



DATE: November 14, 2017

TO: City Council

FROM: City Manager

SUBJECT: Resolution Authorizing the City Manager to Execute a Professional Services Agreement with Design Workshop for the development of a Route 238 Properties Master Development Plan and Appropriation of Funds

RECOMMENDATION

That the City Council adopts the attached resolution (Attachment II) authorizing the City Manager to execute a Professional Services Agreement with Design Workshop for the development of a Route 238 Properties Master Development Plan; and appropriating \$600,000 for said agreement.

SUMMARY

Adoption of the attached resolution (Attachment II) will authorize the City Manager to execute a Professional Services Agreement with the firm of Design Workshop to prepare a Route 238 Properties Master Development Plan for the entitlement and disposition of the Route 238 properties acquired from Caltrans.

BACKGROUND

History of Caltrans Ownership

In the mid-1960s, Caltrans purchased over 400 parcels of property for the planned construction of the 238 Bypass Freeway project. In 1971, the project was stopped because of a lawsuit filed by La Raza Unida of Southern Alameda County. Caltrans abandoned the project and the parcels have remained in Caltrans ownership for the past 40 years. A portion of the parcels have been sold by Caltrans over the years, but many others remain in State ownership. In 2009, after two years of negotiations with Caltrans and numerous interest groups, the City entered into a Settlement Agreement with Caltrans and affected parties, resulting in Caltrans declaring the remaining State-owned parcels surplus.

Several of the residential parcels were sold to tenants through a City assisted First Time Homebuyers Program. Almost all the residential and a few of the commercial properties have been sold by Caltrans to private owners. Proceeds from the sales have gone into a transportation fund, which have been allocated in part to transportation projects in Hayward.

Caltrans also started selling larger commercial and undeveloped properties through its usual auction process. While this was expeditious for Caltrans, it did not consider the potential to maximize land values, and to promote quality development design that could occur through land assembly. Some parcels were being resold for speculation without being developed, and the City did not have as strong an opportunity to shape the development plans to ensure the greatest conformance with City land use policies. In 2011, the City approached Caltrans with a proposal to allow the City to assume responsibility for property disposition for undeveloped properties. After a few years of initial disinterest, Caltrans agreed to negotiate an agreement with the City that was approved by the City Council and the California Transportation Commission (CTC) in January 2016.

The Purchase and Sale Agreement with Caltrans consists of the following major elements and benefits:

- The City may buy from Caltrans ten different parcel groups for a six-year period that expires in January 2022 (See Attachment III for an aerial map of parcel groups)
- Properties that have not been resold by the City to developers can be returned to Caltrans without penalty
- During the six-year period, the City will pre-plan and partially entitle each parcel group to ensure maximum value and conformance of development plans to city land use policies and vision
- An appraisal process determines property values. These amounts will be paid to Caltrans. If the City can negotiate a higher land value on resale to developers, due to its preplanning and entitlement process, the excess proceeds will be allocated to the City
- Allows City to use purchase and sale agreements that will require the parcel to be developed and not resold for speculation
- The City has control over the public input process on proposed development concepts
- Allows the City the opportunity to plan the appropriate infrastructure upgrades needed to support the sale of the combined parcel groups and to establish infrastructure funding districts as appropriate

Three of the parcel groups (Groups 1, 2 & 10) have been offered for sale to Lyon Homes. A Purchase and Sale Agreement with Lyon Homes has been approved for Parcel Groups 1 & 10, and the sale is expected to occur this calendar year. Parcel Group 2 may be a subsequent sale to Lyon Homes. The remaining seven parcel groups are the subjects of this discussion.

Project Management Plan and Schedule

In order to dispose of the parcels pursuant to the goals discussed above, three major activities will need to be completed for each parcel group: 1) preplanning appropriate uses with partial entitlement including California Environmental Quality Act (CEQA) analysis; 2) offering the parcels for sale through a Request for Proposals (RFP) process to obtain the best offers and development plans; and 3) negotiating a Purchase and Sale agreement (PSA) for each parcel group with the selected developer. Undertaking this amount of pre-sale activity for seven parcel groups within the five years remaining on the Caltrans timeline will require a schedule

with significant milestones for the various City approval entities involved, including the City Council, Planning Commission, Council Economic Development Committee, and staff.

Attachment IV is a draft Project Management Plan and Schedule that sets forth the timing of the various activities. The schedule is based on the following assumptions:

- The schedule starts with the selection of a planning consultant team that will provide conceptual plans for five of the seven remaining parcel groups (Groups 5,6,7,8 & 9), undertake economic analysis to support the recommended uses, and prepare the appropriate CEQA analysis for approval. The product of this effort will be a Route 238 Properties Master Development Plan.
- Two parcel groups (Groups 3 & 4) are not included in the master plan as they will be sold primarily for open space through an RFP process without pre-entitlements, with an earlier time frame for disposition.
- The schedule is divided into two phases: 1) Pre-planning activities and 2) Disposition activities. The first phase is detailed as staff has a good sense of the activities. The second phase is described in general terms at this point as the work of the master plan consultant team will help determine the additional steps and timing required
- Completion of the master plan for the five parcel groups (Phase 1) is estimated in April 2019, leaving approximately three years for Phase 2 disposition activities to be completed.

The Council Economic Development Committee reviewed the Project Management Plan and Schedule on October 16 and provided comments to staff.

DISCUSSION

Consultant Request for Proposals

To prepare the master plan, staff determined that the pre-planning work would require a multi-disciplinary approach to develop the required information. Staff distributed an RFP for multi-disciplinary consultant teams, and received three responses. A committee of staff evaluated the responses and interviewed the top two firms. Design Workshop was determined to be the most qualified team to undertake the preparation of the master plan.

Consultant Scope of Work

The following summarizes the scope of work required to develop the master plan:

- Analysis of the physical constraints of each parcel group (e.g. fault lines, soil stability)
- Consideration of the market for various land uses on each parcel group
- Analysis of the appropriate development product type for each parcel group
- Preparation of conceptual plans for each parcel group
- Identification of infrastructure and transportation improvements required
- Preparation of the appropriate documents for compliance with the California Environmental Quality Act (CEQA)

- Calculation of the re-sale value of each parcel group based on the potential land uses and constraints
- Preparation of a disposition strategy for the phased sale of the parcel groups

The consultant team consists the following members:

- Design Workshop – overall project coordination and master plan
- BAR Architects – conceptual site planning
- New Economics – market analysis and parcel based land value analysis
- BKF Engineering – on and off-site infrastructure improvements requirements/costs
- Kittleson Associates – transportation impacts and improvements/costs
- LSA – CEQA analysis and report

All the team members have extensive experience with this type of assignment, and three of the firms have Hayward specific experience.

ECONOMIC IMPACT

The Caltrans parcels are currently in public ownership and are not on the tax roles. Sale of the parcels, and their ultimate development, will produce new property tax revenues for all the taxing entities. As plans are developed for each parcel group, the consultant team will estimate the new tax revenues. New development of vacant or underutilized parcels will be a catalyst for improvements of the areas surrounding the various parcel groups.

FISCAL IMPACT

The not to exceed amount for the Design Work Team Professional Services Agreement is \$597,359. The funding for the agreement will initially be provided by the General Fund with reimbursement coming upon ultimate sale of the parcels. Because this project was not included as part of the FY 2018 budget process, a new appropriation to fund a transfer from the General Fund to Capital Projects (Fund 411 Project # 05015) will be authorized with the adoption of the attached resolution. Staff believes that the entirety of this cost will be recovered and returned to the General Fund upon sale of the parcels. These processes are likely to span multiple fiscal years.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities strategic initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goals:

Goal 1: Improve the quality of life for residents, business owners, and community members in all Hayward Neighborhoods

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

In addition, the sale and development of several of the parcel groups will support the policies in the Economic Development Strategic Plan for the Central Mission Boulevard Corridor.

SUSTAINABILITY FEATURES

The pre-planning and RFP approach for parcel disposition will enable the City to create development plans that are consistent with the City's sustainability policies.

PUBLIC CONTACT

One of the activities in the attached Project Management Plan is public engagement as pre-planning progresses. This public input will assist in shaping the type of development sought through the developer RFP process. This activity is included in the scope of services for the Design Workshop agreement.

NEXT STEPS

The consultant team will start work in November immediately following approval of this agreement. The first task will consist of defining the environmental constraints for each parcel group.

Prepared by: Patrick O'Keeffe, 238 Property Project Manager Consultant

Recommended by: Micah Hinkle, Economic Development Manager

Approved by:



Kelly McAdoo, City Manager