



DATE: September 15, 2020

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to Enter into the Seventh Amendment to the Purchase and Sale Agreement between the State of California Department of Transportation and City of Hayward for the 238 Excess Properties to Extend the Term of Sale for Five Additional Years to January 2027

RECOMMENDATION

That the Council adopts a resolution (Attachment II) authorizing the City Manager to enter into a seventh amendment to the Purchase and Sale Agreement (PSA) between the State of California Department of Transportation (Caltrans) and City of Hayward for the 238 Excess Properties (PSA) to extend the term of sale for five additional years to January 2027.

SUMMARY

The City of Hayward entered into a PSA with Caltrans in January 2016 to manage the disposition and development of former right of way for the now defunct Route 238 Bypass and has amended the PSA six times since then. The 238 excess properties subject to the PSA are divided into 10 parcel groups and must be sold by the City by January 2022 pursuant to the "Term of Sale" provision in the PSA. While the City has made significant progress developing the former 238 properties, the Covid-19 pandemic, which began in early 2020, has caused business closures, shelter in place orders, and a severe economic slowdown in California and the nation as a whole. There is no foreseeable end to the Covid-19 pandemic, causing market uncertainties and resulting in difficulties in financing land transactions like those contemplated by the PSA. As a result, the City and Caltrans have agreed to extend the Term of Sale provision in the PSA by five years from January 2022 to January 2027 to reflect the unforeseen global pandemic and its impacts on the sale of the properties subject to the PSA.

BACKGROUND

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 2022 pursuant to the “Term of Sale” provision in the PSA.

DISCUSSION

While the City has made significant progress developing the former 238 properties (see Table 1 below), the Covid-19 pandemic, which began in early 2020, has caused business closures, shelter in place orders, and a severe economic slowdown in California and the nation as a whole. There is no foreseeable end to the Covid-19 pandemic, causing market uncertainties and resulting in difficulties in financing land transactions like those contemplated by the PSA. As a result, the City and Caltrans have agreed to extend the Term of Sale provision in the PSA by five years from January 2022 to January 2027 to reflect the unforeseen global pandemic and its impacts on the sale of the properties subject to the PSA. Staff recommends that the Council adopt a resolution authorizing the City Manager to enter into the seventh amendment to the PSA to extend the Term of Sale for five years to January 2027. Table 1 provides the current status of these 10 parcel groups subject to the PSA.

Table 1

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
<i>Estimated TOTAL (Estimated Affordable %)</i>				1,438-1,588	341-376 (24%)

ECONOMIC IMPACT

No property taxes are currently being paid on the 238 parcel groups currently owned by the City. By extending the Term of Sale in the PSA, the City will have more time to find third-party developers to purchase the parcels, return them to the tax rolls, create new housing opportunities, and dedicate open space for public benefit.

FISCAL IMPACT

By extending the Term of Sale in the PSA by five years, the City will have more time to find third-party developers to purchase the parcels with the potential to generate excess land value to the City, and return them to the tax rolls resulting in various tax benefits to the City. The City will continue to pay annual maintenance on the properties between \$100,000 and \$200,000 depending on how many properties remain. This cost has been borne in many cases from the proceeds of previous sales of Caltrans properties.

STRATEGIC ROADMAP

This agenda item supports Project #5: Facilitates the disposition and development of the Route 238 corridor lands, under the Grow the Economy Strategic Priority.

ENVIRONMENTAL REVIEW

The authorization for the amendment of the PSA taken in furtherance of the disposition of 238 properties is exempt under the California Environmental Quality Act (CEQA) under Gov. Code Section 14528.65 and under 14 Cal Code Regs. Section 15061(b)(3).

NEXT STEPS

If approved by the City Council, City staff will take all necessary actions to execute the seventh amendment to the PSA with Caltrans extending the Term of Sale for five years until January 2027.

Prepared and Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager