



**DATE:** December 5, 2017

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT:** Authorization to Enter into an Exclusive Negotiating Rights Agreement with Healthcare Development Partners, for a Proposed Development at 22300 Foothill Boulevard

### **RECOMMENDATION**

That the Council adopts the attached resolution (Attachment II) authorizing the City Manager to negotiate and enter into an Exclusive Negotiating Rights Agreement (ENRA) with Healthcare Development Partners (HDP) to develop conceptual development plans and negotiate a Disposition and Development Agreement (DDA) for certain properties on the former Hayward City Hall site known as City Center.

### **BACKGROUND**

The 11-story City Center tower was developed in 1968 for the City of Hayward and was utilized as the government hub for the City sharing a campus with the Centennial Hall conference and community center to the north and a City parking garage to the south. Following the 1989 Loma Prieta earthquake, the City relocated City Hall operations from the site and after years of study and evaluation, it was determined the City Center tower no longer met the City's needs as a critical facility. The tower was sold in 1998 to a private developer along with easement rights and obligations to the City-owned City Center garage for re-use of the structure for an office development. The office development never materialized and the site remains un-occupied. Various development proposals for re-use of the City Center campus were proposed, but never moved forward. In 2011, Centennial Hall was demolished, clearing the site for future development and leaving the tower and parking garage as the remaining structures of the former City Center campus.

The City retained ownership of the former Centennial Hall property and City Center Parking Garage and over the past three years, City staff has been communicating with the current tower property owner on facilitating redevelopment of the entire City Center Campus. In May of 2017, the City was approached by Healthcare Development Partners (HDP) for the development of a mixed-use project on the collective parcels.

## DISCUSSION

Since May 2017, staff has been negotiating the terms of the ENRA with representatives of HDP as they contemplated a mixed-use project that included office, residential, hotel, and conference space, and staff is now presenting the concept to Council for conceptual approval. The ENRA is only the first step in the land disposition process. The developer will need to secure the development rights for the privately-owned City Center tower parcel and go through the environmental review and land use entitlement review processes. The ENRA simply gives Healthcare Development Partners reassurance that the City will not negotiate with another entity while they are expending funds during the due diligence and land use planning processes. Ultimately, the City would negotiate a Disposition and Development Agreement (DDA) if the proposed development receives the required land use entitlement and environmental approvals. Listed below is a summary of key elements of the ENRA:

### *Key Elements of the ENRA*

- The properties under consideration in the ENRA are identified in Attachment III.
- Upon the effective date, HDP and the City will have 180 days to negotiate the form of a mutually acceptable DDA, which could be extended up to 240 additional days as determined by the City Manager.
- HDP will develop preliminary project plans and submit the required California Environmental Quality Act (CEQA) and entitlement reviews for the proposed project once the tower property development rights are obtained.
- HDP will submit a good faith deposit of \$50,000 and will escalate development based upon progress of activity per a schedule. The developer will be responsible for all ordinary permitting, entitlement, and development application fees and these will be in addition to the good faith deposit.
- The Project is not considered a public project or to have any public participation; and as such is not subject to any Project Labor Agreement requirements.

### *Developer Background and Experience*

Healthcare Development Partners was formed in 1994 in Chicago by the current managing member, Mr. Todd Bryant. Mr. Bryant initially formed HDP as a privately-financed development firm of healthcare facilities, offering construction management, project management, property management, acquisition, and physical leasing services. Mr. Bryant and the HDP team have successfully developed more than \$2 billion in healthcare real estate for a variety of clients throughout the U.S. Over the past 20-plus years, clients have included independent hospitals and hospital systems, both for-profit and not-for-profit, in both rural and urban locations, and physician groups. HDP focus on medical office and senior housing is a driver in an emerging market in the Bay Area.

Current HDP projects include a 43-acre Wellness Campus in Scottsdale, Arizona that includes senior housing, medical offices, a behavioral health hospital, skilled nursing facility, hotel and retail space. In addition, HDP is currently developing a senior housing campus in Winchester, Virginia and pursuing a behavioral health and memory care facility in San Luis Obispo County, California. HDP has already completed a project in California with Tenet Health. HDP prides themselves on their relationships with top healthcare and hospital systems nationwide.

## **ECONOMIC AND FISCAL IMPACT**

The project site is designated a City Catalyst Site in the FY2014-2018 Economic Development Strategic Plan. If assembled, City Center Campus would be one of the largest redevelopment sites in downtown Hayward. The City-owned properties have been vacant for decades and represent a targeted priority development of a viable project for the City and Hayward community. In terms of the specific financial impacts of this project, these will be determined as part of the negotiation for the final DDA. The DDA would outline the sales price of the properties along with any potential deductions and would contain required Economic Development Findings should the project reach the DDA phase. Since the preliminary project includes new development of housing, hotel, and office, it is anticipated that the project will have net positive economic and job creation impacts.

Anticipated fiscal impacts associated with the ENRA would be staff time and legal resources. If the project proceeds and the developer is successful in obtaining the development rights for the tower parcel, City costs would be paid via deposits from the developer.

## **STRATEGIC INITIATIVES**

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

- Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods
- Objective 1.b. Foster a sense of place and support neighborhood pride.
- Objective 1.d. Create resilient and sustainable 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.
- Objective 2.b. Facilitate the development of diverse housing types that serve the needs of all populations.

The proposed project would be in line with the above goals and objectives as it would create new housing, jobs, and investment into the northern edge of the Hayward downtown, while adding to the resiliency and vitality of Hayward and support surrounding communities.

## **PUBLIC CONTACT**

To date, there has been no public contact associated with this project. As the developer begins to put together the preliminary land use plan, community outreach will be an expectation of this process. In addition, there will be the standard public hearings before the Planning Commission and City Council as the City considers the necessary planning and environmental approvals for the proposed project should it move forward to those phases.

## **NEXT STEPS**

If Council authorizes the action, the City Manager will negotiate and execute the ENRA and staff will begin work with the developer. Should staff be successful in the negotiations with the developer, the proposed terms and conditions of the Disposition and Development Agreement would come back to Council for approval.

*Prepared and Recommended by:* Micah Hinkle, Economic Development Manager

Approved by:



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Kelly McAdoo, City Manager