



**DATE:** December 3, 2019

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT:** Adopt a Resolution Authorizing the City Manager to Enter into an Exclusive Negotiating Rights Agreement with Trumark Properties, LLC, for the Proposed Development of Parcel Group 5: Bunker Hill

**RECOMMENDATION**

That the Council adopts a resolution (Attachment II) authorizing the City Manager to enter into an Exclusive Negotiating Rights Agreement (ENRA) with Trumark Properties, LLC to develop a site plan, zoning ordinance amendment, and negotiate a Disposition and Development Agreement (DDA) for 74 units on the former Route 238 Parcel Group 5: Bunker Hill.

**SUMMARY**

The City of Hayward entered into a Purchase and Sale Agreement with the California Department of Transportation (Caltrans) in January 2016 to manage the disposition and development of former right of way for the now defunct Route 238 Bypass. This land is divided into 10 parcel groups and must be disposed of by 2022. This report covers Parcel Group 5: Bunker Hill.

Over the last year, the City has been working with the community to develop a vision and plan for the reintegration of Parcel Groups 5, 6, 8, and 9 back into the City. The remaining Parcel Groups 3, 4, and 7 are under exclusive negotiation agreements with developers with plans being vetted with the community by the developers through the City’s standard planning process.

The purpose of this item is to authorize the City Manager to enter into an ENRA with Trumark Properties, LLC to assure them that the City of Hayward will negotiate exclusively and in good faith with them on the disposition and development of the City-owned Parcel Group 5 , while Trumark obtains approval of a site plan, zoning ordinance amendment, other planning entitlements, and negotiates a DDA for acquisition and development of Parcel Group 5 with the City.

## BACKGROUND

### *Route 238 Corridor Lands Development*

In the mid-1960s, the California State Department of Transportation (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 a Purchase and Sale Agreement (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. Table 1 below provides the current status of these parcel groups:

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	Under Negotiation	The True Life Companies (Mirza)	Winter 2019	189 (approved)	20 (approved)
3	Under Negotiation	Eden Housing and The Pacific Companies	Winter 2020	150	150
4	Under Negotiation	Eden Housing and The Pacific Companies	2021	3	0
5	Under Negotiation	City of Hayward	Fall 2020	74	8
6	Master Development Planning	City of Hayward	Winter 2021	1,000	70-100
7	Under Negotiation	One Subaru of Hayward	Winter 2019/20	0	0
8	Master Development Planning	City of Hayward	TBD	0	0
9	Master Development Planning	City of Hayward	Winter 2020	0	0
<b>TOTAL</b>				<b>1,888</b>	<b>326<sup>1</sup></b>

<sup>1</sup> Staff estimates 17% of total Route 238 Corridor Lands Development residential units will be affordable.

On July 17, 2019, the City Council approved a resolution certifying an addendum to the 2014 General Plan Environmental Impact report, approved the MDP, and approved a resolution authorizing the City Manager to issue a RFP for the disposition and development of Parcel Group 5. There were two responses to the RFP issued by the City, including Brookfield Homes and Trumark. After thorough interdepartmental review by staff, Trumark, a highly qualified residential developer, is being recommended as the preferred developer for further negotiation with the City for development of Parcel Group 5.

## **DISCUSSION**

### *Parcel Group 5: Bunker Hill*

Parcel Group 5 encompasses Maitland Drive, Bunker Hill Blvd., Bunker Hill Court, and a portion of Central Blvd. The roughly 37-acre Parcel Group 5 is bounded by the Westview Drive neighborhood to the west, CSUEB and Carlos Bee Blvd. to the north, and Harder Road to the south. The area is sloped and was previously developed with 32 single family homes, 24 of which were occupied by residential tenants. These units are now vacated and will be demolished in winter 2020.

### *Caltrans Purchase and Sale Agreement*

All the parcel groups have been acquired pursuant to the Caltrans PSA. The City's obligation to make the payment of the purchase price for the properties does not occur until the City has resold the parcels to developers. The PSA sets forth an agreed upon methodology to determine the sales price for each parcel group based on the appraised value and approved unit count. Under the PSA, the purchase price for Parcel Group 5 was established at the higher of a baseline value of \$7.5 million or \$150,000 per unit built (minimum of 50 units). This is the amount the City must pay Caltrans when the parcel group is sold.

### *Zoning and Development Policies*

The current zoning for the site is Residential Natural Preserve (RNP) and includes the Special District 7 (SD-7) overlay for the Hayward Foothill Trail. This zoning provides for 20,000 square foot minimum lot sizes and a 30% maximum lot coverage ratio. As part of the MDP and RFP approved by the City Council on July 17, 2019, staff recommended that the City entertain a rezone of Parcel Group 5 by Trumark to allow for a denser lot configuration that achieves the following:

- 5,000 sf. to 20,000 sf. lot sizes with a 10,000 square foot average lot size consistent with the General Plan;
- 30% to 40% maximum lot coverage ratio; and
- 60' to 100' maximum lot frontage.

The zoning change for Parcel Group 5 is intended to balance the neighborhood's desire for a low-density development consistent with the character of the existing neighborhood with the larger community-wide calls to develop more housing in response to the current housing crisis. Any new development will be required to comply with SD-7.

#### *Developer Background and Experience*

The Trumark development group is a highly qualified, locally owned and operated, private developer with 30-years' experience entitling and developing award winning communities throughout California. The company creates traditional suburban residences and transit-oriented developments. Trumark is a qualified, established real estate developer and homebuilder in the California marketplace with many local and national awards. Its mission is to build projects in highly desirable geographic areas while ensuring each development is economically viable and socially responsible and enriches the environment and surrounding areas with beautiful contemporary architecture. Of the two developer responses, Trumark's proposal was the most complete and thorough and offered the higher purchase price to the City.

#### *Summary of Proposal*

Consistent with the approved MDP, Trumark plans to construct 74 low density, single-family detached homes and at least 8 deed restricted affordable ADUs within the 37-acre site, designed to integrate into the hillside, maximize views, preserve open space, and create community. This project is still at a concept level, and no specific site plans have been prepared as the ability to acquire the property is the first step in the process of development of the site.

Additionally, the ENRA is only the first step in the land disposition process. Trumark will need to prepare site development feasibility studies, and process the City's standard land use entitlements. The ENRA simply gives Trumark reassurance that the City will not negotiate with another entity while they are expending funds during the due diligence period and negotiating a DDA with the City for acquisition of the parcel. Listed below is a summary of key elements of the ENRA:

#### *Key Elements of the ENRA*

- **Developer:** Trumark Homes, a California Corporation
- **Term:** 12-months with two (2) three month administrative extensions by the City Manager, if Trumark demonstrates compliance with the performance responsibilities outlined in the ENRA, and additional good faith negotiation deposits.
- **Minimum Purchase Price:** \$20,000,000, inclusive of \$11,100,000 payment to Caltrans, and a net of \$8,900,000 to the City for public benefits.

- **Deposits:** Non-refundable Good Faith Negotiating Deposit of \$10,000 due at ENRA execution. Applicable to the purchase price if DDA adopted, retained by City if project terminated. Additional deposit required for each term extension approved by City Manager.
- **City Reimbursement:** \$40,000 reimbursement deposit due at execution of ENRA and Reimbursement Agreement to pay for related City costs incurred during exclusive negotiations. Fund to be replenished by developer upon demand by City and accounting of expenditures to date. This does not include any fees or deposits related to the City's standard regulatory entitlement process.
- **Project Description:** Maximum 74 single-family homes with 8 deed restricted accessory dwelling units (ADUs), consistent with the approved MDP and General Plan.
- **Anticipated Entitlements:** Site Plan Review, Tentative Map, Final Map, and Zoning Amendment to Planned Development (PD) to allow for an average of 10,000 sq. ft. lots (range: 5,000-20,000 sq. ft.), range of lot frontage of 60-100 linear feet, and no more than 40% lot coverage consistent with MDP, CEQA Addendum, and General Plan. No other zoning amendments allowed.
- **Close of Escrow:** Close of Escrow to take place following Final Map approval.
- **Affordable Housing:** 8 deed-restricted ADUs plus a payment of 50% of the affordable housing in-lieu fee on 90% of total units.
- **Foothill Trail:** Developer to comply with requirements of SD-7 zoning overlay to construct a segment of the Hayward Foothill Trail. Final trail alignment to be approved by the Hayward Area Recreation and Park District and the City of Hayward. Maintenance of trail to be funded through Homeowners Association (HOA) or other financing mechanism.
- **GHAD:** Establish a Geological Hazard Abatement District to manage and maintain sensitive hillside conditions, including the trail, paid for by HOA or other financing mechanism.
- **Green Development:** Developer to submit a statement of sustainability measures that will be incorporated into the design and operation of the project as part of the project description.
- **TDM Plan:** Developer to develop a Transportation Demand Management (TDM) program for the new development.
- **Local Resident Priority:** Developer to propose a Hayward Resident Priority Preference Plan for the leasing and sale of housing units in the development pursuant to state and federal fair housing laws.

- **Community Outreach:** Developer to undertake ongoing community outreach efforts during ENRA Period per a community outreach plan submitted to the City. City to assist in defining appropriate community outreach methods.

**ECONOMIC IMPACT**

No property taxes are currently being paid on this parcel group. Resale of the parcel group may partially return them to the tax rolls, provide an opportunity for new residential development needed to address the goals of the Housing Element, and provide a dedication of open space.

The sale of the parcel group will be made pursuant to SB 470, which allows cities to sell public land for private development if the sale creates economic opportunity. Economic opportunity includes the creation and retention of jobs, increasing property tax revenues to all taxing entities, creation of affordable housing, implementation of a sustainable communities’ strategy, and implementation of a transit related project. The disposition agreement for the project will need to include one or more of these elements as an obligation and/or outcome of the development.

**FISCAL IMPACT**

This is the initial phase of potential property disposition and development. There are no anticipated fiscal impacts with the ENRA/DDA negotiations as the developer deposit will pay for outside legal and consulting costs. The estimated amount of new tax revenue that will be generated if the Trumark development proposal is approved will be estimated at the conclusion of the negotiating period when the number of housing units has been identified. The land sale proceeds are projected in Table 1.

**TABLE 1: LAND SALE PROCEEDS**

<b>Parcel Group</b>	<b>Proposed Purchase Price</b>	<b>Caltrans Price</b>	<b>Net Proceeds to City</b>
#5	\$20,000,000	\$11,100,000*	\$8,900,000

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\* Estimated based on proposed development of 74 units @ \$150,000

These estimates do not include affordable housing fees paid to the City by the project, which are projected to be an additional \$2.1 million that can be used for affordable housing development elsewhere in the City. The total estimated direct financial benefit to the City is \$11 million in land sale proceeds and affordable housing fees.

## **STRATEGIC INITIATIVES**

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goals:

- Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods, and
- Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

## **SUSTAINABILITY FEATURES**

The RFP required information on sustainable development features including incorporating green building standards into design and operation of the project. If Trumark is selected for negotiations, this element will be included as part of the plans required by the terms of the ENRA.

## **ENVIRONMENTAL REVIEW**

The Addendum to the GP EIR was certified by the City Council on July 17, 2019 pursuant to CEQA Guidelines Section 15164 which states: "The lead agency or a responsible agency shall prepare an addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred." The analysis contained in the Addendum confirmed that the proposed development for Parcel Group 5 consistent with the MDP and RFP is within the scope of the GP EIR and will have no new or more severe significant effects and no new mitigation measures are required. Therefore, no subsequent or supplemental EIR or further CEQA review is required prior to approval of the proposed project, as described in the Addendum.

## **PUBLIC CONTACT**

No public notice is required with this action. As Trumark prepares the site plan and zoning ordinance amendment, community outreach will be conducted by Trumark and the City throughout the entitlement process. In fact, Trumark has already held multiple meetings with members of the neighborhood to introduce themselves and answer any preliminary questions about their qualifications and approach to development. In addition, there will be standard hearings before the Planning Commission and City Council as the City considers the necessary planning approvals for the proposed project should it move forward to those phases.

## NEXT STEPS

### *Subsequent Actions and Estimated Timing*

The following Table 2 is a summary of the proposed project schedule, which includes information from the Trumark proposal. These dates will be subject to discussion with the developer and may change during negotiations of a DDA.

**TABLE 2: PROPOSED DEVELOPMENT SCHEDULE**

ITEM	ESTIMATED TIMING
Council Approves Exclusive Right to Negotiating Agreement	December 3, 2019
Entitlement and Planning Submittal	First Quarter 2020
City Approvals Complete	Fall/Winter 2020
Execution of Disposition & Development Agreement	Fall/Winter 2020
Community Outreach and Communication	Ongoing

*Prepared by:* Monica Davis, Community Services Manager

*Recommended by:* Jennifer Ott, Deputy City Manager

*Approved by:*



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Kelly McAdoo, City Manager