



**DATE:** February 27, 2018

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT** Adoption of a Resolution Authorizing the City Manager to Execute a Professional Services Agreement with Management Partners for Route 238 Property Development and Disposition Project Management Services

### **RECOMMENDATION**

That the City Council approves the attached resolution (Attachment II) authorizing the City Manager to negotiate and execute a professional services agreement for Route 238 Property Development and Disposition Project Management Services in an amount not to exceed \$120,000.

### **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 have 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.

Several of the residential parcels were sold to tenants through a City assisted First Time Homebuyers Program. Almost all 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. Some parcels were being resold for speculation without being developed, and the City did not have 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:

- The City may buy from Caltrans ten different parcel groups for a six-year period that expires in January 2022 (See attachment III 238 PSA Property Maps)
- Properties that have not been resold by the City to developers can be returned to Caltrans without penalty
- During the six-year period, the City will 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 be allocated to the City
- Allows City to use purchase and sale agreements that will require the parcel to be developed and not resold for speculation
- The City has control over the public input process 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

Three of the parcel groups (Groups 1, 2 & 10) have been offered for sale to William Lyon Homes. A Purchase and Sale Agreement with Lyon Homes has been approved for Parcel Groups 1 & 10, and the sale is expected to occur this calendar year. Parcel Group 2 may be a subsequent sale to Lyon Homes. The remaining seven parcel groups are the subjects of this report.

For the first year and a half of the PSA with Caltrans, the City unsuccessfully attempted to identify a qualified project manager to assist in the development and disposition of these parcels. In the fall of 2017, the City engaged Management Partners Special Advisor Patrick O’Keeffe for project management services. This initial contract was for \$75,000 and focused primarily on developing and organizing a master plan to ensure the timely disposition and development of the Caltrans parcel groups. The contract is estimated to run out of funding by the end of February.

## **DISCUSSION**

Mr. O’Keeffe has over 39 years of experience working with local governments. He began his career with the City of Concord Redevelopment Agency where he served as project manager of public facility projects and public/private economic development partnerships. Patrick then served as director of the Community Development Department and Redevelopment Agency for the City of El Cerrito. Next, he was hired as director of economic development and housing for the City of Emeryville. He served in that role for 12 years and

was then appointed city manager and served in that capacity for seven years. He has extensive expertise in redevelopment, economic development, capital improvement programs, public-private partnerships, real estate management and financial analysis. Under this contract extension, Mr. O’Keeffe along with support staff from Management Partners will help design and execute a systematic entitlement and disposition process for the properties included in the Caltrans PSA. Broken into two phases, the engagement begins with completing site analyses to determine the most appropriate and desired use for each parcel group. Mr. O’Keeffe will help coordinate with third party consultants completing various environmental, economic, and land use analyses to ensure all phase one work is complete by the end of calendar year 2018.

The second phase of this work will involve the development and execution of a disposition process via requests for proposals for each parcel group, if necessary. Mr. O’Keeffe will help manage the review and selection of the proposals along with coordinating the negotiation and final approvals of each acquisition agreement. In addition to this work, Mr. O’Keeffe will assist with any development entitlements and the close of escrow for site disposition.

Mr. O’Keeffe will convene a regular inter-departmental working group as well as coordinate updates to the Council and Council Economic Development Committee to ensure the City disposes of the properties in a timely manner in accordance with the Caltrans PSA requirements. Along with this internal coordination, Mr. O’Keeffe will assist in coordinating with the Castro Valley Municipal Advisory Council, Alameda County community development staff, and any community outreach/neighborhood meetings.

## **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 agenda 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.

## **FISCAL IMPACT**

There is no General Fund impact for this contract. The total cost of this contract will not exceed \$120,000 and will be funded from an existing budget appropriation in the 238 Property Disposition capital improvement program project. Staff intends to reimburse all costs associated with the disposition of the properties from rental income and the eventual sales of the parcel groups.

## **NEXT STEPS**

Following Council approval, the City Manager will execute the agreement to ensure this project remains on schedule. Council will receive updates on the status of this project either at the Council Economic Development Committee or during full Council work sessions.

*Prepared and Recommended by:*      John Stefanski, Management Analyst II

Approved by:



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Kelly McAdoo, City Manager