



**DATE:** August 19, 2025

**TO:** Mayor and City Council

**FROM:** Development Services Director

**SUBJECT:** Adopt a Resolution Authorizing the City Manager to Execute the Second Amendment to the Disposition, Development, and Loan Agreement with RCD GP IV, LLC and Parcel Group 8, L.P. to Accelerate the Relocation of Occupants for the Transfer of Specified City Owned Properties and for the Development of Housing

## **RECOMMENDATION**

That the City Council adopts a Resolution (Attachment II) authorizing the City Manager to execute the Second Amendment to the Disposition Development and Loan Agreement (DDA) and related documents, with RCD GP IV, LLC and Parcel Group 8, L.P. (Developer). to Accelerate the Relocation of Occupants for the transfer of specified properties and for the development of new affordable housing and rehabilitation of units for affordable housing.

## **SUMMARY**

After abandoning the State Route 238 Bypass Project in the 1970s, 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 aligned with the City's land use policies and overall vision, the City negotiated a Purchase and Sale Agreement (PSA) with Caltrans in 2016 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."

On September 15, 2020, the Council provided authorization for the City Manager to negotiate and enter into an Exclusive Negotiating Rights Agreement (ENRA) with Resources for Community Development (Developer), to develop an affordable housing project on the 2.36-acre Affordable Housing Segment, including new construction of affordable housing on the portion of the property within the City (City Portion) and exploration and identifying the development approach for existing naturally occurring affordable housing on the County Portion<sup>1</sup>. At the same time, Council also adopted a resolution memorializing that the provisions of affordable housing and an expansion of Carlos Bee Park will satisfy the affordable housing and park dedications for Parcel Group 8. Shortly thereafter, Caltrans authorized the subdivision

of Parcel Group 8 to allow for the disposition of the affordable housing, park, and market segments during separate transactions.

On June 28, 2022, after extensive community engagement and entitlement application approval, the City Council authorized the City Manager to negotiate and execute a Disposition Development and Loan Agreement (DDA) and related documents, with the Developer for the transfer of specified properties and for the development of new affordable housing and rehabilitation of units for affordable housing and found the project is consistent with prior California Environmental Quality Act (CEQA) determinations.<sup>2</sup> Developer and City executed the DDA also dated June 28, 2022. On February 20, 2024, The City Council authorized an amendment to the DDA to extend the required close of escrow date from December 31, 2024 to December 31, 2026 and revising the number and size of units in the development plan. The proposed project consists of the construction of 82 new affordable units and the rehabilitation of at least six existing units.

The existing units on the County Portion need major rehabilitation. Anticipated construction start has been delayed due to competitiveness of state housing development funding. The developer is working diligently to secure development funds but because an anticipated construction start date is unknown, staff recommends transitioning the tenants on the County Portion to better quality housing prior to construction start using existing predevelopment funds to provide a moving incentive and moving assistance.

## **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 former State Route 238 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. The 10 parcel groups must be disposed of by 2032 and Table 1 provides the current status of these parcel groups.

**Table 1: Status of 238 Parcel Groups**

<b>Parcel Group</b>	<b>Status</b>	<b>Entity</b>	<b>Est. Disposition Timeline</b>	<b>Estimated Unit Counts</b>	<b>Affordable Unit Count</b>
<b>1 &amp; 10</b>	Sold / Complete	William Lyon Homes (SOHAY)	August 2018	472 (approved)	48 (approved)
<b>2</b>	Sold / Under Construction	The True Life Companies (Mirza)	June 2020	189 (approved)	20 (approved)
<b>3</b>	Sold / Under Construction	Eden Housing and The Pacific Companies	December 2022	176 (approved)	176 (approved)
<b>4</b>	Master Development Planning	City of Hayward	2024+	3	0
<b>5</b>	Executed DDA	Trumark Properties, LLC	TBD	92	18
<b>6</b>	Developer solicitation in future	City of Hayward	TBD	300	30
<b>7</b>	Lower lot – Sold and operating	One Subaru of Hayward	June 2020	0	0
<b>7</b>	Upper lot	City of Hayward	TBD	0	0
<b>8</b>	Affordable Housing: Execution of DDA pending approval Open Space: Under negotiations Market Rate: Developer solicitation in future	AH: Resources for Community Development OS: HARD MR: City of Hayward	2026 TBD TBD	82 (new units) & up to 6 existing units (approved)	82 (new units) & up to 6 existing units (approved)
<b>9</b>	Developer solicitation in future	City of Hayward	TBD	TBD	TBD
<b>TOTAL</b>				<b>1,320</b>	<b>380<sup>5</sup></b>

Between 2019-2022, City staff worked with the community to develop a vision and approach to the development for Parcel Group 8. This included outreach efforts with the Parcel Group 8 neighborhood, Castro Valley Municipal Advisory Council, the existing Bridge Court tenants, Eden Area Municipal Advisory Council, Grove Way Neighborhood Association, Eden Area Community Land Trust, Supervisor Miley’s Office, Alameda County Housing and Community

Development Departments, Hayward Area Recreation and Park District, and the private and nonprofit development community. Based on this extensive community and stakeholder feedback, staff developed an approach to the development of Parcel Group 8 to subdivide Parcel Group 8 into three major segments and move forward with three distinct community and development processes as follows:

1. Affordable Housing Segment – Engage RCD, a nonprofit developer, to build much-needed **affordable housing** on the Bridge Court/Grove Way properties that minimizes displacement of existing residential tenants.
2. Open Space Segment – Facilitate an **open space** dedication to HARD for expansion of Carlos Bee Park.
3. Market Rate Middle Segment – Solicit private developer interest in a lower density **market rate housing and trail expansion** project consistent with the County Housing Element in order to address neighborhood traffic concerns and satisfy the Caltrans purchase price.

Caltrans agreed to authorize the separate and independent subdivision and development of the three distinct segments described above and, on September 15, 2020, the City Council memorialized that the proposed affordable housing development and open space dedication for Parcel Group 8 satisfies the City’s park dedication and affordable housing obligations for any new housing proposed on the Market Rate Middle Segment.

The Developer’s mission is to create and preserve affordable housing for people with the fewest options, build community, and enrich lives. For 40 years, the Developer has grown from a small Berkeley-based special needs housing developer to owning and operating 64 developments through the Bay Area that provide affordable homes to 5,353 people. The Developer also works closely in partnership with the John Stewart Company, who provides experienced property management, a key to the success of affordable housing. The Developer builds energy-efficient and green buildings, outdoor areas, community rooms, community gardens, and services and property management offices that add greatly to the quality of housing. These amenities include space for a variety of resident services programs, such as community building social activities, educational workshops, and individual case coordination to help residents gain skills and access services at no additional cost.

The Developer submitted their entitlements application under Senate Bill 330/Senate Bill 35 and Density Bonus on March 30, 2022. The project was deemed consistent with the objective standards for the Commercial/High Density Residential General Plan land use designation and related Commercial and Neighborhood Commercial/Residential zoning districts and the project entitlements were approved through the streamlined ministerial review with a Density Bonus and related concessions and waivers.

On June 28, 2022, the City Council authorized the City Manager to negotiate and execute a Disposition Development and Loan Agreement (DDA) and related documents, with Developer for the transfer of specified properties and for the development of new affordable housing and

rehabilitation of units for affordable housing and found the project is consistent with prior California Environmental Quality Act (CEQA) determinations. On February 20, 2024 the City Council authorized an amendment to the DDA to extend the required close of escrow date from December 31, 2024 to December 31, 2026 and revising the number and size of units in the development plan. Both the DDA approval and first amendment included the Section 52201 report. The conclusion of the Section 52201 Summary Report reflects that the estimated total cost to the City is projected to be higher than the purchase price received from the Developer. However, the DDA as amended and Regulatory Agreement impose extraordinary controls on the housing sites. The impacts created by these requirements reduce the value of the housing sites to a negative fair reuse value.

## **DISCUSSION**

Since the execution of the DDA, staff and the Developer have been working collaboratively to prepare the site for development and secure financing for the project. Key activities have included:

- Evaluating competitiveness and applying for various state and federal funding
- Performed environmental testing
- Obtaining a grant for removal of equipment associated with a former gas station on the property.
- Monitoring market conditions.

While the developer has been actively pursuing funding opportunities, it is still unknown when construction will start. The occupied property on the County Portion needs major rehabilitation.

### **A. Proposed Second Amendment to the DDA**

Due to the delay in securing funding and current need for improvement of the property, staff recommends amendments to the DDA which will authorize relocation of the tenants from the County Portion prior to construction start to help the tenants find better quality housing sooner, increase the moving incentive, and provide moving assistance. Table 2 describes the proposed changes to the DDA.

**Table 2. Proposed Second Amendment to the DDA**

	<b>Original DDA as amended</b>	<b>Proposed Change (Amendment #2)</b>	<b>Reason</b>
<b>Anticipated Move Out date</b>	<ul style="list-style-type: none"> <li>September 2025</li> <li>90-day Notice 3-6 months prior to construction start</li> </ul>	<ul style="list-style-type: none"> <li>December 2025</li> <li>90-day notice to be given September 2025</li> </ul>	Major rehabilitation needed and construction start date unknown
<b>Temporary Relocation Assistance</b>	Rent differential payment for two-year construction period	Eliminate temporary relocation assistance	Length of time for temporary relocation unknown. Displacement longer than one year is considered permanent relocation
<b>Permanent Relocation</b>	\$20,000 moving incentive	\$40,000 moving incentive and reimbursement of moving costs up to \$5,000.	Due to removal of the temporary relocation option, amount of incentive and assistance can be increased within existing development budget
<b>Zero Displacement goal/Right to return</b>	Zero displacement goal for all Bridge Court tenants that meet the eligibility requirements for the project. Tenants who are not income eligible and receive permanent relocation or choose permanent relocation would not have the right to return to the project	All Bridge Court tenants would be permanently relocated but are eligible for priority placement on lease-up lottery if they choose to apply for a unit in the project. Tenants must meet eligibility criteria for the project.	The change allows all Bridge Court tenants that are otherwise eligible at the time of construction completion (instead of construction start) to return to the project.

**B. Housing Element Compliance**

The proposed Project will add a total of 82 new affordable housing units to the City’s housing stock, which would help the City to meet approximately 5% of the RHNA goal for lower-income households. Additionally, the project helps the City meet the following goals established in the City’s Housing Element:

- Assist in the development of housing affordable to low- and moderate-income households; and
- Promote equal housing opportunities for all persons.

## **ECONOMIC IMPACT**

The proposed development would have a positive economic benefit in that it would result in development of a currently vacant site with new residential units and rehabilitate existing units that require infrastructure investment, and this would beautify the site and increase surrounding property values. The proposed development is expected to provide 88 new affordable housing units. Development of the project is also expected to generate temporary construction jobs and an estimated 33 permanent jobs.

Developers will leverage the City's investment in their project to secure funding from the County, the State, and private sources. The project will leverage approximately \$84 million dollars.

Additionally, social research indicates that access to affordable housing can improve education outcomes, increase health and wellbeing, boost economic activity, and lower the costs for state and local governments to provide emergency housing, mental health crisis services, emergency medical care, and other services to assist the homeless or families and individuals with a housing crisis. The rent for affordable housing is relative to income levels versus market prices which reduces rent burden. This increases available income to pay for other basic needs or save for other financial goals such as furthering education or homeownership. Stabilizing housing costs can be the first step to creating opportunities for personal economic advancement.

## **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.

## **FISCAL IMPACT**

The sale of the Affordable Housing Segment will help satisfy the affordable housing requirements for the future Market Rate Segment, enhancing the future purchase price of the Market Rate Segment. The future sales proceeds for the Market Rate Segment will be utilized by the City to repay Caltrans as required under the PSA and any excess to sales proceeds will be retained by the City.

While no property taxes are currently being paid on this Parcel Group, the proposed approach to development is expected to result in new market rate development on the Market Rate Middle Segment, which will generate new property tax revenue to the City. If the Affordable Housing Segment is developed and managed by Developer, it will generate little property tax revenue since an affordable housing development owned by a nonprofit organization is eligible for a welfare exemption which reduces its tax obligation. That said, the proposed project would provide an opportunity for new residential development needed to address the goals of the

City's and County's Housing Elements. If HARD takes ownership of the Open Space Segment, it will not generate property tax revenue, but will create important public open space and trails for the neighborhood and Hayward community.

There is no additional fiscal impact related to the \$2 million loan from the City Inclusionary Housing Fund. Funding for this project was approved by City Council on May 4, 2021 and the funds have already been encumbered.

**NEXT STEPS**

Following Council approval, staff will take the necessary steps to execute Amendment 2 to the DDLA and convey the property to the Developer in accordance with the DDLA.

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Approved by:



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