

Date: _____ March 25, 2008

Committee Meeting Date: _____ April 17, 2008

Board Meeting Date: _____ May 1, 2008

BOARD MEMORANDUM

ACTION ITEM

TO: Congestion Management Program and Planning Committee
Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: John H. Ristow
Chief CMA Officer

SUBJECT: Property Sale Agreement with Green Republic for West San Carlos Site

Policy-Related Action: Yes

Government Code Section 84308 Applies: Yes

RECOMMENDATION:

Approve the agreement with Green Republic, LLC for sale of the property described as the West San Carlos Joint Development Project site according to the terms outlined in the memorandum and included in the agreement.

BACKGROUND:

On December 9, 2004 the VTA Board of Directors approved the Joint Development Program, Joint Development Policy, and Developer Selection Process. The Goals of the VTA Joint Development Program are:

1. Comprehensively plan and develop the highest and best housing, office and retail uses around station sites and along transit corridors.
2. Increase transportation system capacity by increasing transit use.
3. Generate both a long-term source of revenue for VTA, and allow VTA to participate in the increase in the value of its real property assets over time.

On September 29, 2005, the VTA Board approved a list of qualified developers for four properties including the West San Carlos Site. Following that action, VTA staff requested qualified developers to submit formal development proposals for the West San Carlos site.

The West San Carlos site is a 5.25 acre parcel located near the intersection of West San Carlos and Sunol Street in the City of San Jose as displayed in Attachment A. The current General Plan designation is Transit Oriented Mixed Use (TMU) which allows for high density residential and commercial development up to 100 dwelling units per acre and building height up to 90 feet. The General Plan - Transit Areas policy allows building heights up to 120 feet, if the development is located within approximately 2000 feet of an existing or planned light rail station.

The property was formerly used as the San Jose City Bus Yard and more recently used by VTA as construction staging area for the Vasona Light Rail Project and Route 87 Improvements Project. The property has been declared Excess Property by VTA. Green Republic, LLC also has property interests in the parcels immediately adjacent to the VTA property and is considering those properties as well as the VTA property as a land assemblage for purposes of a single site development encompassing a total of approximately 8.35 acres.

On January 17, 2006, proposals were received from the following qualified developers:

- **Republic Properties, Washington, D.C.; and Green Valley Corporation, San Jose, CA**
- Bridge Housing Corp., San Francisco, CA; and Blake Hunt Ventures, Danville, CA
- Avalon Bay Corp., San Jose, CA; and ROEM Corporation, Santa Clara, CA

Fairfield Homes (Fairfield Realty LLC), San Diego, CA, and Transit Development Partners LLC (Kenwood Investments, Wilson Meany Sullivan and Stockbridge Capital Group) San Francisco, CA, declined to submit proposals.

On August 3, 2006, the Board of Directors approved Green Republic, LLC as the selected developer for the West San Carlos Joint Development Site. The Board of Director action authorized the General Manager to enter into an Exclusive Negotiating Agreement for a 120-day term with Green Republic for the property. The ENA established general parameters of the property transaction agreement including a base price of \$18.3 million for the property.

Over the past 12 months, the changing residential real estate market compelled the development team to re-evaluate its initial concept. As a result, the development team went through a more detailed conceptual design process in order to craft a concept that reflects the current economic climate for residential and mixed use developments. This unanticipated work lead to a delay in finalizing the terms of sale and staff recommended an extension of the negotiating period. On February 7, 2008 the Board approved a 90-day extension of the ENA. In addition, the Board directed staff along with Green Republic to conduct three community meetings to allow additional input on the proposed property transaction from interested citizens and organizations. Six community meetings were conducted and summaries of those meetings are included as Attachment B to the memorandum.

DISCUSSION:

The staff recommendation is to authorize the General Manager to execute a Property Sale Agreement with Green Republic, LLC for sale of the West San Carlos property according to the following outline of terms:

Purchase Price

Base: \$18,300,000, adjusted for the passage of time.

Bonus for additional approved residential units for the Project (\$37,000 per unit in excess of 450)

Constructed in Phases

Phase I

Purchase Price: \$7,000,000.

Subsequent Phases (Phases II-IV)

*Purchase Price of total of subsequent Phases is \$11,300,000 multiplied by the ratio of
(1) square footage of the Land taken down in the specified Phase divided by
(2) square footage of all Land not taken down in Phase I.*

VTA'S OBLIGATIONS

Demolition and Remediation

VTA is obligated to fund the removal and disposal of all improvements on the Land and perform all remediation work for the Land as set forth in the soil management plan that is to be prepared by VTA with the consent and cooperation of the Developer.

Developer will place a \$1,000,000 deposit in escrow prior to VTA's commencement of the remediation and demolition (will be credited toward the Purchase Price). Alternatively,, Developer may undertake the demolition and remediation work and receive a credit toward the purchase price for its costs and expenses.

Cooperation

*Assist Developer in City of San Jose land use approval process, but VTA is not committed to pay any money or take any action not approved by VTA.
Review Developer's development proposal and to the extent appropriate, provide comment on plans, drawings, reports, and proposals; Developer to reimburse all of VTA's out-of-pocket costs and expenses.*

DEVELOPER'S OBLIGATIONS

Land Use Approvals

Obtain (and pay all expense related to) all land use approvals, including amendments to the General Plan, annexation of portions of the Land currently located in the County, planned development zoning, planned development permit, variance, environmental clearance, subdivision of the Land for phased take-down, demolition permits, grading permits, foundation permits, and building permits.

Payments to VTA

*Contribute \$1,000,000 to VTA for transit improvements or infrastructure to be constructed, or significantly repaired or replaced in vicinity of the Project.
Reimburse VTA for all reasonable 3rd party costs in evaluating Developer's development proposal, plans, drawings, reports, proposals and other documents and development agreements with Developer.*

Constructing Project

Once Developer completes Phase I, Developer to complete and construct all Phases of the Project.

The VTA staff recommendation is based on the following staff analysis and findings of consistency with the Joint Development Policy – Goals and Objectives:

1. The recommended terms of the property sale transaction creates a long-term source of revenue for VTA.
2. The design and orientation of the conceptual development plan will encourage increased transit utilization and ridership.
3. The conceptual development plan exhibits high urban design standards and quality.
4. The conceptual development plan is consistent with local jurisdiction land use goals and has and will continue to be developed with a public participation process that respects neighborhood concerns.
5. The conceptual development plan provides for efficient and safe vehicular and pedestrian circulation and appears to provide adequate parking to serve both private and public demand, while maximizing shared parking opportunities.
6. The conceptual development plan implements the concepts, principles, practices outlined in VTA's Community Design and Transportation (CDT) Program and shall include the elements of transit-oriented design (TOD).
7. The conceptual development plan, through its close proximity to a broad range of transit services, enhances the existing and future transportation system, operations, and infrastructure.

Following approval of the agreement, the next steps for the Green Republic LLC team is to submit a development application to the City of San Jose to begin the entitlement process for the property.

ALTERNATIVES:

The Board could direct staff to modify the terms or could decide to not execute this agreement for sale of the property to Green Republic.

FISCAL IMPACT:

The sale of the property would result in a range of revenue from minimum of \$18.3 million to approximately \$22 million. Following Board adopted policy, the receipts from the sale of the West San Carlos property will be deposited into a Joint Development interest bearing account intended to become a long term source of revenue for VTA. Application of the revenues from this account will be through the bi-annual VTA budget process.

Prepared by: John Ristow, Chief CMA Officer