



DATE: September 18, 2018

TO: Mayor and City Council

FROM: City Manager

SUBJECT Authorization for the City Manager to Negotiate and Execute a Purchase and Sale Agreement with Moussa Group LLC for the Sale of Six City Parcels

RECOMMENDATION

That the City Council adopts the attached resolution (Attachment II) authorizing the City Manager to negotiate and execute a Purchase and Sale Agreement for the sale of six parcels of land at 24744 – 24874 Mission Boulevard, generally located at the northeast corner of Mission Boulevard and Carlos Bee Boulevard.

SUMMARY

The purpose of this item is to seek authorization for the City Manager to negotiate and execute a Purchase and Sale Agreement for the sale of six parcels of land located at 24744 – 24874 Mission Boulevard to Moussa Group LLC for the development of a new franchise auto dealership.

BACKGROUND

In 2009, as part of the Phase 1 Route 238 Project, the City of Hayward acquired the set of six parcels located at the northeast corner of Carlos Bee Boulevard and Mission Boulevard (see Attachment III for Map Exhibit). The properties were necessary to facilitate lane widening and frontage improvements along Mission and Carlos Bee Boulevards. The parcel located directly at the corner has a small existing building and is currently leased for new automobile storage for an existing Hayward auto dealership, while the remaining parcels are all vacant unpaved lots.

The six parcels under consideration for sale total 1.82 acres in size and are in the Mission Boulevard Corridor Form Based Code Plan Area with the T4- Commercial overlay at the middle of Hayward Auto row. The General Plan designation for the parcels is Sustainable Mixed Use.

In 2015, the City received two un-solicited offers to purchase the city owned sites. The City evaluated the two offers and selected the Moussa Group LLC and has been working with them to refine their proposal for the acquisition of the property for the development of an auto dealership.

Developer Background and Experience

Moussa Group LLC is a family business run by Ayman and Chadi Moussa. Together, Ayman and Chadi have over 40 years of combined experience in the car business. After working and running other dealers, Ayman decided to open the first store in 2009 in Daly City. The store was a success and it pushed the brothers to start another store in Hayward.

In 2012, the group acquired the abandoned location at 25375 Mission Boulevard, remodeled the facility, and turned it into a store selling over 70 cars a month and employing close to 10 employees in the store. As the business grew, 25601 Mission Boulevard, or what was known as the old Dodge building, became available. The group acquired the store that needed extensive remodeling and changed the old abandoned building into a Mitsubishi franchise. Today, Hayward Mitsubishi is the number one Mitsubishi store by volume in Northern California and it employs around 40 employees on average.

In mid-2017, the group added Daly City Mitsubishi to its portfolio. The location at 6399 Mission Street in Daly City was an old and outdated dealership. With the experience and knowledge of the brothers, the location was transformed into a state-of-the-art dealership that employs 25 employees and sells close to 80 cars a month.

Moussa Group has the knowledge and commitment to invest in its community. With the dedication of the brothers and a proven successful process, the group is confident to turn any challenging project into a success story.

Moussa Group LLC is looking to construct a new franchise auto dealership at the North East Corner of Carlos Bee and Mission Boulevard. The dealership would sell new and used auto vehicles and provide associated auto service and parts. This project is still at a concept level; no specific plans have been prepared as the ability to acquire the property is the first step in the process of development of the site. Approval of the Purchase and Sale Agreement is simply one step in the approval process for this project. The project will still need to obtain entitlements and development review in accordance with the milestones and timelines.

DISCUSSION

City staff began negotiations with Moussa Group LLC on the terms of the Purchase and Sale Agreement (PSA). The purchase price and other key terms have been discussed in closed session with the City Council. The general terms would include the following:

- Good Faith Deposit of \$50,000
- Mousa Group to enter into a franchise agreement with a new car auto manufacturer
- Mousa Group to conduct due diligence and obtain approval of land entitlements for new auto dealership including California Environmental Quality Act review

Timeframes

Moussa Group LLC is prepared to move forward with site due diligence followed by a formal development application within the next three months. Under the PSA, the developer must meet certain milestones regarding the entitlement process. The closing date for this agreement would be when the Moussa Group has completed all necessary entitlements including California Environmental Quality Act (CEQA) review.

ECONOMIC IMPACT

The proposed sale of the six City owned parcels would have a significant positive economic impact for the City of Hayward. The development team proposing to purchase the parcels is seeking to construct a new franchise auto dealer on the site. The dealership would include new auto sales along with a service facility, which would generate positive sales tax revenue and create local jobs. This development could serve as a revitalization project strengthening Hayward's Auto Row and encouraging other development or investments in the area.

FISCAL IMPACT

The proposed development of the vacant properties with an auto dealership would have a positive fiscal impact for the City of Hayward depending on the auto franchise and improvements proposed. Once project details are formulated, additional fiscal impact information would be provided.

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 goal and objectives:

- Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.
- Objective 1: Increase neighborhood safety and cohesion – The sale of the properties would remove six vacant parcels along a major corridor to create a more cohesive neighborhood.
- Objective 2: Foster a sense of place and support neighborhood pride – The sale will bring to this site a name brand auto dealership with high quality facilities. The project also brings additional jobs to the area.

PUBLIC CONTACT

No public notice is required with this action.

NEXT STEPS

If the Council authorizes the execution of the Purchase and Sale Agreement, the City Manager will negotiate a final form of the agreement for execution in a form approved by the City Attorney, consistent with the terms and conditions contemplated in this staff report and its associated attachments and during the Closed Session with City Council. Following execution and close of escrow, a copy of the PSA will be brought back to the Council as an information item for Council's reference.

Prepared by: Catherine Ralston, Economic Development Specialist

Recommended by: Micah Hinkle, Economic Development Manager

Approved by:



Kelly McAdoo, City Manager