



DATE: March 21, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT Approval of a Resolution Authorizing the City Manager to Negotiate and Execute a Purchase and Sale Agreement with William Lyon Homes, Inc for Properties Located in South Hayward near Dixon and Valle Vista Avenues

RECOMMENDATION

That the Council approves the attached resolution (Attachment II) authorizing the City Manager to negotiate and execute a purchase and sale agreement with William Lyon Homes, Inc for properties located in South Hayward near Dixon and Valle Vista Avenues, in a form to be approved by the City Attorney and consistent with the terms and conditions identified in this report.

BACKGROUND

Developer Background and Experience

William Lyon Homes is one of the largest Western U.S. regional homebuilders. Headquartered in Newport Beach, California, the Company is primarily engaged in the design, construction, marketing, and sale of single-family detached and attached homes in California, Arizona, Nevada, Colorado, Washington, and Oregon. Its core markets include Orange County, Los Angeles, San Diego, the San Francisco Bay Area, Phoenix, Las Vegas, Denver, Seattle, and Portland. The Company has more than fifty-nine years of homebuilding operations, over which time it has sold more than 93,000 homes. In northern California, they have developed communities in Morgan Hill, Brentwood, Mountain View, Tracy, Antioch, Dublin, and Pittsburg. Although they do not have specific retail development experience, they will be selecting a seasoned development partner to ensure the retail elements of the project are positioned for success.

Exclusive Negotiating Rights Agreement Background

In October 2015, William Lyon Homes, Inc. approached the City about entering into an Exclusive Negotiating Rights Agreement (ENRA) regarding the potential development of several Caltrans 238 Bypass excess properties in the Mission/Dixon/Valle Vista Corridor (See Attachment IV). In January of 2016, the City Council authorized the City Manager to enter into an ENRA with William Lyon and a Purchase and Sale Agreement with Caltrans to acquire excess property in the 238 Bypass Corridor, including the properties covered by the Lyon ENRA.

City staff and William Lyon Homes representatives have been working through specific tasks outlined within the ENRA regarding due diligence, project design and approach, and technical studies identifying site constraints. The ENRA was amended twice; once to allow for additional and more in-depth geotechnical studies on portions of the subject properties, and once to extend the time frame of the ENRA. The ENRA will expire by the end of March 2017.

Proposed Concept Project

William Lyon Home's proposal consists of residential condominiums and a commercial center off of Mission Boulevard which is connected by a park and trail spine from Valle Vista to Industrial Boulevard. The entire project contains 351 residential units in either the cluster townhome or row townhome variety ranging in size from a one-bedroom/one-and-a-half bathroom 964 square foot cluster townhome, to up to a four-bedroom/three-and-a-half bathroom 2,105 square foot row townhome. The development reserves 884 parking spaces for the residential component with every unit including covered/attached garages. The retail component includes a total of 21,900 square feet of retail containing two 6,700 square foot units (end units) and two 4,250 square foot units (center units). The development identifies 76 parking spaces for retail, including parking along Mission and within the plaza to the south of the retail space.

One of the project's key recreational amenities is roughly 2.5 acres of parkland surrounding an existing Alameda County Flood Control channel and trail system. The park incorporates several outdoor fitness/PAR courses, along with California native garden and educational elements, two dog parks, and other general open spaces and walkways. The project is within a half mile to 8/10ths of a mile from the South Hayward BART Station. The proposed project was presented to Council during a work session on [November 15, 2016](#).

Approval of the Purchase and Sale Agreement is simply one step in the approval process for this project. The project will still need to go through the entitlement and development review process in accordance with the milestones and timelines established in the agreement.

DISCUSSION

City staff began negotiations with William Lyon Homes in January on the terms of the Purchase and Sale Agreement. Over the past two and a half months the City and William Lyon

Homes have been successful in negotiating a PSA generally described below. The purchase price and other key terms have been discussed in closed session with the City Council. Once the PSA has been executed, staff will bring the executed version back to Council for a public review of the terms.

Subject Properties

Under the PSA the City will sell 17 properties in total:

- 14 Caltrans properties to be purchased by the City under the existing 238 Bypass Property PSA with Caltrans
- 1 City owned parcel which was to be included in Valle Vista Park.
- 1 parcel owned by Bay Area Rapid Transit (BART), to be purchased by the City and sold to the developer
- 1 parcel owned by Alameda County Flood Control (ACFC), to be purchased by the City and sold to the developer

The PSA also involves a land swap between Hayward Area Recreation and Park District (HARD) and the City for parkland acreage.

Timeframes

The Developer is prepared to move forward with a formal development application within the next two months. Under the PSA, the developer must meet certain milestones regarding the entitlement process. The closing date for this agreement will be when the development has completed all necessary entitlements and is ready to record a final map but not more than eighteen months from the execution of the PSA.

ECONOMIC AND FISCAL IMPACT

Currently, all the properties included in the Caltrans 238 Bypass former right-of-way are not contributing any property tax to the City. Under this PSA, these properties would have the potential to begin generating tax revenue for the City. When staff returns with the executed PSA, a better estimate of the potential tax revenue will be available. Additionally, a portion of the proceeds from this sale will help fund future development activities on other Caltrans 238 properties, which will also grow the City's property tax base. Once any proceeds from this sale are received, staff will return to Council with a policy discussion about the use of these proceeds.

Moreover, the sale of the identified properties will further the public purpose of economic redevelopment creating jobs, homes, parks, and vibrancy in an area that has suffered from historic under development as a result of the proposed and now defunct freeway project.

NEXT STEPS

Following Council approval, the City Manager will execute a Purchase and Sale Agreement in a form approved by the City Attorney consistent with the terms and conditions contemplated in this staff report and its associated attachments and during the Closed Session with City Council. Following execution, a copy of the PSA will be brought back to the Council as an informational item for Council's reference.

Prepared by: John Stefanski, Management Analyst

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written above a horizontal line.

Kelly McAdoo, City Manager