



DATE: September 29, 2020

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to Enter into an Exclusive Negotiating Rights Agreement with Integral Partners Funding, LLC, for the Proposed Development of Parcel Group 6: Carlos Bee Quarry

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to enter into an Exclusive Negotiating Rights Agreement (ENRA) with Integral Partners Funding, LLC (Integral) to obtain approval of a site plan and negotiate a Disposition and Development Agreement (DDA) on the former Route 238 Parcel Group 6: Carlos Bee Quarry.

SUMMARY

The City of Hayward entered into a Purchase and Sale Agreement (PSA) with the California Department of Transportation (Caltrans) in January 2016 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 2027 pursuant to the latest amendment to the PSA approved by the City on September 15th. This report covers Parcel Group 6: Carlos Bee Quarry.

Over the past two years, the City has been working with the community to develop a vision and plan for the reintegration of Parcel Groups 6, 8, and 9 back into the City. The remaining Parcel Groups 3, 4, and 5 are under existing ENRAs with developers with plans being vetted with the community and by the developers through the City's standard planning process.

The purpose of this item is to authorize the City Manager to enter into an ENRA with Integral Partners Funding, LLC to assure them that the City of Hayward will negotiate exclusively and in good faith with them on the term sheet and then the disposition and development of the City-owned Parcel Group 6, while Integral obtains approval of a site plan, and negotiates a DDA for acquisition and development of Parcel Group 6 with the City.

BACKGROUND

Route 238 Corridor Lands Development

In the mid-1960s, Caltrans purchased more than 400 parcels of property for the construction of a 14-mile Route 238 Corridor Bypass Freeway to run through the City of Hayward and parts of unincorporated Alameda County. In 1971, a lawsuit, filed in federal court on behalf of residents to be displaced by the freeway construction, blocked the project. Caltrans subsequently abandoned the freeway plan. In 1982, state legislation was passed to allow Hayward and other local jurisdictions— working through the Alameda County Transportation Authority—to develop alternative strategies for relieving traffic congestion in Central Alameda County. The legislation called for these Local Alternative Transportation Improvement Program (LATIP) projects to be funded from proceeds from the sale of properties that had been accumulated by Caltrans for the Route 238 Bypass Freeway.

In 2009, then Governor Arnold Schwarzenegger directed Caltrans to sell all property not needed for existing LATIP projects. Following this, Caltrans began to individually auction off these properties with the sole purpose of disposing of the land, without any larger land use or community considerations. To ensure the productive development of this land in a manner that maximizes land value while balancing the desires of the surrounding neighborhood and larger community, the City entered into the PSA with Caltrans to manage the disposition and development of these properties. The PSA divides the properties into 10 parcel groups, which must be disposed of by 2027.

All the parcel groups have been acquired pursuant to the Caltrans PSA. The City's obligation to make the payment of the purchase price for the properties does not occur until the City has resold the parcels to developers. The PSA sets forth an agreed upon methodology to determine the base purchase price for each parcel group based on the appraised value and approved unit count. The City must pay Caltrans the base purchase price when the parcel group is sold. The City receives any excess land value above the Caltrans base purchase price. Table 1 below provides the current status of these parcel groups:

Table 1 Status of 238 Properties

PARCEL GROUP	STATUS	ENTITY	EST. DISPOSITION TIMELINE	ESTIMATED UNIT COUNTS	AFFORDABLE UNIT COUNT
1 & 10	Sold / Under Construction	William Lyon Homes (SOHAY)	August 2018	472 (approved)	48 (approved)
2	Executed PSA; Entitlement Application Approved	The True Life Companies (Mirza)	April 2021	189 (approved)	20 (approved)
3	Executed ENA; Entitlement Application Submitted; DDA Under Negotiation	Eden Housing and The Pacific Companies	2021	150	150
4	Executed ENA; DDA Under Negotiation	Eden Housing and The Pacific Companies	2022	3	0
5	Executed ENA; Entitlement Application Submitted; DDA Under Negotiation	Trumark Properties, LLC	2021	74	8
6	RFP and RFQ Issued; ENA Anticipated for Council Approval Sept 2020	Integral Communities	2022	400-500	40-50
7	ENA Executed; Entitlement Application Approved; DDA Under Negotiation and Scheduled for Approval Sept 2020	One Subaru of Hayward	September 2020	0	0
8	Development Approach Finalized with Caltrans; ENA with Resources for Community Development (RCD) Scheduled for Approval Sept 2020; Ongoing Negotiations with HARD	City of Hayward; RCD; and HARD	2022-2023	150-200	75-100
9	Zoning Amendment Approved; Developer Solicitation Anticipated for 2021	City of Hayward	2022-2023	0	0
Estimated TOTAL (Estimated Affordable %)				1,438-1,588	341-376 (24%)

Parcel Group 6 is a 30-acre site, located in the Hayward Hills, bound by Highland Boulevard to the north, Carlos Bee Boulevard to the south, existing residential development to the west and a PG&E utility corridor to the east. Parcel Group 6 is also northwest of California State University, East Bay (CSUEB). The current zoning for the site is Sustainable Mixed Use (SMU) District and Open Space (OS) District along the northern perimeter and includes the Special District 7 (SD7) overlay for the Hayward Foothill Trail. The required density range is 25-55 units per acre with a maximum building height of 55 feet.

On November 19, 2019, the City Council approved a resolution certifying an addendum to the 2014 General Plan Environmental Impact report, approved the Master Development Plan (MDP), and approved a resolution authorizing the City Manager to issue a Request for Proposals (RFP) for the disposition and development of Parcel Group 6. There were two responses to the RFP issued by the City and neither proposal met the Caltrans base price. These two proposals were rejected, and staff reissued a Request for Qualifications (RFQ) on May 28, 2020 to seek a qualified developer to collaborate with on the Parcel Group 6 development. Five statements of qualifications were received and after review for completeness, three applicants were invited to interview. After thorough interdepartmental review by staff, Integral, a highly qualified developer, is being recommended as the preferred developer for further negotiation with the City for development of Parcel Group 6.

DISCUSSION

The following section provides a summary of Integral's qualifications and the key terms of the proposed ENRA.

Developer Background and Experience

Since its formation in 2003, Integral has grown into one of the largest residential developers in California, with extensive experience in the Bay Area, as well as all other major markets in the state. The principals of Integral have over 150 years of combined experience in homebuilding, managing complex entitlements, and infrastructure design and development. The management team began in the early 1990s and they spent more than a decade growing their homebuilding company, Western Pacific Housing, becoming the 12th largest homebuilder in the United States. Western Pacific Housing was sold to D.R. Horton in 2002 and the management team formed Integral one year later in 2003. This same management team exists today, using a dedicated, hands on approach based on intense community involvement.

In the Bay Area, Integral specializes in the entitlement and development of large, complex transactions, featuring all types of housing products and densities. In general, Integral specializes in large, master-planned communities, often located adjacent to BART or other transit hubs. Integral typically partners with the leading national homebuilders and has a very strong relationship with Lennar Homes, the Bay Area's largest homebuilder. Examples of highly successful master planned communities designed by Integral in Northern California include the following:

- Bayside at Newark Transit Oriented Development – 1850 dwelling units
- Milpitas Transit Oriented Specific Plan – 1250 dwelling units
- Station East at the Union City BART Station – 955 dwelling units
- Tracy Hills master planned development (Tracy) – 5,700 dwelling units
- Northlake master planned community (Natomas) – 3,400 dwelling units

Integral’s statement of qualifications was particularly preferable because one of the core strategies of Integral is to acquire and entitle developments that are too large and complex for traditional homebuilders. Additionally, Integral has extensive experience organizing community outreach events for interested residents and groups.

Key Elements of the ENRA

The ENRA is only the first step in the land disposition process, as Integral will prepare site development feasibility studies, and process the City’s standard land use entitlements. The ENRA simply gives Integral reassurance that the City will not negotiate with another entity while they are expending funds during the due diligence period, obtaining land use entitlements, and negotiating a DDA with the City for acquisition of the parcel. Listed below is a summary of key elements of the ENRA:

- **Developer:** Integral Partners Funding, LLC
- **Community Outreach:** Developer to undertake ongoing community outreach efforts during ENRA period per a community outreach plan submitted to the City. City to assist in defining appropriate community outreach methods.
- **Phase 1 - Negotiating Period**
 - **Term:** 6 months
 - **Deposits:** Non-refundable Good Faith Negotiating Deposit of \$10,000 due at ENRA execution. Applicable to the purchase price if DDA adopted, retained by City if project terminated.
 - **Phase 1 Deliverable:** During Phase 1, the City and Integral must negotiate a mutually agreeable Term Sheet setting forth the key terms of the DDA, including:
 - **Purchase Price:** The purchase price that Integral is willing to pay to the City.
 - **Project Description:** a more detailed description and understanding of the number, type, and mix of units, park and street layout, and a preliminary site plan.
 - **Affordable Housing:** A description of the plan for on-site affordable units.
 - **238 Foothill Trail and Parkland Dedication:** The conceptual layout and obligations associated with constructing the 16-foot wide Hayward

Foothill Trail throughout the parcel.

- **HOA, GHAD, Special Assessments:** The establishment of a Homeowners Association, and possible annexation into the City's Geological Hazard Abatement District, if necessary.
 - **Green Development:** Incorporation of green building and landscaping elements in their proposed project that reduce the use of energy, water, and natural resources. No natural gas utilities will be allowed for the development.
 - **Transportation Demand Management (TDM):** The outline of strategies on how the development will promote walking, biking, and taking transit to reduce trips in single occupied vehicles. The TDM plan should address the underlying principles of the Bayview Village concept.
 - **Hayward Resident Priority Preference Plan:** A priority preference for Hayward residents to purchase or lease market rate units in instances where all other financial considerations are equal, if possible.
 - **Community Workforce Agreement:** Explore including a Community Workforce Agreement (CWA) with the Alameda County Building and Construction Trades Council for the construction on the development.
 - **Bayview Village Concept:** Explore the Hayward Area Planning Association (HAPA) concept as an approach to implementing the MDP.
- **Phase 2 – Negotiating Period** - If a mutually agreeable Term Sheet is achieved during Phase 1, the City and Integral will proceed to Phase 2:
 - **Term:** 6 months, with one (1) ninety (90) day administrative extension by the City Manager, if Integral demonstrates compliance with the performance responsibilities outlined in the ENRA, and makes additional good faith negotiation deposits
 - **City Reimbursement:** \$40,000 reimbursement deposit due at the commencement of Phase 2 and execution of a Reimbursement Agreement to pay for related City costs incurred during the ENRA period. Fund to be replenished by Developer upon demand by City and accounting of expenditures to date. This does not include any fees or deposits related to the City's standard regulatory entitlement process.
 - **Phase 2 Deliverable:** Integral obtains City approval of Site Plan and DDA.

ECONOMIC IMPACT

No property taxes are currently being paid on this parcel group. Resale of the parcel group 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 a dedication of open space.

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

This is the initial phase of potential property disposition and development. There are no anticipated fiscal impacts with the ENRA/DDA negotiations as the developer deposit will pay for outside legal and consulting costs. The estimated amount of new tax revenue that will be generated if the Integral development proposal is approved will be estimated at the conclusion of the negotiating period when the number of housing units has been identified.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Growing the Economy. Specifically, this item relates to the implementation of the following project:

Project 5. Facilitate disposition and development of Route 238 Corridor lands.

SUSTAINABILITY FEATURES

The RFQ included development requirements for sustainable development features including incorporating green building standards into design and operation of the project and not allowing gas utilities. If the ENRA with Integral is approved, these features will be included as part of any proposed site plans.

ENVIRONMENTAL REVIEW

The Addendum to the GP EIR was certified by the City Council on November 19, 2019 pursuant to CEQA Guidelines Section 15164 which states: "The lead agency or a responsible agency shall prepare an addendum to previously certified EIR if some changes or additions are necessary, but none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred." The analysis contained the Addendum confirmed that the proposed development for Parcel Group 6 consistent with the MDP and RFQ is within the scope of the GP EIR and will have no new or more severe significant effects and no new mitigation measures are required. Therefore, no subsequent or supplemental EIR or further CEQA review is required prior to approval of the proposed project, as described in the Addendum.

PUBLIC CONTACT

Multiple stakeholder meetings were held to solicit feedback on the Master Development Plan and the project, including a community-wide meeting November 15, 2018 and neighborhood meetings on April 23, 2019, December 3, 2019, and February 8, 2020. As Integral begins to put together the preliminary land use plan, community outreach is required as part of the ENRA and planning approval process. In addition, there will be standard hearings before the City Council and other potentially required Commissions, as necessary, as the City considers the necessary planning approvals for the proposed project should it move forward to those phases.

NEXT STEPS

The following Table 2 is a summary of the proposed project schedule, which includes information from the Integral proposal. These dates will be subject to discussion with the developer and may change during negotiations of DDA.

TABLE 2: PROPOSED DEVELOPMENT SCHEDULE

ITEM	ESTIMATED TIMING
Council Approves Exclusive Right to Negotiating Agreement	September 22, 2020
Phase 1: Exclusive Right to Negotiate (6 Months)	September – March 2021
Phase 2: Exclusive Right to Negotiate (6 Months)	April - September 2021
Site Plan Submittal	March 2021
Site Plan Approvals Complete	September 2021
Execution of Disposition & Development Agreement	September 2021
Community Communication	Ongoing

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Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager