



DATE: August 20, 2024

TO: Mayor and City Council

FROM: Interim City Manager

SUBJECT: Adopt a Resolution Authorizing the Interim City Manager to Execute an Economic Development Loan Agreement with the Hayward Economic Development Corporation Setting the Terms for Repayment of the City's \$8.6 Million Loan and Finding the Action is Exempt from CEQA Review

RECOMMENDATION

That the Council adopts a resolution (Attachment II) authorizing the Interim City Manager to enter into the Economic Development Loan Agreement (Attachment III) setting the terms for the repayment of \$8.6 million the City made to the Hayward Economic Development Corporation for purchase of 1069 B Street, LLC's leasehold interest in the Cinema Place property and finding the action is exempt from CEQA review.

SUMMARY

On January 8, 2024, in an effort to further the City's economic development goals and activities for the downtown area, the City Council authorized a loan from the General Fund in the amount of \$8.6 million to the Hayward Economic Development Corporation to purchase the rights, duties, and obligations pursuant to the leasehold interest to the Cinema Place Property.

BACKGROUND AND DISCUSSION

In 2005, the Hayward Redevelopment Agency (RDA) entered into a ground lease with the Cinema Place developer, which expires in 2056, for the Property located at 22631-228522 Foothill Blvd., (APN 428-0066-086 and 428-0066-085) (Property). In 2007, the RDA entered into a Parking Lot Maintenance Agreement with the Cinema Place developer for Municipal Lot 3 (the City oversees the maintenance, including utilities, cleaning contracts, and facility updates). The lease and parking agreements were subsequently transferred to the Hayward Redevelopment Successor Agency (Successor Agency) and the current tenant: 1069 B Street, LLC. 1069 B Street, LLC, holds a leasehold interest in the Property under the Ground Lease and holds specified rights under the Parking Agreement.

On November 8, 2013, the Successor Agency received a "Finding of Completion" from the California Department of Finance (the "Department") pursuant to Section 34179.7 of the

Health and Safety Code, confirming that the Successor Agency had made specified required payments under the Dissolution Act and entitling Successor Agency to prepare and submit a Long-Range Property Management Plan (the "LRPMP") for approval by its local oversight board and the Department.

Successor Agency staff prepared a proposed LRPMP, and obtained its local oversight board's approval of the proposed LRPMP. In accordance with Section 34191.3 of the Health and Safety Code, the Successor Agency staff submitted the LRPMP to the Department for consideration. The Department approved the LRPMP by determination letter issued on September 4, 2015.

The Property is subject to the Existing Disposition Agreement, the Ground Lease, and the Parking Agreement are collectively referred to as the "Cinema Place Enforceable Obligations."

Consistent with the Approved LRPMP, the Successor Agency will continue to retain the fee interest in the Property for the entire term of the Cinema Place Enforceable Obligations (through July 11, 2057, but subject to a ten-year extension to July, 11, 2067).

During the Summer of 2023, 1069 B Street, LLC (Seller), informed the Successor Agency of its desire to transfer its rights, duties, and obligations in the Property and under the various agreements that govern the relationship between the Seller and the Successor Agency.

The City of Hayward recently formed the Hayward Economic Development Corporation . The City's intent in forming this public benefit corporation was to allow for the City to continue to achieve its economic development activities and implement the economic development goals of the City. In an effort to further the City's economic development goals and activities for the downtown area, the Hayward Economic Development Corporation determined to purchase the rights, duties, and obligations in the Property and entered into negotiations regarding the same.

On January 8, 2024, the City Council authorized the loan from the General Fund in the amount of \$8.6 million to the Hayward Economic Development Corporation to purchase the rights, duties, and obligations pursuant to the leasehold interest to the Cinema Place Property. Acquisition of the Cinema Place leasehold interest and assignment of rights and duties under various agreements will help maintain the existing tax revenue and jobs and allow for the opportunity for creation of new jobs and opportunities for economic development in the future.

Terms of the Lease Agreement

The following is a summary of the essential terms of the Economic Development Loan Agreement:

- Term – 15 years (2040)
- Deferment Period – January 31, 2025.
- Interest – 5.86% for the first 5 years; thereafter adjusted annually at the rate achieved by the City's Managed Portfolio plus 1%

The entirety of the Economic Development Loan Agreement is attached to this staff report as Attachment III.

The following provides the amortization schedule for the duration of the loan:

Year	Annual Principal	Annual Interest*	Remaining Principal Balance
2025	\$337,344	\$453,806	\$8,262,656
2026	389,226	473,849	7,873,430
2027	412,657	450,417	7,460,773
2028	437,499	425,575	7,023,274
2029	463,837	399,237	6,559,437
2030	491,759	371,315	6,067,678
2031	521,363	341,711	5,546,315
2032	552,749	310,325	4,993,566
2033	586,024	277,049	4,407,541
2034	621,303	241,771	3,786,238
2035	658,705	204,369	3,127,533
2036	698,359	164,715	2,429,173
2037	740,400	122,674	1,688,773
2038	784,972	78,102	903,801
2039	832,227	30,846	71,573
2040	71,573	350	0
Total	<u>\$8,600,000</u>	<u>\$4,346,108</u>	

* This schedule assumes a 5.86% Interest rate for the life of the loan and is an approximation.

Environmental Review

This action is exempt from CEQA per State CEQA Guidelines, Not a Project (Public Resources Code§ 21065, State CEQA Guidelines 15378(b)(4))

ECONOMIC IMPACT

This project supports the City's efforts to maintain and grow the economy and prevent a vacant downtown anchor site by ensuring active use. A direct quantification of the economic impacts is not estimable.

FISCAL IMPACT

The funding to capitalize the Corporation and allow it to complete the purchase is estimated to be \$8.5 million plus closing and any additional costs. Staff estimate the overall initial fiscal impact to the City's General Fund will be \$8.6 million, made as a loan to the Economic Development Corporation. These funds will be repaid over time by the Corporation to the General Fund from lease revenues and operating proceeds of the property. The City

conveyance of funds is being made pursuant to the City's police power authority conferred by California Constitution Article XI, Section 7.

STRATEGIC ROADMAP

The proposed project supports the Strategic Priority of Grow the Economy.

SUSTAINABILITY FEATURES

The actions discussed in this report do have any known direct or identifiable sustainability features.

NEXT STEPS

Following authorization of the conveyance of funds by the City to the Corporation and Successor Agency's approval of the conveyance by the Seller to the Corporation, the Corporation and Seller will enter into a Conveyance Agreement regarding the Property. Thereafter, the County Oversight Board will review the item and issue a finding of approval, which will be subject to the review of the California Department of Finance.

Prepared and Recommended by:

Vadim Sidelnikov, Assistant City Attorney

Approved by:



Dustin Claussen, Interim City Manager