



DATE: September 15, 2020

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Adopt Resolutions to Memorialize that the Provision of Affordable Housing and an Expansion of Carlos Bee Park Will Satisfy the Park and Affordable Housing Dedications for Former Caltrans 238 Parcel Group 8 in order to Secure Caltrans Authorization to Subdivide Parcel Group 8 and Authorize the City Manager to Enter into an Exclusive Negotiating Rights Agreement with Resources for Community Development (RCD), a California Nonprofit Public Benefit Corporation, for the Proposed Development of the Affordable Housing Segment of Parcel Group 8 Generally Situated along Grove Way between Bridge Court and Foothill Boulevard

RECOMMENDATION

That Council adopts Resolutions (Attachments II and III) to:

1. Memorialize that the provision of affordable housing and an expansion of Carlos Bee Park will satisfy the park and affordable housing dedications for Parcel Group 8 in order to secure Caltrans authorization to subdivide Parcel Group 8; and
2. Authorize the City Manager to enter into an Exclusive Negotiating Rights Agreement (ENRA) with Resources for Community Development, a California nonprofit public benefit corporation (RCD), for the proposed development of the affordable housing segment of Parcel Group 8 generally located along Grove Way between Bridge Court and Foothill Boulevard..

SUMMARY

The City of Hayward entered into a Purchase and Sale Agreement (PSA) with the California Department of Transportation (Caltrans) in January 2016 for 10 parcel groups comprised of former Caltrans 238 property. Specifically, this report recommends taking the initial steps towards disposing and developing Parcel Group 8 generally located at Grove Way and Foothill Boulevard. Over the last two years, the City has been working with the community to develop a vision and approach to development for Parcel Group 8, including numerous community, neighborhood, and stakeholder outreach efforts.

Based on this extensive community and stakeholder feedback, staff developed an approach to development of Parcel Group 8, which includes obtaining Caltrans' authorization to subdivide Parcel Group 8 into three major segments (Attachment IV) and move forward with three distinct community and development processes as follows:

1. Affordable Housing Segment – Engage RCD, a nonprofit developer, to build much-needed **affordable housing** on the Bridge Court/Grove Way properties that minimizes displacement of existing residential tenants through the exploration of various development options, including partnering with a community land trust, rehabilitation of existing rental units, new construction of affordable housing, or a combination of these options.
2. Open Space Segment – Facilitate an **open space** dedication to the Hayward Area Recreation and Park District (HARD) for expansion of Carlos Bee Park.
3. Market Rate Middle Segment – Solicit private developer interest in a **lower density market rate housing and trail expansion** project consistent with the City and County Housing Element in order to address neighborhood traffic concerns and satisfy the Caltrans purchase price.

Caltrans has agreed to authorize the separate and independent subdivision and development of the three distinct segments described above, if the City Council memorializes that the proposed affordable housing development and open space dedication for Parcel Group 8 will satisfy the City's park dedication fee and affordable housing obligations for any new housing proposed on the Market Rate Middle Segment. The purpose of tonight's agenda items is to recommend that City Council approve two resolutions that will commence the process of implementing development of Parcel Group 8 by: (1) memorializing that the provision of affordable housing and an expansion of Carlos Bee Park will satisfy the park and affordable housing dedications for Parcel Group 8 in order to secure Caltrans authorization to subdivide Parcel Group 8; and (2) authorize the City Manager to enter into an ENRA with RCD for the proposed development of the Affordable Housing Segment of Parcel Group 8.

BACKGROUND

The City of Hayward entered into a PSA with Caltrans in January 2016 for 10 parcels groups comprised of former Caltrans 238 property. The City is managing the disposition and development of these former 238 parcel groups with the goals of removing blight, enhancing community involvement in the development process, and funding public benefits, such as trails and parks.

Specifically, this report recommends taking the initial steps towards disposing and developing Parcel Group 8 generally located at Grove Way and Foothill Boulevard. Parcel Group 8 is a complex property that straddles two local jurisdictions (i.e., City of Hayward and Alameda County) with distinct zoning and General Plan designations; is

home to 10 existing residential tenants concerned about displacement; includes significantly sloped topography and land locked portions; is surrounded by neighbors with concerns about traffic; and must meet a Caltrans purchase price consistent with the Caltrans PSA.

Over the last two years, the City has been working with the community to develop a vision and approach to development for Parcel Group 8, including the following outreach efforts:

- November 15, 2018 Hayward Community Meeting on 238 Properties Development;
- March 14, 2019 Neighborhood Meeting on Parcel Groups 8 and 9;
- August 26, 2019 Castro Valley Municipal Advisory Council on Parcel Groups 8 and 9;
- June 24, 2020 Bridge Court Tenant Meeting;
- August 11, 2020 Eden Area Municipal Advisory Council on Parcel Groups 8 and 9;
- August 17, 2020 Castro Valley Municipal Advisory Council on Parcel Groups 8 and 9;
- August 19, 2020 Neighborhood Meeting on Parcel Groups 8 and 9;
- Numerous stakeholder engagement opportunities with Bridge Court tenants, Grove Way Neighborhood Association, and Eden Area Community Land Trust; and
- Multiple meetings and discussions with Supervisor Miley's Office, Alameda County Housing and Community Development Departments, HARD, and the private and nonprofit development community.

In addition to the June 24, 2020 tenant meeting, City staff have taken the following additional efforts specifically to involve the existing tenants living on Parcel Group 8 in the planning process:

- Mailed letters to the tenants on multiple occasions in English and Spanish.
- Dropped off the PowerPoint presentation in person to all tenants prior to the June 24th tenant-specific meeting.
- Called all tenants who did not attend, including in Spanish, when needed, to make sure that they are all aware of the City's proposed approach to development.
- Responded to all tenant questions at the other community meetings, emails, and calls, regarding property management issues and development plans.

Based on this extensive community and stakeholder feedback, staff developed an approach to development of Parcel Group 8, which includes obtaining Caltrans' authorization to subdivide Parcel Group 8 into three major segments (Attachment IV) and move forward with three distinct community and development processes as follows:

1. Affordable Housing Segment – Engage RCD, a nonprofit developer, to build much-needed **affordable housing** on the Bridge Court/Grove Way properties that minimizes displacement of existing residential tenants through the exploration of various development options, including partnering with a community land trust, rehabilitation of existing rental units, new construction of affordable housing, or a combination of these options.
2. Open Space Segment – Facilitate an **open space** dedication to HARD for expansion of Carlos Bee Park.
3. Market Rate Middle Segment – Solicit private developer interest in a **lower density market rate housing and trail expansion** project consistent with the County Housing Element in order to address neighborhood traffic concerns and satisfy the Caltrans purchase price.

Caltrans has agreed to authorize the separate and independent subdivision and development of the three distinct segments described above, if the City Council memorializes that the proposed affordable housing development and open space dedication for Parcel Group 8 satisfies the City’s park dedication and affordable housing obligations for any new housing proposed on the Market Rate Middle Segment. If these obligations are satisfied by the other segments, the new housing on the Market Rate Middle Segment is more likely to generate a land value that meets the Caltrans’ purchase price for the parcel group, and the Affordable Housing and Open Space Segments would not be required to pay a purchase price.

The purpose of tonight’s agenda items is to recommend that City Council approve two resolutions that will commence the process of implementing development of Parcel Group 8 by: (1) memorializing that the provision of affordable housing and an expansion of Carlos Bee Park will satisfy the park and affordable housing dedications for Parcel Group 8 in order to secure Caltrans authorization to subdivide Parcel Group 8; and (2) authorize the City Manager to enter into an ENRA with RCD for the proposed development of the Affordable Housing Segment of Parcel Group 8. Additional actions necessary to implement the proposed approach for Parcel Group 8 will be brought to the City Council for approval at subsequent meetings.

DISCUSSION

The following provides a summary of the two actions recommended for approval this evening:

I. Resolution Memorializing Satisfaction of Park and Affordable Housing Obligations

As described above, Caltrans has agreed to authorize the subdivision of Parcel Group 8 into three distinct and independent disposition and development processes pursuant to Section 1.3(c) of the PSA, as long as the City Council approves a resolution memorializing that the proposed affordable housing development and open space dedication for Parcel Group 8 satisfies the City’s park dedication and affordable housing obligations for any new housing

proposed on the Market Rate Middle Segment. The authorized subdivision by Caltrans will allow the City to move forward with the disposition of each segment independently and the two segments creating public benefits for the Hayward community (i.e., Affordable Housing and Open Space Segments) will not be required by Caltrans to pay a purchase price at transfer of the property from the City to the third-party entities. If these obligations are satisfied by the other segments, the new housing on the Market Rate Middle Segment is more likely to generate a land value that meets the Caltrans' purchase price for the parcel group. Upon approval of the attached Resolution (Attachment II), Caltrans will authorize the subdivision of the three distinct segments shown on Attachment IV and the City will be able to move forward with the disposition and development of each segment independently.

II. Resolution Authorizing the City Manager to Enter into an ENRA with RCD for Affordable Housing

City staff recommends entering into an ENRA with RCD, a highly qualified nonprofit affordable housing developer, to develop an affordable housing project on the Affordable Housing Segment of Parcel Group 8. RCD has successfully developed numerous projects throughout the East Bay, including affordable housing projects of varying sizes and serving distinct populations in San Leandro, Walnut Creek, El Cerrito, Alameda and Oakland.

The following provides a summary of the key terms of the proposed ENRA with the goal of negotiating a mutually agreeable Disposition and Development Agreement (DDA) and obtaining all relevant planning approvals:

- **Developer:** Resources for Community Development, a nonprofit public benefit corporation
- **Negotiating Period:** Phase 1: 6 months to negotiate a mutually agreeable term sheet (Term Sheet) and to update RCD's performance schedule based on the Term Sheet; and Phase 2: 12 months with two (2) three-month administrative extensions by the City Manager, if RCD demonstrates compliance with the performance responsibilities outlined in the ENRA to negotiate the DDA and obtain the required planning approvals.
- **Project Description:** Developer proposes an affordable housing project on the 2.36-acre Affordable Housing Segment (Attachment IV), including new construction of affordable housing on the portion of the property within the City (City Portion), and will explore three potential scenarios for affordable housing for the portion of the property in Alameda County (County Portion) during the Phase 1 Negotiating Period. The mutually agreed upon Term Sheet will identify which development scenario for the County Portion will be pursued during the Phase 2 Negotiating Period. The three potential scenarios for the County Portion include:
 1. Community Land Trust. Partner with a community land trust to rehabilitate the existing improvements on County Portion, consisting of 10 units of naturally occurring affordable housing. Other existing vacant non-residential improvements will be demolished. Following completion of the rehabilitation,

the rehabilitated site will be conveyed to a qualified community land trust, which will then work with the tenants toward possible conversion of the units from rental to ownership housing.

2. Rental Rehabilitation. Rehabilitate the existing improvements on the County Portion, consisting of 10 units of naturally occurring affordable housing, and manage the units as affordable rental units. Other existing vacant non-residential improvements will be demolished.
3. New Construction. Demolish existing improvements on the County Portion and construct new rental housing affordable to very low and low income households on both the County Portion and City Portion. Developer will propose measures to mitigate disruptions to housing for existing tenants and will allow for existing residents to be placed into the new units consistent with anti-displacement policies.

All three options would be performed consistent with the goal of not displacing existing residents.

- **Deposits and City Costs:** Good Faith Negotiating Deposit of \$10,000 due at ENRA execution to address the City's third-party costs (City Costs), and is refundable only to the extent the deposit exceeds City Costs. Any City Costs in excess of the Good Faith Negotiating Deposit shall be paid by Developer to the City concurrently with the disposition of the land by the City pursuant to the DDA. Alternatively, the City may agree in its sole and absolute discretion to contribute such costs to the Project in the form of seller carryback financing.
- **Anticipated Entitlements:** Site Plan Review, Tentative Map, and Final Map and/or other entitlements required by both the City and Alameda County.
- **Community Outreach:** Developer to undertake ongoing community outreach efforts during the Phase 1 and Phase 2 ENRA Period per a community outreach plan submitted to the City. City to assist in defining appropriate community outreach methods and to participate, as necessary.

ECONOMIC IMPACT

While no property taxes are currently being paid on this Parcel Group, the proposed approach to development is expected to result in new market rate development on the Market Rate Middle Segment, which will generate new property tax revenue to the City. If the Affordable Housing Segment is developed and managed by RCD or other nonprofit, it will generate little property tax revenue since an affordable housing development owned by a nonprofit organization is eligible for a welfare exemption which reduces its tax obligation. That said, the proposed project would provide an opportunity for new residential development needed to address the goals of the City's and County's Housing Elements. If HARD takes ownership of the Open Space Segment, it will not generate property tax revenue, but will create important public open space and trails for the neighborhood and Hayward community.

FISCAL IMPACT

As described above, the City is collecting the Good Faith Negotiating Deposit to pay for City Costs, and is refundable only to the extent the deposit exceeds City Costs. Any City Costs in excess of the Good Faith Negotiating Deposit shall be paid by Developer to the City concurrently with the disposition of the land by the City pursuant to the DDA. Alternatively, the City may agree in its sole and absolute discretion to contribute such costs to the Project in the form of seller carryback financing. It is estimated that new tax revenue will be generated from the development of the Parcel Group 8.

There are sufficient funds budgeted in the FY 2021 operating budget to cover any City cost in excess of the Good Faith Negotiating Deposit until RCD reimburses the City at closing on the land transfer, or if RCD does not close on the land transfer. Any fiscal impact is already included in the current budget, and there will be no additional impact to the Inclusionary Housing Trust Fund.

STRATEGIC ROADMAP

This agenda item supports Project #5: Facilitate the disposition and development of the Route 238 corridor lands, under the Grow the Economy Strategic Priority.

ENVIRONMENTAL REVIEW

The authorization for the subdivision of Parcel Group 8 taken in furtherance of the disposition of 238 properties is exempt under the California Environmental Quality Act (CEQA) under Gov. Code Section 14528.65.

The approval of the resolution authorizing the City Manager to negotiate an ENRA in itself does not obligate either party to acquire or convey any property, does not grant RCD the right to develop the properties for any use, and does not constitute the approval of a project as defined by CEQA pursuant to California Public Resources Code Sections 21000 et seq. and California Code of Regulations Sections 15000 et seq.

PUBLIC CONTACT

As described above, over the last two years, the City has been working with the community to develop a vision and approach to development for Parcel Group 8, including numerous community, neighborhood, and stakeholder outreach efforts. The City and any subsequent developers, including RCD, will be required to conduct continued community outreach.

NEXT STEPS

The following Table 1 is a summary of the currently anticipated project schedule.

TABLE 1: PROPOSED DEVELOPMENT SCHEDULE FOR PARCEL GROUP 8

ITEM	ESTIMATED TIMING
Council Approves Caltrans and RCD ENRA Resolutions	September 22, 2020
Mutually Agreeable Term Sheet with RCD	March 2020
Property Transfer of Open Space Segment to HARD	Second Quarter 2021
Solicitation of Developer for Market Rate Middle Segment	First Quarter 2021
Approval of DDA and Entitlements with RCD	December 2021
Approval of DDA and Entitlements with Market Rate Developer	2022-2024
Community Outreach and Communication	Ongoing

Prepared and Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager