



DATE: May 27, 2021

TO: Council Economic Development Committee

FROM: Assistant City Manager/Development Services Director

SUBJECT Preliminary Concept Review: Proposed Amazon Last Mile Delivery Use at 25450-25550 Clawiter Road (Former Berkeley Farms Site)

RECOMMENDATION

That CEDC members provide feedback to Dermody Properties, the entity that is currently redeveloping the former Berkeley Farms site, and Amazon Logistics, the potential tenant, regarding the redevelopment of the site and use of the building as an Amazon Last Mile Delivery Station.

SUMMARY

The concept review of preliminary project proposals is a service offered through the Economic Development Program and is targeted for major developments or redevelopments where upfront feedback would provide valuable information for prospective developers and businesses. Representatives of Dermody Properties, the entity currently redeveloping the former Berkeley Farms site, and Amazon Logistics requested an opportunity to introduce their concept for the former Berkeley Farms site and to receive CEDC feedback before moving forward with finalizing the entitlement plans and related environmental analysis and submitting an application for a Conditional Use Permit (CUP).

BACKGROUND

On October 6, 2020, Dermody Properties submitted a Master Site Plan Review and Conditional Use Permit application to develop a new industrial campus on the former Berkeley Farms site. The approximately 20.64-acre site is currently vacant except for foundation slabs that would be removed as part of the proposed project. The original entitlement consists of two industrial buildings measuring 232,653 square feet and 154,618 square feet, two employee patios/amenity areas, site landscaping, circulation, and parking (Attachment II). According to the project description, end tenants were not identified at the time of application submittal; however, the applicant noted that the industrial campus with amenities is designed to attract information and technology-based users. The application was deemed complete on March 23, 2021. The Initial Study/Mitigated Negative Declaration is slated to be released for a 20-day public comment period starting in June 2021.

On May 10, 2021, Dermody Properties provided a revised site plan and operational summary for an Amazon Last Mile Delivery station at the site. The revised site plan (Attachment III) would include development of one 232,290-square-foot building and the rest of the site would be used for surface parking, circulation and one employee amenity area. The proposed Amazon Last Mile Delivery Station would operate identically to the use proposed at 2701 W. Winton Avenue except vehicle parking would be located outside of the building, and there would be 350-450 operational jobs associated with this site. The use would operate 24-hours a day, seven days a week. Packages would be delivered to the site from fulfillment centers in long haul trucks, packages would be sorted in several shifts, and then delivery vans would leave the site in staggered waves to deliver packages directly to customers and return to the site eight to ten hours later. There would be seasonal increases in truck trips and package delivery trips around the holidays.

The purpose of this work session is to allow the developer and potential end user to provide CEDC members an understanding of what is being proposed and to offer the CEDC an opportunity to provide high-level feedback as to whether or not the proposed redesign of the site and use would meet CEDC's goals for the industrial area. This is not to be considered by either the CEDC or the project proponents as a formal "approval" or "denial" of the project, as this is not a formal application.

DISCUSSION

Since the proposed use is in a preliminary phase, Amazon has not prepared or submitted a formal CUP application and Dermody's revised site plan does not contain enough information to determine full consistency with the Industrial District regulations or the applicable Design Guidelines. However, it is important to note that the entitlement package originally submitted in October 2020 and deemed complete in March 2021 is consistent with the applicable development standards and design guidelines and reflects the City's vision for an industrial campus. However, according to Dermody, the tenants that they have identified for the project site are low intensity, low employment warehouse and third-party logistics firms whereas Amazon would be a high employment generator.

When staff asked Dermody if there is a phasing plan and intent to build out the site in accordance with the plans currently under review, Dermody indicated that the second building would not be constructed until Amazon vacates the premises. The initial lease term for Amazon would be 10 to 12 years with options to stay beyond that timeframe. If Amazon vacates the premises and the next tenant does not need a parking lot/yard, the owner of the property at that time would be required to process the necessary entitlements to develop the second building.

Given the proposed use at this site is identical to that proposed at 2701 W. Winton Avenue, a number of concerns have been raised through staff analysis and Planning Commission evaluation of the W. Winton proposal. These include but are not limited to: 1) concerns pertaining to the generation of high volume of traffic; 2) the resulting significant wear and tear on City's roadways from a mix of line-haul trucks, delivery vans, and passenger vehicles; 3) the green-house gas generation associated with increased traffic; and 4) the potential

unpredictable increases in traffic volume associated with peak online sales during the holidays and Amazon Prime Day.

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

1. If the Amazon Last Mile Delivery Station is approved at 2701 W. Winton, is the City supportive of a second location at this site?
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 proponents could incorporate into the project to minimize potential impacts to achieve the CEDC's vision?

ECONOMIC IMPACT

The proposed development would have a positive economic benefit in that it would result in redevelopment of a currently vacant site with an Amazon last mile delivery center.

According to the applicant's submittal materials, the project would result in approximately 350-400 operational jobs once the site is active. Full-time employees would receive an average hourly wage of \$15 and a comprehensive benefits package including health insurance. Part time employees would receive \$15 per hour and funding toward health insurance as well as other benefits such as life, disability, dental and vision insurance. Amazon FLEX drivers, who are classified as contract employees, would make between \$18 and \$25 per hour.

Additionally, Amazon representatives have verbally indicated to Economic Development staff that the company would like to increase their involvement in the Hayward community, including exploring new programs such as expanded STEM education initiatives with Hayward Unified, entrepreneurship programs for minority-owned startups, and assisting local brick and mortar small businesses access to the online marketplace.

FISCAL IMPACT

The proposed use would not generate sales tax in the City; however, drivers of the Amazon fleet vans and FLEX drivers would pay sales tax on gasoline purchases and occupation of the site would result in an increase in utility users tax and property taxes, which would contribute to General Fund revenues.

As described in detail in the staff report to Planning Commission prepared for the proposed Amazon Last Mile Delivery Station at 2701 W. Winton Avenue, the proposed use on this site would also generate a high volume of traffic and result in significant wear and tear on City's

roadways from a mix of line-haul trucks, delivery vans, and passenger vehicles. Without a complete traffic study, it is not possible to determine the number of trips and associated roadway and pavement impacts and required contributions for the proposed use at this location. However, it is likely that staff would only recommend that the proposed use be approved subject to conditions of approval that require a one-time payment to upgrade infrastructure in the vicinity of the project site as well as an ongoing contribution to off-set impacts to the roadways. To date, Amazon has not agreed to pay these one-time or ongoing infrastructure improvement and maintenance fees.

As described above, under the proposed concept, the developer will not construct the 154,618 square-foot building included in the current entitlement application. There would be financial implications to the General Fund, as a result. Property tax revenues are the City's largest General Fund revenue source, comprising approximately one-third of General Fund revenues. The City's property tax is collected by Alameda County, and the City currently receives approximately 16 percent of the 1 percent countywide real property tax levied. The property tax revenue to the City's General Fund will be less than if there were two complete buildings constructed on the property. Without information on value of the building and associated improvement valuations of the building that would not be constructed, the County Tax Assessor nor staff can project the exact revenue opportunity cost to the City this time.

NEXT STEPS

After the CEDC reviews and provides comments on the concept, the project proponents will determine if they would like to revise the application currently under review and consider preparing a formal CUP application to the City.

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Approved by:



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