



**DATE:** October 16, 2017

**TO:** Council Economic Development Committee

**FROM:** Economic Development Manager

**SUBJECT:** Discuss the Route 238 Parcels Disposition Project Management Plan and Schedule Overview for Route 238 Parcels Disposition and Development

### **RECOMMENDATION**

That the Committee reviews and provides feedback on the Route 238 Parcel Disposition Project Management Plan and Schedule.

### **SUMMARY**

The attached Route 238 Parcels Disposition Project Management Plan and Schedule details a schedule for Phase I of the planning and disposition activities required for the sale and development of the Caltrans former Route 238 parcels. Phase II activities are also included but described in brief as they will be defined and refined after the planning consulting work done in the first phase.

### **BACKGROUND**

In the mid-1960s, Caltrans purchased over 400 parcels of property for the planned construction of the 238 Bypass Freeway project. In 1971, the project was stopped because of a lawsuit filed by La Raza Unida of Southern Alameda County. Caltrans abandoned the project and the parcels have remained in Caltrans ownership for the past 40 years. A portion of the parcels has been sold by Caltrans over the years, but many others remain in State ownership. In 2009, after two years of negotiations with Caltrans and numerous interest groups, the City entered into a Settlement Agreement with Caltrans and affected parties, resulting in Caltrans declaring the remaining State-owned parcels surplus.

Many of the residential parcels were sold to tenants through a City assisted First Time Homebuyers Program. Almost all of the residential and a few of the commercial properties have been sold by Caltrans to private owners. Proceeds from the sales have gone into a transportation fund, which have been allocated in part to transportation projects in Hayward.

Caltrans also started selling larger commercial and undeveloped properties through its usual auction process. While this was expeditious for Caltrans, it did not consider the potential to maximize land values, and to promote quality development design that could occur through land assembly that would be in the better interest of the Hayward community. Some parcels

were being resold for speculation without being developed, and the City did not have as strong an opportunity to shape the development plans to ensure the greatest conformance with City land use policies. In 2011, the City approached Caltrans with a proposal to allow the City to assume the responsibility for property disposition for undeveloped properties. After a few years of initial disinterest, Caltrans agreed to negotiate an agreement with the City that was approved by the City Council and the California Transportation Commission (CTC) in January 2016.

The Purchase and Sale Agreement with Caltrans consists of the following major elements and benefits:

- Allows the City to buy from Caltrans ten different parcel groups for a six-year period that expires in January 2022
- Properties that have not been resold by the City to developers can be returned to Caltrans without penalty
- Allows the City time to pre-plan and partially entitle each parcel group to ensure maximum value and conformance of development plans to city land use policies and vision
- An appraisal process determines property values. These amounts will be paid to Caltrans. If the City can negotiate a higher land value on resale to developers, due to its preplanning and entitlement process, the excess proceeds will accrue to the City for economic development and other purposes
- Allows City to use purchase and sale agreements that will require the parcels to be developed and not resold for speculation
- Allows the City to structure public input on proposed development concepts
- Allows the City the opportunity to plan the appropriate infrastructure upgrades needed to support the sale of the combined parcel groups and to establish infrastructure funding districts as appropriate

Two of the parcel groups have been offered for sale to Lyon Homes pursuant to a Purchase and Sale Agreement and the sale is expected to occur this calendar year. The remaining eight parcel groups are the subject of this discussion.

## **DISCUSSION**

To dispose of the parcels pursuant to the goals discussed above, three major activities will need to be completed for each parcel group: 1) Preplanning appropriate uses with partial entitlement including California Environmental Quality Act (CEQA) analysis and review; 2) Offering the parcels through a Request for Proposals (RFP) process to obtain the best offers and development plans; and 3) Negotiating a Purchase and Sale agreement (PSA) for each parcel group with a selected developer. Undertaking this amount of pre-sale activity for eight parcel groups within the five years remaining will require a schedule with significant milestones for the various City approval entities involved, including the City Council, Planning Commission, Council Economic Development Committee, and City staff.

Attached is a draft Project Management Plan and Schedule that sets forth the timing of the various activities for Committee review and comment. There are a few assumptions the schedule is based on as follows:

- The schedule starts with the selection of a consultant team that will provide conceptual plans for six of the eight parcel groups, undertake economic analysis to support the recommended uses, and prepare the appropriate CEQA analysis for approval;
- Two parcel groups are not included in this initial analysis as they will be sold primarily for open space and will be approached differently with a later time frame for pre-planning and disposition;
- The schedule is divided into two phases: 1) Pre-planning activities and 2) Disposition activities. The first phase is detailed as staff has a good sense of the activities and timing from the consultant team proposals received. The second phase is described in general terms at this point as the work of the planning consultant teams will help determine the additional steps and timing required, and
- Completion of Phase I planning work for all parcel groups is estimated by April 2019, leaving approximately three years for Phase II disposition activities to be completed.

## **ECONOMIC IMPACT**

The Caltrans parcels are currently in public ownership and not on the tax roles. Sale of the parcels, and their ultimate development, will produce new property tax revenues for all the taxing entities. As plans are developed for each parcel group, the planning consultant team will estimate the new tax revenues. New development of vacant or underutilized parcels will be a catalyst for improvements of the areas surrounding the various parcel groups.

## **FISCAL IMPACT**

The preplanning activities for Phase I are currently estimated to cost approximately \$600,000. These costs will be recouped through the resale of the parcels.

## **STRATEGIC INITIATIVES**

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities strategy 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 the quality of life for residents, business owners, and community members in all Hayward neighborhoods. 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.

In addition, the sale and development of several of the parcel groups supports the policies in the Economic Development Strategic Plan for the Central Mission Boulevard Corridor.

### **SUSTAINABILITY FEATURES**

The pre-planning and RFP approach for parcel disposition will enable the City to create development plans that are consistent with the City's sustainability policies and goals.

### **PUBLIC CONTACT**

One of the activities in the attached Project Management Plan is public engagement throughout the pre-planning process. This public input will help shape the type of development sought through the RFP process.

### **NEXT STEPS**

Staff has issued a RFP for the planning consultant team, and selected a team to recommend to the City Council, to commence the Phase I planning activities. It is anticipated that the team will start its work at the beginning of November.

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Approved by:



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Kelly McAdoo, City Manager