



DATE: April 3, 2018

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Approving Issuance of a Request for Proposals for the Sale of Former Route 238 Parcel Group 3; Generally Bounded By East 16th Street, Calhoun Street and Tennyson Road; APNs 78c-626-001-7, 78c-626-3-9, 78c-626-3-16, 78c-635-13-3, 78c-640-7-6, 78c-641-10-1, and 78c-641-1

RECOMMENDATION

That the City Council adopts the attached resolution authorizing the City Manager to issue a Request for Proposals (RFP) consistent with the terms set forth herein for the sale of former Route 238 Parcel Group 3.

SUMMARY

The purpose of this item is to review the terms of the RFP to solicit proposals for the acquisition of former Route 238 Parcel Group 3. Parcel Group 3 consists of seven parcels located between the Tennyson Road on the south and Broadway St. on the north (See Attachment III). The parcels total approximately 28.8 acres. The largest parcel is primarily open space with barns and corrals for horses. The group also includes three smaller lots between Webster St. and Broadway St. that are vacant.

BACKGROUND

After abandoning the Route 238 Bypass Project, Caltrans began selling previously acquired parcels. To ensure that future development of these parcels aligns with the City's land use policies and overall vision, the City has negotiated a Purchase and Sale Agreement (PSA) with Caltrans to assume responsibility for the sale of these properties to private developers. The PSA provides the City with six years to sell the parcels or Caltrans may take them back. Staff recommends that parcel group 3 be re-sold through a competitive RFP process to ensure the best price and land use for the City. The purpose of this Council review of the RFP terms is to ensure alignment of the solicited land development with Council policies.

DISCUSSION

Parcel Description

Parcel Group 3 consists of seven parcels located between the Tennyson Road on the south and Broadway St. on the north (See Attachment III). The parcels total approximately 28.8 acres. The largest parcel is primarily open space with barns and corrals for horses. The group also includes three smaller lots between Webster St. and Broadway St. that are vacant.

Parcel Constraints

The parcel group has physical constraints that limit its utility as follows:

- **Fault Zone** – Most of Parcel Group 3 is within the fault zone (See Attachment IV).
- **Geology** – The geologic report states the area is affected by land slide activity.
- **Wetlands** - There is a small area in the central portion of the site that is wetlands, that falls within the recommended fault setback area.
- **Topography** - The parcel group has rolling hills with some areas of steep slope and several flat areas that could accommodate development.

Deducting areas that are recommended to remain open space due to the fault zone results in a developable area of approximately 3.5 acres, which is 12% of the total parcel size (See Attachment IV).

Zoning and Open Space

- **Zoning** - The zoning is a mixture: Single Family Residential (SR) for two of the lots in the area north of Webster St; Medium Density Residential (RM) for the western portion of the main parcel south of Webster; and Open Space (OS) for the eastern portion of the main parcel (See Attachment V). For the Medium Residential portion, primary allowed uses include single family, multi-family, condominiums and townhouses with a maximum density of 17 units per acre. Per the physical constraints discussed above, all the area zoned Open Space cannot be developed and will remain as open space. A 3.5-acre portion of the area zoned Medium Density Residential is developable. At the maximum density, this would result in 75 units possible (up to 150 units are possible if the area is rezoned for High Density Residential). The two lots north of Webster St. zoned Single Family Residential will require further site-specific geologic analysis to confirm they can be developed with homes (Up to four units possible).
- **La Vista Park Land Dedication** - A portion of the area zoned Open Space is currently planned to be part of the Hayward Area Recreation and Park District (HARD) La Vista Park. A portion of La Vista Park was established through the conditions of approval for the La Vista Residential Development, located east of Parcel Group 3 (See Attachment V). The developer will complete Phase I of three planned phases. Phase 2 will also be located on land dedicated by the La Vista Development but its improvement will be paid for by HARD. The HARD 2017 Capital Improvement Program allocates \$2 million of future Measure F1 bond proceeds for the 2017-2020 capital program period. Phase 3 of the plan utilizes a portion of Parcel Group 3 that is zoned for open space. There are

no HARD funds budgeted at this time for acquisition and improvement of this phase. The RFP for Parcel Group 3 requires the open space area to be retained by the City for Phase 3 of La Vista Park.

Additional Land from Parcel Group 2

Adjacent to and south of Parcel Group 3 is Parcel Group 2, a portion of which (.77 acres) is separated from the balance of Parcel Group 2 by the extension of Tennyson Road. The RFP contemplates combining the Parcel Group 2 remnant with Parcel Group 3, which increases the developable area south of Webster Street to 4.3 acres. This adjustment of parcel group boundaries may require Caltrans approval.

Summary of RFP Requirements

In addition to the background information above, the RFP will contain the following requirements:

- **Preferred Land Uses** - are consistent with existing zoning: Single family houses on the two parcels north of Webster Street; Multi-family for the large parcel south of Webster on the west side (with a statement that the City will consider an application for rezoning this area from medium density residential to high density residential); and open space/park for the eastern portion of the large parcel.
- **Residential development** - Up to 79 units possible with existing zoning, and 154 units with the multi-family area rezoned to high density.
- **Retention of Open Space Parcel** - The City will retain the open space area for expansion of La Vista Park requiring a subdivision by the developer.
- **Parkland Dedication Fees** - The RFP requires the buyer to pay park dedication in-lieu fees to support improving a portion of the La Vista Park. The planned park and Parcel Group 3 are in the same Park Fee Zone B, allowing fees generated by multi-family units to pay for park improvement costs.
- **Foothills Trail** - The Hayward Foothills Trail Special Design District has a requirement for a walking and bike trail to transverse the parcel, and this is a requirement in the RFP.
- **Affordable Housing** - The Affordable Housing Ordinance requires a portion of the units to be set aside as affordable or the payment of in-lieu fees., which is listed as an RFP requirement.
- **Minimum Purchase Price** - The RFP establishes a minimum purchase price for the parcel group of \$2,415,000, which includes an administrative fee for City staff and consultant costs for preparing the RFP and negotiating disposition agreements.
- **Minimum Experience** - Standards of experience by the development team for similar projects are specified.
- **Evaluation Criteria** - Are included based on the above requirements.

Developer Interest

Staff has received interest in the site from the Leadership Public Schools (LPS) charter school organization. LPS does not want to acquire the entire parcel group but proposes to acquire a portion of the 3.5-acre site at Tennyson for construction of a new high school. The RFP allows for schools to make proposals and recommends the combination of school facilities with affordable teacher housing for a competitive proposal. The RM zoning allows education facilities as a conditional use.

Acquisition Negotiations

Following the Council selection of a single buyer for negotiations, the City and the buyer will start negotiations for the terms of the sale. The negotiations will require preparing and adopting two agreements between the City and the buyer:

- 1) Exclusive Negotiating Rights Agreement (ENRA) – This agreement will have a term of up to 180 days and will provide time for the buyer to undertake investigations to determine the suitability of the site for purchase. The City will undertake discussions with Caltrans regarding the parcel boundary adjustment, if required. The product of the negotiations will be a Disposition and Development Agreement.
- 2) Disposition and Development Agreement (DDA): This agreement will contain the purchase price and the conditions for the close of escrow.

ECONOMIC IMPACT

No property taxes are currently being paid on the parcel group. Resale of Parcel Group 3 to a non-governmental entity will place it back on the tax rolls and provide an opportunity for new residential development needed to address the goals of the Housing Element, and expansion of La Vista Park.

The sale of the parcel group 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 DDA for the project will need to include one or more of these elements as an obligation and/or outcome of the development.

FISCAL IMPACT

The estimated amount of new tax revenue to be generated will be calculated at the time a single development proposal is selected for negotiations.

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 the parcel group will support the policies in the Economic Development Strategic Plan for the Central Mission Boulevard Corridor.

SUSTAINABILITY FEATURES

The RFP includes information about addressing the City’s sustainability policies and the evaluation criteria for rating the competing proposals will include a sustainability element.

PUBLIC CONTACT

The final Council approval of the RFP allows for public comment and review. Additional opportunities for public input will be provided in two actions before the City Council on a regular agenda for additional public comment and review: 1) Selection of a single buyer for negotiations and approval of the ENRA; and, 2) Approval of the DDA.

NEXT STEPS

Subsequent Actions and Estimated Timing

ITEM	ESTIMATED TIMING
Council Approval of RFP	April 3rd
30 Day RFP Response Period	April 4 th – May 4 th
Staff Review of Responses	May 14 th – May 18 th
Council Approval of Buyer and ENRA	May 19 th – June 15 th
Developer Entitlements and Preliminary Financing (6 months)	June - November
Council Approves Disposition and Development Agreement	December

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

Recommended by: Michael Lawson, City Attorney
Joseph Brick, Assistant City Attorney

Approved by:

A handwritten signature in black ink, appearing to read 'K McAadoo', written in a cursive style.

Kelly McAadoo, City Manager