



DATE: December 16, 2025

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to Negotiate and Execute a Disposition and Development Agreement with Bay Area Community Services for the Transfer of Two Parcels on Depot Road with APNs 439-0070-006-01 and 439-0070-006-02; and Finding that the Action is Exempt from Environmental Review

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to negotiate and execute a Disposition and Development Agreement with Bay Area Community Services for the transfer of two parcels on Depot Road with APNs 439-0070-006-01 and 439-0070-006-02; and finding that the action is exempt from environmental review.

SUMMARY

Since 2022, Bay Area Community Services (BACS) has planned to develop and operate a mental health rehabilitation center (MHRC) in Hayward. The original plan was for BACS to acquire and renovate the former St. Regis retirement center, with a portion of the site dedicated to the MHRC. After acquiring the Regis property, BACS determined that it was not suitable for an MHRC as proposed and approved by their state funding. In 2023, BACS and the City identified a possible solution to this issue by swapping the MHRC with the Hayward Navigation Center (HNC), located at 3788 Depot Road.

This report seeks City Council authorization for the City Manager to negotiate and execute a Disposition and Development Agreement with BACS for the transfer of the parcels on Depot Road, one of which is currently being used for the HNC and the other is across the street from the HNC site. The purchase price is \$1.65 Million and will be paid in installments over no more than five years, with at least \$500,000 in the first year and up to an additional \$28,000 towards closing costs.

FISCAL IMPACT

The proceeds from the sale of the parcels will go to the City's general fund. As mentioned above, the price is \$1.65 Million with at least \$500,000 due to the City in the first year and up to an additional \$28,000 towards closing costs. The sale price is set at market rate based on appraisals by both parties. The City is unaware of any other parties who are interested in purchasing these parcels. As described below, the Surplus Land Act Notice of Availability for these parcels generated no interest.

BACKGROUND & DISCUSSION

Mental Health Rehabilitation Center Plan

In 2022, BACS received state funds to develop and operate a MHRC, along with other services. A MHRC is a licensed facility providing psychiatric and rehabilitative treatment on a 24-hour basis for people with serious mental illness and/or substance use disorders. The MHRC proposed by BACS would be a locked facility for individuals on an involuntary hold under supervision. It would be accessed by referral only with no drop-ins and all patients would be discharged with a housing plan for any unhoused patients.

On May 12, 2025, the State announced that BACS received an additional \$32 million through the Behavioral Health Continuum Infrastructure Program (BHCIP) to construct the MHRC.

The original plan was for BACS to acquire and renovate the former St. Regis retirement center, with a portion of the site dedicated to the MHRC. After acquiring the Regis property, BACS determined that the MHRC as proposed and approved by the state for funding could not be implemented. In the summer of 2023, BACS and Community Services Division staff identified a possible solution to this issue by swapping the MHRC with the HNC. The HNC would fill a portion of the interim housing already proposed for the Regis Village suite of services, giving the City some operational leverage at the Regis Village site. City Council Members were briefed on this concept at that time in 2023.

The proposed location for the MHRC is located within the General Industrial (IG) zoning district which allows Psychiatric and Rehabilitation Facilities ¹ by right in accordance with California Welfare and Institutions Code (WIC) Section 5960.3. The proposed project also requires approval of a Major Site Plan Review (MSPR) and Variance (VAR) application from the Hayward Planning Commission, unless appealed to City Council. The City received an application for the proposed development on September 23, 2025. As of this date, the application is still under review and no public hearings have been scheduled.

¹ Psychiatric and Rehabilitation Facility are defined as "mental health programs providing 24-hour psychiatric and rehabilitation care including Mental Health Rehabilitation Centers (MHRCs), Psychiatric Health Facilities (PHFs) and Psychiatric Residential Treatment Facilities (PRTFs) that are licensed by the Mental Health Licensing Branch of the California Department of Health Care Services." within Hayward Municipal Code Section 10-1.3500.

Surplus Land Act Notice of Availability Process

Staff vetted the proposed solution of swapping the sites with staff from the California Department of Housing and Community Development (HCD) to determine its compliance with the Surplus Land Act (SLA). All parties agreed that the appropriate course of action would be to follow the SLA Notice of Availability (NOA) process. On January 21, 2025, the City Council adopted Resolution 25-002 designating the two parcels as surplus property and staff issued an NOA later that week.

No notices of interest from prospective affordable housing developers were received. The City has met its obligations under the SLA and may dispose of the property in any manner. Since the parcels were declared surplus, the SLA requires a restriction to be recorded against the property which imposes affordability restrictions if 10 or more residential units are ever developed on the property. The units are to remain affordable to lower income households for at least 55 years for rental units and 45 years for ownership units. Recordation of this restriction will be a component of the sale of the parcels.

Disposition and Development Agreement

Staff is now seeking Council authorization for the City Manager to negotiate and execute a Disposition and Development Agreement (DDA) with BACS with the following key terms:

- **Purchase Price:** The price is \$1.65 Million with up to an additional \$28,000 toward closing.
- **Payment Period and Terms:** The purchase price shall be paid in installments over a period of five (5) years with three percent (3%) annual interest applied and a minimum of \$500,000 paid in the first year. BACS will have an option to extend this financing period by two (2) years, if the County of Alameda's funding is no longer available for this site.
- **Project Description:** The DDA will reference the funding agreement that BACS has with the State of California to construct the MHRC, which will be a Regulatory Agreement and Declaration of Restrictions, secured with a Deed of Trust. The DDA will require BACS to meet all terms in the Regulatory Agreement, including:
 - Adhere to the State of California operating requirements.
 - Requirements to conform with all applicable local habitability and safety codes.
 - Restrictions on sale, requiring State approval of any sale and City to receive 50% of sale price, less the amount of the original purchase price. Maintenance of property and commercial liability insurance as called for by the State. City to be an additional insured during the five (5) year payment period.
 - Ability of California Department of Health Care Services or their designee to inspect site and records throughout course of restricted period.

Environmental Review

This project is exempt from environmental review in accordance with the California Environmental Quality Act (CEQA) Guidelines, Section 15332, In-Fill Development Projects, because the project is an in-fill development project that is fully consistent with the conditions outlined in Section 15332 and none of the exceptions outlined in Section 15000.2 apply as noted in Attachment II.

STRATEGIC ROADMAP

This initiative supports the Strategic Roadmap priorities of Enhance Community Safety and Preserve, Protect & Produce Housing for All.

NEXT STEPS

If Council adopts the resolution, staff will complete negotiations with BACS and the City Manager will execute a DDA with BACS using the terms listed above.

Prepared by: Tracy Irvin, Real Estate Manager
Michael Vigilia, Senior Assistant City Attorney
Amy Cole-Bloom, Community Services Manager

Approved by:

A handwritten signature in blue ink, appearing to read "Jennifer Ott", is positioned above a horizontal line.

Jennifer Ott, City Manager