because this service is created in real-time as the meeting progresses, it may contain errors and gaps, but is nevertheless very helpful in determining the gist of what occurred during this meeting.

>> Mayor Reed: Good morning. I'd like to call the meeting to order. This is the this is the oversight border to the successor agency of the San José Redevelopment Agency, regular board meeting May 3rd, 2012. Don't have everybody here but we have a quorum so I want to go ahead and get started. So first item is whether or not there are any changes to the agenda order. I understand there are some items that may be deferred, I think we'll just note those when we get to them and move on, rather than move on to orders of the day. Some people may have questions why they're being deferred. We have no closed session report today. Minutes from April 12th, 2012 to consider. Any changes, comments, corrections? Edits, et cetera to the minutes? Supervisor Gage.

>> Donald Gage: I don't have any changes, but in the original documentation the minutes weren't in there. I printed off the packet that came online and it did not have the minutes in there. So --

>> Mayor Reed: So minutes got --

>> Donald Gage: The packet that's on our desk does have it.

>> Mayor Reed: On the desk. Okay. Anybody else have the similar problem?

>> Yes.

>> Mayor Reed: But everybody's got them now? Want to take a minute to look over them? Let's just do that if you haven't had a chance to review them before, we can do that.

>> Donald Gage: I had done that. I'll move approval.

>> Mayor Reed: Okay. We have a motion to approve the minutes. Any comments on those? On that motion, all in favor, opposed, I count none opposed so the minutes are approved for April 12th.

>> Debra Figone: Mr. Chair, we'll correct that in the future.

>> Mayor Reed: Okay. We have nothing on the consent calendar, so items for action, discussion, let's just wade into those. The first is the administrative budget for July through December. We need to adopt a resolution on that. Is there a staff presentation on that?

>> Mr. Mayor, Mr. Chair, couple of things. I just wanted to before I go over the quick presentation, and it's very short, on the admin budget I want to just say what's before you, we decided there were already in your packet but we decided to give you the large spreadsheets, these, attachment A and B are the same thing that are in your packet and were distributed electronically. So just for the ease of reading it we put these 11 by 17 as we did with the real estate properties that we'll talk about later in item number 6.3. We also have in that attachment a supplemental memo that went out last night with the attachments from the memos from the city council members and mayor. There were two memos. And we can go over that as we reach those items. And we also have a presentation, hard-copy, on item 6.3 that is also distributed on your desk in front of you. Really, briefly, on the administrative budget, we're mostly here to answer questions. The two most important things to note on the budget is that the entire administrative budget is being paid out of the City's general funds. It is not coming out of tax increment or the special fund for now redevelopment. And because of the way the state law's currently worded it's at the bottom of all payments. We are documenting those costs because in the future we hoped to be reimbursed as the City of San José for those costs. And a second item. The thing they do not reflect on the administrative budget is all the costs that the housing department and the finance department, staff time to work on these items related to the dissolution of redevelopment and successor agency activities. That's considerable. With that are there any questions on the admin budget?

>> Mayor Reed: Board member Gage.

>> Donald Gage: Sorry I'm asking all these questions.

>> Mayor Reed: That's all right, that's what we're here for.

>> Donald Gage: The spreadsheets are wonderful. However, in the future I think we're going to have to get down to a little more detail. And we probably should include a narrative of what's going on so we can understand each one of the administrative costs. I just see that coming in the future at some point in time. So I'm not you know pushing today, or the next meeting, but we ought to think about that. So you know, most agencies would have to do that if they were presenting some kind of a budget. Thanks.

>> Mayor Reed: Any other questions or comments on -- on it? Vinod.

>> Vinod Sharma: On the administrative budget, you mentioned that there would be reimbursement resolutions coming to the court, which is eventually the city fronting all the costs for these things?

>> Richard Keit: That's correct. We hope actually the May 21st meeting to have reimbursement agreements to be prepared for your approval oversight board.

>> Vinod Sharma: In that case, would the reimbursement be after everything else has been paid off, in terms of priority? The pass-throughs and other things?

>> Richard Keit: We haven't decided. Obviously, it would be later in the waterfall. We do know that. But exact, precisely where it would be, at the end --

>> Vinod Sharma: Because after everything because --

>> Richard Keit: When we do the presentation on that we'll have a definitive answer for you.

>> Vinod Sharma: Okay. Today we are approving the budget. In that case can we just move to approve the budget only, subject to the limit, admin limit and then once the resolution comes we can approve anything in excess where the city would be reimbursed in the future?

>> Richard Keit: I think that's fine. Yeah, we're way -- considerably below the admin limit as you're aware. And again, because this is General Fund money, it's the state law that requires that we do this every six months.

>> Vinod Sharma: I understand that. Thank you.

>> Mayor Reed: Yes.

>> Mr. Chair I have a question for the staff. If we look at the personnel, and look in November column. It almost jumps 50%. I just want to know for the record is that because of the pay periods in that particular month or why it jumped that high in the cost?

>> Yes, board member, Abe Andrade, chief financial officer for the successor agency. The reason for the increase is the agency has a quarterly unemployment benefits payment that's due during that month for the number of employees that the agency has laid off over the last year and a half.

>> Mayor Reed: Any others? I don't see any. So is there a motion? Okay, we have a motion to approve the administrative budget for the six-month period. On that motion, all in favor? Opposed? I count none opposed, so the motion is approved.

>> Mr. Chair.

>> Mayor Reed: Yes.

>> On that last item, and I don't want to make work for staff unnecessarily. But I would agree about the documentation. More on the variations and variances, if you can give us just a little bit of description, it doesn't have to be excruciating detail but those blips that we wouldn't -- those of us that don't look at your budget on a regular basis, if you can give us a footnote as to why for example, the unemployment insurance that would be something that would be of help in the future.

>> Mayor Reed: Okay. So noted. We'll move then to the next item, which is item 6.2, that's a resolutions for the recertified ROPS -- I've already forgotten what that stands for -- for January June, and the next six-month ROPS from July to December. I understand staff is probably going to have some comments on that so let's go there.

>> Thank you, Mr. Chair, members of the board, Abe Andrade, chief financial officer successor agency. The successor agency staff requests a modification to recommendation 1, requesting the oversight board to approve the proposed revised ROPS for the period January 1 through December 31st, 2012, subject to the recertification by the County auditor-controller. The original ROPS presented to and approved by the oversight board on April 12th was subsequently afforded to the state on April 16th. On April 20th, the Sucessor Agency received a notice from the Department of Finance that the agency ROPS was unacceptable because of the -- because of the format that it had been presented in, and it did not follow Department of Finance approved format. Therefore, the Sucessor Agency revised the report accordingly. And the county is currently reviewing the report for recertification. And as previously indicated, staff recommends that the board approve the ROPS before them today subject to the county completing their review and recertification. In reference to recommendation 2, pertaining to the ROPS for the period July 1 through December 31st, 2012, staff recommends the action be deferred to May 24th, to the May 24th oversight board meeting to provide additional time for the county auditor-controller to complete his review and certification. The Sucessor Agency would like to move forward, we would be working closely with the county, to complete both the recertification of the first ROP and certification of the second ROP in order to forward the reports as due to the Department of Finance by May 11th and we would return to the board on May 24th for the approval of the oversight board. That concludes my comments. If there's any questions, we're available.

>> Mayor Reed: Okay, board member Gage.

>> Donald Gage: Just wanted to make sure, Vinod, is that all right to do that?

>> Vinod Sharma: That's fine.

>> Donald Gage: Okay. So the action would be to approve one which is January 1 through June 30. Because that's been revised. And then to approve July 1 through December 31st with the caveat at a it would be approved by the county, and that would come to us on the 24th. And I'm assuming if there's any disagreements, that we will have to figure those out on the 24th.

>> That's correct. We would come back with any proposed revisions to the report, and present those on May 24th meeting.

>> Mayor Reed: Okay, I'm not sure I track what with was just said with what you said earlier. I thought you said we'll approve the first six months, subject to the county's certification. And the second six months we'll defer to May 24th.

>> Right.

>> Mayor Reed: And there was something about May 11th and I got lost in there.

>> That's correct. There's no action required on the second recommendation today. That action is being deferred to May 24th.

>> Mayor Reed: Okay.

>> And that's for the period July 1 through December 31st.

>> Mayor Reed: Okay.

>> Donald Gage: So the first -- I thought the first one was recertify but I guess it isn't.

>> Mayor Reed: It's been previously certified.

>> Donald Gage: Yeah, but I thought they worked everything out. That's why I was asking.

>> Vinod Sharma: Yes, it is worked out. It will be recertified today. There is one item we have to deal with.

>> Donald Gage: Okay. So the motion could be then to approve the recertification pending the one item. I'll make that motion.

>> Mayor Reed: Okay.

>> Before we go forward, I just want to be clear about this. So the actual approval by the oversight board was with a certified ROPS not with a draft ROPS. Because this still says draft on it and I was a little concern. That may be just a typo that needs to be taken out but this is the certified ROPS?

>> You're correct, board member. Originally, the ROPS submitted with the board memo was in draft form. As it had been presented to the county for their review and certification. And we await that certification before submitting that to the Department of Finance.

>> Okay, I'm a little confused in the sequence. I thought what we voted on has to be a certified ROPS not one that gets certified after we vote.

>> Vinod Sharma: We had voted on the information that was given to us. And there was some changes. You said we will certify it based on the board has approved it subject to the certification which, of the changes that basically the board had approved. So there was nothing new added.

>> I'm not debating that. My understanding is the board takes action on a ROPS that is already certified at the time that it's presented. That's -- that's the question that I'm asking, the sequence.

>> Mayor Reed: See if the legal counsel has an opinion on it.

>> Patricia Deignan: Thank you mayor. That is the preferred method and that is what is anticipated under the law. However, it is my understanding, and that's what we did last meeting. So what was presented to you last meeting was a certified ROPS. Now, because the county was here, saying that yes, even though it wasn't in your packet as certified, we have we have certified it the date of the meeting. We were hoping to be able to get the recertification done the same way. But they were not able to cross that last I as of this morning. So we feel comfortable asking you to approve the recertified ROPS, subject to the stamp of approval by the county.

>> That's fine. My understanding is that the Department of Finance was looking very carefully about that sequence, and as long as we're in sequence, even if it's a modification, it doesn't mean we have to go back and re-do and re-do and that's fine.

>> Patricia Deignan: Right. And that is why we are asking you not to take action on the second ROPS yet because we're not at the point where we feel we can go forward.

>> Mayor Reed: Okay. Our executive officer.

>> Debra Figone: Yes, Mr. Chair, you had asked about the May 11th and so Abe if you could just correct me if I'm wrong here, it is my understanding that because of the state Department of Finance schedule, that we're trying to meet their deadline of May 11th by sending the second item to them, even though the review is still going on by the county's controller. And so the actual certification process would take place in front of -- by this board, couple of weeks later. And then I assume we would resubmit the certified version to the state.

>> That's correct. The Department of Finance request us to, if we have not had the certification completed by that date, to submit the report in draft form. Then to come back. So in that case, we would come back come back on

May 24th with a certified ROPS, and following approval of the board we would submit that to the Department of Finance as a certified ROPS.

>> Debra Figone: Thanks, Abe.

>> Mayor Reed: Okay. Any other comments or questions? We do have a motion I think.

>> I was just going to second the motion.

>> Mayor Reed: Okay we have a motion to approve item 1 knowing that item 2 will come back to us at May 24th. Anything else on that? On that motion, all in favor? Opposed? We have none opposed so that is approved. Item 6.3. Is a resolution on disposition strategy of real property assets. Staff.

>> Richard Keit: Thank you, Mr. Chair, Richard Keit, managing director of the Sucessor Agency. We do have a small presentation on this, and as I mentioned before, a hard copy. Is there another remote? Okay. That's all right. There's not that many slides, thank you. The first slide it just shows a geographic dispersion of our real property. And by the way, this whole presentation is on real property assets. At the next meeting we will go over some of our other assets Such as loans due to the agency and development agreements that have potential revenue coming back to the agency. This is strictly on 34 pieces of real property. As you can see, most of the properties are located downtown, a few a few are on the Alameda, and Julian Stockton which is an industrial area just West of and north of downtown, and just north of the arena for those of you who are familiar with that facility. We have several other pieces. Two, the bottom left corner is two properties that are vacant lots where the agency purchased the land and we tore down the buildings in the hope of building a community -- or a neighborhood center, a small neighborhood center for that impacted neighborhood. The agency's funding source was reduced, so we never built the facility. And then of course, with dissolution we have to sell the lots. The upper slide, just in the East San José are two properties out on Alum Rock, well, on East Santa Clara Street, in the East Santa Clara Street redevelopment area. One is in front of the Mexican heritage and the -- I forgot what the other one is -- I'm sorry, oh yeah, it's Eastwood court, it's a small parking lot that at one time we had as a -- we used for

a public lot but right now it's surrounded by private property as that lease agreement expired. Our intent is to do a real property solicitation process. We will release properties for solicitation in five rounds, and those are all numbered on your big chart, 1 through 5. And with those time periods, then the time periods are the same for all around one regardless of where they're located on this chart and I'll go over that in a minute. We plan on doing a 60-day period for due diligence, and for the -- whoever wants to respond to this solicitation to submit their bids. And during that time we assume they will waive any conditions or discuss conditions with us with staff. And then we hope to close escrow within 30 days after the submission of bids. These are tight time libels. We realize, we've been in the real estate business for many years as is the agency. This is the goal for each property. As I stated with real estate there could be some time changes to that. But that's our intent, to move these properties forward. And we definitely would want to go in the round suggested in those dates for solicitation. If we make any changes to the rounds, based on just staffing concerns, for things that might come up during the period, we would bring it back to the board for the -- in an information memo to let you know unless we needed approval for some really radical modification to the schedule. Of course, as you should be well aware, any property, once we have a purchase and sale agreement in place, we would bring it back to the board for their approval, for -- both to accept the sale price, is the main item, and any conditions that may be part of the real estate asset transaction. Next slide, please. So beginning, again, this is the title slide, you have it in front of you. We have five categories that I'll get into. The ones on the screen are showing the first two for those in the audience and watching on TV. The first five -- the first six in yellow are agency-controlled assets. There's no liens against these. They're fully owned by the agency. And I'll go into a little bit of detail on those, because those are the first ones -- well, five of the six, we intend to solicit in the first round, starting in June upon your approval today. The second two are properties that are currently under contract with the Redevelopment Agency, with purchase and sale agreements in place. And the East Santa Clara development site I'll go over as a separate item on the agenda, so I'll go into that in a little bit more detail as that item comes up. The second blue item in blue, the north San Pedro, is the -- a large area almost eight acres with a development potential of a little under six acres, and that is under contract and we're in the final processes, we hope, we've been doing this for some time, of a statewide grant for \$24 million. It's proposition 1C with the housing and community development department of the State. And their grant is for doing infrastructure improvements to the street, water, sewer. And so it's a major project with almost 1,000 units including 135 low and moderate-income units. Those proceeds, after -- the land has not been sold yet. As I said,

they're under agreement. When those lands are sold to the three development entities that are going to build the housing, and do the infrastructure improvements, that money will be split 50-50 with the county under an existing agreement. Next slide, please. The green are the properties that are encumbered. They have liens of liens with them, on the deeds of trust with J.P. Morgan and the County. And we're currently in negotiations with J.P. Morgan and will get back to the County after we have further negotiations with J.P. Morgan. There's a substantial amount of money on the table here, and we hope to be able to sell these assets and pay down existing debt. The bottom item is one item that's the JosÉ theater where the Improv is located currently. That's HUD 108 collateral meaning we've borrowed money. We have gotten funds from federal housing and urban development department to do improvements and this was collateral, just as you would do a house mortgage if you were opening a business. And we actually -- in order to sell this, we have to move the collateral off to another city parcel. And we've done that, and HUD has been very compliant in the past in doing that. That takes anywhere, six to -- six months to a year, we hope to do it at six months. But clearly, before round 5, when we would sell this property. We do have some interest in this property from developers, so we might move this up to an earlier round if we can move the collateral off in a timely manner. Next slide, please. And then the last group of slides in white are properties that are really park lands, landscape strips, and we don't conceive of any market value, and would be transferred to the city at the end of the year. With the exception of the first item, it says it's a landscape strip. But there is private land that we have a deed for behind the sidewalk that's big enough, it's really not big enough to develop, but it is big enough for a community garden, or if somebody wanted to acquire it to landscape it, the adjacent property owner could do it. It's down just south of the house of pizza and north of I-280. And we anticipate putting that out in round 4. Next slide, please. I said I'd go over a little bit in detail over the first round slides that we want to dispose of the property. The first one is the Hilton Hotel. The -- we do not own the building. We have the ground lease. We've already been paid well over \$17 million, and this is quite a few years ago, long before the State even had any idea that they want to dissolve redevelopment. So we're just wanting to sell the ground lease and take it off our books and hopefully receive some revenue. Obviously, of most interest, we would anticipate that the owners of the Hilton would come in and offer funds for that. The second item, please, is market gateway housing. This is the same type of item. We own the ground lease. A private developer built the housing on the site and owns the building. The unknown revenue is that we are supposed to get 75% of net cash flow. To date, there's been no net income. The property owner is actually reduced their mortgage and they have a

HUD loan on the property. But there's been no excess funds for revenue coming in on the year. So they have -- as you can see their term of lease is another -- is 59 years. So it's through 2056. Again, it is most likely that they would want to acquire the ground lease, so if they ever turned the property over for sale, they would own both the building and the property. Next slide please. On Hoffman Via Monte, these are the two parcels I said the city and the agency had always hoped would be a neighborhood center, down an extremely low and moderate income impacted redevelopment area, down in District 10 of the city. It's sort of behind the new whole foods on Blossom Hill road. And those are two I think nice developable parcels for residential development. And we think these assets would go fairly quickly. Next item, please. Century residential is much like market gateway housing. It's an existing housing development on Third Street. It, too, has not received any positive net cash flow. We would get 25% if that occurred, and there still haven't been that -- those funds available. We, again, would like to sell the ground lease and again, the likely buyer would be the property owner, I mean the building owner at this time. But again these will all be out on the public market. And open -- in an open solicitation process. The last item in round 1 is as what I mentioned on East Santa Clara, and I think it's listed on the next -- it's 6.4 on the agenda. So I'll just leap to that if I may. It's the property across the street from City Hall. It is currently under a purchase of sale agreement for just a little over \$3.5 million. We think this is a good fair market value. And we have been working with the property owners. It's Green valley corporation and Brandenburg properties. They've exceeded the time frame where we anticipated where they would close on the property. So with that, we've asked city council on Tuesday, and we're asking this board, to, on item 6.4, to extend the agreement till the end of this month, and if they do not close by May 31st and waive conditions by May 24th we will put this out to solicitation. We believe we've given the property owner ample time to close on this property. And we want to give them one more month and both at their request and also to allow the board to review the property. If we put it out to solicitation, we think we can get the same amount or more. But once it's open for solicitation, we could -- the highest bid could come in lower. So we're still anticipating that they will close by the end of the month. But without knowing for sure, we've been in constant contact with the property owner and they're reviewing their financials to see if they can build on this development site. The City's intention is to put a substantial tower on that building. Whether it be residential or office, because it is located in downtown, and it's very prominent location across the street from City Hall. So with that, and the formal presentation on disposition strategy, we're asking for that approval on 9-3 and open it for questions.

>> Mayor Reed: So this is a disposition strategy and a process. The actual disposition, each sale or each property is going to come back through the oversight board before anything happens, is that the way you anticipate?

>> Richard Keit: Before closing on any transaction or if there's any peculiar on the offering after we get --

>> Mayor Reed: Okay but basically this is an approach moving in this direction but individual properties are individual properties and this oversight board will have to approve it, the deal in each one?

>> Richard Keit: Correct.

>> Mayor Reed: Okay. Board member Gage.

>> Donald Gage: Richard, have all these properties been audited recently for value, for --

>> Richard Keit: About a year ago, board member Gage, we had a firm called Keyser Marston associates, do a market value, an estimate of value, not a formal appraisal. So these numbers mainly reflect that, with a few updates by our real estate staff, on staff we have real estate -- licensed real estate agents. But mostly it's from that -- any appraisal, any appraisal ought to tell you that after six months they would always like to do a reappraisal. Given the way the law's written and real estate attorney Tom Murtha could comment on that, is because we don't think that's a good -- a wise use of money going forward. We could do it if the board directs us so but because it's an open solicitation process and we have to take the highest bid, upon board approval, if you agree and we would -- and every property we'll give our staff recommendation, whether we think this is an appropriate bid and reflects market value. So I hope that answers the question.

>> Donald Gage: How do you get to market value if you don't do an appraisal?

>> Richard Keit: Well, we have this from a year ago but --

>> Donald Gage: Yeah but you set after six months it's not valid anymore.

>> Richard Keit: Right. I think we would -- if I think we thought, my recommendation anyway is, and I can defer to the board, recommendation is if we think it's market value, based on our real estate expertise and our staff brokers, we wouldn't go forward. If I think there was a deviation or if the board thought there was a deviation, we would go back. But appraisals are two things. Having done many of them in recent years, they're expensive to do and they're timely. There's a time factor.

>> Donald Gage: On the park lands and land strips and the trails and so forth, those are items that you're planning to give to the city without any financial benefit, correct? No -- there's not -- it's going to be free, hate using the word free, because there's no such thing as free. But some -- now, the first one, on Almaden boulevard, you said it does have some value. Because there's a piece of property there, bare, that they could do a community garden or something else. But on these other ones you're saying these have no value?

>> Richard Keit: Correct. They have no value to the open market because no developer there, landscape strips or in public right-of-way. The cost to the city if they do take them over even though we're not anticipating remuneration for them, is maintenance. So there's an ongoing cost to the city.

>> Donald Gage: You have to do maintenance.

>> Richard Keit: In perpetuity.

>> Donald Gage: Are these properties something we have to do right away or is there time for us to --

>> Richard Keit: Well, we show the end of the calendar year so that's six months. And we can -- I'd be glad to show them in this format to the board if you want before we attempt any transfer.

>> Donald Gage: That would be great. I think I would be more comfortable with that. That's all the questions I have.

>> Mayor Reed: Okay, even those transfers of things we think are of no value are coming to the board, correct?

>> Richard Keit: That would be correct.

>> Mayor Reed: I think Tom Murtha had a comment on the process. Because -- my question was, do we have to sell these if we think the bids are below value?

>> No. The way the law is worded is, we're supposed to sell them to maximize value. So I think what our intent is, to solicit and see what, I mean the solicitation itself we think is going to be market value. That the group -- we're going to -- it will be a wide, any developer, any owner we think with interest in the property we're going to get it to the widest group of people and that the bids that come out of that will represent market value. If someone bids -- if we don't get the bids we want and it's low we're going to bring them all back to you to explain here's what we got. Here's lets say six bids and if there's no conditions -- we did this with the agency recently and we found there are people -- they don't follow the rules all the time. So they'll give us back saying we'll buy it at this price with this, and we'll have to go through those and that's what we have to bring it back to you, we've selected this one, we think it's a good price based on our experience, based on what we think the market is. And we recommend it. Or we would say if -- you know, no one is interested and someone low-balls and say we'll buy it for a dollar, and that's the highest bid we get, we'll probably bring it back to you, and that's the highest bid we get we'll probably come back to you and say we think we should sit on this and try to maybe approach different people or we'll try to come up with again a way of maximizing the value of the property. So --

>> Donald Gage: Are these.

>> Mayor Reed: Don, can I just interrupt because the executive manager wants to --

>> Debra Figone: Yes, maybe Tom or Patty, in city life we're able to go into closed session and receive direction from our counsel to our negotiators or real estate deals. Will there be a similar opportunity for this board to understand?

>> Yes.

>> Debra Figone: Our strategy at the appropriate time?

>> Correct, correct. We did -- we haven't -- we have discussed doing that I guess, I think each situation would probably be different but yes, we could go into a closed session, explain to you what we got and get direction from you on how you would suggest to proceed in terms of price and payment. That's an exception to the open session rules.

>> Mayor Reed: Okay, Don had some more questions.

>> Donald Gage: Yes, on these properties there's a dead line for moving these?

>> There's no deadline. The statute says expeditiously. So we've tried to do it in a way to just keep the ball rolling and keep trying to move it. Again, the results of the solicitation itself I think are going to dictate how quickly we can sell them. If our approach again is to have it be a due diligence period and no conditions. What we will do is, I'll prepare a form purchase and sale agreement that we would like the potential bidder to sign with the purchase price in it. We'll then bring that back to you if the price is good and you approve it we will sign it and what we've said is no conditions. We want them, they have 30 days to close, we do ask for instructions, they put in the money and we sell them the property. That's you know best-case, that's our intent.

>> Donald Gage: Because I'm thinking that if the economy starts to change a little bit, the value of the property's going to go up. I mean, they're probably at their lowest point right now.

>> Right.

>> Donald Gage: And if it doesn't make sense to sell them, if you feel that a piece of property is of more value than what we're getting bids for, we will get your opinion on that I'm hoping and then maybe a forecast of what you think it -- you know would be available in the future. I mean I know we're taking a risk but at some point in time things have to change. So --

>> Correct. There will be properties I think in the group that as we see solicitations we may recommend waiting a little while and see what the market does.

>> Donald Gage: Thank you I think that's it.

>> Mayor Reed: Okay.

>> Just a quick question and I think supervisor Gage hit exactly what I wanted to hear or at least part of what I wanted to hear. My question is, in general, because of the action of dissolution of RDAs and the sale of assets, do you anticipate any market impact because of that, people looking for deals? I like the idea that you're going to manage this as a process and not have a fire sale, so to speak. But have you all sensed anything that would change the market because of the general availability of these kinds of properties?

>> That's a very good question. And we discussed that at the staff level. Especially because 400 agencies throughout the state, nine just in this county, are dissolving their assets and disposing of their assets. I think while that's a possibility, and we won't know until we do the solicitation on each one, I think some of the prime properties I think we'll see, and because they're mostly located downtown, we'll see a fair market value come in. But we're aware of it. And that's why based on just what you and board member Gage has said, we would come back and not have to do a fire sale. The law is this two-headed prong that it be efficient and expeditious but

maximize value. But in no way -- know they are sometimes opposite. It is in the Successor Agency's interest to do this quickly but also we want to get the best price because it helps pay off the existing debt or obligations.

>> Mayor Reed: Vinod.

>> Vinod Sharma: Couple of comments. We are adopting a resolution for basically the strategy of the disposition. We are not approving anything to dispose of today.

>> Richard Keit: Absolutely correct.

>> Vinod Sharma: Second question, there are certain assets here, where the code is CG, the zoning code, I don't know what it is. But couple of things I recognize by name, Billy de Frank center, and there was one more earlier, antigrffiti office. Are these premises used for government business right now? And how would those businesses be impacted if we were to sell these properties?

>> Richard Keit: Well, we have an array of the antigrffiti offices used by the city, but there's no lease agreement. They would move out upon sale with proper notice. And that's downtown. The -- we do have several that are mentioned in the city council's memos where there's very appropriate uses for nonprofits, like San José State, and the old fire station which houses the fire museum. The Billy de Frank center is the most unique property. It is a gay and lesbian, transgender center, it's the only one South of San Francisco that we know of in the whole Bay Area. That has the lesion lease through 2054, I believe, for \$1 a year. So they are -- the answer is, they are occupied.

>> Vinod Sharma: So how would it impact their business, when they sell these properties or plan to sell these properties? Are we finding alternate arrangements for them?

>> Richard Keit: Well, one of the reasons we've put them last on our distribution list is to optimize the amount of time they have to respond to solicitation and align themselves with the council and mayor's direction in the

memos. Because we think these are valued assets. But ultimately the law says solicitation. So as we go through that, we're certainly in touch with these -- all these property users, and to see how they're doing. And would compress that to the board.

>> Vinod Sharma: So the third category, the encumbered properties with J.P. Morgan, once these are disposed of, this would pay off the loan which is letter of credit approved by the variable debt, backed by the letter of credit?

>> Richard Keit: That is correct. That is correct. And we are in negotiations with J.P. Morgan and have been over the last couple of weeks.

>> Mayor Reed: Well, it won't pay off.

>> Vinod Sharma: I understand.

>> Mayor Reed: It will pay down. We are a long ways from paying off, I think, even with these properties, I'm not sure what is the net but there is a big delta.

>> I'd like to make one clarification. Some of these we own the fee but have ground leases open the properties. So for example, Billy de Frank, we'll try to solicit that but they have a long term ground lease. They have an option to purchase under the lease and really, someone who buys it is going to have to buy it subject to that lease. For example, on the list, you see some that have unknown values. Those are the ones that have unknown values that basically someone could come back and say I'll give you a dollar because I can't -- I'm not going to get the property until it's -- I believe 2056, but there are four, ten-year options for Billy de Frank to exercise under the option. So we're looking at a very long term. So the likelihood that there's a lot of value to us is probably pretty slim on some of those properties.

>> Vinod Sharma: My recommendation would be that yes, we do approve the strategy. But as these properties are sold, we do two things: Number one, the city staff, Successor Agency staff work with the county auditor's office, to make sure if these audits have to be done for those items we can complete the audit before the assets are brought here for approval of sale. And secondly, we continue working with those nonprofits which do provide valuable services to the community to find out alternate arrangements.

>> Mayor Reed: Okay, I think we're going to hear from a couple of folks. I've got some requests to speak. I'll take the public testimony at this time. Jerry Strangess and Randall King have submitted cards. Come on down. We allow two minutes for each speaker. So take your choice who wants to go first. Mr. King.

>> (inaudible).

>> Mayor Reed: Wait one second. We don't have the microphone on yet. Is it on now? Are we okay? We weren't picking up about the mic.

>> Is it all right now?

>> Mayor Reed: Okay, now you sound like Randall king.

>> You think I'd know. Let me start over. Good morning everyone I am Randall king, the artistic director and one of the co-founders of the San José stage company. As the artistic director of the stage company I would like to thank you on behalf of the board of directors and the staff of the stage company for the City's support over nearly three decades. We love our home in the sofa district and are proud to have been the first arts organization to put down roots in the downtown entertainment district. Where we continue to serve as a major cultural anchor. As one of only two professional theaters, in San José, the stage company is heavily invested in our community, and the greater Bay Area, employing hundreds of artists each year. In addition, the company has collaborated with theater artists international and our top honors education program participates with 20 high schools in the greater Bay Area including several from the San Francisco school district bringing national recognition to our beloved city. In a

recent article published last month in the Washington times, San José was sited with the opera, the rep and the stage as the City's cultural treasures. Our facility operates 24-7 and supports not only the stage company but hosts many other community arts organizations. Currently we are running at capacity and we have extended four out of our last six productions. We look forward to continued success in the sofa district and moving forward on our plan to expand our current site into a first class off-Broadway theater for our community. Thank you for your time.

>> Mayor Reed: Jerry Strangess.

>> Honorable chair members of the committee, Jerry Strangess, president of the board of the San José stage company, here to support first our action that our San José city council took on Tuesday. We recommend fully the recommendation, we appreciate the flexibility, I think staff is affording us, we have 18 months as I understand it before before we would or could be able to acquire the building which we would like to be able to do if we can do it. It was 22 years ago when we actually opened the facility we're in. Assembly member Jim Beall, soon to be senator, actually enacted it for us as a councilmember. We've been there, it's a good space. We provide what we feel is a tremendous amount of public benefit. We are a nonprofit and so by providing the award-winning theater we do there, it is a public benefit. One of the questions I have, in trying to understand this oversight board's responsibilities and the legislation that was passed in enacting it, is if we are a nonprofit and we are providing community benefit, do we have to acquire the asset? It's a question. Can it stay as a status quo so that we continue providing the public benefit, and continue to stay there, in the indefinite future? We have contracted with a national consultant to help us with the capital campaign. If we do need to get the money to acquire the asset and improve the building and we're prepared to do that, we look forward to the next 18 months working with your qualified staff, and this oversight board, to try to achieve our goal for the community. Thank you very much.

>> Mayor Reed: That concludes the public testimony. Any additional board member questions or comments? We need a motion to approve the strategy.

>> So moved.

>> Mayor Reed: All right, we have a motion to approve the staff recommended strategy. We'll incorporate the comments from the board here in terms of things that we need to do along the way. I think certainly consistent with the strategy. On the motion, all in favor? Opposed? None opposed, that is approved. Now the first step in implementing the strategy is the next item, 6.4 which is a specific piece of property that the staff mentioned in the earlier presentation. That's a purchase and sale agreement across the street, we need to amend that. Anything additional in presentation or questions from the board open that particular property? Board member Gage.

>> Donald Gage: Yes, obviously been in contact with the folks that want to buy this, and they're aware of the date that you put on the sale of it, the end of May, is that correct?

>> Richard Keit: That's correct.

>> Donald Gage: Did they seem that they -- I mean this is a buyer-initiated waiver period of time. Are you getting any education that they really want to do it or they don't want to do it? Are they running into difficulties? Is there something that can't be met?

>> Richard Keit: The only indication -- yes. You're correct, they requested the extension, and secondly, I think they want to develop it. They're just looking at the financials and see if it's feasible for them to build what the city would like to see on that development.

>> Donald Gage: Do you have a price on what they're paying for that?

>> Richard Keit: Yes. It's listed, it's three point -- just over \$3.5 million.

>> Donald Gage: I'm just thinking, a bird in the hand is worth two in the bush that you know -- I mean I -- it's up to you but if you get close to that date and they're still working on something and can give you a valid reason --

>> Richard Keit: Then we would have to come back to the board again to amend and extend further.

>> Donald Gage: Okay. Well, I just was curious. Because I'm sure that the sale proceeds come back to the county also, or to pay down your --

>> Richard Keit: It will go into the waterfall to pay debt.

>> Donald Gage: Right, thank you.

>> Mayor Reed: Any other questions on this particular item? So if for some reason I can't be closed and they're interested in extension they say hey we'll do it in another month, we really do have money, then it will come back to us?

>> Richard Keit: Correct.

>> Mayor Reed: So okay. Anything else? We need a motion.

>> Donald Gage: I'll move.

>> Mayor Reed: Motion is to approve the staff recommendation on the amendment. On that motion, all in favor? Opposed? None opposed, that is approved. Item number 6.5 is the resolution regarding transfer of children's shelter to the City of San José. There was some discussion I had with staff earlier about whether or not we need to take this action. We're in the middle of a transaction with the county of Santa Clara where they're disposing of this property. So this is just a cleanup, the record and the title in whatever way is necessary to make that deal happen. Leslye Corsiglia.

>> Leslye Corsiglia: Leslye Corsiglia I'm the director of housing for the city. Yes, we are asking you today to officially acknowledge that the city transferred this asset which is the loan and grant for the children's

shelter. They, by the legislation, AB 26, we were, as a Successor Agency, charged with transferring the assets. And that was accomplished in January. However, there remains some conflict about whether or not the oversight board needs to bless that transfer. And so as a result, we are asking that you bless this transfer. So that we can move forward on the 15th of this month with a settlement agreement with the county over the disposition of this property. So that's what we're asking at this point, just on this one property so that we can make sure that we can take this action on the 15th. And I'm available for any questions.

>> Mayor Reed: Any questions on this? Board member Gage.

>> Donald Gage: I don't really have a lot of questions here. But I at the county level I know we were involved with this for a long time. Because it was who owned it and who bought it initially and on and on. I'm glad to see that you're coming to a close here but I'd like to ask the legal department, you know, question that do we actually have to, as a Successor Agency, make a determination on this property?

>> Mayor Reed: Well, let's, out of an abundance of caution perhaps but let's let our legal counsel tell us that.

>> Patricia Deignan: That's exactly right. It's not very clear in the law but on other properties that we've had similar situation, the title companies have required us to go to the oversight board. Those were the couple of properties, assets that you had taken action on a couple of weeks ago. So again, as -- out of an abundance of caution we are asking for this ruling today.

>> Donald Gage: And this is before we've actually settled the actual disposition and everything?

>> Leslye Corsiglia: We've been working for several months, the city and county team on this settlement agreement. And the county has signed the agreement, and we are in agreement, we're recommending on the 15th that that council also agree to sign the agreement.

>> Donald Gage: Is the folks that paid, initially raised money for the children's shelter are they out of it, are they okay with it?

>> Leslye Corsiglia: There's agreement that has been reached between the county and the children's fund as far as repermanent of their portion of the project to proceeds.

>> Donald Gage: Okay, thank you.

>> Mayor Reed: Vinod.

>> Vinod Sharma: I just wanted to confirm that the city staff and the county staff will continue to work together in making sure that this transaction facilitates what we're trying to accomplish here in terms of the disposition of the property in the settlement with the county.

>> Leslye Corsiglia: Yes, we will be doing that. I think on the 15th it will all be resolved.

>> I hope so.

>> Mayor Reed: Okay. We need a resolution just acknowledging this as recommended by the staff, I think.

>> Vinod Sharma: I'll make the motion.

>> Mayor Reed: Okay, we have a motion to adopt the resolution to facilitate this transaction. Out of an abundance of caution whether we need to or not we're going to do it anyway. On that motion, all in favor, opposed, none opposed, that's approved. Item 6.6 is a report on the Fitch rating we're going to get that from our staff, a verbal report but there's also been a memo that I've seen passed out. Julia Cooper.

>> Julia Cooper: Julia Cooper, acting director of finance for the city. I handed out this morning to you a copy of an info memo that was circulated to the council earlier in the week, reporting on the down grade of the Redevelopment Agency by Fitch. They downgraded the 80% tax allocation bonds that don't have cash funded reserve funds, they have reserve funds funded by sureties. They downgraded them from triple B minus to double B plus. And they affirmed the triple B minus on the agency debt that does have cash reserve funds. They also they also affirmed the A rating on the housing set aside tax allocation bonds. They removed all the tabs from the rating negative watch but there still is a negative outlook on the 80% tax allocation bonds and the stable outlook on the 20%. And the memo that we circulated also has a copy of the Fitch rating report that provides more detail. So this doesn't affect the interest rate or the fixed rate debt that the agency's paying that those bonds were sold a number of years ago and the debt service is set, and the variable rate debt is traded off the rating of J.P. Morgan so there's no budgetary impact at this time related to this rating down grade. So with that I can answer any questions.

>> Mayor Reed: Okay, any questions or comments?

>> Donald Gage: I'd just like to ask one question. Will the rating get affected by, if we're -- if you end up selling all this property and buying down, I know it won't cover it all but will that change the rating or is --

>> Julia Cooper: Unlikely. The thing that will impact the rating the most will be an increase in tax increment revenue. One of the issues they're concerned about now is the very low coverage right now between tax increment coming in and debt obligations going out. So to the extent revenue starts coming in and economy's improving that will improve the rating on the debt.

>> David Baum: Okay thanks.

>> Mayor Reed: No action on that, verbal report, no other actions on that then I think we'll move on. Any items under regular reports, anything to add? Any of those items? Any future agenda items board members want to talk about? Monthly financial statements? Which were in the packet. I don't think we-d.

>> Richard Keit: Mr. Chair, we have no report, we would just be glad to answer questions. Every month we'll provide the financial statements as we had in the past to the city council and the agency board.

>> Mayor Reed: Okay, I think open that we just need to accept the statements. Any questions? Is there a second? I got a motion to approve. We got a second. Motion is to accept the statements all in favor, opposed, none opposed, none opposed, that's approved. Any other items we need to deal with today? I think I'm at the end of the agenda. Unless I'm mistaken. Open forum, we haven't any requests from the public to speak, we have none so that concludes our meeting. We're going to adjourn. Our next meeting is May 24th, 9:00 a.m. All right, we're adjourned.