



**DATE:** June 4, 2024

**TO:** Mayor and City Council

**FROM:** Director of Finance

**SUBJECT:** Resolution Authorizing the City Manager to Execute The Eighth Amendment to the Purchase and Sale Agreement with Caltrans for Transfer and Development of State Highway 238 Bypass Properties That Extends the Deadline for the City to Dispose of the Properties by Five Years from 2027 to 2032

## **RECOMMENDATION**

That Council adopt the following resolution:

1. A resolution authorizing the City Manager to execute the Eighth Amendment to the Purchase and Sale Agreement with Caltrans for the transfer and development of State Highway 238 Bypass Project properties and finding the project is consistent with prior California Environmental Quality Act (CEQA) determinations.

## **SUMMARY**

After abandoning the State Route 238 Bypass Project in the 1970's, Caltrans began selling parcels that had previously been acquired for the planned freeway. In order to ensure that future development of the State Route 238 parcels located in Hayward align with the City's land use policies and overall vision, the City negotiated a Purchase and Sale Agreement (PSA) with Caltrans in 2016<sup>1</sup> to manage the disposition and development of former right of way for the now defunct 238 Bypass. The City-controlled State Route 238 properties are divided into ten "parcel groups."

The PSA, as amended, currently requires that the City dispose of the properties by January 20, 2027. In light of the current real estate market challenges (e.g. higher interest rates and construction costs) City staff and Caltrans staff have acknowledged that the deadline for the City to dispose of all of the parcel groups should be extended. An amendment extending that deadline has been prepared for the City Council's consideration.

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<sup>1</sup> <https://portal.laserfiche.com/Portal/DocView.aspx?id=380620&repo=r-b6d2994c&searchid=9b4cafe3-f0b8-4acd-9a47-783e7a0f305c>

## BACKGROUND

The City of Hayward entered into a PSA with Caltrans in January 2016 to acquire 10 parcel groups comprised of properties acquired by Caltrans for the State Route 238 expansion project. Caltrans has transferred those properties to the City subject to the City managing the disposition and development of these parcel groups with the goals of removing blight, enhancing community involvement in the development process, and creating economic and public benefits, such as job generating uses and trails and parks. As the City sells or transfers particular parcels, the City is obligated to repay Caltrans the negotiated purchase prices for the various parcel groups under the PSA. Table 1 provides the current status of the disposition of the parcel groups.

**TABLE 1: STATUS OF 238 PARCEL GROUPS**

PARCEL GROUP	STATUS	ENTITY	EST. DISPOSITION TIMELINE	ESTIMATED UNIT COUNTS	AFFORDABLE UNIT COUNT
<b>1 &amp; 10</b>	Sold / Under Construction	William Lyon Homes (SOHAY)	2018 - transferred	472 (approved)	48 (approved)
<b>2</b>	Sold / Under Construction	The True Life Companies (Mirza)	2021 - transferred	189 (approved)	20 (approved)
<b>3</b>	Sold / Under Construction	Eden Housing and The Pacific Companies	2022 - transferred	176 (approved)	176 (approved)
<b>4</b>	Master Development Planning	City of Hayward	2029	3	0
<b>5</b>	Entitlements and DDA Approved	Trumark Properties, LLC	2027	92 (under review by Developer)	18 (under review by Developer)
<b>6</b>	Developer solicitation in future	City of Hayward	2029	300	30
<b>7</b>	Lower lot – Sold and operating	One Subaru of Hayward	2020 - transferred	0	0
<b>7</b>	Upper lot	City of Hayward	2029	0	0
<b>8</b>	Affordable Housing: Execution of DDA approved	AH: Resources for Community Development	2026	89 (approved)	89 (approved)
	Open Space: Under negotiations	OS: HARD	2024		
	Market Rate: Developer solicitation in future	MR: City of Hayward	2029		
<b>9</b>	Developer solicitation in future	City of Hayward	2029	TBD	TBD
<b>TOTAL</b>				<b>1,403</b>	<b>381<sup>2</sup></b>

<sup>2</sup> Staff estimates 27% of total Route 238 Corridor Lands Development residential units will be affordable.

## **DISCUSSION**

Since the execution of the PSA, City staff and Caltrans have communicated regularly regarding the disposition of the parcel groups. Due to increase in interest rates, construction costs, and competitiveness for construction financing for residential projects, City staff and Caltrans staff have acknowledged that the deadline for the City to dispose of all of the parcel groups should be extended. The City have executed seven prior amendments to the PSA addressing technical and timing issues related to the sale of the property.

### **A. Proposed Eighth Amendment to the PSA**

The proposed amendment simply extends by five years the deadline by which the City is required to dispose of the properties.

## **ENVIRONMENTAL REVIEW**

Pursuant to the California Environmental Quality Act (Public Resources Code Sections 21000 et seq.) ("CEQA") and its implementing guidelines, the approval of the PSA is eligible for streamlined, ministerial approval pursuant to Government Code Section 65913.4, and is therefore exempt from review pursuant to Public Resources Code Section 21080(b)(1), which states the general rule that CEQA does not apply to ministerial projects.

## **ECONOMIC IMPACT**

The proposed disposition of the parcel groups would have a positive economic benefit in that it would result in development of a currently vacant sites with new residential units and rehabilitate existing units that require infrastructure investment, and this would beautify the sites and increase surrounding property values. Developers will leverage the City's investment in their project to secure funding from the County, the State, and private sources.

## **FISCAL IMPACT**

The proposed amendment would have no additional fiscal impact on the City. The City currently is responsible for the maintenance of the properties transferred by Caltrans.

## **STRATEGIC ROADMAP**

The proposed project supports the Strategic Priorities of Preserve, Protect, and Preserve Housing for All, as well as of Grow the Economy, and specifically, relates to the implementation of the following project:

Project E13: Continue to work on Route 238 Corridor lands disposition and development.

**NEXT STEPS**

Following Council approval, staff will take the necessary steps to execute Amendment 8 to the PSA.

*Prepared by:* Nicole Gonzales, Finance Director

*Recommended by:* Nicole Gonzales, Finance Director

Approved by:

A handwritten signature in blue ink, appearing to be 'DC' or similar initials, written in a cursive style.

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Dustin Claussen, Interim City Manager