



## **SUBJECT**

Update on the Planning, Development, and Disposition of Former State Route 238 Corridor Lands Pursuant to the Purchase and Sale Agreement with the California Department of Transportation (Caltrans).

## **RECOMMENDATION**

That the Planning Commission receive this report and provide feedback to staff on the planning, development, and disposition of Former State Route 238 Corridor lands.

## **SUMMARY**

In January 2016, the City entered into a Purchase and Sale Agreement with the California Department of Transportation (Caltrans) to manage the disposition and development of former right of way for the now defunct Route 238 Bypass. This land is divided into 10 parcel groups and must be disposed of by 2022. Two parcel groups have sold, four are under exclusive negotiations, and the remaining four are undergoing master site planning prior to disposition via a request for qualifications or proposals. This report provides an update on the status of negotiations as well as master site planning.

## **BACKGROUND**

In the mid-1960s, the California State Department of Transportation (Caltrans) purchased more than 400 parcels of property for construction of a 14-mile Route 238 Corridor Bypass Freeway to run through the City of Hayward and parts of unincorporated Alameda County. Over the ensuing decades, the 238 Bypass would face numerous legal challenges, ultimately resulting in the project being abandoned in 2005.

In 2011, the City approached Caltrans with a proposal to allow the City to take responsibility for the disposition and development of the remaining Caltrans-owned property. This would ensure thoughtful planning and assemblage for the development of the parcel groups rather than the auctioning off individual parcels. After initial disinterest Caltrans agreed to negotiate, and eventually a Purchase and Sale Agreement was approved by the City Council and the California Transportation Commission (CTC) in January 2016.

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

- The City may buy 10 different parcel groups from Caltrans over a six-year period that expires in January 2022;
- 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 with city land-use plans, policies and vision;

- An appraisal process shall determine 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;
- The City will require parcels to be developed and not resold for speculation;
- The City has control over the public input process on proposed development plans; and
- The City can plan the appropriate infrastructure upgrades needed to support the sale of the combined parcel groups, and establish infrastructure funding districts as appropriate

## DISCUSSION

To date, the City has sold two parcel groups and has four under exclusive negotiations. This section outlines the status of those parcel groups while detailing the master site planning activities for the remaining four parcel groups. Attachment II provides a map of each parcel group discussed below

### **Parcel Group 1 & 10 - SoHay**

The City Council approved a 472 mixed-income, multi-family rental and for-sale townhome-style unit and retail development proposal from William Lyon Homes in May 2018.

#### Status Update

This project is currently under construction.

### **Parcel Group 2—The True Life Companies**

Parcel Group 2 consists of one parcel located between the Tennyson Road extension on the north, Mission Blvd. and parcels fronting on Mission Blvd on the west, and the Ersted parcel (Parcel # 078-461-001-13) on the east. The parcel is approximately 8.75 acres or 381,182 gross square feet, which has been reduced by the extension of Tennyson Road at the north end of the parcel, and a storm drain easement on the west side. The parcel is currently vacant.

#### Proposal Overview and Status Update

The True Life Companies proposal contemplates a mixed-use development with 186 multi-family residential units with on-site affordable units and 11,000 sq. ft. of commercial space. The developer has submitted a formal planning application for the necessary land use entitlements and is currently under review. No General Plan amendments or zoning changes are anticipated.

### **Parcel Group 3—Eden Housing & The Pacific Companies (TPC)**

Parcel Group 3 consists of three parcels located between the Tennyson Road on the south and Broadway St. on the north. The parcel group consists of approximately 28.5 acres. The main parcel is primarily open space with barns and corrals for horses. This parcel group also includes two smaller lots between Webster St. and Broadway St., which are currently vacant.

#### Proposal Overview and Status Update

The Eden Housing and The Pacific Companies proposal contemplates the development of 150 affordable housing units with a 49,000sf charter school, primarily located within the boundaries of Parcel Group 3. The developer is currently completing their site due diligence, including considerable geotechnical studies. Eden/TPC anticipate submitting a formal planning application in May 2019 for approval of a tentative map. No General Plan amendments or zoning changes are anticipated.

**Parcel Group 4—Eden Housing & The Pacific Companies**

Parcel Group 4 consists of approximately 80.7 acres. The majority of the land is undeveloped as open space/grasslands, with a cabin located in the middle of the parcel and a barn located at Calhoun Street, which is used by the Mellow Mule Company. This parcel group is deed restricted to two dwelling units, but may be increased to three units pending Caltrans approval.

Proposal Overview and Status Update

The Eden Housing and the Pacific Companies proposal contemplates the development of three single-family homes. The developer is currently completing their site due diligence. Eden/TPC anticipate submitting a formal planning application in May 2019 for approval of a tentative map. No General Plan amendments or zoning changes are anticipated.

**Parcel Group 7—BMODDRE2, LLC**

Parcel Group 7 is located at the southeastern corner of Mission Boulevard and Carlos Bee Boulevard. A vacant commercial building with a wireless transmission tower is located at the corner of Mission Boulevard and Carlos Bee Boulevard. An undeveloped hillside comprises a majority of the site east of the commercial lots along Mission Boulevard. The hillside slopes uphill to the east and has a relatively flat terrace near the middle of the 10-acre site. A 200-foot-wide PG&E utility corridor with high voltage electrical transmission lines forms the southeastern boundary of the site.

Proposal Overview and Status Update

The BMODDREZ proposal contemplates the development of a two-story auto dealership. The developer is in the process of developing architectural and preliminary site plans in preparation for submitting a formal planning application. BMODDRE2 anticipates submitting this within the first half of this calendar year for their site plan review.

*Parcel Groups Undergoing Master Site Planning*

The City is currently working with a planning consultant, Design Workshop, to develop Master Site Plans for the remaining parcel groups. This process will allow the City to facilitate the public input process, plan associated infrastructure upgrades, and conduct the environmental analysis needed. Once drafted, these Master Site Plans will be presented to the Planning Commission and City Council for consideration. Upon approval of the Master Site Plans, the parcel groups will be offered for sale through a Request for Proposals or Qualification process to evaluate specific development plans submitted. The following Parcel Groups will be undergoing this process.

**Parcel Group 5—Bunker Hill**

Parcel Group 5 includes the Bunker Hill streets, Maitland Drive and Central Boulevard. The California State University East Bay (CSUEB) sports fields are located east of the site, and multifamily residential uses are located north of the site, across Carlos Bee Boulevard. The 37.5-acre area is sloped and previously developed with 24 single-family homes, of which 22 units have been vacated. Demolition of these units will begin within the next month.

Vision, Land Use, and Next Steps

The master site planning activities are focused on the development of single-family homes, utilizing the current Residential Natural Preserve zoning. The planning effort will aim to preserve open space while facilitating the construction of the 238 Foothill Trail, pursuant to the SD7 overlay for this parcel. This master site plan should be completed by the end of April.

**Parcel Group 6—Carlos Bee Quarry**

Parcel Group 6 is located north of Carlos Bee Boulevard, south of Highland Boulevard, approximately 1,500 feet northeast of Mission Boulevard and approximately 2,000 feet northwest of CSUEB. A dirt access road within a Pacific Gas & Electric (PG&E) utility corridor connects the site to Carlos Bee Boulevard. Overlook Avenue and Palisade Street terminate at the southwestern corner of the site. The site was previously used as a sand/gravel quarry and is characterized by a large, relatively level area devoid of landscaping in the center surrounded by steep slopes. A densely vegetated drainage area forms the northeastern border of the 29.6-acre site. Single-family homes fronting Highland Boulevard surround the northern side of the site. Multi-family residential uses are located to the east and single-family residences are located to the west of the site. The parcel is currently vacant.

Vision, Land Use, and Next Steps

This parcel is predominately zoned Sustainable Mixed Use (SMU), which allows for over 1000 residential units. Given this, the master site plan is envisioning a development with multiple residential product types, including standard townhomes, stacked flats, and student housing. The development will also include a new neighborhood park as well as the construction of the 238 Foothill Trail. This master site plan should be completed by the end of May or early June, 2019.

**Parcel Group 8—Grove Way**

Parcel Group 8 is located to the south of Grove Way and traverses both the City and County jurisdictional borders. The Site is 18.86 acres with 5.6 acres located within the City boundary. The site has limited access available through either Gary Drive, or through narrow alleyways abutting Bridge Court and to the north of East Bay Motors on Foothill Blvd. The site includes 7.25 acres of designated open space. The parcel contains 12 apartment units, located on Bridge Court. The City currently has no plans to vacate these units.

Vision, Land Use, and Next Steps

This parcel group contains several land use challenges, given the limited site access to a portion of developable space and county land use and zoning. The current City zoning of General Commercial, Medium Density Residential, and Neighborhood Commercial Residential would allow the development of townhomes and higher density affordable housing products; however, the County's zoning designation of Suburban Residential and Single Family Residential may preclude the development of denser products on portions of the Parcel within unincorporated Castro Valley.

The City is currently evaluating several development options, including a mix of either market rate apartments, senior/assisted living facilities, and affordable housing. Staff is also coordinating with the Hayward Area Recreation and Park District on a potential expansion of Carlos Bee Park on the designated open space portion of this parcel group. This master site plan will be completed later this year, following additional community outreach and discussions with the County.

**Parcel Group 9—Apple & Oak**

Parcel Group 9 is located at the intersection of Apple and Oak Streets and shares a western border with the I-580 on-ramp in north Hayward. This 4.26-acre parcel traverses both the City and County jurisdictional borders with 2.67 acres within the City boundary. The parcel is currently vacant.

Vision, Land Use, and Next Steps

The City is evaluating the development of a "business concept" hotel and is no longer developing a master site plan for the site. Developing a hotel on this parcel will require a zoning change from Commercial Office (CO) to General Commercial (CG). The City anticipates bringing this zone change request to the Planning Commission for consideration later this year.

**ECONOMIC IMPACT**

No property taxes are currently being paid on these parcel groups. Resale of the parcel groups may partially return them to the tax rolls, provide an opportunity for new residential development needed to address the goals of the Housing Element and provide new commercial development opportunities.

The sale of the parcel groups will be made pursuant to SB 470, which allows cities to sell public land for private development if the sale creates economic opportunity. Economic opportunity includes the creation and retention of jobs, increasing property tax revenues to all taxing entities, creation of affordable housing, implementation of a sustainable communities strategy, and implementation of a transit related project. The disposition agreement for the project will need to include one or more of these elements as an obligation and/or outcome of the development.

**STRATEGIC PRIORITIES**

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

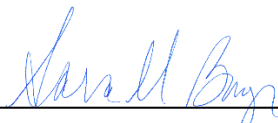
Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.


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

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