

**SUMMARY REPORT PURSUANT TO GOVERNMENT CODE SECTION 52201
ON THE PURCHASE AND SALE AGREEMENT BY AND BETWEEN THE
CITY OF HAYWARD AND WILLIAM LYON HOMES, INC.**

I. Introduction.

The City of Hayward (the "City"), has prepared a summary report (the "Summary Report") as required by Section 52201 of the Government Code, with regards to the City's proposed execution of a Purchase and Sale Agreement ("PSA") by and between the City and William Lyon Homes, Inc. (the "Developer") for the sale of specified parcels of real property (the "Property") to the Developer.

Government Code Section 52201, authorizes the City, to sell or lease property to which it holds title for the purpose of creating economic opportunity. The City must first secure approval of the proposed sale from the City Council after a public hearing. A copy of the proposed PSA and a summary report that describes and contains specific financing elements of the proposed transaction is required to be available for public inspection prior to the public hearing. As contained in the Code, the following information is included in the summary report:

- The cost of the PSA to the City, including land acquisition costs, clearance costs, relocation costs, and the costs of any improvements to be provided by the City, plus the expected interest on any loans or bonds to finance the agreement;
- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the general plan and zoning;
- The estimated value of the interest to be conveyed in accordance with the uses, conditions and covenants, and development costs required under the proposed PSA, i.e., the fair reuse value of the Property;
- An explanation of why the sale of the property will assist in the creation of economic opportunity;
- If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the general plan and zoning, then the City must provide as part of the summary an explanation of the reasons for the difference.

In addition to the authority granted to it under Government Code Section 52201, the City is also acting pursuant to authority granted to it under Government Code Section 37350, which provides that a city may purchase, lease, receive, hold, and enjoy real and personal property and control and *dispose* of it for the common benefit.

II. Summary of Proposed Agreement.

The proposed Development described in the PSA is a high quality mixed-use retail and residential development, containing approximately 21,900 square feet of retail building space, 351 residential units, associated parking spaces, roughly 2.5 acres of public park space, and related landscaping and amenities (the "Proposed Project"). The Property is currently not entitled for the Proposed Development and the Developer is obligated to obtain the entitlements necessary for the Proposed Project, including any required environmental review, as a condition to transfer of the Property to the Developer.

The salient aspects of the proposed PSA are summarized as follows:

- The City commits to transfer "City Owned Property" and "Caltrans Property" and to take commercially reasonable efforts to negotiate for the acquisition (and potential transfer) of the "BART Property", the "ACFC Property" and the "HARD Property", all as defined in Recital A of the PSA.
- The City will convey the Property (or such portion thereof as it acquires) to the Developer in fee in its "as-is" condition.
- The Developer will pay the City \$27,382,000 for the Property (consisting only of the City Owned Property, the Caltrans Property and the HARD Property) in the form of cash payment, subject to the following potential adjustments:
 - If specified conditions listed in Section 2.1(a) of the PSA are not satisfied by a date agreed upon by the parties, and the HARD Property is not deeded to the Developer on the "Closing Date" (defined in the PSA), then the Purchase Price may be reduced by \$1,705,000;
 - If specified conditions listed in Section 2.1(b) of the PSA are satisfied by a date agreed upon by the parties, and the BART Property and ACFC Property are conveyed as part of the Property on the Closing Date, then the Purchase Price will be increased by \$4,201,075; and
 - The additional sum to be paid as part of the Purchase Price pursuant to Section 2.1(b) of the PSA may be reduced by the remediation costs (if any) agreed upon by the parties.
- The Developer will provide up to \$300,000 for any relocation costs.
- The Developer proposes to construct, subject to City entitlement and development review approvals and completion of environmental review, the Proposed Project.
- The City is not required to make any form of financial or other assistance to the Developer.

- The Proposed Project will be subject to and must comply with the requirements of the City's Inclusionary Housing Ordinance.

III. Cost of Agreement

This section presents the total estimated cost of the PSA to the City. Pursuant to California Government Code Section 52201 (a)(2)(B)(i), the cost of the PSA to the City includes all land acquisition costs, clearance costs, relocation costs, the cost of any improvements to be provided by the City, plus the interest on any loans or bonds to finance project under the terms of the PSA. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

The estimated total cost to the City is projected to be less than the Purchase Price received from the Developer but exact amounts are not known at this time. The Property to be transferred to the Developer will likely consist of up to seventeen (17) parcels of real property. The City currently owns the City Owned Property which consists of one (1) parcel. The City has an agreement with Caltrans related to the acquisition of a various properties including fourteen (14) properties included in the Property to be conveyed to the Developer. The Caltrans agreement requires that the purchase price for the Caltrans Property be negotiated between the City and Caltrans. The purchase price has not been finalized at this time but is not expected to exceed the purchase price being paid by the Developer for the property based on the terms of the City's agreement with Caltrans. The City will be negotiating the potential acquisition of the BART Property and the ACFC Property consisting of two (2) additional properties. The purchase price to be paid by the City the BART Property and the ACFC Property has not been negotiated or established. The PSA also contemplates a land swap between the Hayward Area Recreation and Park District (HARD) and the City for the HARD Property. In no event will the total acquisition costs paid by the City for the combined Property be more than the Purchase Price received from the Developer.

The City's holding costs for the City Owned Property is de minimis. Because of the delayed timing of the potential acquisition closing for the BART Property, ACFC Property and HARD Property, the City expects de minimis holding costs should the City be successful in acquiring those properties.

The City has or expects to incur approximately \$100,000 on internal staff costs and approximately \$900,000 on third party costs, including; broker fees, legal fees, consulting fees, and other fees associated with the negotiation of the PSA and associated land transfer documents.

The City does not expect to incur any relocation costs. If any relocation obligations arise, the Developer has agreed to provide up to \$300,000 to pay for any relocation costs incurred as a result of the implementation of the PSA. The City expects to incur approximately \$200,000 in demolition costs on the Caltrans Property, assuming the demolition of approximately four existing buildings.

IV. Estimated Highest and Best Use Value of the Interest to be Conveyed

Section 52201 requires the City to identify the value of the interest being conveyed at the highest use permitted under the general plan and zoning in place on the Property. The valuation must be based on the assumption that the Property is vacant, and that near-term development is required. The highest and best use of a property, is that use of the Property that generates the highest property value and is physically possible, financially feasible, and legally permitted. The valuation does not take into consideration any extraordinary use, quality, and/or income restrictions being imposed on the development by the City. The value at highest and best use is based solely on the value created and not on whether or not that use carries out the development goals and policies for the City as set forth in the PSA.

This section presents an analysis of the fair market value of the Property at its highest and best use. This section explains the value of the Property to be sold to the Developer and the consideration being provided by the Developer. The section indicates that the consideration being provided is not less than the highest and best use value of the Property.

The City obtained an appraisal for the property in its existing condition with its current land use designations which valued the property at approximately \$31,583,075 (assuming all parcels are included in the transfer to the Developer). The purchase price being paid by the Developer is based on the parties' negotiation of the Property value taking into account the appraised value of the Property as well as the impact on value of the Property resulting from entitlement of the Property for a use consistent with the Proposed Project.

V. Estimated Fair Re-Use Value of the Interest to be Conveyed

In calculating the fair re-use value, re-use value is defined as the highest price in terms of cash or its equivalent which a property or development right is expected to bring for a specified use in a competitive open market, subject to the covenants, conditions, and restrictions imposed by the PSA. The PSA does not contain any covenants, conditions, or restrictions on the use of the Property. Moreover, the PSA requires the Developer to purchase the Property for the fair market value, at its highest and best use.

VI. Explanation of the Difference (if any) between the Compensation to be paid to the City under the PSA and the Fair Market Value of the Property

Under Section 52201, the City is required to explain if the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the general plan and zoning, then the City must provide as part of this Summary Report an explanation of the reasons for the difference. In this instance, there is no difference. The City will receive up to \$31,583,075 in compensation for the transfer of the Property, which is the estimated value of the Property at its highest and best use. The City fully expects that the Purchase Price received from the Developer will not be

less than the costs paid by the City for the combined Property and the costs of the agreement summarized in Section III, above.

VII. Creation of Economic Opportunity

The Proposed Project, when constructed, will create economic opportunity in the South Hayward area. Section 52200.2 defines "economic opportunity" as any of the following:

- Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that create, retain, or expand new jobs, at least one full-time equivalent, permanent job for every thirty-five thousand dollars (\$35,000) of city investment in the project after full capacity and implementation;
- Development agreements, loan agreements, sale agreements, lease agreements, or other agreements that increase property tax revenues to all property tax collecting entities, by at least 15 percent (15%) of total property tax resulting from the project at full implementation when compared to the year prior to the property being acquired by the government entity;
- Creation of affordable housing;
- Projects that meet the goals set forth in Chapter 728 of the Statutes of 2008 and have been included in an adopted sustainable communities strategy or alternative planning strategy or a project that specifically implements the goals of those adopted plans; or
- Transit priority projects, as defined in Section 21155 of the Public Resources Code.

The City is not providing any form of financial assistance to the Developer. The City, however, has identified the following benefits that will result from implementation of the PSA and will create economic opportunity as defined in Government Code Section 52200.2.

A. Increased Property Taxes

Currently, none of the properties that are subject of the Purchase and Sale generate property tax revenues, and because all the Property is being acquired from other governmental entities, the property tax revenue the year prior to the property being acquired by the City is \$0. Upon transfer to the Developer under the PSA, the assessed value of the Property will change from \$0 to up to \$31,583,075, and will result in estimated property tax payments of approximately \$315,830.75, in its unimproved state.

The sale of the Property to the Developer is estimated to cause the following increase in the property tax revenue:

Assessed Value at Date of Acquisition		\$0.00
Property Tax Rate	1.0%	\$0.00
Estimated Property Tax Revenue		\$0.00
Assessed Value after sale to the Developer (unimproved state)		\$31,583,075.00
Property Tax Rate	1.0%	
Estimated Property Tax Revenue (unimproved state)		\$315,830.75
Increase in Property Tax Revenue to Taxing Entities		\$315,830.75

The change in assessed value will result in an increase of more than 15% prior to the full implementation of the project. While it is anticipated that the completion of the Proposed Project will further increase the Property's assessed value to more than \$220 million, because the Proposed Project has not been entitled, the City cannot accurately estimate the total property tax revenues resulting from the project at full implementation. Nevertheless, based on the change in property tax revenues in an unimproved state, it can be concluded that after full project implementation, the Proposed Project will increase property tax revenues to all property tax collecting entities, by more than 15 percent (15%) when compared to the year prior to the property being acquired by the government entity and the condition of Section 52200.2(b) will be satisfied.

B. Creation of Affordable Housing

The creation of affordable housing to meet demonstrated affordable housing needs identified in the Housing Element of the City's general plan constitutes an economic opportunity. The Proposed Project will be subject to the requirements of the City's Inclusionary Housing Ordinance and will thus increase, improve, or preserve the supply of quality affordable housing in the community.

The total number of units of affordable housing that will be created is dependent on the total number of units approved by the City as part of the entitlement process for the Proposed Project. Section 10-17.205 provides the unit threshold and basic requirements applicable to ownership residential projects, like the one proposed to be constructed.

C. Job Creation

Under Section 52200.2(a), economic opportunity is achieved if an agreement results in the creation, retention or expansions of new jobs, at least one full-time equivalent, permanent job for every thirty-five thousand dollars (\$35,000) of city investment in the project. As previously discussed, the City is not providing any financial assistance for the Proposed Project and no part of the development costs for the Proposed Project will be publicly subsidized. Nevertheless, the sale of the Property under the PSA will result in job creation as a result of the anticipated construction of retail/commercial space. During the construction of the Proposed Project, it is anticipated that 420 full-time

equivalent (FTE) temporary construction jobs will be created. Upon completion and full implementation, the Proposed Project is also anticipated to generate an estimated 60 permanent jobs without investment of City funds.

D. Public Purpose

The transfer of the Property and construction of the Proposed Project will further the public purpose of economic development by creating jobs, market rate and affordable homes, parks, and vibrancy in an area of the City that has suffered from historic underdevelopment as a result of the proposed and now defunct SR 238 freeway project.