



DATE: December 5, 2023

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adopt a Resolution Approving the Exclusive Negotiation Agreement with Montecito Development Company LLC for the Proposed Development of the California Air National Guard and Skywest Sites at the Hayward Executive Airport

RECOMMENDATION

That the City Council adopts a resolution (Attachment II) approving the exclusive negotiation agreement with Montecito Development Company LLC for a period of twelve months with four (4) optional six-month extensions at the City Manager's discretion for the development of parcels at the Hayward Executive Airport on sites known as the California Air National Guard (CANG) site and the former Skywest Golf Course.

SUMMARY

Montecito Development Company LLC is seeking the Council's approval for an exclusive negotiating rights agreement for the CANG site and former Skywest Golf Course to begin work on developing the parcels for use other than what is currently on the site.

BACKGROUND

The Airport and all its facilities were originally transferred from the United States Government to the City in 1947 in the form of a quitclaim deed. The City entered into an agreement with the U.S. Government in 1949 for continued use of Airport land by the U.S. Air Force and the CANG. The CANG site was used by various military units until 1980 when the land was vacated and eventually returned to the City in September 2012. A significant portion of the vacated land (16 acres) is the subject of this development, while three additional acres continue to be leased by the CANG.

The Skywest property, which was formerly used as a golf course, is owned by the Hayward Executive Airport (Airport). After the Hayward Area Recreation and Park District (HARD) ceased operations at the Skywest Golf Course on September 30, 2020, Airport staff assumed maintenance of the property and initiated a process to guide future development of the site.

DISCUSSION

The Developer is proposing an advanced manufacturing development project at the CANG site. Advanced manufacturing includes the use of innovative technologies to improve products or processes, including life sciences (i.e., drugs and therapeutics), or electronic products (i.e., robotics and energy). Advanced manufacturing is a burgeoning industry, with over 100,000 Science, Technology, Engineering, Art and Math and 7,000 bio manufacturing jobs within the San Francisco Bay Area.

The Developer is proposing to develop 47 acres of the Skywest property. The intent is to create multiple class A commercial buildings for life sciences. The site will serve as a hub for the east bay area. The developer will keep in mind the natural state of the land now and will ensure no native animal habitats will be lost.

In June, Council authorized the City Manager to negotiate with Montecito Development for the above mentioned development project. Since that time, City staff and Montecito Development have worked together to come to the terms outlined in Attachments III & IV for the CANG and Skywest property sites respectively.

ECONOMIC IMPACT

The proposed development would add much needed square footage to Hayward's industrial real estate inventory. Currently, the industrial vacancy rate citywide is under 4 percent. Most of this vacant space is older stock and not conducive to attracting life science or advanced manufacturing users. This development would also generate employment opportunities for skilled and unskilled tradespeople during the construction phase, and advanced manufacturing jobs after the project is fully built. Furthermore, the City's General Fund would benefit from additional business license fees and sales tax.

FISCAL IMPACT

There is no fiscal impact of this action to the City's General Fund. Each year that the ENRA is in place, the Airport Enterprise Fund will generate approximately \$291,000 in fee revenue from the agreement. Should the sites be completely developed there will likely be a significant positive impact in revenues to the City's General Fund as the property will begin to generate property, sales and business license taxes. Currently, those amounts are not estimable.

STRATEGIC ROADMAP

2 b. Grow the Economy: Engage owners and encourage activation of vacant sites.

SUSTAINABILITY FEATURES

Sustainability features are not specified in this agreement but will be included as part of the final development plans in the future.

PUBLIC CONTACT

This item has been discussed at multiple Council Airport Committee meetings, with updates at each meeting in 2022 and 2023. Prior to that public outreach has included:

- Postings on City and Airport social media
- City of Hayward's electronic distribution
- Hard copy fliers at the Airport, City Hall, and libraries
- Direct outreach to adjacent homeowner's associations
- Postcards mailed to 13,800 residents
- A public facing website for project (translation of materials available directly through website)
- Posted to City and Airport websites
- Multiple rounds of public comment periods

On June 27, 2023 at a regularly scheduled meeting, the Council received a report and authorized the ENRA negotiation to proceed.

NEXT STEPS

All non-aeronautical development on the CANG site will likely require approval by the FAA. In addition, the zoning must be changed from AT-AC to AT-C to accommodate non-aeronautical commercial development. Should the Council approve this negotiated Exclusive Negotiating Rights Agreement with Montecito Development Company LLC, Airport staff will submit the rezoning request to the City for consideration and will concurrently facilitate development of the site, including negotiating a lease agreement with the prospective developer and working with the developer in pursuing land use entitlements and environmental clearance, subject to plan review and approval by the City.

Prepared and Recommended by:

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Approved by:



Kelly McAdoo, City Manager