



DATE: October 7, 2019
TO: Mayor and City Council
FROM: Deputy City Manager
SUBJECT: Preliminary Concept Review: Proposed Amazon Logistics Use at 2701 West Winton Avenue

RECOMMENDATION

That CEDC members provide feedback to Black Creek Group, owners of the industrial building under construction at 2701 West Winton Avenue, and Amazon Logistics, the potential tenant, regarding the use of the building as a last mile delivery station.

SUMMARY

The concept review of preliminary project proposals is a service offered through the City’s Economic Development Program and is targeted for major developments where upfront feedback would provide valuable information to prospective developers and businesses. Representatives of Black Creek Group, owners of 2701 West Winton Avenue, a 507,500 square foot building that is currently under construction, and their proposed tenant, Amazon Logistics, requested an opportunity to introduce their concept and receive CEDC feedback before submitting an application for the required Conditional Use Permit (CUP).

BACKGROUND

On July 25, 2019, the Planning Commission approved the Vesting Tentative Map, Site Plan Review and Environmental Review to merge 11 parcels - totaling 23.4 acres - and construct a 507,500 square-foot speculative industrial building at 2701 West Winton Avenue. Site preparation began in August 2018 and the building permits were issued in September 2018. Construction of the shell for the \$85 million industrial building is near completion. Prior to this investment, the site had a history of general blight associated with illegal dumping of trash and contamination due to the previous operation of regional automobile salvage yard.

Black Creek Group secured an agreement with Amazon Logistics to lease the entire building following issuance of the Certificate of Occupancy. Staff from Economic Development, Planning and Public Works Engineering & Transportation met with Amazon Logistics representatives in July 2019 to learn more about their business model and gather information

needed to identify any City concerns and requirements. A detailed description of the operation is provided in Attachment II (Black Creek Group Request for Zoning Verification, August 15, 2019).

Following that meeting, staff advised Black Creek Group to submit a request for zoning verification to obtain the Planning Division's formal determination of the proposed use of the building by Amazon Logistics and document any applicable permitting requirements.

As described in more detail in Attachment II, Amazon Logistics proposed 24-hour business operational model is as follows: 1) packages will be transported to the site from Amazon fulfillment and sorting centers daily via approximately fifteen line-haul trucks, 2) the packages will be sorted at the facility, placed on moveable racks and loaded on to small delivery vans, and 3) vans will be dispatched to deliver packages to end customer addresses.

Amazon Logistics states that approximately 500 delivery vans will depart the station in a 24-hour period. Starting at approximately 6:30 AM and ending at 9:30 PM, delivery vans will be loaded, depart and return to the delivery stations in waves no larger than 30 vans at no more than 30-minute intervals. The vans will return to the site after delivering the packages throughout the region.

In addition, Amazon Logistics will also incorporate a "FLEX" delivery model where approximately 50 privately-owned passenger vehicles will arrive to load and deliver packages in a staggered fashion between 11:30 AM and 2:30 PM. Following an analysis of information provided at a July meeting with Amazon Logistics representatives and provided in the August 15 letter, Planning Division staff determined the use requires a Conditional Use Permit (Attachment III - Planning Zoning Determination Letter, August 29, 2019). As detailed in Attachment III, Planning staff determined that the proposed use is consistent with the definition of a Truck Terminal, which is subject to a Conditional Use Permit (CUP) under the updated Industrial District Regulations. To proceed with the proposed project, Amazon Logistics would need to apply for and receive a CUP, which is subject to CEQA and Planning Commission review and approval.

The proponents requested an opportunity to introduce their concept and receive CEDC feedback. Proponents will be present at the meeting to provide information about their operational characteristics, discuss potential partnership options with the City, and answer CEDC member questions.

Since the concept is in a preliminary phase as there is no formal application, there are no technical studies or complete plans to evaluate and formulate staff recommendations from a land use perspective. The purpose of the work session is to allow the project proponent to provide CEDC members an understanding of what is being proposed and offer the CEDC an opportunity to provide high-level feedback to the project proponent as to whether or not the concept meets the CEDC's goals. This is not to be considered by either the CEDC or the proponent as any formal "approval" or "denial" of the project itself, as there is no formal application.

DISCUSSION

Staff met with Black Creek Group and Amazon Logistics a second time on September 24, 2019 to answer additional questions regarding the CUP determination and path forward. The CUP process typically takes four to six months to process, including CEQA clearance for the specific use and a public hearing with the Planning Commission. Additional CEQA analysis would be completed in the areas of Transportation, Air Quality, and Greenhouse Gas Emissions among other areas. This information is needed to understand, disclose, and if necessary, mitigate any anticipated impacts from the proposed use.

Following the meeting, the project proponents requested to present their concept to the CEDC and receive initial feedback to guide their decision-making.

The following identifies potential policy-related questions to guide the discussion session:

1. Is the proposed concept desirable for the City of Hayward?
2. Is the proposed concept consistent with the character and integrity of the CEDC's vision for the site and surrounding area?
3. Does the CEDC have specific concerns regarding public health, safety, traffic, infrastructure degradation or general welfare?
4. Does the CEDC have suggested elements that the project proponent could incorporate into the project to minimize any potential impacts to achieve the CEDC's vision?

ECONOMIC IMPACT

The quantitative economic development impacts for this project have not been determined. However, in terms of employment generation, Amazon Logistics representatives indicated that the operation will support between 650 to 700 employees, approximately 160 of whom would be Amazon Associates. In 2018, Amazon set a \$15 minimum wage for U.S. employees.

The balance of the associated job creation will be workers employed by Amazon's "Delivery Service Partners." Amazon Delivery Service Partners is a program designed to encourage entrepreneurs start and run their own local delivery companies. Owners operate the delivery business with 20 to 40 vans and between 40 to 100 employees. According to Amazon Logistics program webpage (<https://logistics.amazon.com/>), the startup-cost can be as low as \$10,000 with annual revenue potential of \$1 to 4.5 million and a profit of \$75,000 to \$300,000. Amazon Logistics offers several programs to encourage entrepreneurship, including a \$10,000 rebate for military veterans. The wages for employees of these Delivery Service Partners will vary and are unknown.

FISCAL IMPACT

Fiscal impacts of the proposed used are not yet quantified. However, it is important to note that the proposed Amazon Logistics facility will not be a “point of sale” and therefore will not generate direct sales tax revenue for the City.

This project is anticipated to have a significant impact on Hayward’s roadway infrastructure, by reducing the useful life of the City’s arterial roads (i.e., diminishing the City’s ability to maintain an acceptable Pavement Condition Index/PCI citywide). The City of Hayward currently has an approximate \$60 million-dollar deferred maintenance (backlog) forecast for the next 5 years. The project, as proposed, would add to this maintenance deficit. In addition, the project’s daily operations will result in increased traffic congestion, delays, and emissions that will need to be addressed via the CEQA process.

NEXT STEPS

After the CEDC reviews and provides comments on the concept, the project proponents will determine if they would like to pursue the project. At that time, the project proponent would start preparing a formal application to the City.

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Approved by:



Kelly McAdoo, City Manager