

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 20, 2008

INFORMATION

SUBJECT: STATUS OF THE FORMER PORTER STOCK BUILDING SITE, 83-91 SOUTH FIRST STREET

On September 1, 2004, the Redevelopment Agency Executive Director, having been authorized by the Agency Board on June 29, 2004, executed an Owner Participation Agreement (OPA) with Green Valley Enterprises (GVE) for the rehabilitation of the Porter Stock Building located at 83-91 South First Street. With a \$2,000,000 grant from the Agency, GVE planned to restore the facade and seismically retrofit the City Landmark that had been constructed in 1867.

By mid-January 2008 the project, as defined under the OPA, was approximately 75% complete. On January 17, 2008, the building was destroyed by fire. What remained of the Porter Stock Building, several masonry walls, had to be demolished the following day due to safety concerns. The cause of the blaze is still under investigation.


The Agency has met several times with GVE since the fire regarding insurance issues and future plans for the site. As of this date, the Agency has approved \$1,648,620 in expenses toward the rehabilitation of the Porter Stock Building. Of this amount, \$1,483,788 has been paid and the Agency is withholding \$164,862 as retention. Since it is impossible to complete the project, the retention will not be paid to GVE.

The developer's insurance policy covers the cost of rebuilding a structure only to the level of completion prior to the fire. The Agency is identified as a loss-payee on GVE's insurance policy. As such, the developer recognizes the Agency has certain rights in determining the end use of the insurance proceeds. The Agency and Planning Department staff have already met with the developer. In those discussions, the developer has said that they intend to build a new building on

three First Street parcels: the former Porter Stock site (83-91), the former O'Neil Building site (79-81), and the former Monomania Building site (71-77). The total buildable site would be over 23,000 square feet, instead of the footprint of the Porter Stock, which was 9,495 square feet. The proposed new project is located on the west side of First Street across from San Jose's Downtown Commercial National Register Historic District. The new project will be designed to reflect sensitivity in architecture and in materials compatible with the existing District.

The existing OPA with GVE provided for the insurance proceeds to be used to reconstruct the Porter Stock Building; but did not address a different project. If the new, expanded project proceeds, GVE and the Agency would need to enter into a new agreement to provide for such project and to address the disposition of the Agency's portion of the insurance proceeds. Any new agreement would need to be approved by the Agency Board. It is the developer's intention to apply the insurance proceeds from the fire to new construction on the site.

The Agency will continue to report to the Board as progress is made on the project.



HARRY S. MAVROGENES
Executive Director