

**PLANNING COMMISSION MEETING  
THURSDAY, APRIL 20, 2017**

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FOR

PH 17-025

MISSION CROSSINGS PROJECT

**PH 17-025**

UPDATED FISCAL AND ECONOMIC ANALYSIS

**MISSION CROSSINGS PROJECT**

## MEMORANDUM

To: Justin Derby, MLC Holdings, Inc.

From: Economic & Planning Systems, Inc.

Subject: Fiscal and Economic Impact Analysis of the Proposed MLC Hayward Project; EPS #161072

Date: April 11, 2017

*The Economics of Land Use*



MLC Holdings, Inc. (MLC) retained Economic & Planning Systems, Inc. (EPS) to prepare a fiscal and economic impact analysis of a proposed mixed-use project in the City of Hayward. The project would be developed on a 7.76-acre site located on Mission Boulevard and would consist of a 93-room hotel, 140 residential units, and 7,355 square feet of retail space.

The EPS analysis assesses the effects of the proposed development on the City of Hayward's General Fund and the local economy. This includes quantifying whether the proposed project will generate adequate revenues to cover the costs of providing ongoing services to associated new residents and employees.<sup>1</sup> The analysis evaluates the impact of the proposed project at buildout and is based on the City's 2016 Adopted General Fund budget. In addition, EPS evaluates the potential annual economic impacts of the project in the local economy through metrics of employment, employee compensation, value added, and economic output. Findings are presented in constant 2016 dollars.

**Table 1** and **Table 2** provide summaries of the fiscal and economic impact estimates attributable to the proposed project. Actual fiscal and economic impacts will depend on a number of factors that cannot be predicted with certainty, including the market performance of the project, future changes in City or State budgeting practices, and the efficiency of various City departments in providing services. Key analytical inputs and assumptions used in this analysis are from the development applicant, City and County documents, and EPS industry knowledge.

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<sup>1</sup> The analysis does not consider the impact of the proposal on potential capital facilities cost requirements or other one-time costs.

## Summary of Findings

**1. *The proposed mixed-use project will result in an annual net fiscal benefit of \$672,000 to the City of Hayward General Fund.***

This analysis estimates that the net annual fiscal impact of the proposed project on the City's General Fund is positive and significant, as shown in **Table 1**. This net impact is based on annual additional General Fund revenues of an estimated \$926,000 and annual expenditures of approximately \$254,000 associated with the project at completion. The net additional funds will accrue to the General Fund and will be available to support other City services.

**Table 1    Fiscal Impact Summary (2016\$)**

Item	Fiscal Impact at Project Buildout <sup>1</sup>
General Fund Revenues	\$926,000
General Fund Expenditures	<u>\$254,000</u>
<b>Net Impact on General Fund</b>	<b>\$672,000</b>

**2. *At project buildout, Transient Occupancy Tax will account for the largest revenue source to the City.***

The City of Hayward currently levies an 8.5 percent transient occupancy tax (TOT) on room revenue generated by hotels in the City. The proposed 93 hotel rooms are projected to generate over \$4.7 million in annual room revenue, providing the City's General Fund with an estimated \$400,000 in annual TOT revenue. If the average room rate is higher than the anticipated \$165 per night, TOT revenue will be higher. For example, an average room rate of \$170 per night would generate an estimate \$4.84 million in annual room revenue and \$413,000 in TOT revenue. Under this scenario, the project's annual net impact on the General fund would increase from \$672,000 to \$686,000.<sup>2</sup>

**3. *The project's operating activities will generate demand for goods and services, thereby providing stimulus for new or existing jobs in the City's economy.***

In addition to revenue generation for the City, development of the project will generate employment at the site, as well as additional jobs through multiplier effects in other areas of the City, from hotel operations and on-site retail businesses. As currently programmed, the hotel portion of the project will directly support about 45 jobs, while the retail program will directly support roughly 19 jobs annually. In addition to direct jobs, another 19 jobs will be supported through economic ripple effects.

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<sup>2</sup> Room rate increases positively affect TOT and emergency facilities services tax revenue.



**4. The proposed project is expected to generate approximately \$9.4 million in new spending in the local economy each year.**

These economic impacts reflect the total of direct, indirect, and induced economic impacts that will result from project-related operations generated by the hotel and retail portion of the development. In total, the project will support approximately 83 jobs, with an employee compensation of approximately \$3.1 million, and a total annual output of about \$9.4 million, as shown in **Table 2**.

**Table 2 Economic Impact Summary (2016\$)**

Impact Type	Jobs	Employee Compensation	Value Added <sup>1</sup>	Total Output
Direct Effect	64	\$2,124,000	\$3,976,000	\$6,525,000
Indirect Effect	9	\$526,000	\$831,000	\$1,417,000
Induced Effect	<u>9</u>	<u>\$496,000</u>	<u>\$900,000</u>	<u>\$1,435,000</u>
<b>Total Effect</b>	<b>83</b>	<b>\$3,146,000</b>	<b>\$5,707,000</b>	<b>\$9,377,000</b>

<sup>1</sup> Comparable to gross domestic product (GDP).

Source: IMPLAN and EPS

## **Fiscal Impact on the General Fund**

This section describes the methodology and key assumptions used to estimate the fiscal impacts of the proposed project. The analysis is based on information from the following sources:

- development applicant
- City and County documents
- existing EPS industry knowledge

EPS has developed a fiscal impact framework based on its in-house methodology and Hayward-specific factors obtained from the sources above. EPS has not conducted an independent audit of the City's budget, performed in-depth interviews with service-providing City departments, or conducted detailed market analysis.

### **Project Description**

MLC is proposing a mixed-use project to be developed on a 7.76-acre site located on Mission Boulevard. The proposed development envisions a 93-room hotel, 140 residential units, and 7,355 square feet of retail space. **Table 3** details the proposed development program identified by the applicant. The table also presents EPS assumptions concerning the population and employment that would be generated by the project at buildout. A variety of revenues and costs included in this fiscal analysis are based on the anticipated "service population" shown in **Table 3**, which weights a local employee's service burden at 50 percent of a resident's burden.

**Table 3 Development Program and Service Population**

Item	Development Program <sup>1</sup>	Resident or Worker Density Assumptions <sup>2</sup>	Population	FTE <sup>3</sup> Employment	Service Population
<b><u>Commercial Uses</u></b>					
Retail	7,355 Square Feet	400 SF per Employee	0	18	9
Hotel	93 Rooms	3.0 Rooms per Employee	0	31	16
<b><u>Residential</u></b>					
Project Households	140 Dwelling Units	3.24 Residents per HH <sup>4</sup>	<u>453</u>	<u>0</u>	<u>453</u>
<b>Total</b>			<b>453</b>	<b>49</b>	<b>478</b>

<sup>1</sup> Development program provided by MLC Holdings, Inc.

<sup>2</sup> Household and employment densities may vary based on specific tenant and space size/configuration.

<sup>3</sup> Full-Time Equivalent.

<sup>4</sup> City average based on the State of California.

Sources: Department of Finance, US Census, MLC Holdings, Inc. and EPS

## General Fund Revenues

New General Fund tax proceeds attributable to the proposed development will include sales tax, property tax, property tax in lieu of vehicle license fee (VLF), property transfer tax, TOT, utility user tax, franchise fees, and business licenses. **Table 4** provides a summary of the Hayward Fiscal Year 2016 Adopted General Fund revenue budget and a description of the forecasting method relied upon for each relevant revenue source.

**Table 4 FY2016 Revenue Budget Summary and Fiscal Impact Estimating Factors**

Revenue Source	FY2016 Citywide Revenue Budget	Factors Applied to Estimate Project Revenue
Sales Tax	\$34,064,000	1.0% of estimated taxable sales
Property Tax		
City Property Tax	\$30,780,000	15.8% of base property tax rate (1%)
Property Tax in-Lieu of VLF	\$12,741,000	proportional to change in Citywide AV
Transient Occupancy Tax	\$1,996,000	8.5% of total hotel room revenue
Utility Users Tax	\$16,411,000	5.5% of utility bills
Franchise Fees	\$9,585,000	\$50.57 per service population
Other Taxes		
Emergency Facilities Tax	\$1,831,000	rates vary by land use category
Business License	\$2,721,000	\$37.11 per employee
Property Transfer Tax	\$6,500,000	\$4.50 per \$1,000 in value
Fines & Forfeitures	\$1,767,000	- not estimated
Interest and Rents	\$555,000	- not estimated
Intergovernmental	\$7,262,000	- not estimated
Charges for Services	\$9,924,000	- not estimated
Other Revenue	<u>\$431,000</u>	- not estimated
<b>Total Revenue in FY2016<sup>1</sup></b>	<b>\$136,568,000</b>	

<sup>1</sup> Total Revenue for FY2016 is \$140,422,000. Transfers-in of \$3,855,000 not shown here.

Sources: City of Hayward FY2016 Adopted Budget and EPS

### ***Retail Sales Tax Revenue***

The proposed project is expected to generate retail sales tax revenue accruing to the City of Hayward, from households, visitor spending, and additional on-site sources. Project household/hotel guest spending on retail in the City and on-site retail sales will generate revenue for the General Fund. This local sales tax revenue is 1.0 percent of total retail sales. **Table 5** outlines sales tax revenue projections at buildout.

#### Taxable Household Spending

This fiscal analysis relies on data from the U.S. Bureau of Labor Statistic Consumer Expenditure Survey to establish the retail spending pattern of households. The spending patterns reflect household consumer behavior observed nationally for households with specific levels of annual income. This analysis uses anticipated residential rents to estimate household income. Then, to identify taxable retail expenditures made by project households, the analysis identifies and isolates taxable retail spending from total household spending. The analysis estimates that for market-rate units, households spend approximately 21 percent of gross household income on taxable retail purchases and that 60 percent of that spending occurs locally. Local taxable spending in Hayward is multiplied by project households to determine average annual taxable sales.

#### Hotel Guest Retail Spending

The hotel guest retail spending is based on an assumption that a typical visitor has a per-diem rate of approximately \$68 for meals and incidentals. EPS assumes each room night generates one person-day of spending and adjusts the total taxable retail sales to reflect occupancy at the hotel. The analysis also assumes that hotel guests spend 80 percent of their total retail spending in the City.

#### On-Site Retail Sales

On-site retail sales are based on a taxable sales factor of \$400 per square foot of retail space. The analysis assumes that approximately 80 percent of these on-site sales will be net new in the City. Also, to avoid double counting, EPS assumes project resident and guest spending accounts for 25 percent of net new on-site taxable sales.

**Table 5 Retail Sales Tax Revenue**

Item	Assumptions	Annual Total at Buildout
<b><u>Project Households Retail Purchases in Hayward</u></b>		
Estimated Annual Household Income	Based on Home Price <sup>1</sup>	\$144,000
Household Taxable Retail Spending	21% of Income <sup>2</sup>	\$30,873
Household Retail Spending in Hayward	60% of Retail Expenditures	\$18,524
Project Households		140
<b>Taxable Retail Sales Captured in Hayward</b>		<b>\$2,593,323</b>
<b><u>Hotel Guest Retail Purchases in Hayward</u></b>		
Room-Nights	84% Occupancy <sup>3</sup>	28,514
Taxable Retail Sales	\$68 per Day <sup>4</sup>	\$1,938,938
<b>Taxable Retail Sales Captured in Hayward</b>	80% of Retail Expenditures	<b>\$1,551,151</b>
<b><u>On-Site Retail Sales</u></b>		
Gross Taxable Retail Sales	\$400 per SF <sup>5</sup>	\$2,942,000
Retail Sales Net of Redistributed Sales in City	80% of Total Taxable Sales <sup>6</sup>	\$2,353,600
<b>Net New On-Site Taxable Sales</b>	75% of Net Taxable Sales <sup>7</sup>	<b>\$1,765,200</b>
<b>Net New Taxable Retail Sales</b>		<b>\$5,909,674</b>
<b>Total Retail Sales Tax Revenue</b>	1.0% of Taxable Sales	<b>\$59,097</b>

<sup>1</sup> Income reflects typical financing and the assumption that housing costs represent 35 percent of gross household income.

<sup>2</sup> Based on the Bureau of Labor Statistics Consumer Expenditure Survey, 2014.

<sup>3</sup> Occupancy rate provided by MLC Holdings, Inc.

<sup>4</sup> FY2016 GSA per diem rate for meals and incidentals in Alameda County.

<sup>5</sup> Retail sales productivity estimate provided by MLC Holdings, Inc.

<sup>6</sup> Assumes 20 percent sales shift from existing retailers in the City.

<sup>7</sup> Assumes project resident and hotel guest spending accounts for 25 percent of net new on-site taxable sales.

Sources: State Board of Equalization, ICSC Research Survey, U.S. Bureau of Labor Statistics, and MLC Holdings, Inc.

### ***Property Tax Revenue***

Property tax revenue is based on the estimated assessed value of the proposed project. Relying on the applicant's proposed development program, EPS estimates the project's assessed value at about \$131.9 million at buildout, as shown in **Table 6**. The City's General Fund captures 15.8 percent of the base 1.0 percent property tax rate, totaling annual net revenue of approximately \$185,400 after accounting for the current tax bill.<sup>3</sup> This tax rate factor is specific to the tax rate area that covers the project location.<sup>4</sup>

### **Property Tax In-Lieu of Vehicle License Fees**

In 2004, the State of California adjusted the method for sharing vehicle license fees (VLF) with local jurisdictions. Recent State budget changes replaced the VLF with property tax, which grows proportionately with increases in assessed value of the City. The proposed project will add about 0.64 percent to the current assessed value in Hayward (assuming no other assessed value growth for simplification purposes) and will generate a proportional increase in in-lieu VLF revenues (see **Table 6**).

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<sup>3</sup> Current tax bill is \$23,000 annually.

<sup>4</sup> Tax Rate Area (TRA) for the site is 25-223.

**Table 6 Property Tax Revenue**

Item	Assumptions	Total at Buildout
<b><u>Property Tax<sup>1</sup></u></b>		
Retail Value	\$500 per SF	\$3,677,500
Residential Unit Value	\$700,000 per Unit	\$98,000,000
Hotel Value	\$325,000 per Room	<u>\$30,225,000</u>
Total Assessed Value		\$131,902,500
<b>Property Tax Revenue</b>	1.0% Base Property Tax Rate	<b>\$1,319,025</b>
Hayward General Fund Revenue <sup>2</sup>	15.8% Allocation to General Fund	\$208,406
<b>Net General Fund Revenue</b>	-\$23,000 Current Tax Bill	<b>\$185,406</b>
<b>Property Tax In-Lieu of VLF</b>		
Existing Citywide Property Tax in-Lieu of VLF		\$12,741,000
Citywide Assessed Value <sup>3</sup>		\$18,403,234,391
Project Net Assessed Value Increase <sup>4</sup>		0.64%
<b>Property Tax in-Lieu of VLF Revenue<sup>5</sup></b>		<b>\$81,325</b>

<sup>1</sup> Property valuations provided by MLC Holdings, Inc.

<sup>2</sup> Per Alameda County Tax Collector AB8 factor (post-ERAF).

<sup>3</sup> FY2016 value based on the Alameda County Assessor Annual Assessor's Report.

<sup>4</sup> Calculated by dividing the new assessed value by citywide assessed value.

<sup>5</sup> Calculated by multiplying existing property tax in-lieu of VLF by project net assessed value increase.

Sources: MLC Holdings, Inc. and Alameda County Assessor's Office

### Property Transfer Tax

The project will generate real estate transfer tax revenue associated with future turnover in ownership. This analysis assumes that ownership of retail and hotel properties will turnover every 25 years, an annual turnover rate of 4.0 percent. Residential units are assumed to turnover every 12.5 years, an annual turnover rate of 8.0 percent. The property transfer tax rate accruing to the City General Fund is \$4.50 per \$1,000 of the property value, as shown in **Table 7**.

**Table 7 Property Transfer Tax Revenue**

<b>Item</b>	<b>Assumptions</b>	<b>Annual Total at Buildout</b>
<b><u>Property Value<sup>1</sup></u></b>		
Retail	\$500 per Sq.Ft.	\$3,677,500
Residential Units	\$700,000 per Unit	\$98,000,000
Hotel	\$325,000 per Room	<u>\$30,225,000</u>
<b>Total Property Value</b>		<b>\$131,902,500</b>
<b><u>Average Annual Turnover</u></b>		
Retail	4.0% Turnover Rate	\$147,100
Residential Units	8.0% Turnover Rate	\$7,840,000
Hotel	4.0% Turnover Rate	<u>\$1,209,000</u>
<b>Total</b>		<b>\$9,196,100</b>
<b>Property Transfer Tax Revenue</b>	<b>\$4.50 per \$1,000 in Value</b>	<b>\$41,382</b>

<sup>1</sup> Property valuations provided by MLC Holdings, Inc.



### Transient Occupancy Tax

The hotel component of the project is expected to help satisfy the strong lodging demand in the local market. This analysis assumes the 93 hotel rooms planned for the project achieves an average daily room rate of \$165 and that the hotel stabilizes at 84 percent occupancy. The estimate of TOT is calculated by applying the current rate of 8.5 percent to the total room revenue generated by new hotel, as shown in **Table 8**.

**Table 8    Transient Occupancy Tax Revenue**

Item	Assumptions	Annual Total at Buildout
Hotel Rooms		93
Average Daily Room Charge <sup>1</sup>	\$165	
Average Occupancy <sup>1</sup>	84%	
Annual Revenue <sup>1</sup>		\$4,704,777
<b>Transient Occupancy Tax Revenue</b>	8.5%	<b>\$399,906</b>
<i>% of Total Citywide FY2016 TOT Revenue</i>		<i>20.0%</i>

<sup>1</sup> Estimates provided by MLC Holdings, Inc.

### Utility Tax

The City of Hayward collects tax revenue on utility charges for services provided in the City. New residents and employees will increase utility usage in Hayward. The analytical assumptions reflect average annual utility usage in Hayward, in combination with project-specific data from the applicant. This analysis estimates an average monthly utility expense per resident is \$85. Employees are assumed to use a total of \$190 per month. The City of Hayward collects 5.5 percent of utility charges. **Table 9** presents utility user tax revenue attributable to the proposed project at buildout.

**Table 9    Utility User Tax Revenue**

<b>Item</b>	<b>Assumptions</b>	<b>Annual Total at Buildout</b>
<b><u>Residential</u></b>		
Total Residential Population	453 Residents	
Monthly Utility Cost	\$85 per Resident/Mo.	
Annual Total		\$461,958
<b><u>Commercial Uses</u></b>		
Total Employees	64 Jobs (PT+FT)	
Monthly Utility Cost	\$190 per job/mo.	
Annual Total		\$146,644
<b>Total Annual Utility Expenses</b>		<b>\$608,602</b>
<b>Utility User Tax Revenue</b>	5.5% of Utility Bill	<b>\$33,473</b>

### Emergency Services Facilities Tax

The City's Emergency Services Facilities (ESF) Tax is a General Fund revenue source adopted by the City Council to generate funds to retrofit or strengthen the City's facilities against earthquake damage. The tax is imposed per household, per business, and on hotel room revenue (similar to the TOT). As shown in **Table 10**, the project is estimated to generate about \$99,300 annually in ESF tax revenues.

**Table 10      Emergency Tax Revenue**

<b>Land Use</b>	<b>Assumptions</b>	<b>Annual Total at Buildout</b>
<b><u>Retail</u></b>		
Businesses	4.00 Business	
Retail Tax Rate <sup>1</sup>	\$35 per Business	
Annual Revenue from Retail		\$140
<b><u>Hotel</u></b>		
Revenue	\$4,704,777 Room Revenue	
Hotel Tax Rate	2.0% of Room Revenue	
Annual Revenue from Hotel		\$94,096
<b><u>Townhomes</u></b>		
Townhomes	140 Dwelling Units	
Residential Tax Rate	\$36 Per Unit	
Annual Revenue from Residential		\$5,040
<b>Annual Emergency Facilities Tax Revenue</b>		<b>\$99,276</b>

<sup>1</sup> Rate assumes 4-15 employees per business.

### Revenues from Other Taxes and Fees

In addition to the revenues described above, other taxes and fees are estimated to be generated by the project. Specifically, EPS forecasts new franchise fees and new business license revenues generated by commercial activity associated with the project. This analysis uses an average revenue approach derived from City budget documents (see **Table 4**). **Table 11** presents forecasting assumptions and revenue estimates.

**Table 11 Revenue from Other Taxes and Fees**

Item	Allocation Factor	Project Characteristic	Annual Total at Buildout
Franchise Fees <sup>1</sup>	\$50.57 per service population	478 Service Pop.	\$24,151
Business License <sup>1</sup>	\$37.11 per employee	49 Employees	<u>\$1,833</u>
<b>Other Tax Revenue</b>			<b>\$25,984</b>

<sup>1</sup> Franchise fees and Business License allocation factors are based on existing General Fund averages.

### **General Fund Expenditures**

This fiscal analysis estimates the costs attributable to population and employment growth by characterizing how expenses will change for each City department. For some departments, population and employment growth in the City will not dramatically alter operations. For example, administrative functions in the City are not likely to scale up significantly to accommodate new projects. Alternatively, departments that provide services directly to residents and businesses likely will increase their operations and costs to accommodate new population.

It is important to note that a range of external factors may influence responses to growth and cost effects in the future. Examples of factors that are beyond the control of the City and its departments that may act to magnify or reduce department costs over time include:

- regional growth;
- technology;
- state and federal policies; and
- environmental factors.

This study does not speculate regarding the potential effects of such exogenous influences on the general fund expense budget. It focuses only on those factors attributable directly to the population growth, employment growth, and land use changes generated by the proposed project.

The fiscal analysis model relies on a categorization of the likely budgetary response to population and employment growth for each department. The anticipated response to growth is expressed for fiscal modeling purposes in terms of “fixed expenses” and “variable expenses” within the department budget.

The fixed expenses are the portion of a City department's budget which is not affected by population and employment growth. Even a department which is anticipated to grow largely in step with the City's service population likely would have some fixed cost. For example, in most cases each department has only one director position, which is a fixed expense for the department. While the department may increase staffing to accommodate growth, the department will not add another director.

The variable expenses of a department are those that increase with growth. As the City grows, increased demand for services requires some departments to scale up operations to meet new demand. The analysis identifies the portion of a department's budget that scales up as the variable share of the budget.

EPS uses a per-capita cost approach to estimate department costs attributable to new residents and workers. The variable portion of each department budget is used to determine the per-capita cost, as shown in **Table 12**. Then, to determine the new General Fund expenditures generated by the proposed project, the per-capita factors are multiplied by the projected increase in service population or resident population attributable to the project, as appropriate. The project is not expected to generate non-departmental expenditures.

**Table 12 FY2016 Expenditure Budget Summary and Fiscal Impact Estimating Factors**

Item	General Fund Expenses (FY2016)	Percent Variable <sup>1</sup>	Annual Variable Expenses		Estimating Factors	Per Capita General Fund Expense	Project / Service Population	Annual Total at Buildout
General Government <sup>2</sup>	\$18,280,326	10%	\$1,828,033	189,549	Service Pop	\$9.64	478	\$4,606
Police	\$65,994,933	90%	\$59,395,440	189,549	Service Pop	\$313.35	478	\$149,655
Fire	\$35,042,909	90%	\$31,538,618	189,549	Service Pop	\$166.39	478	\$79,466
Library and Community Services	\$5,344,696	75%	\$4,008,522	152,889	Resident Pop	\$26.22	453	\$11,874
Public Works, Utilities and Other Services	\$6,933,102	50%	\$3,466,551	189,549	Service Pop	\$18.29	478	\$8,734
Non-Departmental	<u>\$8,826,299</u>							<u>N/A</u>
<b>Total Expenditures (rounded)</b>	<b>\$140,422,300</b>							<b>\$254,300</b>

<sup>1</sup> Percentage of costs that are population-dependent, as opposed to fixed costs or costs recovered through fees or charges.

<sup>2</sup> Includes Mayor & Council, City Attorney, City Clerk, City Manager, Development Services, Finance, and Human Resources.

Sources: City of Hayward FY16 Adopted Budget and EPS

## Fiscal Impact of Proposed Project

**Table 13** details the fiscal impact of the proposed project on the City of Hayward's General Fund, with forecasted revenues and expenditure estimates based on the methodology described above. The analysis estimates that the proposed development will generate an annual net fiscal impact of about \$672,000.

**Table 13 Summary of Fiscal Impact Analysis (2016\$)**

Item	Annual Fiscal Impact at Buildout
<b><u>General Fund Revenues</u></b>	
Sales Tax	\$59,000
Property Tax	\$185,000
Property Tax in-Lieu of VLF	\$81,000
Property Transfer Tax	\$41,000
Transient Occupancy Tax	\$400,000
Utility Users Tax	\$33,000
Emergency Facilities Tax	\$99,000
Franchise Fees	\$24,000
Business Licenses	<u>\$2,000</u>
<b>Total Revenues</b>	<b>\$926,000</b>
<b><u>General Fund Expenditures</u></b>	
General Government	\$5,000
Police	\$150,000
Fire	\$79,000
Library and Community Services	\$12,000
Public Works, Utilities and Other Services	<u>\$9,000</u>
<b>Total Expenditures</b>	<b>\$254,000</b>
<b>Net Impact on General Fund</b>	<b>\$672,000</b>

## Economic Impact Analysis

This section evaluates the proposed project's ongoing economic impact in the City of Hayward using the IMPLAN "Input/Output" model of the local economy.<sup>5</sup> The economic impacts calculated here are those that can be directly linked to gross taxable retail sales and total annual hotel revenues, the primary economic drivers created by the proposed project.

Gross taxable retail sales for the 7,335 square feet of new retail space totals \$2.9 million (\$400 per square foot), as shown in **Table 5**. Estimated hotel revenue is \$4.7 million including annual room revenue and revenue from other services. Using IMPLAN, these revenues are then analyzed to determine associated economic metrics such as direct employment, employee compensation, value added and economic output supported by the project. The economic impact analysis also evaluates indirect and induced economic impacts, which are "multiplier" or "ripple" effects in the local economy.<sup>6</sup>

## Framework and Approach

To measure these effects, this economic analysis relies on IMPLAN (Impact Analysis for Planning) software, an input-output (I/O) model that draws upon data collected by the IMPLAN Group from several state and federal sources, including the Bureau of Economic Analysis, Bureau of Labor Statistics, and the Census Bureau.

### Input-Output Analysis

I/O analysis is premised on the concept that industries in a geographic region are interdependent and thus the total contribution of any one establishment's activity is larger than its individual (direct) output and/or employment. Consequently, an establishment's economic activity has a "multiplier" effect that generates successive rounds of spending and output in other economic sectors within a particular region. For example, consider the implications of operating expenditures by a hotel or retail establishment. Hotels and retail establishments purchase goods from producers, who in turn purchase raw materials from suppliers. Thus, an increase/decrease in the demand for hotel services will stimulate an increase/decrease in output and employment in the interdependent secondary industries.

Regional economic impact analysis and I/O models in particular provide a means to quantify economic effects stemming from a particular industry or economic activity. Specifically, I/O models produce quantitative estimates of the magnitude of regional economic activity resulting from some initial activity (e.g., hotel or retail operations). I/O models rely on economic multipliers that mathematically represent the relationship between the initial change in one sector of the economy and the effect of that change on economic output, employment, and income in other industries. These economic data provide a quantitative estimate of the magnitude of shifts in jobs and revenues within a regional or state economy.

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<sup>5</sup> IMPLAN is an Input-Output modeling system (software and data) developed by the Minnesota IMPLAN Group, and is widely used in the U.S. for estimating economic impacts across a wide array of industries and economic settings.

<sup>6</sup> IMPLAN data are available by ZIP code. The ZIP codes correlated with the City of Hayward and used for this study (94541, 94542, 94544, 94545, and 94587) contain some areas outside of the City.



Initial revenue injections from the project are referred to as the direct effect. Next the I/O model quantifies the impacts associated with the ripple or multiplier effects that result from project's initial injections. The ripple effects are categorized as indirect or induced effects. Indirect effects represent economic impacts on suppliers while induced effects represent economic impacts on household income and spending. In this report, direct, indirect, and induced effects are defined as follows:

- The **Direct Effect** is a measure of the economic value of the initial injection of spending into the economy, or in this case, the annual hotel revenue and gross taxable retail sales. This translates to employees working at the hotel/retailer and other direct operational transactions.
- The **Indirect Effect** is a measure of the economic value of "upstream" industry-to-industry transactions that supply inputs to the production of goods and services consumed by the new project (i.e., the linen industry).
- The **Induced Effect** is a measure of the economic value of labor income that re-circulates in the economy as a result of the initial revenue made by the project. This would relate to the spending of the project's employees.
- The **Total Impact** is the sum of the direct, indirect, and induced effects. The total impact measures the overall impact of the project's activities on the economy.

This report measures economic significance using common economic metrics, including employment, employee compensation, output, and value added, as defined below.

- **Employment** is equivalent to jobs, a headcount that includes part-time and full-time workers.
- **Employee Compensation** represents payments to labor in the form of both income and fringe benefits paid by the employer (e.g., health, retirement), as well as proprietor income.
- **Value Added** represents a contribution to gross regional product and equals the market value of the final goods and services produced within a particular region. Value added is equal to economic output, as defined below, less the value of intermediate goods and services.
- **Economic Output** represents a measure of economic activity, calculated as production value including intermediate inputs (i.e., the goods and services used in the production of final products). Output includes spending on employee compensation as well as the production value of each intermediate input, such as equipment, supplies, insurance, rents, utilities, communication

**Table 14** reflects the economic effects of the project by both effect and program type. As shown, the overall economic impacts of both the hotel and retail programs of the project including the direct, indirect, and induced effects total approximately \$9.4 million annually for the local economy. IMPLAN estimates that the hotel would directly support 45 jobs, while the retail program would directly support an additional 19 jobs on an ongoing basis. In addition, 19 jobs are supported through the indirect and induced effects of the project, for a total of 83 jobs.

**Table 14 Annual Economic Impact of MLC Hayward at Project Buildout**

Project Program	Impact Type	Jobs	Employee Compensation	Value Added <sup>1</sup>	Total Output
<b>Hotel<sup>2</sup></b>	Direct Effect	45	\$1,606,687	\$2,845,179	\$4,747,493
	Indirect Effect	7	\$409,622	\$619,400	\$1,055,536
	Induced Effect	<u>7</u>	<u>\$377,658</u>	<u>\$684,471</u>	<u>\$1,091,708</u>
	<b>Total Effect</b>	<b>60</b>	<b>\$2,393,967</b>	<b>\$4,149,051</b>	<b>\$6,894,737</b>
<b>Retail<sup>3</sup></b>	Direct Effect	19	\$517,273	\$1,131,230	\$1,777,365
	Indirect Effect	2	\$116,440	\$211,320	\$361,557
	Induced Effect	<u>2</u>	<u>\$118,662</u>	<u>\$215,069</u>	<u>\$343,029</u>
	<b>Total Effect</b>	<b>23</b>	<b>\$752,375</b>	<b>\$1,557,620</b>	<b>\$2,481,951</b>
<b>Total Project</b>		<b>83</b>	<b>\$3,146,342</b>	<b>\$5,706,671</b>	<b>\$9,376,687</b>

<sup>1</sup> Contribution to gross domestic product (GDP).

<sup>2</sup> Uses IMPLAN sector code 499 and is defined as "hotels, and motels, including casino hotels."

<sup>3</sup> Uses IMPLAN sector code 405 and is defined as "general merchandise stores"; also uses sector code 502 defined as "limited-service restaurants."

Sources: IMPLAN and EPS

**PH 17-025**

LETTER FROM ANTHONY VARNI

**MISSION CROSSINGS PROJECT**

# VARNI, FRASER, HARTWELL & RODGERS

ATTORNEYS AT LAW

650 A STREET

P.O. BOX 570

HAYWARD, CALIFORNIA 94543-0570

PHONE: (510) 886-5000 FAX (510) 538-8797

WEBSITE: VARNIFRASER.COM

**OF COUNSEL:**

JONATHAN DANIEL ADAMS

MICHAEL J. O'TOOLE

P. CECILIA STORR

April 18, 2017

## VIA E-MAIL AND FIRST CLASS MAIL

Ms. Sara Buizer  
Planning Manager  
CITY OF HAYWARD  
777 B Street  
Hayward, CA 94541  
Sara.Buizer@hayward-ca.gov

Ms. Heather Enders  
Chair of Planning Commission  
CITY OF HAYWARD  
777 B Street  
Hayward, CA 94541  
Heather.Enders@hayward-ca.gov

Re: City of Hayward – Planning Commission Special Meeting  
(Set for April 20, 2017)  
“Mission Crossings” proposal – 25501 & 25551 Mission Blvd.  
PH-17-025 – Seven (7) action items

### **Request for postponement of public hearing**

Dear Chair Enders, Honorable Planning Commissioners, and Ms. Buizer:

I write on behalf of interested business and property owners to respectfully request that the Commission postpone and reschedule the public hearing on this matter, to allow more time for members of the public – as well as the members of the Commission – to adequately review and respond to the massive amount of documentation that was belatedly released to the public over this past holiday weekend.

The application for this proposed project involves the Commission's discretionary consideration of at least seven (7) significant zoning and land use action items, including proposed amendments to the applicable zoning regulations as well as a proposed addendum to the 2014 General Plan EIR. These are important and substantial questions, and the public and the Commission should be given adequate opportunity to receive and review the voluminous materials included in the Staff Report for this proposal.

None of those materials, however, were made available to the public until the afternoon of Friday April 14, 2017, and some of those materials were not made available (on the City's website) until after 8 p.m. on April 14, 2017. This did not provide the time necessary to adequately review the 1000 + pages of documents belatedly posted.

Out of an abundance of caution and because I have not had the opportunity to fully understand the multiple pages of documents which were ultimately provided, I would call to your attention the following concerns and/or improprieties which might exist in the process which has been followed to date:

1. It is not appropriate to undertake an analysis of a matter this complex without a focused EIR and/or a new EIR.
2. Since the preparation of the EIR upon which this proposed amendment and this application has been justified, there have been several dramatic changes in the area in question:
  - a. The new roadway system which has been built on Mission Blvd. has taken full effect. Traffic loads during morning and afternoon peak hours are thus significantly increased. This coincides with the times that people normally arrive at and/or depart from hotels/motels on Mission Blvd. This would seem to indicate a need for a thorough study as to peak traffic flows and the need for lights at Mission Blvd. and Torrano Avenue and/or Harder Road and Orchard Avenue as well as related noise and air quality issues.
  - b. There has been a significant increase in the automotive sales activity on Mission Blvd. At this time, we have three of the most productive automotive dealerships in Northern California on Mission Blvd. (Toyota, Honda and Volkswagen) with sales figures which exceed all other similar locations in Northern California. In addition, we have a new Mitsubishi dealership which is doing an excellent job and which is immediately adjacent to this site. In addition, we have Sonic, which is a national automotive dealership group acquiring the former Chevrolet site on Mission Blvd. and proposing to place their Honda dealership at that location.
  - c. The Quality Inn has just opened 66 additional motel rooms and there are two other pending applications for hotels on Mission Blvd. in close proximity to the site in question. They both propose approximately 90 motel rooms. One of them is directly across Mission Blvd. from the applicant's property and has already been approved for commencement of construction.
3. The information we have reviewed to date, in particular the economic analysis of the benefits of the Marriott do not take into consideration the possible effect on room rates due to the Quality Inn expansion and the 180 additional motel rooms proposed on Mission Blvd. in close proximity to the site. In addition, the economic study does

Ms. Sara Buizer  
Ms. Heather Enders  
April 18, 2017  
Page 3

not analyze the collateral negative effect on the automotive industry by allowing the bifurcation of auto row with a motel and/or 140 poorly designed 3-story residential units in an area which is dominated by automotive uses and automotive repair facilities.

4. Finally, the environmental documents reviewed to date do not include any historical analysis of the prior hotels which have been built in Hayward and where they were built as well as alternate locations for hotels in Hayward. For example, there are three significant hotels which have existed in Hayward:
  - a. The one on Main Street which is presently occupied by the Chamber of Commerce which was a Wells Fargo Hotel prior to 1900 with a stable and a watering hole, etc.
  - b. The classic Green Shutter Hotel at B Street and Main Street which is currently under renovation.
  - c. The Doric Hotel at the intersection of D Street and Mission Blvd. which was a full scale hotel operation with breakfast, lunch and dinner and entertainment.
  - d. That hotels have traditionally been located in the downtown. The significance of this is also that the travel distance from a downtown hotel is shorter and more efficient than the travel distance from a motel on Mission Blvd. to the Cal State East Bay campus due to the traffic flows which now exist on Mission Blvd.

Accordingly, I request that this matter be postponed for public hearing, on or after April 27, 2017 so that adequate thought can be given to the statistical information provided to date and the need for a full or focused EIR on the issues above described. Thank you for your consideration of this request.

Very truly yours,

VARNI FRASER HARTWELL & RODGERS

Anthony B. Varni



**PH 17-025**

MISSION CROSSINGS SUPPORT LETTER

**MISSION CROSSINGS PROJECT**



# CAL STATE EAST BAY

Office of the President

April 18, 2017

The Hon. Barbara Halliday, Mayor  
City of Hayward  
777 B Street  
Hayward, CA 94541

RE: "Mission Crossings", 25501 Mission Boulevard Planning Application Tract 8345

Dear Mayor Halliday:

I write in support of the proposed *Mission Crossings* project which is located at the existing vacant Hayward Ford site on Mission Boulevard.

The proposed *Residence Inn by Marriott* property will provide a nearby upscale extended stay hotel option for prospective students and their families as well as visiting faculty and sports teams. In addition, I am pleased to inform you that we have begun preliminary talks with the hotel operators to potentially develop a partnership with our Hospitality, Recreation and Tourism program here at CSU East Bay which would allow our students to be able to gain practical hands-on experience in their chosen field of study.

For these reasons and more, we are proud to offer our support of this proposed development. Should you have any questions or concerns, please do not hesitate to contact me at [\(510\) 885-3877](tel:5108853877). Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Leroy M. Morishita".

Leroy M. Morishita  
President

cc: Hayward City Council Members

Kelly McAdoo, City Manager

David Rizk, Development Services Director

Dr. Chris Chamberlain, Chair, Department of Hospitality, Recreation & Tourism



**PH 17-025**

AUTONATION LETTER (NOV-16)

**MISSION CROSSINGS PROJECT**



AutoNation, Inc.  
200 SW 1st Avenue, 14th Floor  
Fort Lauderdale, FL 33301  
954-769-7000 Main  
[www.AutoNation.com](http://www.AutoNation.com)

November 14, 2016

David Rizk  
Director of Development Services  
City of Hayward  
via electronic mail  
[david.rizk@hayward-ca.gov](mailto:david.rizk@hayward-ca.gov)

**Re: Former Hayward Ford Auto Dealership**

Mr. Rizk,

AutoNation, as the largest auto retailer in the United States, owns and operates 300+ franchises across the country. As you are aware, we are currently under contract to sell the property located on Mission Boulevard in Hayward, formerly occupied by Hayward Ford to MLC Holdings, Inc. for as a mixed-use hotel/retail/housing development.

As the present owner and landlord of the property, we are fully aware that the existing vacancy is not a positive amenity for the Hayward community and is in dire need of redevelopment. Auto Nation, along with several other national auto retailers, left this portion of the Mission Boulevard Auto Row years ago and has no plans to return. Locations like Mission Boulevard across the country have been vacated in an effort to relocate on more heavily traveled freeways with higher traffic counts, easy freeway access and ample signage opportunities. Simply put, the model has changed for auto retailing and older downtown locations are no longer viewed as viable locations for future auto dealerships.

Please feel free to call me anytime to discuss further.

Best Regards,

A handwritten signature in black ink, appearing to read "Harry Brumley", written over a large, stylized circular flourish.

**Harry Brumley**  
National Director of Real Estate  
AutoNation, Inc.  
200 SW 1st Avenue  
14th Floor  
Fort Lauderdale, FL 33301  
(954) 769-7134

CC: Micah Hinkle  
Justin Derby  
Chris Zaballos



**PH 17-025**

EPS HOTEL DEMAND MEMO 4.14.17

**MISSION CROSSINGS PROJECT**



## **MEMORANDUM**

To: Justin Derby, MLC Holdings, Inc.  
From: Ben Sigman and Paige Peltzer  
Subject: Hotel Market Review; EPS #171040  
Date: April 14, 2017

The proposed Mission Crossings project ("Project") in Hayward will include a hotel with 93 rooms, over 7,000 square feet of new retail, and a 140-unit for-sale residential town home community. MLC Holdings, Inc. (MLC) engaged Economic & Planning Systems, Inc. (EPS) to review hotel market conditions and produce a high-level assessment of market demand for the proposed hotel.

### **Key Findings**

**There are no upscale hotels in Hayward and few nearby.** This market review identifies over 3,150 upscale hotel rooms within 10 miles of the Project. The closest upscale hotels, however, are the Hilton Garden Inn in San Leandro and the Crowne Plaza in Union City. The nearest upscale extended stay hotels, the Residence Inn in Newark and the Residence Inn in Pleasanton, are even farther away.

**Occupancy and room rates in the upscale market are quite strong, largely due to a lack of new hotel development over the past decade.** With the newest hotels in the market dating back to 2002, upscale hotel room supply has not kept pace with demand growth. As a result, average room rates have climbed rapidly to \$165 and occupancy now stands at 80 percent, well above the industry standard. The performance of upscale extended stay hotels in the market is even stronger.

**The Residence Inn Project is the only planned Hayward hotel that will satisfy the unique extended stay market niche.** There are approximately 670 upscale hotel rooms proposed in the market, but fewer than 200 are anticipated to be extended stay rooms. The other proposed upscale hotel in Hayward will not offer in-suite kitchen amenities, an important point of distinction among consumers. The only other proposed upscale extended stay hotel in the market is in Newark, about 10 miles away.

## Introduction

This Hotel Market Review establishes the competitive landscape for the proposed Project and assesses relevant market conditions to evaluate the market potential for the Project. The Hotel Market section of the Review defines the geographic boundary of the hotel trade area and identifies the competitive “market scale” (i.e., market segment) within which the Project will compete. After establishing the appropriate competitive market, the Review presents a Hotel Market Analysis, which assesses historic data on market performance, as well as the outlook for future hotel development.

## Hotel Market

### Geographic Trade Area

A trade area is a geographic region that contains the majority of the competitive supply that will affect the performance of a hotel project. Trade areas are influenced by a variety of factors, including the presence of the targeted customer base, the location of key competitors and their relative distance, and geographic and psychological barriers. Hotel establishments outside a given trade area do not compete directly with hotels in the trade area. There is no single or definitive methodology for establishing a trade area as the trade area typically varies with the type of hotel or overall hotel size involved. This analysis considers an expansive 10-mile radius around the project site located at 25501 Mission Boulevard. This trade area captures potentially competitive hotels as far north as Oakland International Airport, extends south to Newark, and east to Dublin. Downtown Oakland, Silicon Valley, and the eastern areas of the Tri-Valley are considered separate markets that do not directly compete with hotels in Hayward.

### Hotel Market Scale

Smith Travel Research (STR), the leading provider of market data on the hotel industry, provides a universally-regarded classification scale for hotels. STR’s market scale distinguishes hotels into different tiers based largely on their Average Daily Rate (ADR).<sup>1</sup> The STR scale is as follows, listed from lowest to highest daily rates:

Economy	Midscale	Upper Midscale	Upscale	Upper Upscale	Luxury
\$	\$	\$	\$	\$	\$

“Luxury” hotels consist of the top 15 percent average room rates. Hotels with average room rates that are approximately 70 to 85 percent of what is achieved at the top end of the market are considered “upper upscale” and “upscale” hotels. Hotel market scale is an important factor in establishing the competitive market for a hotel project, as each scale caters to a different sub-segment of customers. For example, an “Economy” hotel introduced into a trade area where customers are consumers of Luxury scale hotel rooms would not satisfy hotel demand.

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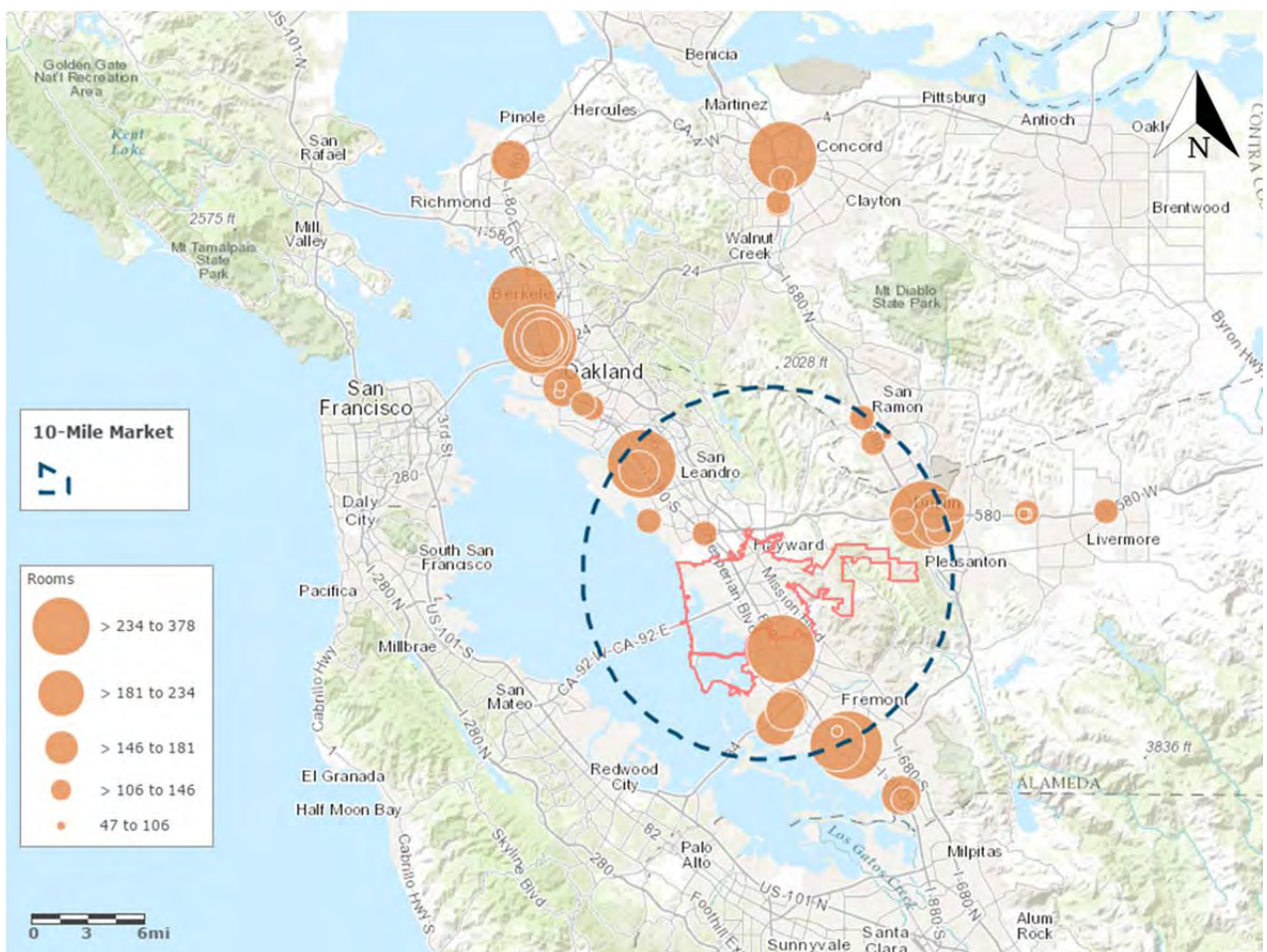
<sup>1</sup> Average daily rate (ADR) is a measure of the average rate paid for rooms sold and is calculated by dividing room revenue by rooms sold at each hotel property. ADR commonly is lower than the “rack rate” (published full price) which does not reflect pre-booking and other discounts.

## Market Orientation of Proposed Project

MLC has indicated that Hayward currently is underserved by higher-quality hotels that satisfy the needs of Cal State University East Bay staff and visitors, local business travelers, and the residents of Hayward. To address this unmet demand, MLC and its hotel partners have programmed Mission Crossings with a Residence Inn by Marriot. Residence Inn is an upscale, extended stay hotel. Residence Inns are distinguished from other upscale hotels by their extended stay format, which caters to the needs of long-term guests. Most notably, every room in the hotel has a kitchen with full-size refrigerator and stove. The Mission Crossings Residence Inn is positioned to serve the local demand for hotels in this unique market segment.

Given the proposed Project's market orientation, this Review considers potential demand for upscale hotels and upscale extended stay hotels in particular. Broadly in the East Bay (Alameda and Contra Costa Counties), upscale hotel clusters exist around Downtown Oakland, the Oakland International Airport, the City of Concord, the 580/680 interchange in the Tri-Valley, and in the City of Fremont. There is a dearth of upscale hotels in the area immediately surrounding the City of Hayward. **Figure 1** maps existing upscale hotels in the East Bay.

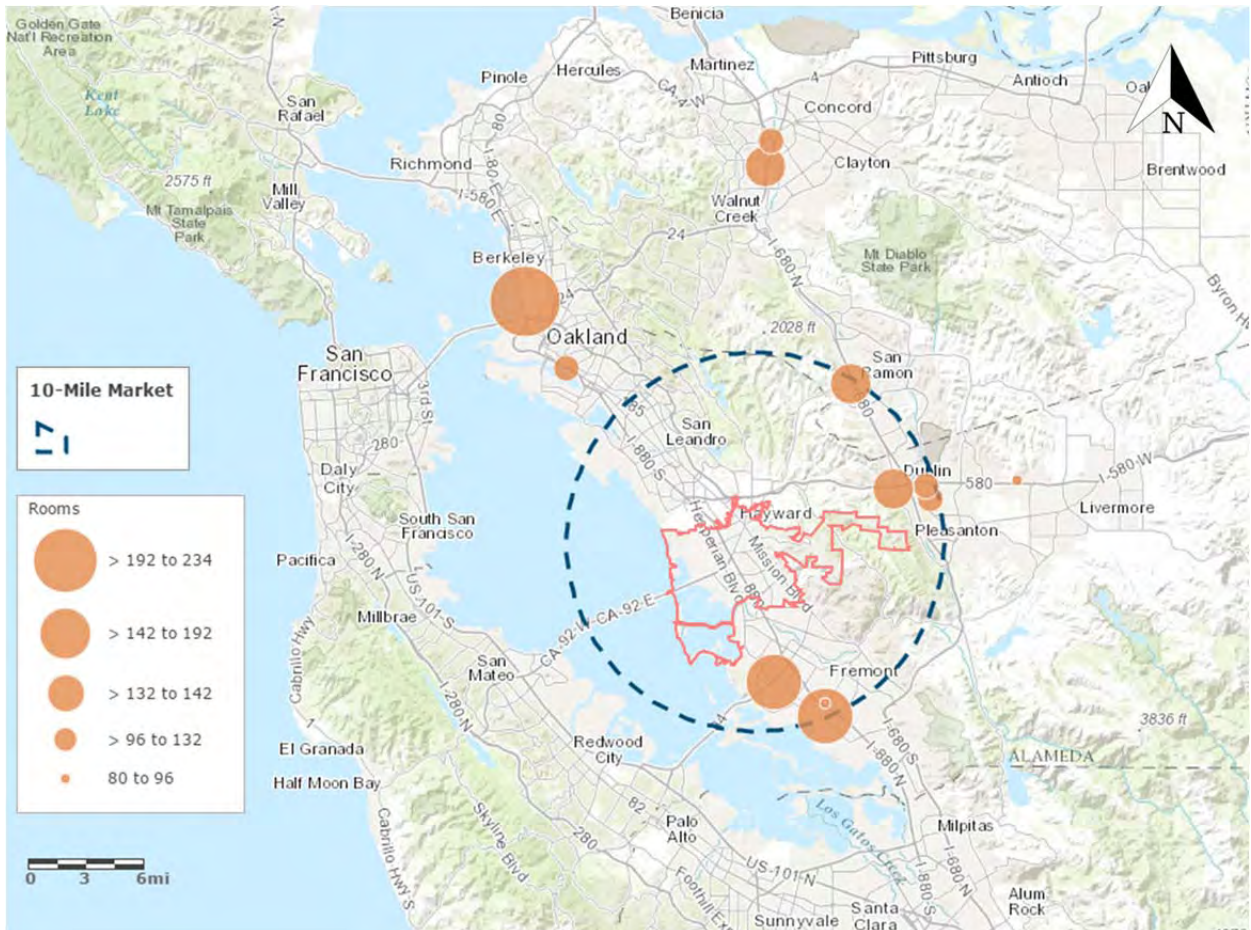
**Figure 1** Existing Upscale Hotels in the East Bay





The proposed project will compete most directly with upscale extended stay hotels in the trade area. Today, the trade area contains eight extended stay hotel properties, located near the City of Fremont and in the Tri-Valley area to the east. The City of Hayward does not currently have any extended stay upscale hotels. **Figure 2** maps upscale extended stay hotels in the trade area and throughout the East Bay. A complete list of upscale properties in the trade area is presented in **Figure 3**, including detail on each hotel's market orientation (extended stay vs. traditional), location (by city), year built, and room count. The hotels in **Figure 3** make up the competitive market for the proposed Project.

**Figure 2 Existing Upscale Extended Stay Hotels in the East Bay**



Source: Smith Travel Research

**Figure 3 Upscale Hotels in the 10-Mile Trade Area**

Name of Establishment	City	Open Date	Rooms	
			Count	Share of Total
Extended Stay				
Homewood Suites Newark Fremont	Newark	Sep 1999	192	6%
Residence Inn Newark Silicon Valley	Newark	Sep 2002	168	5%
Hyatt House San Ramon	San Ramon	Sep 2002	142	5%
Residence Inn Pleasanton	Pleasanton	Aug 1999	135	4%
Hyatt House Pleasanton	Pleasanton	Jul 1998	128	4%
Larkspur Landing Pleasanton	Pleasanton	Aug 1997	124	4%
Residence Inn San Ramon	San Ramon	Aug 1990	106	3%
Residence Inn Fremont Silicon Valley	Fremont	May 1985	<u>80</u>	<u>3%</u>
Subtotal			1,075	34%
Other Upscale				
DoubleTree Pleasanton @ The Club	Pleasanton	Dec 1985	292	9%
Crowne Plaza Silicon Valley North Union City	Union City	Jul 1983	268	8%
Radisson Hotel Oakland Airport	Oakland	May 1963	266	8%
Four Points by Sheraton Pleasanton	Pleasanton	Oct 1985	214	7%
Courtyard Newark Silicon Valley	Newark	Jun 2002	181	6%
aloft Hotel Silicon Valley	Newark	Aug 2000	172	5%
Courtyard Oakland Airport	Oakland	Feb 2001	156	5%
Courtyard Pleasanton	Pleasanton	Sep 1986	145	5%
Courtyard San Ramon	San Ramon	Apr 1998	136	4%
The Marina Inn On San Francisco Bay	San Leandro	Jun 1985	130	4%
Hilton Garden Inn Oakland San Leandro	San Leandro	Dec 2002	<u>119</u>	<u>4%</u>
Subtotal			2,079	66%
TOTAL			3,154	100%

Sources: Smith Travel Research; Economic & Planning Systems, Inc.



## Hotel Market Analysis

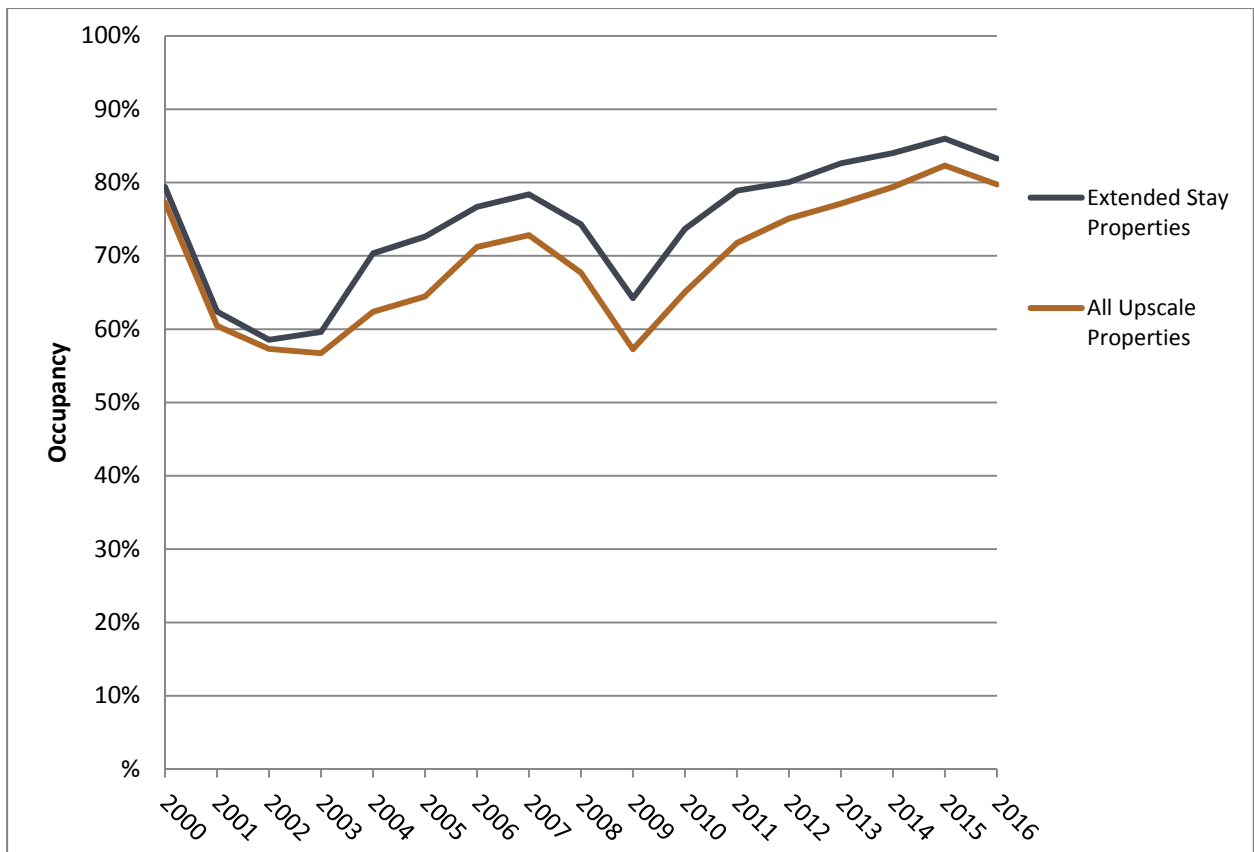
To assess demand for the proposed hotel, EPS reviewed the proposed Project and identified the competitive market. EPS acquired historical hotel market performance data, analyzed demand trends, and considered potential future hotel competition. As previously noted, EPS studied the East Bay market broadly and focused on hotels within the 10-mile trade area. The data reveal that while there are over 3,150 upscale hotel rooms within 10 miles of the project site, the hotel supply in the market has remained unchanged for more than a decade.

### Hotel Market Trends

#### Occupancy

Occupancy rates for upscale rooms in the trade area and in the East Bay now are at 80 plus percent, which is significantly higher than the roughly 70 percent occupancy rate required to maintain economic viability.<sup>2</sup> Extended stay properties have maintained a slightly higher occupancy rate than all upscale properties in the trade area, with 2016 occupancy of 83.3 percent. Occupancy rates in the broader East Bay have closely tracked these local market trends, with 2016 extended stay occupancy in the East Bay reaching 83.1 percent.

**Figure 4 Hotel Upscale Room Occupancy Trends in 10-Mile Trade Area**



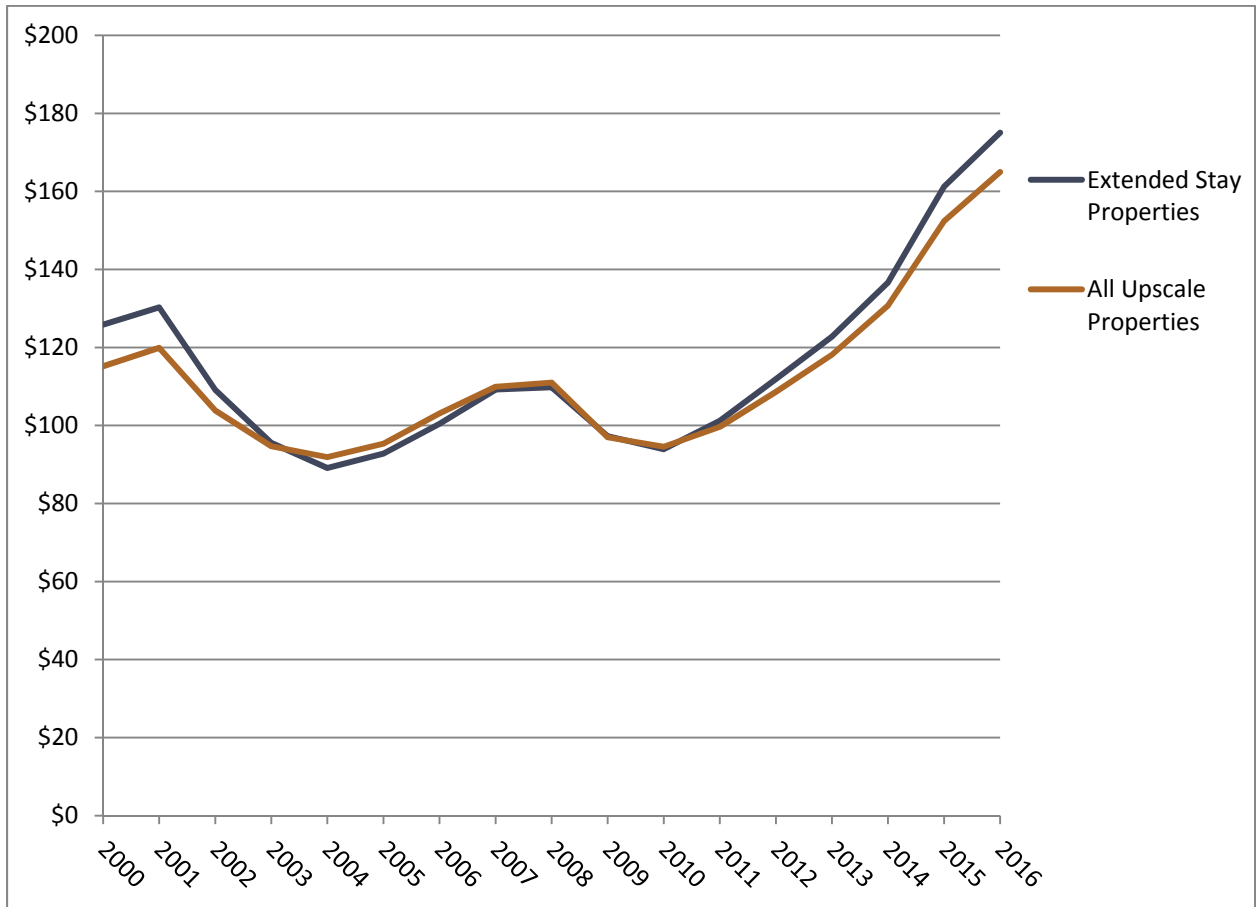
Source: Smith Travel Research

<sup>2</sup> It is standard for hotel operators to expect a certain amount of frictional vacancy at all times and to strive to achieve a vacancy of 70 percent or higher.

### Average Daily Room Rates

As further indication of a strong hotel market, the average daily rates for upscale properties in the trade area and East Bay have been on the rise since 2010. Average daily rate is a measure of the average rate paid for rooms sold and is calculated by dividing room revenue by rooms sold at each hotel property.<sup>3</sup> Following the 2008 recession, average daily rates for extended stay properties in the trade area rose from about \$94 in 2010 to \$175 in 2016, an increase of more than 85 percent in six years, as shown in **Figure 5** below.

**Figure 5** Average Upscale Daily Room Rate Trends in 10-Mile Trade Area



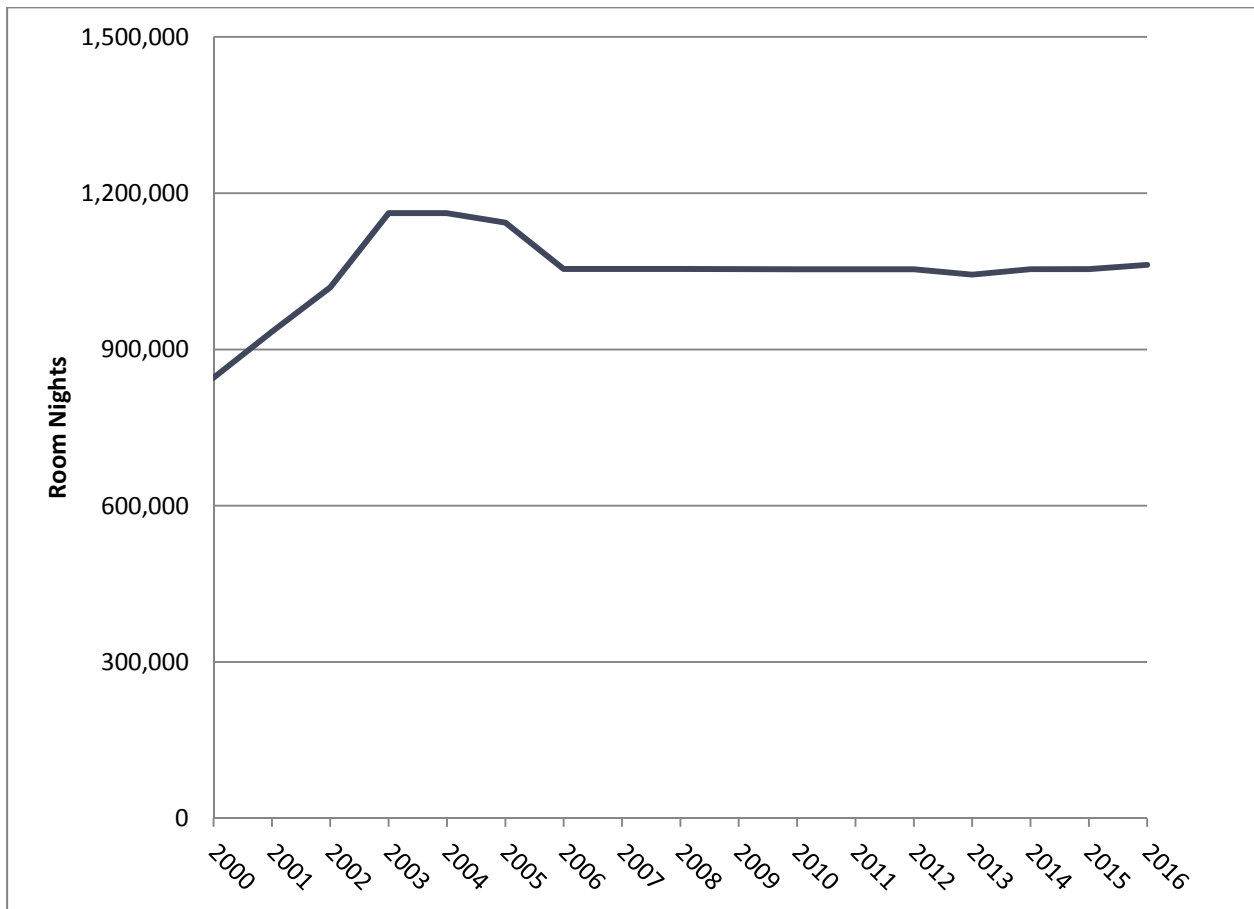
Source: Smith Travel Research

<sup>3</sup> Smith Travel Research

## Room Night Supply History and Outlook

The most recently constructed upscale hotels in the trade area were delivered in 2002, over a decade ago. Since then, hotel supply growth has been stagnant. As shown in **Figure 6**, STR data reveal a modest decline in room night supply between 2003 and 2006, then a flatlining of inventory. In the face of growing demand, this lack of supply growth has led to the spiking of occupancy and room rates described above. These market conditions, particularly the extraordinary occupancy achieved, reveal the strong potential for new upscale hotels, and upscale extended stay hotels especially, to enter the market.

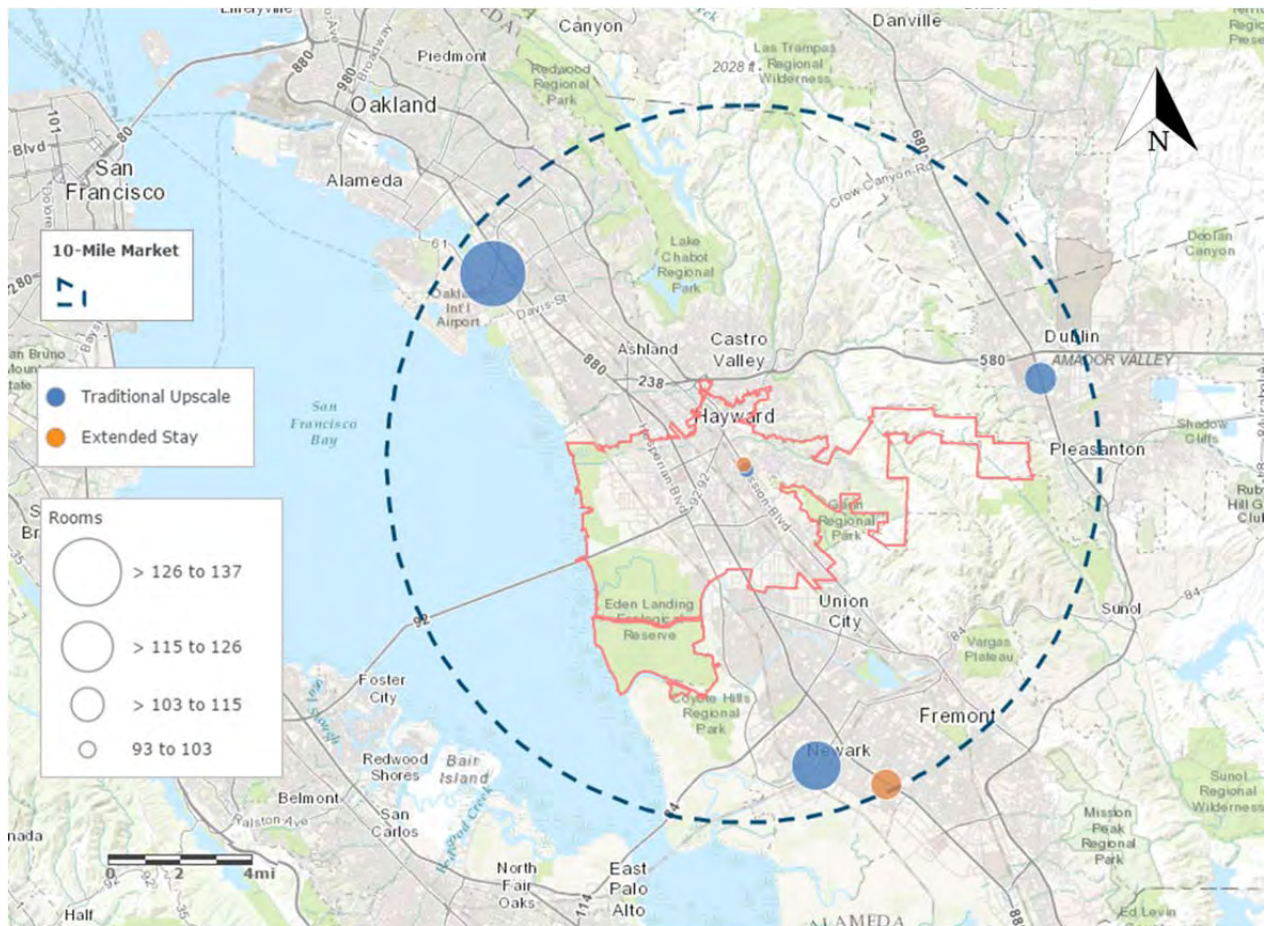
**Figure 6** Historical Upscale Room Night Supply in the 10-Mile Trade Area



Source: Smith Travel Research

Looking forward, a number of planned hotel projects may be developed in the trade area. The Review identified proposed projects, including projects with development applications submitted to Cities within the trade area. While there are eight upscale hotels planned for the trade area, only two are in Hayward and only two are extended stay hotels (including the Project). A total of 666 upscale rooms are planned for the trade area, but fewer than 200 rooms will satisfy the extended stay market segment. The proposed Project will be the only upscale extended stay hotel in Hayward. **Figure 7** maps the proposed upscale hotels in the trade area. **Figure 8** details each hotel's market orientation, location, anticipated opening, and room count.

**Figure 7**      **Planned Upscale Hotels in the East Bay**



Source: Smith Travel Research

**Figure 8      Planned Upscale Hotels in the 10-Mile Market Area**

Name	Phase	City	Open Date (Anticipated)	Rooms	
				Count	Share of Total
<u>Extended Stay</u>					
Staybridge Suites Newark	Planning	Newark	2018	104	16%
<b>Residence Inn Hayward</b>	<b>Final Planning</b>	<b>Hayward</b>	<b>2018</b>	<b><u>93</u></b>	<b><u>14%</u></b>
Subtotal				<b>197</b>	<b>30%</b>
<u>Other Upscale</u>					
Springhill Suites Oakland Airport	Final Planning	Oakland	2019	137	21%
Springhill Suites Newark Fremont	Final Planning	Newark	2018	120	18%
Springhill Suites Pleasanton	Final Planning	Pleasanton	2018	112	17%
Springhill Suites Oakland Hayward	Final Planning	Hayward	2019	<u>100</u>	<u>15%</u>
Subtotal				<b>469</b>	<b>70%</b>
<b>TOTAL</b>				<b>666</b>	<b>100%</b>

Source: Smith Travel Research; Marriott Hotels; Economic & Planning Systems, Inc.

**PH 17-025**

JOHN PICO AUTOMOTIVE ADVISING LLC QUALIFICATIONS

**MISSION CROSSINGS PROJECT**

### Mr. Pico's Background and Experience

#### **EDUCATION:**

Bachelor of Arts degree, Chapman University, Orange, California,  
Juris Doctorate (Doctorate of Law) from University of California, Hastings College of Law, San Francisco.

#### **AUTOMOTIVE RELATED PUBLICATIONS (Partial List):**

*Buying and Selling Automobile Dealerships*, National Legal Publishing Co. ISBN# 0-936381-03-5  
*Buying and Selling Automobile Dealerships Volume I*, ISBN# 0-936381-04-3  
*Buying and Selling Automobile Dealerships Volume II*, United States Library of Congress Number 89-082568  
*Buying New Car Dealerships: Common Mistakes* PRWeb  
*Investing in Car Dealerships: How to do it Right* Pro Sports Group News  
*Automobile Dealerships – How to Value Them* Ezine Articles  
*Automobile Dealerships – Valuing Blue Sky* Ezine Articles  
*Investing in Car Dealerships: Doing Your Homework*, Finance Bits  
*Is Now the Right Time to Buy a New Car Dealership?* Ezine Articles  
*The Accountant's Liability for Financial Reports*  
*Selling to Public Companies – The Effect of Framework Agreements*  
*Personal Goodwill: Allocation of Blue Sky / Goodwill in an Automobile Dealership Sale*  
*Are Auto Malls the Key to Success?*  
*Toyota: Is the Party Over?*  
*Automobile Dealers: Do You Really Have the Right to Refuse Inventory?*  
*An Analysis of Chrysler's Project Alpha / Genesis*  
*A History of Automobile Dealership Site Control*  
*The Future of the Lincoln and Mercury Brands*  
*Site Control for Automobile Dealers in the 21<sup>st</sup> Century*  
*Dallas - Fort Worth Automotive Market Analysis*  
*Market Analysis Marina Boulevard (San Leandro) vs. Hayward Boulevard (Hayward)*  
*Buying and Selling Automobile Dealerships – Axioms When Negotiating*  
*Buying and Selling Automobile Dealerships – Limitations When Negotiating*  
*Automobile Dealerships – Out of Trust – Tips for the Dealer*  
*Automobile Dealerships – Out of Trust – Tips for the Lender*  
*Automobile Dealerships – Out of Trust – Tips for Keepers / Trustees*  
*Automobile Dealerships – Out of Trust – Creating a Workout Plan*  
*Out of Trust and Workout Advice*  
*Death of an Automobile Dealership*

\* Mr. Pico's writings have been published in German, French, Italian, Spanish, Portuguese, Japanese, Korean and Arabic.

## **QUALIFICATIONS OF AUTHOR**

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### **AUTOMOTIVE RELATED COURT CERTIFICATIONS:**

- Approved by the U.S. Bankruptcy Court, 10th Circuit, District of Colorado, pursuant to Rule 202 of the Bankruptcy Code, as "Consultant to Debtor" in sale of a new car automobile dealership;
- Approved by the U.S. Bankruptcy Court, 9th Circuit, Northern District of California, pursuant to Rule 202 of the Bankruptcy Code, as "Consultant to Debtor" in sale of a new car automobile dealership;
- Approved by the U.S. District Court, 8th Circuit, Wisconsin, as Arbitrator/ Appraiser in new car Dealership litigation;
- Approved by the District Court of Colorado as expert in dealership valuation litigation;
- Approved by the Superior Court of California as: (a) "Consultant to Court Appointed Receiver" in check-kiting case,(b) "Expert Witness", with respect to dealership valuations, and(c) Superior Court Mediator in dealership/lender litigation.

### **SAMPLE OF AUTOMOTIVE SPEAKING ACTIVITIES:**

- California Department of Motor Vehicles
- National Association of Automotive CPAs
- Various Dealer 20 Groups
- Controller Roundtable (Sponsored by AutoTeam America)
- Lender's Round Table (Sponsored by Hughes & Luce, Attorneys)
- CFO / Controller Roundtable (Sponsored by Lane Gorman Trubitt, LLP, CPAs)

### **AUTOMOTIVE RELATED MEDIA INTERVIEWS:**

- The Kiplinger Washington Editors, Inc.
- Automotive News
- The Car Concerns Radio Show
- (PSG) Pro Sports Group [of sports agents]

### **ADDITIONAL AUTOMOTIVE BACKGROUND:**

Before retiring from the active practice of law, in 1980, Mr. Pico represented numerous automotive dealers in the reorganizations, purchases, and sales of dealerships. He both tried cases as the attorney for the dealerships and arbitrated and mediated dealer related cases.

Over the course of the past thirty plus years, Mr. Pico has handled hundreds of dealership valuations, buy-sell agreements (both asset and stock sales) and has assisted dealers in acquiring new facilities, opening new points and negotiating and settling "out of trust" positions. As can be seen above, he has been certified by a number of courts in fields regarding the automotive business.



## QUALIFICATIONS OF AUTHOR

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In addition to receiving training and attending seminars with respect to the various departments in new car dealerships, Mr. Pico has "hands-on" experience" in the position of General Manager - a position which he assumed on an "interim" bases to help out a client of Automotive Advisors.

In 2005, Mr. Pico was recognized by Ezine.com as an "expert author" in the field of buying, selling and investing in automobile dealerships.

### **NONAUTOMOTIVE BACKGROUND:**

#### **MILITARY:**

- 05 Jul 65 through 31 Dec 68
- Highest Security Clearance: Top Secret
- Highest Decoration: Air Force Commendation Medal (Awarded 20 Nov 68)
- Commander's Club, Disabled American Veterans

#### **PAST DIRECTORSHIPS:**

- Burlingame Kiwanis Club
- San Mateo Optimist Club
- San Mateo County Trial Lawyers Association
- San Mateo Business Club
- Corinth Forest Homeowners Association

#### **PAST NEGOTIATOR:**

- San Mateo Police Officers Association
- Brotherhood of Railway & Airlines Clerks

#### **PAST PRESIDENT:**

San Mateo Business Club

Corinth Forest Homeowners Association

### **NONAUTOMOTIVE PUBLICATIONS:**

- January-March 1968 History of the 15th Reconnaissance Technical Squadron, written by Mr. Pico under the command of the 15th Air Force, Director of Intelligence, Strategic Air Command, **Classified: SECRET/ NOFORN** in accordance with Air Force Reg. 205-1.
- April-June 1968 History of the 15th Reconnaissance Technical Squadron, written by Mr. Pico under the command of the 15th Air Force, Director of Intelligence, Strategic Air Command, **Classified: SECRET/ NOFORN** in accordance with Air Force Reg. 205-1.

## QUALIFICATIONS OF AUTHOR

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- July-September 1968 History of the 15th Reconnaissance Technical Squadron, written by Mr. Pico under the command of the 15th Air Force, Director of Intelligence, Strategic Air Command, **Classified: SECRET/ NOFORN** in accordance with Air Force Reg. 205-1.
- October-December 1968 History of the 15th Reconnaissance Technical Squadron, written by Mr. Pico under the command of the 15th Air Force, Director of Intelligence, Strategic Air Command, **Classified: SECRET/ NOFORN** in accordance with Air Force Reg. 205-1.
- "Educational Inflation", 1969, San Francisco Chronicle.

### NONAUTOMOTIVE SPEAKING ACTIVITIES:

- Hastings College of Law
- Stanford School of Law
- Regular Guest Host on KCSM-TV's "Justice Forum"
- Guest, ABC's Art Findlay Show, KGO Radio, San Francisco
- Guest on KABL Radio's Opinion 79, San Francisco;
- San Mateo Trial Lawyers Association

### Partial List of valuations completed by Mr. Pico with respect to Completed Purchases and Sales

Allen Samuels Ford, Duncanville, TX – Rumsey Automotive Group  
Allen Samuels Ford Land & Facility, Duncanville, TX – Rumsey Development Corporation  
Alcala Chevrolet, Burlingame, CA - Gil Alcala  
Alcala Chevrolet Land & Facility, Burlingame, CA - Option from Gil Alcala  
Autohaus Mazda-Volkswagen, South Lake Tahoe, CA Tahoe to Carson City - Jerry Rudd  
Autohaus BMW, Tahoe to Carson City, NV - Jerry Rudd  
Barrett Mack Sales and Service, Lufkin, TX - Richard Barrett  
Billings Chevrolet, Milpitas, CA - Mike Billings  
Bishop Motors (Chrysler-Plymouth-Jeep-Dodge), Hollister, CA - Glenn Hartzheim  
Bob Curtis Oldsmobile, Torrance, CA, Robert Curtis  
Bob Curtis Land and Facility, Torrance, CA - Robert Curtis  
Bob Post Chrysler-Plymouth, Aurora, CO Robert Post  
Bob Post Chrysler Land & Facility, Aurora - Robert & Virginia Post  
Bob Post Chrysler-Plymouth, Shreveport, LA - Robert & Scott Post  
Bob Post Chrysler Land & Facility, Shreveport, LA - Robert & Scott Post  
Boulder Mitsubishi, Boulder, CO - Thomas Weisberg  
Burlingame Lincoln-Mercury, Burlingame, CA - Joseph Durelli  
Burlingame Lincoln-Mercury Land & Facility, Burlingame, CA – Joe Durelli  
Calistoga Ford, Calistoga, CA – Jimmy Vasser  
Carlsen Audi, Palo Alto, CA – Charlie Burton, Richard Pasquali  
Carrera PRB, Palo Alto, CA – Audi Land & Facility – Charlie Burton, Richard Pasquali  
Carson City Datsun- NV - Glenn Hartzheim  
Carson City Jeep-Eagle-Renault - NV - Glenn Hartzheim  
Century Chevrolet Real Property (Purchase), Broomfield, CO - Robert Stream

## QUALIFICATIONS OF AUTHOR

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Century Chevrolet, Broomfield, CO - Robert Stream  
Century Chevrolet Land & Facility (Sale), Broomfield, CO – Bob Stream  
Century Chevrolet, Fort Worth, TX - William McKay  
Champion Ford, Denver, CO - Robert Yates  
Connell Automotive Center (Pontiac, Buick, Cadillac, GMC, Oakland CA – Steve Simi  
Crystal Lake Honda, Crystal Lake, IL - Leo Stec & James Wolf  
Dodge Country, San Jose, CA - Hank Torian  
Doten Hyundai, Richmond, CA – Beverly Doten  
Doten Hyundai Land and Facility – Beverly Doten  
Ed Bozarth Chevrolet-Toyota, Napa, CA Ed Bozarth  
Ed Bozarth Chevrolet Land & Facility - Jimmy Vasser & Darren Smyl  
Elk Mountain Motors (Volkswagen-Audi) - Joel Towbin  
Falmouth Subaru, Falmouth, ME - John Payson  
Falmouth Subaru Land & Facility, ME, John Payson  
Falmouth Dealership Land and Facility – Barry Harris  
Fremont Dodge Land & Facility, Fremont, CA - Hank & Rita Torian  
Front Range Dodge, Northglenn, CO - James Derrickson  
Frontier GMC Truck, Fort Worth, TX - Eddie Walker  
Frontier GMC Truck Land & Facility, Ft. Worth, TX Benjamin Campbell  
Golden Ford, Golden, CO- Edward & Scott Dubravac  
Great West Pontiac, Thornton, CO - Bob Yates  
Harmon Chevrolet, Orange, TX – Al Granger & Dean Granger  
Harmon Chevrolet, Orange, TX – Land and Facility – Al Granger & Dean Granger  
Harter Mazda-Volkswagen, Davis, CA - Alvin Harter  
Hartzheim Ford, Burlingame, CA - Glenn Hartzheim  
Hartzheim Nissan-Jeep, Carson City, NV - Glenn Hartzheim  
Hillery Motors (Mazda-Isuzu), Modesto, CA - Charles Hillery  
Imperial Motors (Chrysler-Ply-Dodge), Indio, CA - Matthew Reis  
John Elway Mazda, Englewood, CO - John Elway and Rodney Buscher  
John Rotola Mazda-Volkswagen-Hyundai-Suzuki, Lakewood - John Rotola  
Johnny Haas Lincoln-Mercury, Lakewood, CO, Johnny Haas  
Johnny Haas Land & Facility, Lakewood, CO, Johnny Haas  
Lexus of Denver, Littleton, CO- R. Douglas Spedding  
Lexus of Stevens Creek, San Jose, CA – Hank Torian  
Magnussen Volkswagen, San Mateo, CA – Bernie Magnussen  
Magnussen Nissan, San Mateo, CA – Bernie Magnussen  
Manteca Nissan, CA, Oscar Travland  
Mead Pontiac-Jeep-Eagle, Grand Junction, CO - Richard Mead  
Menlo Honda, Redwood City, CA – Kieth Burgess  
Menlo Honda, Redwood City, CA – Land and Facility – Kieth Burgess  
Metro Honda, Westminster, CO - Melvin Nelson  
Metro Honda Land and Facility-Melvin Nelson  
Metro Oldsmobile-Hyundai-Daihatsu-Nelson  
Metro Olds-Hyundai-Daihatsu Land & Facility  
Metro Toyota, Englewood, CO - Nelson  
Metro Toyota Land & Facility, Englewood, CO  
Northwest Volkswagen-Mazda, Thornton, CO-Robert Yates  
Northwest Subaru, Thornton, CO - Robert Yates  
Norton Motors [Dodge, Chrysler, Jeep], Kelseyville, CA - Russ Norton and Mark  
Orange Coast Chrysler Jeep Dodge Ram, San Juan Capistrano, Jonathan Grayt

## QUALIFICATIONS OF AUTHOR

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Osborn Chevrolet, Aurora, CO - Gene Osborn  
Osborn Chevrolet Land & Facility - Gene Osborn  
Osborn Subaru, Aurora, CO - Gene Osborn  
Osborne Pont-Bui-GMC, Fallon, NV - Gary Osborne  
Palm Springs Chrysler-Plymouth-Dodge, Palm Springs, CA - Henry Fox  
Patterson Ford-Mercury, Patterson, CA-Vince Lennon  
Peninsula Volkswagen, San Mateo, CA - Richard Asmar and Carl Kammyer  
Peninsula Subaru, San Mateo, CA - Richard Asmar and Carl Kammyer  
Peninsula Nissan, San Mateo, CA - Richard Asmar and Carl Kammyer  
Pete Ellis Toyota, Bellflower, CA- Peter Ellis  
Precision VW-Hyundai-Suzuki, Lakewood, CO - R. Douglas Spedding  
Prospect Motors (Chevrolet-Cadillac-Olds-Pontiac-Buick-GMC Truck), Jackson, CA - Lucy on behalf of the Ronald DiGiulio Estate  
Reis-Durelli Lincoln Mercury, Burlingame, CA, Joseph Durelli  
Reis-Durelli Land and Facility - Joseph Durelli  
Richard's Mazda, Thornton, CO - R. Douglas Spedding  
San Mateo Chrysler - Plymouth, San Mateo, CA - Glenn Hartzheim  
San Mateo Chrysler-Plymouth Land & Facility (Purchase) - Glenn Hartzheim  
San Mateo Chrysler-Plymouth Land & Facility (Sale) - Glenn & Gita Hartzheim  
San Mateo Nissan, San Mateo, CA- Bernard Magnussen  
San Mateo Volkswagen, San Mateo, CA - Bernard Magnussen  
San Rafael Dodge, San Rafael, CA – LOI – Tom Cogliano  
Santa Rosa Chevrolet, Santa Rosa - Barry Biddulph  
Shen Chevrolet, San Mateo, CA – Court Appointed Receiver  
Shen Lincoln-Mercury, San Mateo, CA – Court Appointed Receiver  
Shepherd Pontiac-Honda, Concord, CA - William Shepherd  
Shepherd Pontiac Land & Facility - Option - William Shepherd  
Shortline Mazda-VW-Hyundai-Suzuki, Lakewood, CO - Donald Hicks  
South County Chevrolet, Morgan Hill, CA – Al Chew  
Signer-Cramm Buick, Fremont, CA - Donald Signer  
South Coast Buick Cadillac GMC, Costa Mesa, CA – Hamid Hojati  
Steve Johnson Jeep-Eagle, Colorado Springs, CO - Stephen Johnson  
Stone Mountain Chevrolet, Stone Mountain (Atlanta), GA - Bob Beringhaus  
Sunlight Motors (Nissan-Audi-Volkswagen-Mazda), Glenwood Springs, CO - Thomas Grunnah, Sr. and Thomas Grunnah, Jr.  
Team of Marin Autocenter [Chevrolet, Cadillac, Hummer, Saab] San Rafael, CA - Ken Ross  
Team Hyundai of Marin - San Rafael, CA - Kenny Ross  
Town & Country Pontiac-Buick-GMC - Emanuel Bugelli  
Town & Country Jeep-Eagle, Brighton, CO - Emanuel Bugelli  
Village Lincoln, Mercury, Mazda, Denton, TX – Tom Durant and Richard Allen

### **Dealerships that were valued by Mr. Pico with respect to Partnership Sales, Estate Sales, Partnership Disputes, and Divorces**

Anderson Honda, Palo Alto, CA – John Anderson (Partner Dissolution)  
Carlsen Audi – Ron Burton (Dissolution)  
Chesrown Chevrolet, Denver, CO – retained by both husband's and wife's attorney (Dissolution)  
Dale Spradley Lincoln-Mercury, Pueblo, CO - Sherman & Howard, Attorneys (Partner Dissolution)  
Dodge Country, San Jose, CA - Hank Torian, (Partnership Dissolution)

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Elk Grove Honda, Elk Grove, CA – Maggie Tadlock (Partnership Valuation)  
Economy Nissan, Durango, CO - Raymond Carter and Monte Roder (Estate Planning/Partner Valuation)  
Falmouth Subaru, Falmouth, ME – (Partnership Dissolution)  
Friendly Ford, Lakewood, CO – retained by both husband's and wife's attorney (Dissolution)  
Hayward Ford, Hayward, CA - Jim Blakely (Partnership Dissolution) – Attorney Bob Cross, Sideman Bancroft  
Junction Motor Service Company (Pontiac-Buick-Cadillac-GMC), Ely, NV - Partnership Valuation  
Mark Toyota, Wisconsin Rapids, WI - Mark Olynik (Partnership Litigation Arbitration)  
Mark Chrysler-Jeep, Wisconsin Rapids, WI - Mark Olynik (Partnership Litigation/Arbitration)  
Marshall Ford, Boulder, CO – retained by both husband's and wife's attorney (Dissolution)  
McNevin Cadillac-Volkswagen, Berkeley, CA - Estate of June McNevin (Estate Appraisal/Purchase)  
McNevin Cadillac-Volkswagen Real Property and Facilities, Berkeley, CA - Estate of June McNevin (Estate Appraisal / inter-family Purchase)  
Michael Stead's Walnut Creek Ford, CA - Estate of Wayne Stead (Estate Taxes/Inheritance)  
Prospect Motors (Chevrolet-Cadillac-Olds-Pontiac-Buick-GMC Truck), Jackson, CA – (Estate Sale to Partner)  
Pueblo Dodge-VW, Pueblo, CO - Robert Fitzgerald (Estate Planning/Partner Valuation)  
Pueblo Toyota, Pueblo, CO - Robert Fitzgerald (Estate Planning / Partner Valuation)  
Santa Cruz Subaru, CA – Charlie Canfield & Gary Shipman (Wayne Schneck Estate Valuation – Deceased Partner)  
Santa Cruz Mazda – Charlie Canfield & Gary Shipman (Wayne Schneck Estate Valuation – Deceased Partner)  
Santa Cruz Kia – Charlie Canfield & Gary Shipman (Wayne Schneck Estate Valuation – Deceased Partner)  
Shellworth Chevrolet-Oldsmobile, Vacaville, CA - Tom Shellworth (Estate Planning / inter-family Purchase)  
Spradley Lincoln-Mercury, Alamosa, CO - Sherman & Howard Attorneys at Law (Partnership Dissolution)  
Signer-Cramm Buick, Fremont, CA – (Partnership Dissolution)  
Spradley Lincoln-Mercury, Florence, CO - Sherman & Howard, Attorneys at Law (Partnership Dissolution)  
Spradley Chrysler-Dodge, Lamar, CA - Sherman & Howard, Attorneys at Law (Partnership Dissolution)  
Spradley Motors, La Junta, CO - Sherman & Howard, Attorneys at Law (Partnership Dissolution)  
Sunwest Honda, Colorado Springs, CO - Robert Fitzgerald (Estate Planning/Partnership Valuation)  
The Ford Store, Morgan Hill, CA – Tim Paulus & Jerry Feldman (Partnership Dissolution)  
The Ford Store, Morgan Hill, CA – Tim Paulus & Linda Paulus (Dissolution)  
Wayne Stead Cadillac, Walnut Creek, CA - Estate of Wayne Stead (Estate Taxes/Inheritance)

### **Dealerships Valued by Mr. Pico with respect to Federal and State Court Filed Actions**

Alcala Chevrolet, Burlingame, CA – (Chapter XI – US Bankruptcy Court 9<sup>th</sup> Circuit)  
Alcala Chevrolet Land & Facility, Burlingame, CA – (US Bankruptcy Court 9<sup>th</sup> Chapter XI – 9<sup>th</sup> Circuit)  
Chesrown Chevrolet, Denver, CO – (Dissolution – District Court of Colorado)  
Colorado Connection d.b.a. Stampede Toyota, Greeley, CO – (Partnership Litigation – District Court of Colorado)  
Hayward Ford, Hayward, CA - Jim Blakely (Arbitration – San Mateo County)  
Manteca Nissan, CA, - (Chapter XI – Bankruptcy Court 9<sup>th</sup> Circuit)  
Mark Toyota, Wisconsin Rapids, WI - Mark Olynik (Partnership Litigation/Arbitration – US District Court, 8<sup>th</sup> Circuit)  
Mark Chrysler-Jeep, Wisconsin Rapids, WI - Mark Olynik (Partnership Litigation/Arbitration – US District Court, 8<sup>th</sup> Circuit)  
Marshall Ford, Boulder, CO – retained by both husband's and wife's attorney (Dissolution)  
Mission Motor Company Real Property, Hayward, CA - (Partnership Litigation/Arbitration – Superior Court of California)  
Shen Chevrolet Real Property and Facility, San Mateo, CA – (Receivership – Superior Court of California)  
Shen Infiniti, Redwood City, CA – (Receivership – Superior Court of California)  
Shen Lincoln-Mercury Real Property and Facility, San Mateo, CA – (Receivership – Superior Court of California)  
Shen Mitsubishi, Burlingame, CA – (Receivership – Superior Court of California)

## QUALIFICATIONS OF AUTHOR

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Shen Mitsubishi Real Property and Facility, Burlingame, CA – (Receivership – Superior Court of California)  
Sunlight Motors (Nissan-Audi-Volkswagen-Mazda), Glenwood Springs, CO – (Chapter XI – US Bankruptcy Court 10<sup>th</sup> Circuit)

### **Dealerships Valued by Mr. Pico with respect to sales completed by the dealer**

Arata Honda, Burlingame, CA - Alvin, Donald and David James Arata  
Balestra Chrysler-Plymouth, Redwood City, CA - Joseph Balestra  
Balestra Pontiac-GMC, Redwood City, CA - Joseph Balestra  
Bauer Nissan, San Francisco, CA - Allen Bauer  
Boulder Nissan, Boulder, CO - Charles Stevinson  
Campus Mazda-VW, Davis, CA - Richard Ogen  
City Toyota, Daly City, CA - Majid Salim  
Crouch Honda, Boulder, CO - William Crouch  
Crouch Honda Land and Facility, Boulder, CO - William Crouch  
Crouch Mazda-Mercedes, Boulder, CO - William Crouch  
Crouch Mazda-Mercedes Land and Facility, Boulder, CO - William Crouch  
David Varner Chevrolet, San Francisco, CA - David Varner  
Down Town Datsun, San Jose, CA - John Taylor and Llyod Clark  
Hillery Motors Land, Modesto, CA - Charles Hillery  
Larry Lange Cadillac, Sterling, TX - Larry Lange  
Leo Payne Imports (Mercedes), Lakewood, CO - Leo Payne  
Leo Payne Hyundai, Lakewood, CO - Leo Payne  
Leo Payne Pontiac-GMC, Lakewood, CO - Leo Payne  
Longmont Chrysler-Plymouth (Joe Titman), Longmont, CO  
Magnussen-Barbee Dodge, Concord, CA - Bob Barbee and Bernie Magnussen  
Magnussen-Barbee Suzuki, Concord, CA - Bob Barbee and Bernie Magnussen  
Modesto Mazda, Modesto, CA - John Taylor and Llyod Clark  
Nationway Motors (Mercedes-Benz-Mazda-Audi-VW-Jeep-Eagle), Cheyenne, WY - Gary Weir  
NorthStar Hyundai, Thornton, CO - Robert Yates  
Nowling Oldsmobile, Downey, CA - William Nowling  
Nowling Oldsmobile Land & Facility, Downey, CA - William Nowling  
Osborn Hyundai, Aurora, CO - Gene Osborn  
Osborn Mazda, Aurora, CO - Gene Osborn  
Pete Ellis Ford, Bellflower, CO - Peter Ellis  
Premier Chrysler-Plymouth, Northglenn, CO - Gordon Seth  
Premier Jeep-Eagle, Northglenn, CO - Rodney Buscher  
Redwood City Hyundai, Redwood City, CA - James Burney  
Shen Infinity, Redwood City, CA - Court Receiver  
Spedding Chevrolet, Denver, CO - R. Douglas Spedding  
Steve Johnson Pontiac, Colorado Springs, CO - Stephen Johnson  
Supreme Subaru, Thornton, CO - R. Douglas Spedding  
Town & Country Cadillac-Oldsmobile-Honda, Salinas, CA - Gene Peracchi  
Toyota North, San Jose, CA - John Taylor and Llyod Clark

### **Additional Dealerships and/or Dealership Land and Facilities Appraised or Valued by Mr. Pico and Name of Client**



## QUALIFICATIONS OF AUTHOR

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All-American Dodge, Skokie, IL - Willy T Ribbs  
Alpine Motors (Porsche), Colorado Springs, CO - Robert Fitzgerald  
Biddulph Chevrolet, Santa Rosa, CA - J. Edward Bozarth  
Bill Dreiling Buick, Lakewood, CO - Joe Putnam  
Baytown Toyota, Houston, TX – Angelo Ferro  
Beaver Toyota, Santa Fe, New Mexico – Mike Beaver  
Broadway Jeep-Eagle, Littleton, CO - Robert Fitzgerald  
Burgess Honda, Menlo Park, CA - George Assoun  
Burlingame Ford, Burlingame, CA - George Assoun  
City Toyota, Daly City, CA - Majid Salim  
Cowboy State Motors, Cheyenne, WY - Gary Weir  
Chesrown Chevrolet, Denver, CO - Marshall and Lori Sue Chevron  
Datsun of Downey, Downey, CA - Kenneth Olson  
Dale Spradley Lincoln-Mercury, Pueblo, CO - Sherman & Howard, Attorneys (Partner Dispute)  
Daly City Datsun, Daly City, CA - Glenn Hartzheim  
Daly City Toyota, Daly City, CA - Majid Salim  
Dodge City, Lakewood, CO - Robert Fitzgerald  
Doty Cadillac, Dublin, CA - Stephen Doty  
Downtown Datsun, San Jose, CA - John Taylor and Llyod Clark  
Durelli Chrysler-Plymouth-Dodge, Petaluma, CA - Joseph Durelli  
Durelli Chrysler Land and Facility, Petaluma, CA - Joseph Durelli  
Economy Nissan, Durango, CO - Raymond Carter (Estate Planning)  
Economy Nissan Real Property, Durango, CO - Raymond and Sharon Carter (Estate Planning)  
Elmwood Ford, Elmwood Park, NJ – Skip Wells  
Fairfield Nissan, Fairfield, CA - Farris Smotherman  
Flatirions Acura, Boulder, CO - William Crouch  
Flatirions Acura Land and Facility, Boulder, CO - William Crouch  
Flatirions Subaru, Boulder, CO - William Crouch  
Flatirions Subaru Land and Facility, Boulder, CO - William Crouch  
Formby Ford-Mercury, Silverthorne, CO - Emmett Formby  
Formby Pontiac-Buick-Cadillac-GMC Truck, Silverthorne, CO - Emmett Formby  
Fremont Toyota - Fremont, CA - Hank Torian  
Fremont Ford – Rumsey Automotive Group  
Gene Osborn Toyota, Colorado Springs, CO - Gene Osborn  
Gene Peracchi Pontiac-Suzuki, Fresno, CA - Gene Peracchi  
Gillman Toyota Honda Mazda, Denison, TX - Angelo Ferro  
Glendale Porsche-Audi, Glendale, CA - Merle Ferguson  
(Tom) Grace Honda, San Bruno, CA - Robert Hix  
Hayward Ford, Hayward, CA - Jim Blakely (Partnership Purchase)  
Hayward Toyota, Hayward, CA – Hank Torian (Appraisal)  
Hottman Chevrolet-Oldsmobile, Brighton, CO - Hank Torian  
Hudeberg Volkswagen-Audi-Subaru, Colorado Springs, CO - Doug McKinnon, Attorney at Law  
Hyundai Center of Redwood City, Redwood City, CA - James Burney  
Junction Motor Service Co. (Pontiac-Buick-Cadillac-GMC), Ely, NV - Partnership Appraisal  
Jack Kent Cadillac, Englewood, CO - Hank Torian  
John Rotola Lotus, Mazda, Maserati, Lakewood, CO - John Rotola  
Larry Lange Jaguar, Plano, TX - Larry Lange  
Les Vogel Chrysler-Plymouth-Jeep, Burlingame, CA - Glenn Hartzheim  
Les Vogel Dodge, Burlingame, CA - Glenn Hartzheim  
Lexus of Concord, Concord, CA - Hank Torian (Appraisal)

## QUALIFICATIONS OF AUTHOR

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Lexus of Stevens Creek - San Jose, CA - Hank Torian (Appraisal)  
Lithia Ford, Napa, CA – Jimmy Vasser  
Longmont Chrysler-Plymouth (Red Barkley's), Longmont, CO - Hank Torian  
Marin Nissan, San Rafael, CA - Angelo Ferro, Majid Salim  
Marina Pontiac-Cadillac, Salinas, CA - Marty Hernandez and Jim Shyne  
Mark Toyota, Wisconsin Rapids, WI - Mark Olynik (Arbitration)  
Mark Chrysler-Jeep, Wisconsin Rapids, WI - Mark Olynik (Arbitration)  
Marshall Ford, Boulder, CO - Marshall & Lori Sue Chesrown  
McNevin Cadillac-Volkswagen, Berkeley, CA - Estate of June McNevin (Estate Appraisal)  
McNevin Cadillac-Volkswagen Real Property and Facilities, Berkeley, CA - Estate of June McNevin (Est. Appraisal)  
Michael Stead's Walnut Creek Ford, CA - Estate of Wayne Stead (Estate Taxes)  
Mineral King Toyota, Visalia, CA - Jimmy Vasser  
Mission Motor Company Real Property, Hayward, CA - Andrew Fagan, Esquire (Litigation)  
Monterey Ford-Lincoln-Mercury, Monterey, CA - Gene Peracchi  
Mucci Pontiac-Buick-GMC, Menlo Park, CA - Jeffery Stern  
Negherbon Auto Center (Porsche, Audi, Dodge), Oakland, CA – Gary Negherbon  
Norton Motors (Chrysler Jeep Dodge), Kelseyville, CA – Mark Norton  
Novato Ford, Novato, CA - Francis Verducci  
Paramount Chevrolet, Downey, CA - Peter Ellis  
Patchetts Ford, Newman, CA – Ed Garcia  
Pete Becker Mazda-Jeep-Renault, Palm Springs, CA - Peter Becker  
Pikes Peak Acura, Colorado Springs, CO - William Crouch  
Point One Toyota, Evanston, IL - William Gleason  
Pueblo Dodge-VW, Pueblo, CO - Robert Fitzgerald (Estate Planning)  
Pueblo Toyota, Pueblo, CO - Robert Fitzgerald (Estate Planning)  
Putnam-Windh Honda, Visalia, CA - Jimmy Vasser  
Putnam-Windh Pontiac-Buick-GMC, Visalia, CA - Jimmy Vasser  
Putnam Windh Land and Facilities, Visalia, CA - Jimmy Vasser and Angelo Ferro  
R&G Toyota-Volvo, San Rafael, CA – Angelo Ferro  
Redwood City Dodge-Kia, Redwood City, CA – Gene Johnson  
Salinas Nissan, Salinas, CA - John Taylor and Lloyd Clark to Gene Peracchi  
San Rafael Ford, San Rafael, CA - Angelo Ferro, Majid Salim  
San Rafael Nissan, San Rafael, CA – Angelo Ferro  
Santa Rosa Chrysler-Jeep, Santa Rosa, CA – Tom Coglianor  
Shellworth Chevrolet-Oldsmobile, Vacaville, CA - Tom Shellworth (Estate Planning)  
Shen Chevrolet Real Property and Facility, San Mateo, CA - Receivership of Michael Shen  
Shen Infiniti, Redwood City, CA - Receivership of Michael Shen  
Shen Lincoln-Mercury Real Property and Facility, San Mateo, CA - Receivership of Mike Shen  
Shen Mitsubishi, Burlingame, CA - Receivership of Michael Shen  
Shen Mitsubishi Real Property and Facility, Burlingame, CA - Receivership of Michael Shen  
South City Ford, South San Francisco, CA – Dave Gonzalez  
Spradley Lincoln-Mercury, Alamosa, CO - Sherman & Howard Attorneys at Law (Partner Purchase)  
Spradley Lincoln-Mercury, Florence, CO - Sherman & Howard, Attorneys at Law (Partner Purchase)  
Spradley Chrysler-Dodge, Lamar, CA - Sherman & Howard, Attorneys at Law (Partner Purchase)  
Spradley Motors, La Junta, CO - Sherman & Howard, Attorneys at Law (Partner Purchase)  
Sunnyvale Dodge (Real Property and Facility), Sunnyvale, CA - Peter Ellis  
Sunwest Honda, Colorado Springs, CO - Robert Fitzgerald  
Town & Country Chevrolet, Cadillac, Middletown, CT franchises & facility - Mickey Augeri  
Town & Country Pontiac, Buick, Middletown, CT franchises & facility - Mickey Augeri  
Town & Country Lincoln, Mercury, Middletown, CT franchises & facility - Mickey Augeri



## QUALIFICATIONS OF AUTHOR

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Valley Chevrolet, Medford, OR - Bob DeBoer  
Village Lincoln-Mercury, Irving, TX – Marty Surber, Scott Flemming  
Wayne Stead Cadillac, Walnut Creek, CA - Estate of Wayne Stead (Estate Tax)  
Westlake Pontiac, Daly City, CA - Glenn Hartzheim  
Wild Ford, Borger, TX – Reno Cappelli, Mariano DeCola  
Wright Ford, Bellevue, WA - Doug Spedding  
Wright Toyota-Isuzu, Bellevue, WA - Doug Spedding  
Zumwalt-Magrini Chrysler-Plymouth-Jeep-Suzuki, Santa Rosa, CA - Angelo Ferro

### **Partial List Dealerships Mr. Pico Valued with respect to Capitalization Loans**

Arata Pontiac-GMC, Burlingame, CA - Alvin Arata  
Arata Subaru, Burlingame, CA – Alvin Arata  
Autowest BMW, Fremont, CA – Hank Torian  
Burlingame Lincoln-Mercury, Burlingame, CA – Joe Durelli  
Cherry Creek Dodge, Aurora, CO - Hank Torian  
Durelli Chrysler-Plymouth-Dodge, Petaluma, CA  
Dodge Country, San Jose, CA – Hank Torian  
Doty Cadillac, Dublin, CA – Lou Doty  
Downtown Datsun, San Jose, CA – John Taylor  
Egrin Chrysler-Plymouth, Fremont, CA – Hank Torian  
Fremont Honda, Fremont, CA – Hank Torian  
Hayward Dodge, Hayward, CA – Hank Torian  
San Mateo Chrysler-Plymouth, San Mateo, CA – Glenn Hartzheim

### **Partial List of Dealerships Mr. Pico Valued For Clients that were not Not Purchased by the Clients**

Adcock Pontiac-Oldsmobile-GMC, Cleveland, TX  
Adrian Vega's Ford-Lincoln-Mercury-Nissan, Slidell, LA  
Almanden Toyota, San Jose, CA  
Allen Mazda, Englewood, CO  
All-American Dodge, Englewood, CO  
Alpine Motorsports (Porsche-Audi), Colorado Springs, CO  
Antioch Dodge, Antioch, CA  
Autohaus Brugger Mercedes-Benz, Redwood City, CA  
Autowest BMW, Fremont, CA  
Bell Chevrolet, Tunjunga, CA  
Benson Pontiac-Buick-GMC, Petaluma, CA  
Berkeley Automall (Tom Southwick), Berkeley, CA  
Beverly Hills Porsche-Audi, Beverly Hills, CA - Vick Hollander  
Blum Oldsmobile, Englewood, CO  
Bob Grooms Ford, Englewood, CO  
Bob Grooms Subaru, Englewood, CO  
Bob Grooms Nissan, Englewood, CO  
Bridges Mitsubishi, Hayward, CA  
Buena Vista Mercedes-Benz, Buena Vista, CA  
Burlingame (Sabitini) Imports, Burlingame, CA

## QUALIFICATIONS OF AUTHOR

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Campus Chevrolet, Davis, CA  
Campus Toyota, Davis, CA  
Champion Buick, Sunnyvale, CA  
Carlsen Volkswagen, Palo Alto, CA  
Center City Ford, San Diego, CA  
Cherry Creek Dodge, Aurora, CO  
Chula Vista Chevrolet, Chula Vista, CA  
Claremont Auto Park, Claremont, CA  
Colorado Chrysler-Plymouth, Aurora, CO  
Cooper Motors (Pontiac-Buick-GMC), Fallon, NV  
Corteze Oldsmobile, Richmond, CA  
Daly City Nissan (Marty Morganstern), Daly City, CA  
DeBoer Mazda, Ashland, OR  
DiGiullio Pontiac, Fremont, CA  
DiGiullio Pontiac Land & Facility, Fremont, CA  
Doty Buick, Hayward, CA  
Douglas Mitsubishi, Thornton, CO  
Ed Chandler Ford, Hayward, CA  
Elk Grove Mazda, Elk Grove Village, IL  
Elm Ford-Mercury, Inc., Woodland, CA  
Fiesta Ford, Palm Springs, CA  
Flannery Chevrolet, Englewood, CO  
Formby Ford, Ft. Lupton, CO  
Forest Lane Porsche-Audi, Dallas, TX  
Frank Meads Mazda, Fremont, CA  
Freeway Datsun, Rosemead, CA - Barry Daniel  
Fred Smith Lincoln-Mercury, Independence, MO  
Gene Osborn Hyundai, Boulder, CO  
Gene Osborn Hyundai, Colorado Springs, CO  
Gene Osborn Toyota, Colorado Springs, CO  
Glenwood Porsche, Glenwood Springs, CO  
Gregg Motors, Beverly Hills, CA  
Gregg Motors, Santa Barbara, CA  
Henry Butts Oldsmobile, Dallas, TX  
Heritage Oldsmobile-Cadillac-GCM, Woodland, CA  
Honda City Land  
Hull Chrysler-Plymouth, Englewood, CO  
Indio Toyota, Indio, CA  
Irby Chrysler-Plymouth-Dodge, Duncanville, TX  
Irvine Mitsubishi, Irvine, CA  
Irvine Nissan, Irvine, CA  
Irvine Toyota, Irvine, CA  
James Chevrolet, Albany, CA  
Jim Close Honda, Hayward, CA  
Jim Shyne Motors, Inc., Fallon, NV  
John Chezik Toyota, Kansas City, MO  
Kerr Ford-Chrysler-Plymouth, Lakewood, CO  
Kerr Buick, Englewood, CO  
Landy Ford, Alameda, CA  
Larry Lange Hyundai, Arlington, TX

## QUALIFICATIONS OF AUTHOR

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Larry Robinson Chevrolet, Novato, CA  
Liberty Chevrolet, Selma, CA  
Llyod Wise Datsun, San Leandro, CA  
Marina Pontiac-Cadillac, Monterey, CA  
Markley Motors (Honda), Greeley, CO  
Max Honda, Casper, WY  
McConnells' Mountain States Volkswagen, Denver, CO  
Melody Toyota, San Bruno, CA  
Mezettti Volkswagen, Fremont, CA  
Midway Honda-GMC  
Modesto Nissan, Modesto, CA  
Mucci Pontiac-Buick-GMC, Menlo Park, CA  
New Country Chrysler-Plymouth, Durango, CO - New Country Ford, Durango, CO  
New Country Toyota, Durango, CO  
Northrige Lincoln-Mercury, Thornton, CO  
Novato Ford, Novato, CA  
Open Point Chrysler, Atlanta, GA  
Open Point Ford, Milpitas, CA  
Pacifica Ford, Pacifica, CA  
Palm Desert Nissan, Palm Desert, CA  
Pikes Peak Acura, Colorado Springs, CO - Bill Crouch  
Durelli's Chrysler-Plymouth-Dodge, Petaluma, CA - Joe Durelli  
Point One Chrysler-Jeep, Evanston, IL - Willy T. Ribbs  
Premier Nissan, San Jose, CA  
Ray Baldwin Motors, Capitola, CA  
Rhett White Ford, Walnut Creek, CA  
Sampsons Motor City, Pontiac-Buick-GMC-Jeep, Brighton, CO  
San Rafael BMW, San Rafael, CA  
Sopris Honda, Glenwood Springs, CO - Bill Crouch  
South Shore Ford, South Lake Tahoe, CA  
Stevinson Chevrolet-Mazda, Englewood, CO - Chuck Stevenson  
Stevinson Nissan, Boulder, CO - Chuck Stevenson  
Sundland VW-Porsche-Audis, Las Vegas, NV  
Sunrise Chrysler-Plymouth, Rancho Cordova, CA  
Swanson Chrysler-Plymouth, Los Gatos, CA  
Thrifty Car Rental, Denver, CO (Chuck Ruwart)  
Turner Buick  
Thoroughbred Mercedes-Benz, Colorado Springs, CO - Tink Wilkerson  
Valley Dodge, Dublin, CA  
Valley Nissan, Dublin, CA  
Western Auto (Cadillac-Oldsmobile), Petaluma, CA - George Dexter  
Wicker Chevrolet - Tom Wicker

### **IMPORTANT NOTES**

(1) **This List** represents over 40-Years of experience and it **is not intended to imply that a particular dealership is currently, or has recently been in play.** For example, Cherry Creek Dodge was valued in 1977 (Three owners ago); Falmouth Subaru was sold in 1987 (Two owners ago); City Toyota was valued in 1997 (One owner ago).

## QUALIFICATIONS OF AUTHOR

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(2) This list is truly only a "partial" list, as there were many, many dealerships and facilities that were valued, analyzed, purchased, or sold which remain "confidential" because the dealer did not, or does not want the factory, employees, or relatives to know that the store was in play, or appraised.

(3) Also, some dealerships were valued and/or sold more than once. A couple of examples are: (a) **Burlingame Ford** was sold by Glenn Hartzheim to Gary Falk, in 1980 and we valued it again in 2000 for a dealer that was going to purchase it when Mr. Falk retired; and, (b) **Lexus of Stevens Creek** was valued in 1999, when Mr. Torian sold a number of his dealerships to **AutoNation**, and again in 2001, when Mr. Torian sold Lexus of Stevens Creek to the **Penske Automotive Group**.

(4) Sales of Businesses and Sales of Facilities are listed separately because the selling of a dealership business requires a different set of talents and skills than the selling of dealership land and facilities.

**PH 17-025**

LETTER FROM STEPHEN WYSZOMIRSKI

**MISSION CROSSINGS PROJECT**

**From:** Stephen Wyszomirski <[StephenW@rclcom.com](mailto:StephenW@rclcom.com)>  
**Date:** April 19, 2017 at 10:36:49 AM PDT  
**To:** <[Sara.Buizer@hayward-ca.gov](mailto:Sara.Buizer@hayward-ca.gov)>, <[Heather.Enders@hayward-ca.gov](mailto:Heather.Enders@hayward-ca.gov)>  
**Subject:** Proposed "Mission Crossing" Development

Dear Sara & Heather,

As a small business owner on Dollar Drive, I am vehemently opposed to the new development referred to as "Mission Crossings". The reduction of Hayward's Light Industrial area is forcing many of small businesses out of the area further increasing commuting throughout the Bay. This development would place undue pressure to our community that cannot be supported with the current roads. While I would like to attend the City Council meeting on April 20<sup>th</sup>, 2017 to express my views personally, I will be out of the Bay Area at that time.

Regards,



Stephen Wyszomirski  
V.P. Engineering

PH: 510-537-8601  
25613 Dollar Street, Suite 1  
Hayward, Ca 94544

WEBSITE: [WWW.RCLCOM.COM](http://WWW.RCLCOM.COM)

CA Lic. 566993      NV Lic. 55414



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**PH 17-025**

FINAL FEASIBILITY REPORT re MISSION BLVD AUTO DEALERS

**MISSION CROSSINGS PROJECT**



# Advising Automobile Dealers LLC

(A Texas Limited Liability Company)

**From the Desk of John Pico**  
**Email: [JohnPico@AdvisingDealers.com](mailto:JohnPico@AdvisingDealers.com)**

**214-284-7426**  
**510-852-4444**

April 13, 2017

Justin Derby, Project Manager  
MLC Holdings, Inc.  
12657 Alcosta Blvd  
San Ramon, CA 94583

**Re: Feasibility Study re: New Car Dealerships**  
**Returning to Mission Boulevard, Hayward, CA**

Dear Mr. Derby:

Enclosed herewith is the information you requested with respect to our investigation into the feasibility of new car dealerships returning to Mission Boulevard.

## **Unique Qualifications**

Over the span of five decades, I have been approved as an expert by both state and federal courts throughout the nation, including the Superior Court of California and the Ninth Circuit District Court and the Ninth Circuit Bankruptcy Courts. See ***Exhibit 1 – Author's Experience and Credentials***.

I am uniquely familiar with this particular market, its dealerships, and the history of both. Since 1972, I was involved with the following dealerships, on Mission Boulevard, in Hayward, CA:

- Attorney for Hank Torian who once owned the Nissan, Dodge and Toyota dealerships
- Attorney for Glenn Hartzheim, who subsequently owned the Dodge dealership
- Expert witness for, and appraiser of Hayward Ford Lincoln Mercury when Jim Blakely was retiring and his partner, Bob Knezevich, were valuing their respective interests.
- Expert witness for Hamid Mirkoshesh with respect to Hayward Kia.
- Negotiated on the sale of Said Barzagar's Hayward Chrysler Jeep.
- Represented Bud Allan, in the sale of Hayward Chevrolet
- Valued Hayward Nissan when AutoNation wanted to sell it, after purchasing it from Mr. Torian.
- Valued Art Bridges' Mitsubishi Dealership



- Valued Doty Buick and Doty Cadillac

In addition, I have been personally involved in the purchase, sale and/or valuation of not only the dealerships on Mission Boulevard, but over 100 new car dealerships in the six Bay Area Counties (Marin, San Francisco, San Mateo, Santa Clara, Alameda, and Contra Costa), plus Napa and Sonoma Counties and a great many more such transactions in other areas of the state and the country.

Lastly, I was commissioned, in 2006, to analyze the future of Hayward's then "Auto Row." **See Exhibit 2 – 2006 Opinion Memo – Marina Boulevard vs. Mission Boulevard.**

### ***I. Background of Hayward's Auto Row***



In the 1960s, 70's and 80s, Hayward's "Auto Row" consisted of over two dozen franchises, stretching from Art Bridges' Pontiac-GMC, then located at 21715 Mission Boulevard, past Lew Doty Cadillac, at 22196 *Mission Blvd*, north of Jackson Street, to Ed Chandler Ford and Hayward Dodge, located on Mission Boulevard, south of Jackson Street.

When Hank Torian, Art Bridges, Ed Chandler, Lew Doty, and Don Lucas went there in the late 1960s, 1970s, and early 1980s, there were only two auto centers between Oakland and San Jose – Fremont and Hayward.

Although there were Honda and Chevrolet dealerships in San Leandro, there was no Marina Auto Mall, there was no Newark Auto Mall, there was no Fremont Auto Mall and there was no Honda and Toyota dealership center located on 880, in Milpitas.

Because of such events as:

- (a) factory consolidations (e.g., Chrysler, Jeep and Dodge combining, and Buick and GMC combining);
- (b) factory brand terminations (e.g., AMC, Pontiac, Plymouth, and Mercury going away); and
- (c) franchise relocations (e.g., Ford, Chrysler, Jeep and Dodge moving from Hayward to San Leandro);

Hayward lost many of its dealerships.

Today, of the two dozen or so franchises that once existed, Hayward's "Auto Row" now consists of but five franchises.

**Hayward Auto Row “Heyday” Franchises**

Toyota	Chevrolet
Honda	Chrysler Plymouth
Volkswagen	Ford
Mitsubishi	Cadillac
Oldsmobile	Datsun
Buick	Dodge
Lincoln Mercury	GMC
AMC Jeep	

**Hayward Auto Row Today**

Toyota
Honda
Volkswagen
Mitsubishi
Nissan

Of the five remaining franchises, Mitsubishi is a tier three franchise and was just added last year. The Mitsubishi store sold less than 400 new vehicles in 2016.\* In addition, Mitsubishi does not have the strict facility requirements of the major franchisors.

Of the remaining four franchises, only one meet its new car sales expectancies.

**II. NEW CAR SALES**

As mentioned, in its heyday, there was no Fremont Auto Mall or San Leandro Automall to compete with Hayward’s Auto Row. If, for example, a customer wanted to buy a new Toyota the closest dealership south of Hayward Toyota was Capitol Toyota, in San Jose, or Toyota 101, across the bay, in Redwood City.

Today, Fremont Toyota and Piercy Toyota, in Milpitas, sit between Hayward and San Jose.

Over the past 60-months:

Hayward Toyota sold 9,541 new Toyota vehicles, while  
Fremont Toyota sold 59,058 new Toyota vehicles.\*

To the north, Toyota did not go into the San Leandro Auto Mall. Instead it (One Toyota) built a store on the 880 Freeway, approximately 8.74 miles to the north of Hayward– as the crow flies\*\* and it sold 13,017 new Toyota vehicles during the same period. In just Honda and Toyota retail sales, combined, Fremont Auto Mall outsold Mission Boulevard by almost three to one.

Total New Vehicle Sales Hayward vs Fremont and San Leandro Auto Malls												
YEAR	Hayward Toyota	Fremont Toyota	1 Toyota Oakland	Hayward Honda	Fremont Honda	San Leandro Honda	Hayward VW	Winn VW Newark	Dublin VW	Hayward Nissan	Fremont Nissan	San Leandro Nissan
2012	1,624	11,437	1,785	1,033	1,747	1,135	562	711	662	367	1,666	10,144
2013	1,502	12,223	2,546	1,280	2,052	1,190	597	691	708	625	1,968	9,348
2014	2,292	10,451	2,938	1,310	2,306	1,276	769	569	566	1,383	3,350	5,864
2015	2,231	13,604	2,976	1,308	2,487	1,348	846	564	607	1,321	2,909	8,790
2016	1,892	11,343	2,772	1,322	2,833	1,384	719	544	421	1,126	1,973	14,611
<b>TOTAL</b>	<b>9,541</b>	<b>59,058</b>	<b>13,017</b>	<b>6,253</b>	<b>11,425</b>	<b>6,333</b>	<b>3,493</b>	<b>3,079</b>	<b>2,964</b>	<b>4,822</b>	<b>11,866</b>	<b>48,757</b>

\*All sales numbers are taken from Dominion’s Cross Sell Reports for 2012, 2013, 2014, 2015 and 2016.

\*\*The significance of “as the crow flies” is explained below

### ***III. LOCATION***

In addition to the observations stated above, the San Leandro and Fremont Auto Malls not only have easy access from the freeway and freeway readerboards, but they are destination centers.

Across the street from the Ford Store, in San Leandro's Marina Square, are Nordstrom's Rack, Men's Warehouse, the Banana Republic, the GAP, and Marshall's, to name a few. And, there are triple that number of stores surrounding the Fremont Auto Mall.

Based upon locations and sales numbers, and the fact San Leandro and Fremont are destination locations, it is this author's expert opinion that no major franchise would open a new point in Hayward and weaken its major dealers by drawing traffic from them.

Quite the opposite. General Motors, for example, purchased Hayward Chevrolet in order to close the point and make its dealership in the Fremont Auto Mall stronger. The theory is similar to the arborists clipping a suckling from a tree in order to strengthen the tree.

### ***IV. CALIFORNIA NEW CAR DEALER LAWS***

Most states have restrictions on the number of dealerships that can be in any given area. Texas, for example, has a 15-mile law, while California has a 10-mile law.

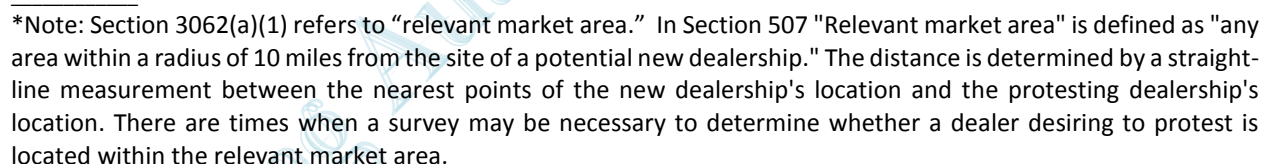
Pursuant to California Vehicle Code section 3062(a)(1), a dealer has the right to protest before the Board an attempt by a manufacturer or distributor to:

1. Establish an additional dealership; or
2. Relocate an existing dealership to a location that is within a 10-mile radius of any dealership of the same line-make.\*

Unless exigent circumstances are established, or there is an exception granted by law, **in California, no same make dealership can be opened within a 10-mile radius of another dealership of the same make.**

One example of a legal exception would be if an existing dealership closes, it may be reopened within 10-miles of a same make dealership provided the dealership has not been closed more than one year and does not move its location more than two-miles. In Hayward, all of the major franchises that left, left over one year ago, hence the exception would not apply.





Research shows that in the past 50-years, there was only one case wherein the California New Motor Vehicle Board allowed a factory to establish a dealership in Hayward, where that dealership was within the ten-mile limit enunciated in California Vehicle Code Section 3062. See: *In the Matter of the Protest of Lloyd A. Wise, Inc., Protestant, vs. GMC Truck and Coach Division of General Motors Corporation, Respondent*, Protest No. PR-361-81, decided October 25, 1982.

The facts and circumstances of the above case, allowing the California New Motor Vehicle Board to approve a new, same make dealership in Hayward, were a unique set of circumstances and

facts and would not likely apply to a case wherein, for example, a dealer candidate wanted to establish in Hayward a franchise represented in both the San Leandro Auto Mall and the Fremont Auto Mall.

## V. ADVERTISING

Another consideration of a dealer candidate and a manufacturer, when considering whether or not to open a new dealership, is advertising the location.

The cost of acquiring land and the cost of either building a facility or making an existing facility “image compliant,” are obvious considerations, but a subtler one is the amount money being spent on advertising a particular location.

In most situations, opening a new “point” \* means incurring business losses for several months while establishing a customer base. Dealers pay goodwill for stores because, for example, the day after escrow closes, there is a line of vehicles in front of the service department and customers in line at the parts department. Customers are creatures of habit and, more so than vehicle sales, it takes time to woo people from other dealerships to establish those departments.

With respect to advertising, a major consideration would be competing with the Fremont Auto Mall.

According to the National Automobile Dealers Association (NADA)\*\*, the average dealership spent \$700, per new car retailed, in advertising costs in February of 2017. Translated to Hayward vs Fremont, that means that in January and February of 2017, the Fremont Auto Mall spent over Two Million Dollars telling customers to go there, while the Hayward dealers spent less than \$600,000. Over the course of a year that would annualize to Fremont spending over Fourteen Million Dollars versus about \$3.5 million for Hayward.

The Fremont Auto Mall’s advertising budget would be another negative, in addition to location and vehicle traffic, that would negatively affect candidates and manufacturers evaluations regarding the opening of a new point in Hayward

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\* When a manufacturer or distributor opens a new dealership in a town where one had not existed before, it is called establishing a “new point.”

\*\* Sources: NADA “**Dealership Profile**,” February 2017, and Dominion’s “**Cross-Sell Reports**” for California, January and February, 2017.

## VI. THE FINAL OBSTACLE

If all of the above obstacles and considerations could be over-come, or satisfied, the final condition that would have to be met before a franchisor would approve a new car dealership on Mission Boulevard, would be obtaining a reasonable “rent factor.”

If a rent factor is over the recommended percent of sales and/or gross profit of the brand’s recommends, the business venture will likely fail. It might take a year, it might take two years, it might take as long as 4-years, but the dealership will surely fail. That is why **a manufacturer or**

**distributor will not approve the granting of a franchise to a candidate that has, or will have, an unreasonable rent factor.**

It does not matter whether the real property's commercial value is a Million Dollars, or Fifty Million Dollars, in the marketplace; the property's "value" as a new car dealership is determined by formulas based upon a percent of sales, or a percent of gross. See: Buying and Selling Automobile Dealerships, John J. Pico, National Legal Publishing Co., Inc. (1989) ISBN-10: 0936381035 ISBN-13: 978-0936381039; United States Library of Congress Number 89-082568.

In the car business, "rent factor" includes not only the amount of "rent" a dealership pays, but also the amount of taxes and utilities; hence, the term "rent and equivalent."

In determining the rent factor for a property on Mission Boulevard, one would have to consider the cost of remodeling a building to meet each factory's image requirements. This author facilitated the recent sale of the Audi dealership in Palo Alto and, in that instance, the cost of making the store "image compliant," exceeded Four Million Dollars. On a recent remodel of a client's Lincoln dealership into a Chrysler dealership, the cost of making the store "image compliant," for Chrysler was in excess of Two Million Dollars.

In the case of the old Ford facility 25501 Mission Boulevard, Hayward, for example, the 2016-2017 Alameda County tax records show the property valued at \$12,128,858 and the real property taxes at 137,444.20. Assuming those numbers remained constant, one would estimate the "rent factor" of a new car dealership at that location, as follows:

137,444.20	Annual Real Property Tax
871,490.88	Annual Mortgage (72,624.24*12) payment estimating Sale Price of \$12,128,858 with 10% down and 30-year amortized mortgage @ 7% Interest
291,220.32	Annual Payment on \$3,000,000 construction loan @ 7%, with 10% down, and amortized over 15-years (\$24,268.36 x 12)
<u>600,000.00</u>	Utilities (Estimated at \$50,000 per month)
1,900,155.40	Total Rent and Equivalent

Each manufacturer and distributor has its own "reasonable rent factor," however, the number **ranges between 1.19% of sales, for import dealers, to 1.28% of sales for domestic dealerships.** See: AutoTeam America's Benchmarks. (Auto Team America is a network of CPA firms that serve over 2,000 auto dealerships nationwide. Like a "Twenty Group", Auto Team America meets regularly to share dealership specific information and solutions to most effectively meet the needs of automotive dealers.)

In 2016, the National Automobile Dealer Association (NADA) reported the average dealership had \$59,590,891, in total sales and \$6,771,320, in total gross and had an average rent factor of 10.7% of gross, or \$724,531.24.

Using AutoTeam America's formula of 1.28% of sales, would produce a maximum rent factor of \$762,763.41.

Using either formula (NADA's or the distributor's), based upon the example using 25501 Mission Boulevard, a new car dealership would be unsustainable at half the actual costs shown. Consequently, even if one were able to obtain an exception to the 10-mile law, economic factors would make it highly unlikely that new car dealerships will return to Mission Boulevard.

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*Note: All of the major franchises have an image program. Tier 1 franchises generally make no exceptions to their requirements when approving a new dealer, while Tier 3 (Mitsubishi, for example) sometimes allow dealers to open a point without immediately complying with the image upgrade requirements. In those cases, however, the reasonable rent factor rule would still apply if one were looking to establish a successful dealership and in the formula presented, the only change would be a modification of the amount required to upgrade the facility.*

## **VII. SUMMATION**

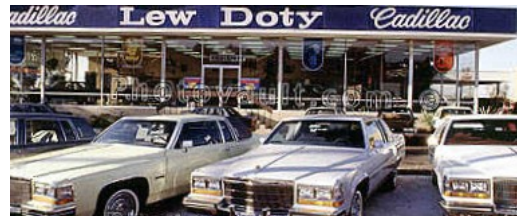
As mentioned in the beginning of this analysis, I have represented, advised, bought and sold dealerships on Hayward Auto Row for almost half a century.

Based upon my knowledge of the area, my experience with and knowledge of both the industry (dealers, distributors and lenders), I cannot foresee any reasonable circumstances under which new car dealerships would return to Mission Boulevard.

When I was representing Bud Allan (Hayward Chevrolet), I advised him to sell the dealership real property, but he had a long-term lease with General Motors and refused to sell because he thought the lease would be an annuity. Subsequent to his selling his dealership and terminating his franchise, General Motors filed bankruptcy and disavowed his lease, leaving Mr. Allan and his partner with a vacant dealership, which he and his partner tried to lease to another automotive franchise for over a year.

Finally, unable to sell the property for cash and unable to lease it, he sold it on "fire-sale" terms to the church that currently occupies it.

In evaluating the possibility of obtaining a major new car franchise for Mission Boulevard, consider too the fact that AutoNation has a dealership on Mission Boulevard. It is undeniable that AutoNation would benefit greatly if it could revitalize "Auto Row."



One has to believe that AutoNation exhausted every effort to bring another franchise to the Mission Boulevard and that it is not selling the property because it was successful. And, if AutoNation, with all its assets, could not entice any manufacturer or distributor to return to Mission Boulevard, who could?



Again, based upon the above information and the author's experience, it would appear highly unlikely that new car dealerships would be returning to Hayward's old "Auto Row," and it would appear in the best interests of the citizens of Hayward to rezone the properties not only to produce revenue in the form of taxes, but to rejuvenate the area.

If anyone has any questions or comments, please do not hesitate to contact me.

Respectfully submitted,

**ADVISING AUTOMOBILE DEALERS LLC**

By: \_\_\_\_\_

  
JOHN J. PICO  
Managing Partner

Advising Automobile Dealers LLC



**PH 17-025**

**MARRIOTT SUPPORT LETTER AND ATTACHMENT NoCA TRENDS IN  
THE HOTEL INDUSTRY**

**MISSION CROSSINGS PROJECT**



Marriott International, Inc.  
Lodging Development

915 Highland Pointe Drive  
Suite 250  
Roseville, CA 95678

Robert A. Sanger  
Area Vice President  
916-724-5234  
714-464-5498 Fax

April 4, 2017

Ken Patel  
Vice President  
Tri Star Hotel Investments, LLC

Ken,

Thank you for expressing your interest to develop a 100-room Residence Inn by Marriott to be located on Mission Boulevard in Hayward, California. As you know, the Residence Inn brand is one of the strongest performing brands in the Marriott system, with over 730 hotels open worldwide and a development pipeline of over 210 properties. Further, the Residence Inn system has achieved an occupancy rate of about 80% over the last three years.

The Oakland/East Bay lodging market (per the attached CBRE Hotels Trends Report) has performed well over the last three years, achieving occupancy rates in the low 80% range. Further, existing Residence Inns located in the East Bay have outperformed the overall Oakland/East Bay market with occupancy rates in the mid to high 80% range. The strong East Bay lodging market fundamentals, along with the performances of the existing Residence Inns, support the development of another Residence Inn product in the Hayward market.

Given the market's strengths and my familiarity with your site, please be assured that I strongly support the development of a Residence Inn hotel on Mission Boulevard.

Please let me know how Marriott can further support your development efforts.

Sincerely,

A handwritten signature in black ink that reads 'Robert A. Sanger'.

Robert A. Sanger  
Area Vice President, Lodging Development

# TRENDS<sup>®</sup>

## IN THE HOTEL INDUSTRY Northern California

**DECEMBER 2016**

### Hotel Rooms Departments Struggle to Control Expenses

*By Robert Mandelbaum and Gary McDade*

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Changes in rooms revenue per available room (RevPAR), and RevPAR penetration receive a lot of attention from hotel managers. This is because the monies hotels receive from renting guest rooms is the major source of revenue across all property types in the U.S. According to the 2016 edition of *Trends<sup>®</sup> in the Hotel Industry*, rooms revenue averaged 68.1 percent of total operating revenue in 2015. This metric exceeds 97 percent at limited-service and extended-stay hotels. Alternatively, rooms revenue comprises only 51.8 percent of total revenue at resorts.

Even more impressive than the contribution of rooms revenue to total revenue, is the influence of the rooms department on hotel profitability. On average, the profits generated by the rooms department made up 81.7 percent of total department profits in 2015. This ratio ranged from 68.2 percent at resorts to 99.1 percent at limited-service properties. In short, as the rooms department goes, so goes the hotel.

To gain a better understanding of the profitability of hotel rooms departments, we examined the performance of 1,809 properties that submitted data to our *Trends<sup>®</sup>* survey each year from 2007 to 2015. This allows us to analyze changes in rooms department expenses and profits through the latest industry cycle.

#### **LABOR INTENSIVE**

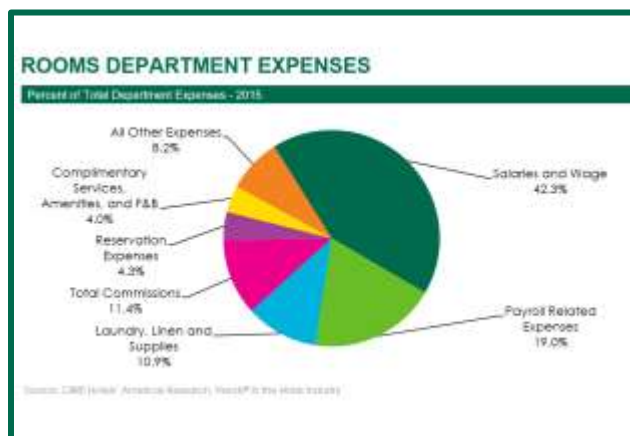
Per the Uniform System of Accounts for the Lodging Industry, representative expenses assigned directly to the rooms department include items such as labor costs, the cost to launder linens, guest room supplies, reservation system expenses, travel agent commissions, and complimentary food and beverage.

By far the greatest expense within the department is labor. Personnel within the rooms department consist of room attendants, laundry workers, front desk clerks, bellmen, reservationists, and concierges. In 2015, the combined cost of salaries, wages, and benefits

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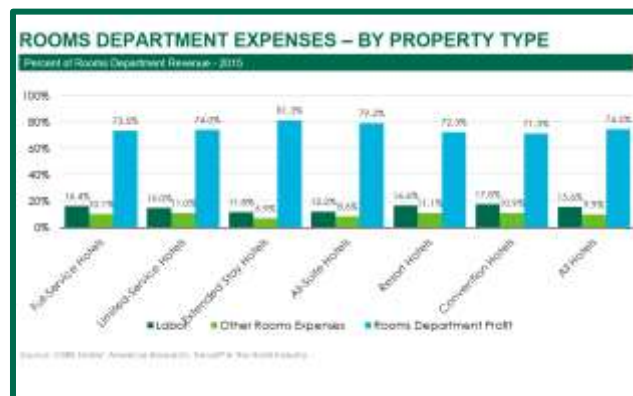
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for these positions equaled 61.3 percent of total rooms department expenses.



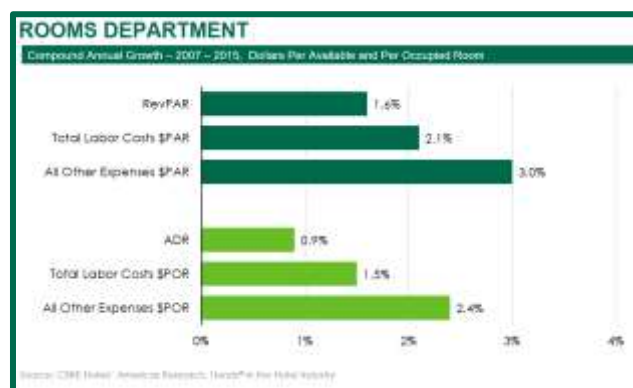
As expected, convention, resort, and full-service hotels have the highest percentage of labor costs measured against department revenue. These properties offer the most extensive levels of services and amenities, and therefore have the greatest staffing levels. Conversely, extended-stay hotels achieve the lowest labor to revenue cost ratio because they only service guest rooms periodically and have lower volumes of check-ins and check-outs.

Despite the extensive array of expenses and high dependency on labor, rooms departments are very profitable. On average, the properties in our study sample averaged a department profit margin of 74.5 percent in 2015. This ranged from 71.3 percent at convention hotels to 81.3 percent at the extended-stay properties.



## THE OTHER EXPENSES

RevPAR for the study sample increased at a compound annual growth rate (CAGR) of 1.6 percent from 2007 to 2015. Unfortunately, total department expenses increased by a CAGR of 2.5 percent during the same period. Therefore, department profits grew at a CAGR of just 1.3 percent.



While labor is the largest expense within the rooms department, over the past eight years it has been the other rooms department expenses that have subdued the ability of management to increase profits. During the past eight years labor costs measured on a per available room basis increased at a CAGR of 2.1 percent, but the combined cost of all other department expenses grew by 3.0 percent. This same pattern holds true when measuring these same items on a dollar per occupied room basis.

Labor costs within the rooms department tend to be more variable compared to other departments. Management can vary the schedules of housekeeping, laundry, front desk and bell staff personnel with fluctuations in occupancy. Going forward, however, controlling labor costs will be more challenging as occupancy levels remain near all-time record levels, and salary and wage rates increase.

The rise in the other department expenses may be partially explained by increases in brand standards. Over the years, we have heard from our clients that the hotel brands have raised their standards for items like bedding and linens, in-room gratis coffee and water, and complimentary breakfasts. Further, the commissions paid to third parties have increased given the proliferation of online travel agencies.

With expenses growing at a greater pace than revenues, rooms department profit margins for the subject sample in 2015 (74.5%) were below 2007 levels (76.3%). The only property type able to improve their profit margin during this period was all-suite hotels.



## CHALLENGES IN THE FUTURE

CBRE Hotels' Americas Research's December 2016 edition of *Hotel Horizons*® is forecasting RevPAR gains of less than three percent from

2017 through 2019. Facing modest growth in rooms revenue, hotel managers will be challenged to maintain growth in both rooms department profit levels, and profit margins. Given the link to overall hotel profitability, hotel owners and operators need to pay attention to rooms department expenses, not just RevPAR.

\* \* \*

*Robert Mandelbaum (Director of Research Information Services) and Gary McDade (Senior Research Analyst) work in the Atlanta office of CBRE Hotels' Americas Research. To purchase a copy of Trends® in the Hotel Industry, please visit <https://pip.cbrehotels.com>, or call (855) 223-1200. This article was published in the February 2017 edition of Lodging.*

# STATISTICS AND TRENDS OF HOTEL-MOTEL BUSINESS

## NORTHERN CALIFORNIA MONTHLY TRENDS

### MONTH OF DECEMBER

#### REPORT OF ROOMS BUSINESS BY LOCATION

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
SAN FRANCISCO	\$223.37	\$211.48	5.6%	80.1%	79.3%	1.1%	\$178.98	\$167.63	6.8%
SAN FRANCISCO AIRPORT	170.01	162.96	4.3%	77.9%	78.0%	-0.1%	132.39	127.06	4.2%
SAN JOSE/PENINSULA	176.43	178.40	-1.1%	64.6%	62.1%	4.0%	114.01	110.83	2.9%
OAKLAND/EAST BAY	134.41	127.18	5.7%	69.3%	68.8%	0.8%	93.18	87.47	6.5%
MONTEREY/CARMEL	254.39	237.60	7.1%	58.5%	56.2%	4.1%	148.79	133.45	11.5%
CENTRAL VALLEY	83.26	81.81	1.8%	62.0%	59.6%	3.9%	51.61	48.79	5.8%
SACRAMENTO	112.66	108.81	3.5%	61.8%	59.9%	3.2%	69.61	65.14	6.9%
MARIN COUNTY	145.49	145.97	-0.3%	70.5%	71.9%	-2.1%	102.53	105.03	-2.4%
NAPA COUNTY	212.29	184.29	15.2%	55.3%	59.7%	-7.4%	117.37	109.99	6.7%
SONOMA COUNTY	134.55	128.19	5.0%	70.2%	66.0%	6.4%	94.47	84.56	11.7%
OTHER NORTHERN CALIFORNIA	106.01	101.47	4.5%	58.4%	58.5%	-0.2%	61.87	59.34	4.3%
OVERALL AVERAGE	\$169.99	\$163.41	4.0%	69.4%	68.3%	1.5%	\$117.96	\$111.68	5.6%

#### REPORT OF ROOMS BUSINESS BY AVERAGE DAILY RATE

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER \$175.00	\$233.00	\$221.89	5.0%	73.4%	72.4%	1.4%	\$171.12	\$160.74	6.5%
\$125.00 TO \$175.00	150.75	146.53	2.9%	70.8%	69.6%	1.8%	106.80	101.97	4.7%
\$75.00 TO \$125.00	103.07	100.71	2.3%	63.8%	63.9%	-0.1%	65.76	64.34	2.2%
UNDER \$75.00	59.85	57.41	4.2%	60.5%	58.2%	3.9%	36.20	33.42	8.3%
OVERALL AVERAGE	\$169.99	\$163.41	4.0%	69.4%	68.3%	1.5%	\$117.96	\$111.68	5.6%

#### REPORT OF ROOMS BUSINESS BY SIZE OF PROPERTY

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER 400 ROOMS	\$212.83	\$203.51	4.6%	76.4%	75.5%	1.1%	\$162.55	\$153.70	5.8%
250 TO 400 ROOMS	199.87	188.38	6.1%	73.0%	72.4%	0.9%	146.00	136.37	7.1%
150 TO 250 ROOMS	165.00	159.19	3.7%	66.8%	65.6%	1.8%	110.19	104.44	5.5%
UNDER 150 ROOMS	117.11	114.41	2.4%	63.9%	62.4%	2.3%	74.80	71.41	4.8%
OVERALL AVERAGE	\$169.99	\$163.41	4.0%	69.4%	68.3%	1.5%	\$117.96	\$111.68	5.6%

SOURCE: CBRE HOTELS, CONSULTING

**STATISTICS AND TRENDS OF HOTEL-MOTEL BUSINESS  
SAN FRANCISCO MONTHLY TRENDS  
MONTH OF DECEMBER**

REPORT OF ROOMS BUSINESS BY LOCATION

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
UNION/NOB/MOSCONE	\$229.84	\$218.31	5.3%	81.5%	79.0%	3.1%	\$187.26	\$172.49	8.6%
FINANCIAL DISTRICT	259.11	251.76	2.9%	85.6%	85.6%	0.0%	221.73	215.52	2.9%
FISHERMAN'S WHARF	171.97	159.25	8.0%	74.9%	81.2%	-7.7%	128.82	129.27	-0.4%
CIVIC CENTER/VAN NESS	157.03	141.51	11.0%	67.6%	70.5%	-4.1%	106.14	99.73	6.4%
OVERALL AVERAGE	<u>\$223.37</u>	<u>\$211.48</u>	<u>5.6%</u>	<u>80.1%</u>	<u>79.3%</u>	<u>1.1%</u>	<u>\$178.98</u>	<u>\$167.63</u>	<u>6.8%</u>

REPORT OF ROOMS BUSINESS BY AVERAGE DAILY RATE

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER \$200.00	\$259.66	\$244.47	6.2%	82.0%	80.1%	2.3%	\$212.88	\$195.85	8.7%
\$150.00 TO \$200.00	\$183.94	\$176.92	4.0%	80.3%	80.0%	0.4%	\$147.78	\$141.59	4.4%
\$150.00 AND UNDER	\$133.20	\$121.67	9.5%	59.5%	64.4%	-7.6%	\$79.26	\$78.36	1.1%
OVERALL AVERAGE	<u>\$223.37</u>	<u>\$211.48</u>	<u>5.6%</u>	<u>80.1%</u>	<u>79.3%</u>	<u>1.1%</u>	<u>\$178.98</u>	<u>\$167.63</u>	<u>6.8%</u>

REPORT OF ROOMS BUSINESS BY SIZE OF PROPERTY

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER 400 ROOMS	\$220.55	\$209.68	5.2%	82.8%	81.0%	2.2%	\$182.57	\$169.83	7.5%
250 TO 400 ROOMS	247.35	229.53	7.8%	77.8%	79.8%	-2.5%	192.46	183.10	5.1%
150 TO 250 ROOMS	196.30	187.02	5.0%	74.8%	75.2%	-0.4%	146.90	140.54	4.5%
UNDER 150 ROOMS	192.37	182.61	5.3%	70.5%	65.8%	7.2%	135.69	120.15	12.9%
OVERALL AVERAGE	<u>\$223.37</u>	<u>\$211.48</u>	<u>5.6%</u>	<u>80.1%</u>	<u>79.3%</u>	<u>1.1%</u>	<u>\$178.98</u>	<u>\$167.63</u>	<u>6.8%</u>

SOURCE: CBRE HOTELS, CONSULTING

**STATISTICS AND TRENDS OF HOTEL-MOTEL BUSINESS**  
**NORTHERN CALIFORNIA MONTHLY TRENDS**  
**TWELVE MONTHS ENDED DECEMBER**

REPORT OF ROOMS BUSINESS BY LOCATION

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
SAN FRANCISCO	\$276.43	\$269.36	2.6%	87.6%	86.7%	1.1%	\$242.10	\$233.43	3.7%
SAN FRANCISCO AIRPORT	199.41	190.40	4.7%	85.0%	86.2%	-1.4%	169.51	164.12	3.3%
SAN JOSE/PENINSULA	207.04	195.18	6.1%	79.8%	81.0%	-1.4%	165.31	158.04	4.6%
OAKLAND/EAST BAY	150.90	138.20	9.2%	80.3%	81.2%	-1.1%	121.18	112.17	8.0%
MONTEREY/CARMEL	316.33	309.95	2.1%	74.9%	75.1%	-0.3%	236.84	232.76	1.8%
CENTRAL VALLEY	88.89	84.52	5.2%	72.6%	71.6%	1.4%	64.53	60.51	6.6%
SACRAMENTO	118.41	111.41	6.3%	74.6%	75.2%	-0.8%	88.39	83.83	5.4%
MARIN COUNTY	174.90	166.50	5.0%	82.6%	81.7%	1.1%	144.42	135.98	6.2%
NAPA COUNTY	265.07	255.35	3.8%	75.5%	77.2%	-2.2%	200.12	197.04	1.6%
SONOMA COUNTY	170.89	160.04	6.8%	79.4%	80.4%	-1.2%	135.62	128.61	5.5%
OTHER NORTHERN CALIFORNIA	97.36	91.98	5.8%	70.1%	69.2%	1.4%	68.26	63.61	7.3%
OVERALL AVERAGE	\$199.58	\$190.66	4.7%	80.4%	80.4%	-0.1%	\$160.37	\$153.33	4.6%

REPORT OF ROOMS BUSINESS BY AVERAGE DAILY RATE

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER \$175.00	\$277.45	\$267.84	3.6%	83.9%	83.4%	0.6%	\$232.71	\$223.32	4.2%
\$125.00 TO \$175.00	181.56	172.96	5.0%	82.1%	83.0%	-1.0%	149.10	143.52	3.9%
\$75.00 TO \$125.00	114.82	108.43	5.9%	77.3%	77.9%	-0.8%	88.72	84.50	5.0%
UNDER \$75.00	63.30	59.32	6.7%	69.4%	69.1%	0.4%	43.92	40.99	7.1%
OVERALL AVERAGE	\$199.58	\$190.66	4.7%	80.4%	80.4%	-0.1%	\$160.37	\$153.33	4.6%

REPORT OF ROOMS BUSINESS BY SIZE OF PROPERTY

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER 400 ROOMS	\$252.42	\$242.70	4.0%	84.9%	85.4%	-0.6%	\$214.30	\$207.29	3.4%
250 TO 400 ROOMS	239.66	227.92	5.1%	84.1%	83.1%	1.2%	201.48	189.36	6.4%
150 TO 250 ROOMS	199.59	189.24	5.5%	79.2%	80.0%	-1.0%	158.10	151.47	4.4%
UNDER 150 ROOMS	131.34	124.80	5.2%	75.6%	75.4%	0.2%	99.27	94.15	5.4%
OVERALL AVERAGE	\$199.58	\$190.66	4.7%	80.4%	80.4%	-0.1%	\$160.37	\$153.33	4.6%

SOURCE: CBRE HOTELS, CONSULTING

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**STATISTICS AND TRENDS OF HOTEL-MOTEL BUSINESS  
SAN FRANCISCO MONTHLY TRENDS  
TWELVE MONTHS ENDED DECEMBER**

REPORT OF ROOMS BUSINESS BY LOCATION

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
UNION/NOB/MOSCONE	\$288.17	\$281.45	2.4%	87.8%	86.7%	1.3%	\$253.05	\$244.04	3.7%
FINANCIAL DISTRICT	296.27	290.53	2.0%	90.6%	88.1%	2.8%	268.37	255.97	4.8%
FISHERMAN'S WHARF	235.13	227.48	3.4%	87.0%	88.7%	-1.9%	204.64	201.78	1.4%
CIVIC CENTER/VAN NESS	186.48	180.55	3.3%	82.1%	81.6%	0.5%	153.04	147.42	3.8%
OVERALL AVERAGE	<u>\$276.43</u>	<u>\$269.36</u>	<u>2.6%</u>	<u>87.6%</u>	<u>86.7%</u>	<u>1.1%</u>	<u>\$242.10</u>	<u>\$233.43</u>	<u>3.7%</u>

REPORT OF ROOMS BUSINESS BY AVERAGE DAILY RATE

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER \$200.00	\$309.82	\$301.64	2.7%	88.6%	87.0%	1.8%	\$274.42	\$262.55	4.5%
\$150.00 TO \$200.00	\$242.63	\$235.74	2.9%	87.5%	87.2%	0.3%	\$212.30	\$205.63	3.2%
\$150.00 AND UNDER	\$164.24	\$161.01	2.0%	77.3%	77.6%	-0.3%	\$127.03	\$124.96	1.7%
OVERALL AVERAGE	<u>\$276.43</u>	<u>\$269.36</u>	<u>2.6%</u>	<u>87.6%</u>	<u>86.7%</u>	<u>1.1%</u>	<u>\$242.10</u>	<u>\$233.43</u>	<u>3.7%</u>

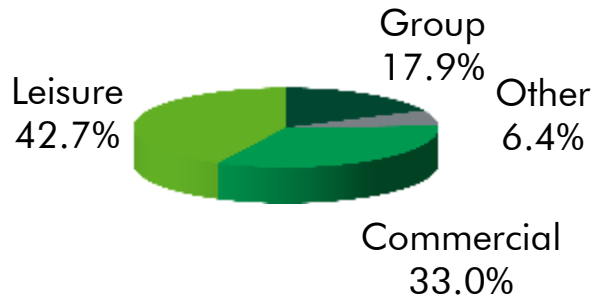
REPORT OF ROOMS BUSINESS BY SIZE OF PROPERTY

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER 400 ROOMS	\$272.58	\$264.94	2.9%	88.6%	88.2%	0.5%	\$241.43	\$233.57	3.4%
250 TO 400 ROOMS	300.24	290.07	3.5%	87.2%	85.7%	1.8%	261.92	248.63	5.3%
150 TO 250 ROOMS	252.05	254.79	-1.1%	84.0%	82.2%	2.2%	211.72	209.42	1.1%
UNDER 150 ROOMS	238.85	236.71	0.9%	82.5%	78.8%	4.7%	197.10	186.60	5.6%
OVERALL AVERAGE	<u>\$276.43</u>	<u>\$269.36</u>	<u>2.6%</u>	<u>87.6%</u>	<u>86.7%</u>	<u>1.1%</u>	<u>\$242.10</u>	<u>\$233.43</u>	<u>3.7%</u>

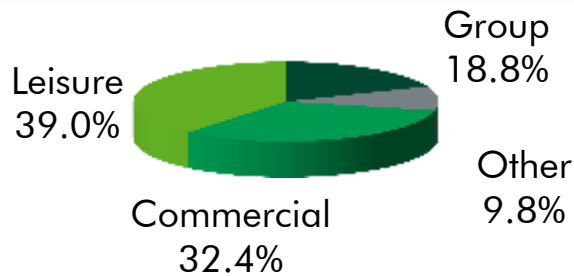
SOURCE: CBRE HOTELS, CONSULTING

## MARKET MIX – DECEMBER 2016

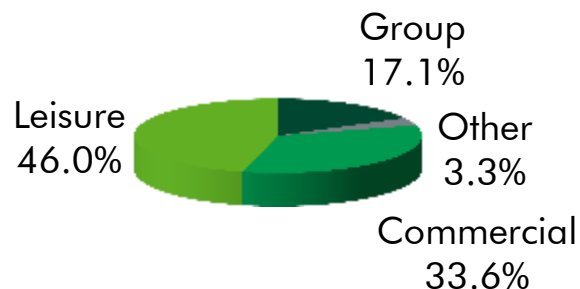
### Northern California (Overall)



### Northern California (not including San Francisco)



### San Francisco



**PH 17-025**

AUTONATION LETTER #2 04.20.17

**MISSION CROSSINGS PROJECT**



**AutoNation, Inc.**  
200 SW 1<sup>st</sup> Avenue, 14<sup>th</sup> Floor  
Fort Lauderdale, FL 33301  
954-769-7000 Main  
[www.AutoNation.com](http://www.AutoNation.com)

April 20, 2017

Justin Derby, Project Manager  
MLC Holdings, Inc.  
12657 Alcosta Blvd  
San Ramon, CA 94583

RE: Current viability of 8.9 Acre Former Hayward Ford Dealership as an automobile dealership.

Dear Justin:

Since February 5, 1996, I have been AutoNation's National Director of Real Estate in charge of the acquisition, disposition, and management of the Company's real estate assets. AutoNation is the largest retailer of new cars in the United States with over 300 dealerships nationally. The Company is publicly traded under the symbol AN on the NYSE, is 136 on the 2016 Fortune 500, and has relationships with virtually all automobile manufacturers who do business in the United States both domestic and imported.

AutoNation acquired the 8.9 acre former Hayward Ford property on September 9, 2008 to be utilized as a location for a new car dealership. Over the course of the next four years, AutoNation evaluated the property for a number of franchises but nothing was financially viable.

In the first quarter of 2012, we elected to market the property for sale. Given the zoning in place and the existing improvements, our initial marketing targeted Northern California's major new car dealer groups—our competitors. None of our competitors were interested in the property as a new car dealership; and none of the manufacturers expressed any interest in awarding a new car add point for the site. Additionally, none of the major used car operators were interested in the site, and smaller scale used car operations could not afford a facility of this scale.

Only after exhausting all potential automotive buyer possibilities did AutoNation request purchase proposals from groups interested in redeveloping the site and ultimately put the property under contract to MLC in August 2014. Since being under contract to MLC, no automotive retailers or manufacturers have contacted AutoNation regarding the site. We have not seen a significant change in the Hayward market since we elected to sell the subject property, and there has been no new interest in the site as a new car dealership or a contemporary used car operation.

Sincerely,

**Harry Brumley**  
**National Director of Real Estate**  
AutoNation  
200 SW 1<sup>st</sup> Avenue  
14<sup>th</sup> Floor  
Fort Lauderdale, FL 33301  
(954) 769-7134 Office  
(954) 401-1535 Cell

**PH 17-025**

2<sup>ND</sup> LETTER FROM ANTHONY VARNI 04.20.17

**MISSION CROSSINGS PROJECT**

# VARNI, FRASER, HARTWELL & RODGERS

ATTORNEYS AT LAW

650 A STREET

P.O. BOX 570

HAYWARD, CALIFORNIA 94543-0570

PHONE: (510) 886-5000 FAX (510) 538-8797

WEBSITE: VARNIFRASER.COM

OF COUNSEL:

JONATHAN DANIEL ADAMS

MICHAEL J. O'TOOLE

P. CECILIA STORR

April 20, 2017

## VIA E-MAIL AND FIRST CLASS MAIL

Ms. Sara Buizer  
Planning Manager  
CITY OF HAYWARD  
777 B Street  
Hayward, CA 94541  
Sara.Buizer@hayward-ca.gov

Ms. Heather Enders  
Chair of Planning Commission  
CITY OF HAYWARD  
777 B Street  
Hayward, CA 94541  
Heather.Enders@hayward-ca.gov

Re: City of Hayward – Planning Commission Special Meeting  
(Set for April 20, 2017)  
“Mission Crossings” proposal – 25501 & 25551 Mission Blvd.  
PH-17-025 – Seven (7) action items

Dear Chair Enders, Honorable Planning Commissioners, and Ms. Buizer:

I have your communication of Wednesday, April 19<sup>th</sup> denying our request for a reasonable continuance of the above matter which will be before the Planning Commission this evening.

Approximately 3 weeks ago, the Applicant made a presentation to the GRC (Government Relations Committee) of the Chamber of Commerce. At that time, the Chamber GRC did not take any action for or against the project. The applicant was given in excess of a half an hour to make a complete presentation. The members of the GRC then asked significant pointed questions with regard to the effect on the auto row, air quality, traffic movements and the effect on the area in general. Within the next two to three weeks, the GRC should again meet and the people who oppose the project will be given an opportunity to speak. Based upon that information, the GRC will take an action and make a recommendation to the Board of the Chamber of Commerce with regard to this project. It has historically been the practice in the City of Hayward that the Chamber be given an opportunity to support or oppose projects which have an economic impact on the City. The members of the Chamber look to the GRC and to the full board of the Chamber to represent their interests. The members of the GRC devote significant amounts of their time to issues such as this and it would seem that their views should be heard. During the recent presentation by the Applicant, there was information provided by members of the GRC which clearly indicated that the construction of this project (both the motel and the housing portion)

Ms. Sara Buizer  
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would be disruptive to the auto row. It was also clearly stated by certain members of the Board of the GRC that if they had to choose between having a Marriott at this location or having the auto row continue to prosper, they would choose protecting the auto row. Finally, it was clearly stated by people with knowledge of the subject that many auto manufactures would wish to locate on auto row and if the Applicant Auto Nation would cooperate and support such new dealerships, it would happen.

We would once again request that a short continuance be provided so that the GRC and the Chamber can complete its research and make a recommendation to the Planning Commission.

Very truly yours,

VARNI FRASER HARTWELL & RODGERS

Anthony B. Varni



**PH 17-025**

3<sup>RD</sup> LETTER FROM ANTHONY VARNI 04.20.17

**MISSION CROSSINGS PROJECT**



# VARNI, FRASER, HARTWELL & RODGERS

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JONATHAN DANIEL ADAMS

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April 20, 2017

**VIA E-MAIL AND FIRST CLASS MAIL**

Ms. Sara Buizer  
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Ms. Heather Enders  
Chair of Planning Commission  
CITY OF HAYWARD  
777 B Street  
Hayward, CA 94541  
Heather.Enders@hayward-ca.gov

Re: City of Hayward – Planning Commission Special Meeting  
(Set for April 20, 2017)  
“Mission Crossings” proposal – 25501 & 25551 Mission Blvd.  
PH-17-025 – Seven (7) action items

Dear Chair Enders, Honorable Planning Commissioners, and Ms. Buizer:

On April 18, 2017, I wrote to the City on behalf of Robin Wilma and other interested business and property owners to respectfully request that the Commission postpone and reschedule the hearing on this matter. One of my expressed concerns was the fact that we had received in excess of 1,000 pages of documentation on Friday evening of Easter week (Friday, April 14, 2017). Within the last 24 hours I have received another significant batch of documents from the City which were not provided to us until the afternoon of Wednesday, April 19, 2017.

I have now had the opportunity to briefly review all of this information and I would like to call to your attention certain significant deficiencies:

1. There are no studies with regard to the direct or indirect impacts on auto row from the construction of this project at this location. I would imagine that Dollar Street as well as Torrano Avenue will be impacted by people living in these units and parking on these streets therefore disrupting possible customers of auto row.
2. There is no data as to the amount of sales and other taxes paid by auto row to the City, in particular during the last two years.

Ms. Sara Buizer  
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3. The data relied upon by the Applicant to justify the Marriott Hotel presumes an 84% occupancy rate. Direct conversations with representatives of Marriott would indicate that Hayward should anticipate between 70%-75% occupancy rate at best at this location. The economic reports also clearly provide that the data they relied upon was provided by the Applicant and not by their own independent research. There is no information in any of these reports as to the capabilities or the credentials of the Applicant which would allow it to instruct its consultants that there will be 84% occupancy.
4. Within the last two years there have been significant increases in a.m. and p.m. traffic on Mission Blvd. The intersection of Torrano Avenue and Mission Blvd. is difficult at best. It is almost impossible for people heading north on Mission Blvd. during peak hours to get to the Marriott or the residential units on the west side without going to Berry Avenue and making a U-turn or without turning on Harder Road and then on Dollar Street. People using the hotel will not have this local knowledge.
5. There are air quality issues which have been recently identified as shown by enclosed article from the Wednesday, April 19, 2017 San Francisco Chronicle.
6. It would now appear that the Bay Area Air Quality Management District (of which the City of Hayward is a member agency) is seriously studying air quality issues in the Bay Area and is contemplating serious changes in lifestyles that will result. I am also enclosing the front page article from the San Francisco Chronicle dated April 20, 2017. In that Hayward is a member agency of this authority, it would seem that this information was readily available and should have been included in the report.

As I have additional time, I will point out additional issues which should be addressed in a focused EIR or a new EIR before this project is considered for approval or disapproval.

Very truly yours,

VARNI FRASER HARTWELL & RODGERS



Anthony B. Varni

Enclosures

# Climate change making air dirtier; Bay Area hit hard

By Kurtis Alexander

Even as the nation makes strides cleaning up dirty air, many parts of California, including the Bay Area, are struggling to reduce air pollution in the face of climate change.

The hordes of fossil-fuel-burning cars and trucks that have become emblematic of the Golden State are combining with overall hotter, dryer weather — and wildfires and dust storms — to fill the skies with more and more soot, according to a report released Tuesday by the American Lung Association.

The Bay Area was alongside parts of the Central Valley, which after years of improvement saw increases in the number of days with unhealthy levels of soot between 2012 and 2015, the report shows. The Bay Area ranked among the country's 10 worst regions for what is known as particle pollution.

While much of the problem can be traced to the five-year drought, which came to an end this winter, the American Lung Association expects only temporary relief from sooty skies as the state struggles with a future marked by a changing climate.

"We were lucky to have a wet year this year," said Bonnie Holmes-Gen, senior director for air quality and climate change with the American Lung Association in California. "That will certainly result in lower levels of particle pollution, but we know that these extreme events are becoming the

## Most polluted

### YEAR-ROUND PARTICLE

1. Visalia-Porterville-Hanford (Tulare/Kings counties)
2. Bakersfield
3. Fresno-Madera
4. San Jose-San Francisco-Oakland-Stockton
5. Los Angeles-Long Beach
6. Modesto-Merced
7. El Centro (San Diego County)
8. Pittsburgh
9. Cleveland
10. San Luis Obispo-Paso Robles-Arroyo Grande

### OZONE (SMOG)

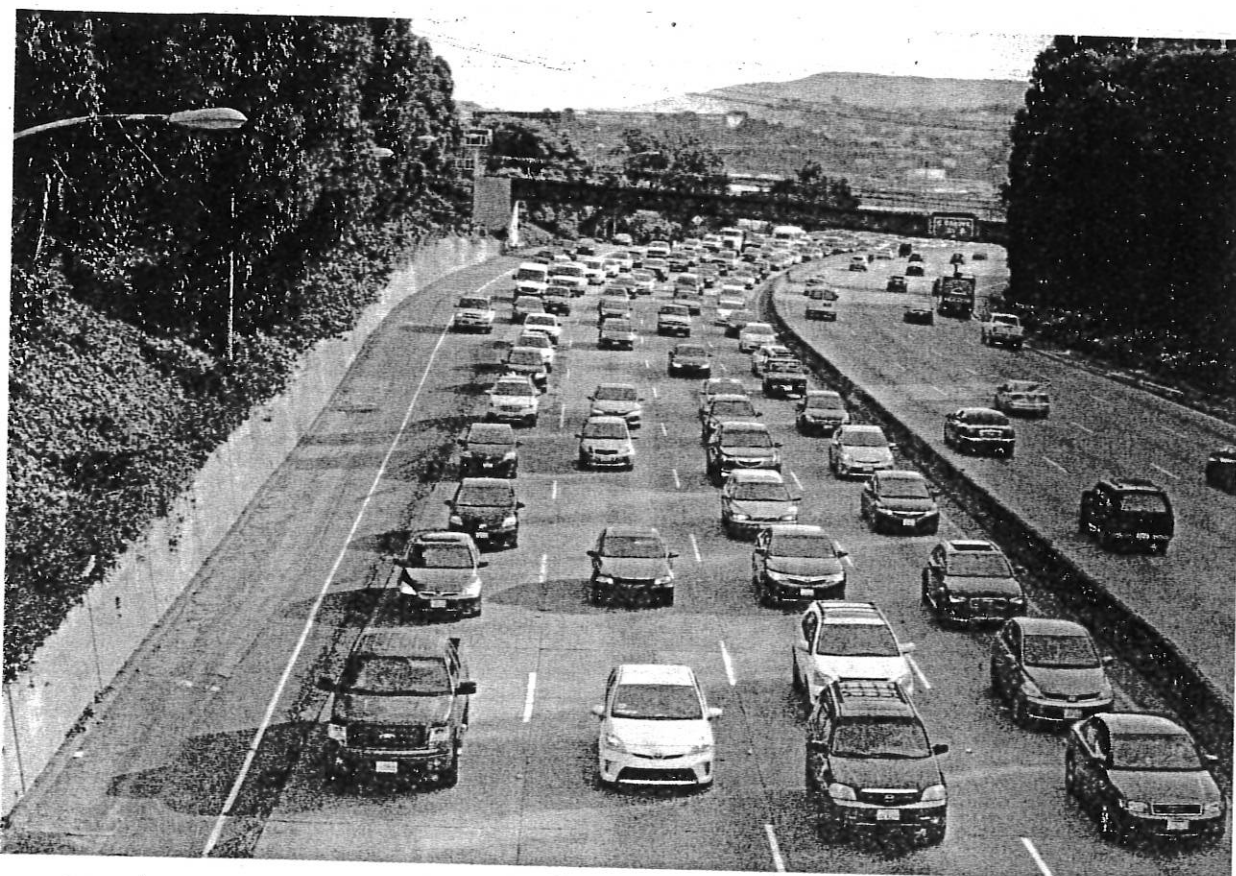
1. Los Angeles-Long Beach
2. Bakersfield
3. Fresno-Madera
4. Visalia-Porterville-Hanford
5. Phoenix-Mesa-Scottsdale, Ariz.
6. Modesto-Merced
7. San Diego-Carlsbad
8. Sacramento-Roseville
9. New York-Newark
10. Las Vegas

Source: American Lung Association

new normal."

Alongside ozone, particle pollution is one of the most widespread air pollutants. The tiny solid and liquid particles that define it proliferated with the wildfires that raged during the drought — and the lack of rain that normally tempers dust and debris from construction and agriculture.

More traditional sources of particle pollution include tailpipe emissions and power plants. The origins of the



Gabrielle Lurie / The Chronicle

**Heavy traffic, as seen on Highway 101 in San Francisco, increases the ozone pollution in the Bay Area's air.**

pollutant are mostly the same as ozone, though the two are generated under different conditions. Both are hazardous and pose increased risk for heart disease, lung cancer and asthma.

While the number of days that the Bay Area as a whole experienced unhealthy levels of particle pollution is not contained in the report, the region is listed as being the nation's sixth-worst for short-term spikes in particulate matter and fourth-worst for year-round totals.

The region, as defined in the report, includes more than the nine counties that typically comprise it. Stockton is included, for example. This worsens the area's pollu-

tion rating, though particulate matter still rose even without the inclusion of San Joaquin County.

Just a few days with pollution measuring above the federal Air Quality Index each year is enough to present a serious health risk, according to the report.

The San Joaquin Valley areas of Bakersfield, Visalia (Tulare County) and Fresno surpassed the Bay Area for particle pollution, while the Los Angeles-Long Beach region was slightly cleaner than the Bay Area.

Mirroring the national picture, most of California saw a drop in ozone, also called smog, which the American Lung Association credited to

tighter state and federal environmental laws.

Still, the state's notorious traffic congestion left it one of most ozone-polluted areas in the nation. Topping the list was the long-plagued Los Angeles area, followed by the Bakersfield and Fresno regions. The Bay Area was a distant 18th.

Between ozone and particle pollution, more than 90 percent of Californians live in areas with unhealthy air at some point in the year, according to the report.

While there is room for improvement, the American Lung Association's 18th "State of the Air" report shows a trend of less pollution since its first publication. Since last year's release,

the number of people nationwide who were exposed to unhealthy air at some point dropped from 166 million to 125 million.

The report's authors said it was critical that the government continue tough environmental policies like the federal Clean Air Act. The Trump administration has moved to weaken such protections.

"This is a real ongoing public health crisis," said Olivia Gertz, president of the American Lung Association in California, "and it affects everyone."

*Kurtis Alexander is a San Francisco Chronicle staff writer. Email: [kalexander@sfgchronicle.com](mailto:kalexander@sfgchronicle.com) Twitter: [@kurtisalexander](https://twitter.com/kurtisalexander)*



# Air pollution agency focuses on warming

District adopts plan likely to alter lifestyles in Bay Area

By Kurtis Alexander

The Bay Area's little-known pollution control district jumped into the fight against climate change Wednesday with a first-of-its-kind regional plan that promises big changes in residents' daily lives.

With calls for charging tolls to drive on freeways, doing away with gas heat and even urging meat-free meals, the agency is reaching beyond its usual targets of oil refineries and diesel trucks to push for cuts in greenhouse gases on a much broader scale.

"When thinking about the scale of climate change, we realized this had to be an all-in approach, everything in on the table," said Abby Young, climate protection manager for the Bay Area Air Quality Management District.

For its 62-year history, the air district's main job has been policing the nine-county Bay Area for dirty skies, declaring "Spare the Air" days when ozone and particulate matter levels reached unhealthy levels. Bay Area residents were affected most directly when the agency banned fireplace blazes on pollution-clogged winter nights and won the power to levy fines against violators.

The agency's new "Spare the Air, Cool the Climate" strategy makes global warming an equal priority, by targeting heat-trapping emissions.

The plan, approved Wednesday by a unanimous vote of the agency's governing board

*Air continues on A10*



Liz Hafalia / The Chronicle

Pamela DeMartini and Ed Cohen view gray hazy skies over downtown San Francisco. A Bay Area pollution agency has expanded its focus to "Spare the Air, Cool the Climate."

► **Clean power:** Mayor Ed Lee's goal is that at least half of San Francisco's electricity come from renewable sources by 2020. **D1**

# Bay Area agency plan goes all in on climate change

*Air from page A1*

at a meeting in San Francisco, lays out 85 measures that seek to reduce pollutants from industry, transportation, agriculture, homes and businesses.

No regulations take effect immediately, only a commitment to move forward. Some can be implemented by the district directly, but many will require joint action with other agencies. The district committed \$4.5 million to initiate such partnerships.

"Reducing air pollution and greenhouse gases is everyone's responsibility," said Jack Broadbent, the district's executive officer. "How we live and travel, what we buy, how we heat our homes, and what we consume all impact air quality, our health and produce greenhouse gases that impact our planet and ultimately, our quality of life."

Under the plan, the agency will use its unilateral authority to tighten emission rules for oil refineries in the East Bay. Alongside cars and trucks, industry is the region's top source of pollution.

Landfills, dairies and water treatment plants are also targeted for new restrictions.

To address transportation, the district will work alongside cities and transit agencies to encourage greener travel — making roads friendlier for electric cars with more charging stations and encouraging regional ride-shares and car-pools.



Gabrielle Lurie / The Chronicle

**Traffic as seen on Highway 101 in San Francisco is a leading source of greenhouse gases that contribute to global warming.**

The agency will also look to extend its "Spare the Air" day messaging to encourage slower driving, in hopes of reducing vehicle emissions on smoggy days. It will also seek to discourage overall car use by advocating for freeway tolls during high-traffic times, reductions in on-street parking and a higher gasoline tax.

The plan also calls on the district to explore new rules, and potential prohibitions, on fossil fuel-based heating and water-heating systems in homes and businesses. Agency funds could be used to create rebates for swapping out old, polluting appliances. Residential solar installations would also be encouraged through rebates.

Finally, the district is eyeing a campaign to promote eating less meat, as meat production

reach of the state-chartered air district.

"If not here, where is there another location better suited to take on this leadership role?" Young said.

The district's goal is to reduce emission of ozone-causing pollutants in the Bay Area by at least 21 tons per day and particulate matter, or soot, by 3 tons per day. It envisions reducing greenhouse gas emissions by 4.4 million metric tons by 2030 — the equivalent of removing more than 900,000 fossil-fuel-burning vehicles from the road each year.

Officials with the air-quality district say such reductions would save residents and local governments more than \$1 billion a year; much of it in reduced health care costs.

Hundreds of people wrote to the air-quality district in advance of Wednesday's meeting to support the plan. Not everyone was on board, however: Some critics asked what good a local program would do if other states and nations don't take similar actions to cut heat-trapping gases.

"If the emissions are reduced here but not elsewhere, climate change is still here," said Steven Young, a Chevron employee who spoke at the district's meeting. "And it just gets worse."

*Kurtis Alexander is a San Francisco Chronicle staff writer.  
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## Acting locally

Among the steps approved by the Bay Area Air Quality Management District on Wednesday to try to fight climate change:

- ▶ Require greater monitoring for methane leaks at petroleum refineries.
- ▶ Reduce flaring at refineries to limit gas emissions.
- ▶ Strengthen emission controls and leak standards at landfills.
- ▶ Encourage airports to use cleaner-burning jet fuel.
- ▶ Encourage the replacement of heavy-duty diesel engines in trucks.
- ▶ Explore vehicle tolls in high-congestion areas to discourage driving.
- ▶ Encourage the removal of off-street parking in transit-oriented areas.
- ▶ Support an increase in the gasoline tax.
- ▶ Provide consumer rebates for purchases of gasoline-free cars.
- ▶ Discourage installation of water-heating systems and appliances powered by fossil fuels.
- ▶ Ban all wood-burning fires on "Spare the Air" days, meaning eliminating exemptions.
- ▶ Consider expanding "Spare the Air" messaging to include asking drivers to obey speed limits.
- ▶ Construct new bicycle and pedestrian paths.
- ▶ Start a public outreach campaign to promote climate-friendly diets.

**PH 17-025**

4<sup>TH</sup> LETTER FROM ANTHONY VARNI 04.20.17

**MISSION CROSSINGS PROJECT**

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April 20, 2017

## **VIA E-MAIL AND FIRST CLASS MAIL**

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Mike.Porto@hayward-ca.gov

Re: City of Hayward: Projects in the "South Hayward BART/Mission Boulevard Form-Based Code District" (the "South Mission Blvd. Corridor")

### **Renewed request for postponement and comments/objections**

Dear Ms. Buizer and Ms. Enders:

This will follow up my letter of April 18, 2017, requesting a postponement of the hearing on this matter, and amplify our concerns about the deficiencies of the proposed public review and consideration of this project.

#### **1. Request for postponement**

At roughly 2 p.m. on Wednesday April 19, 2017, we received an email message from the City Planning Department (Mr. Goldassio) attaching a series of new and additional documents apparently being offered for belated inclusion in the staff report for hearing by the Commission on April 20. Such late additional materials are objectionable, are not timely, in violation of the Brown Act, and may not lawfully be considered or discussed at the Commission hearing if it remains set on April 20. We renew our request for postponement of this hearing.

#### **2. Failure to comply with CEQA:**

As stated in my previous letter on this matter, the environmental review of the project provided to the public thus far is inadequate, and fails to comply with the requirements of the California Environmental Quality Act ("CEQA").

"The central purpose of CEQA is to ensure that agencies and the public are adequately informed of the environmental effects of proposed agency action." (*Friends of the College of*



*San Mateo Gardens v. San Mateo County Community College District* (2016) 1 Cal.5<sup>th</sup> 937, 951.)

The Staff Report (released on Friday April 14, 2017) reported that an Addendum to the Environmental Impact Report (“EIR”) prepared for the Mission Boulevard Specific Plan and certified in January 2014 (“MBCSP EIR”) has been prepared in connection with the City’s consideration of the proposed project. The Addendum is apparently intended to fulfill the City’s obligations under CEQA as to this project. However, reliance on an Addendum would be inappropriate and inadequate for analysis of this significant new project and the changed circumstances surrounding the proposed project. First, the decision to rely on an Addendum was not legally appropriate nor factually justified. Second, not only is the proposed reliance on an Addendum unjustified, but the Addendum itself is deficient and fails to comply with CEQA.

**A. The proposed use of an Addendum to the 2014 Program EIR for the Mission Boulevard Corridor Specific Plan (“MBCSP”) is not authorized under CEQA.**

The Staff Report does not cite any legal authority for the applicants’ proposal to use an Addendum to the 2014 EIR for the Specific Plan as the basis for the City’s CEQA analysis of this new project. The use of an Addendum to conduct CEQA review of a *project* that has previously undergone CEQA analysis is governed by Section 15164 of the CEQA Guidelines, in the context of conducting subsequent review of a project EIR. An Addendum is authorized only in situations where a “project EIR” or other project-level CEQA analysis has been conducted for projects having substantial identity. That is not the case here, and use of an Addendum is unauthorized.

The applicant has improperly proposed that the City rely on an Addendum to the 2014 EIR for the Mission Boulevard Corridor Specific Plan (“MBCSP”). However, that was a *program level* EIR, (Guidelines § 15168), distinct from the current proposed specific mixed use project. The current proposal is not the same as, or even consistent with the MBCSP; to the contrary it seeks numerous zoning amendments and other deviations from the policies of the 2014 Plan.

**B. The proposal that the City should rely on an Addendum is unjustified.**

The limited material belatedly produced to the public last Friday does not support the suggestion that CEQA review of this new project can be legally done by way of a mere Addendum to a three-year old project-level EIR. The City has a non-delegable duty to assure compliance with CEQA. The Staff Report indicates that someone apparently decided to avoid preparing a new EIR or mitigated negative declaration for this new project, and instead decided to try to proceed by using an Addendum to the 2014 MBCSP EIR.

Neither the Staff Report nor the Addendum reveal who made the decision to proceed by way of preparing an Addendum to the 2014 MBCSP EIR in this case, rather than by preparing

and circulating a new EIR or at least a Supplemental or Subsequent EIR (“SEIR”). The limited public record does not reveal when or how that decision was made.

The California Supreme Court recently explained a lead agency must comply with CEQA’s “subsequent review provisions” (i.e., Pub. Res. Code § 21166; CEQA Guidelines §§ 15162-15164) where it seeks to rely on use of an “addendum” to a previously-certified CEQA document in conducting review of the same, or related, project. (*Friends of the College of San Mateo Gardens, supra*, 1 Cal.5<sup>th</sup> at 948-954.) In addition to the errors noted previously, neither the one-paragraph reference to “environmental review” in the Staff Report (at p. 18) nor the Addendum itself demonstrate compliance with those subsequent review provisions, nor do they provide substantial evidence sufficient to support the decision to recommend use of the Addendum, rather than a more comprehensive and informative CEQA document, as required by the Supreme Court.

**C. The City may not use an Addendum to a 2014 “Program” EIR as its CEQA-compliance for review of this specific new project.**

The 2014 MBCSP EIR was prepared at “program level” for the City’s use in evaluating impacts of a Specific Plan, not for project-level analysis of a new mixed use/hotel/townhouse development project requiring changes to zoning district boundaries and other significant changes to the land use plans and policies adopted in the Specific Plan. To the extent that the Staff Report argues that the proposed project is “the same as or within the scope of” the 2014 Program EIR for the Specific Plan, then the CEQA review of this new proposal would not be governed by Pub. Res. Code § 21166 (as assumed in the Addendum) but rather may be governed by the more exacting standards of Pub. Res. Code § 21094(c) [tiered EIR]. (*Sierra Club v. County of Sonoma* (1992) 6 Cal.App.4<sup>th</sup> 1307, 1321.)

Even if it could be claimed that the 2014 MBCSP EIR provides some informational value for the analysis of the impacts of this new project, the record nevertheless fails to support the conclusion that an Addendum would be the proper way for the City to “comply with its obligations under those [subsequent review] provisions.” (1 Cal.5<sup>th</sup> at 953.) To the contrary, the magnitude and extent of the differences between this specific project and the planning program studied at a less-detailed program level in the 2014 EIR, and the changed circumstances and new information relevant to the consideration of this project are such that – at a minimum -- major revisions to the 2014 EIR would be required, calling for preparation of an SEIR, if not a brand new project-specific EIR or focused EIR.

**D. The Addendum does not reflect the City’s independent judgment.**

Even if it could be shown that an Addendum could be appropriate in this situation, the record must demonstrate that the City exercised its independent judgment in deciding to use the Addendum. While lead agencies are allowed to rely on reports prepared by project applicants, or

consultants, this imposes an additional duty on the lead agency to “independently review and analyze” such material. (Pub. Res. Code, § 21082.1 (c)); also CEQA Guidelines § 15084(e). Before using a draft prepared by another person, the Lead Agency shall subject the draft to the agency’s own review and analysis...)

There is no evidence that the Addendum here has been “subjected to the City’s own review and analysis” as required. The Addendum is not visibly approved or signed by any City of Hayward official. Indeed, it is doubtful that this Addendum (prepared by an outside consultant) was even available to the City of Hayward for its independent “review and analysis” before it was released to the public and the Commission last Friday. It appears that the Staff Report was drafted before the Addendum was received from the consultant.

**E. The information in the Addendum is not sufficient to support the recommendation to avoid preparing a new EIR, or at least an SEIR.**

A lead agency’s independent decision to rely on an Addendum rather than to prepare a new EIR or an SEIR must be supported by substantial evidence in the record, demonstrating that the conditions of Guidelines 16164 have been met, i.e., that some changes or additions to the previously certified EIR are necessary but that none of the conditions of Guidelines 15162 or 15163 calling for preparation of an SEIR exist. Although the Addendum recites those conclusions, it fails to provide substantial evidence to support them.

The Addendum does not address the significant changes in the circumstances surrounding the project site, or the new information of environmental significance to the project, arising since the Specific Plan EIR was certified in January 2014. My letter of April 18, 2017, listed several examples of such changed circumstances and new information.

The Addendum focuses on the differences between this specific project and the conditions described in the 2014 EIR, and attempts to erroneously minimize the significance or severity of those differences, without substantial evidentiary support.

For one example, the Addendum argues (at page 93) that although the application before the Commission seeks amendments to the City’s new form-based zoning, and changing the coverage of the two commercial overlay zoning districts so as to expand the area allowing ground floor residential uses, “these actions would not require the amendment of the General Plan or the zoning maps.” This is not only unsupported by evidence, it is contrary to the application itself. The Addendum’s conclusion that this project would have no new or more severe impacts that were not fully analyzed in the 2014 EIR is unsupported.

Another example of a deficiency in the Addendum is revealed in its discussion of impacts on traffic and transportation (pp. 117- 127). The Addendum asserts that the project would not cumulatively contribute to degradation of levels of service (LOS) at studied intersections that fall below the City’s threshold of significance. However, that minimizes the actual impact of the

project on traffic congestion, because the City changed (raised) its threshold of significance when it adopted the 2040 General Plan, after the 2014 MBCSP EIR was certified, so that LOS E which was previously unacceptable at peak hour is now acceptable under the new standards (Addendum, p. 122). Table 7 indicates that the LOS at several of the studied intersections will be seriously degraded under “interim 2020 conditions” and under “2035 cumulative conditions.” (E.g, intersections at Berry Avenue, Harder Rd., and Tennyson drop to LOS E or F.) The assertions of “no new impact” in the Addendum are thus based on misleading “apples to oranges” comparisons of the standards used in the 2014 EIR and the new, more traffic-tolerant standards used by the Addendum’s preparers.

In addition, the Addendum’s assertion of “no significant traffic impacts” attributable to the project is based on the Addendum’s reliance on the more traffic-tolerant thresholds of significance in the City’s 2040 General Plan. The Addendum thus commits the same errors, and unfounded assumptions, that were recently condemned by the Court of Appeal in *East Sacramento Partnerships for a Livable City v. City of Sacramento* (2016) 5 Cal.App.5th 281, where the Court invalidated the EIR for a 300+ unit residential infill project for flawed traffic impacts analysis.. Mere reliance on a threshold of significance in a general plan does not mean that there are no traffic impacts.

Finally, the traffic analysis in the Addendum appears oblivious to the strong guidance of the OPR urging that new CEQA studies should replace LOS analysis and instead move toward usage of VMT methodologies as called for by SB 743.

#### **F. The Addendum used an inappropriate method of impact analysis.**

Use of a mere Addendum to a three-year old *program-level* EIR is inappropriate and fails to provide the specific *project-level* environmental analysis of this proposed project, changed circumstances, and new information relevant to the project as required by CEQA.

Even assuming that an addendum document could lawfully be used here, the “checklist” approach used in the Addendum failed to make or reveal the appropriate information to facilitate environmental decision-making on the project, i.e., inapt comparison between impacts of this specific project and the more generalized impacts discussed in the 2014 Plan EIR. The Addendum does not consistently disclose whether it finds that the project will have more or different impacts than those impacts (where relevant comparisons can be made) reported in the 2014 Plan EIR, nor whether the project may have more acute or more severe impacts than those reported in the 2014 Plan EIR.

#### **3. Other Comments**

The documents do not show that the project would be “consistent” with the City’s general plan or the 2014 Specific Plan. For example, the project requires significant changes to the new

Ms. Sara Buzier  
Ms. Heather Enders  
April 20, 2017  
Page 6

zoning ordinance and deviations from the Specific Plan, in order to accommodate the residential aspects of the Project.

This project would be a significant change of direction for the City and it should be important to the Commission to allow the public an adequate opportunity to review and analyze the voluminous documents being relied on to advocate for approval of the project.

Very truly yours,

VARNI FRASER HARTWELL & RODGERS



Anthony B. Varni

**PH 17-025**

LETTER FROM CINDY OGLE – MISSION CORRIDOR PROJECT

**MISSION CROSSINGS PROJECT**

**From:** Cindy Ogle  
**To:** [Sara Buizer](#)  
**Subject:** Mission Corridor Project  
**Date:** Wednesday, April 19, 2017 4:40:27 PM

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Ms. Sara Buizer:

We own an auto body collision repair facility and have been in the same location on Mission Blvd. Auto Row for fifty-four years. We are strong proponents for the growth and development of Mission Blvd. Both my husband and I oppose the project at hand we feel that this proposal needs further research and investigation; in particular as to how it will impact the infrastructure regarding Mission Blvd.

***Cindy Ogle***

***Hayward Body Shop, Inc.***

*25087 Mission Blvd.*

*Hayward, CA 94544-2514*

*510 538-6700*

*Email: [cindy@haywardbodyshop.com](mailto:cindy@haywardbodyshop.com)*

**PH 17-025**

**LETTER FROM PRECISION MOTIVE – MISSION CROSSING PROJECT**

**MISSION CROSSINGS PROJECT**



**From:** pmotive@aol.com  
**To:** [Sara Buizer](#)  
**Subject:** Mission Crossings Proposal  
**Date:** Thursday, April 20, 2017 9:47:04 AM

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Dear Mrs. Buizer,

We are a small business on Dollar St. in Hayward, Ca. We have been in business for 40 years in Hayward. Today we are writing you to let you know that we are opposed to the Mission Crossings proposal-25501 & 25551 Mission Blvd. Hayward, Ca.

Sincerely,  
Patrick Hendrix  
Susan Hendrix  
Precision Motive

LIKE US ON FACEBOOK

<http://www.facebook.com/pages/Precision-Motive/234066806712863>

**PH 17-025**

STEVEN DUNBAR\_PUBLIC COMMENT FOR PLANNING COMMISSION  
MEETING 04.20.17

**MISSION CROSSINGS PROJECT**

**From:** Steven Dunbar  
**To:** [Leigha Schmidt](#); [David Rizk](#); [heather.enders@hayward-ca.gov](mailto:heather.enders@hayward-ca.gov); [Sara Buizer](#)  
**Subject:** Public Comment for Planning Commission Meeting 4/20/17  
**Date:** Thursday, April 20, 2017 12:16:57 PM  
**Attachments:** [pasted1](#)  
[pasted2](#)  
[pasted3](#)  
[image.png](#)  
[image.png](#)  
[image.png](#)

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To Planning Commissioners and Staff:

Regarding the Mission Crossings Development:

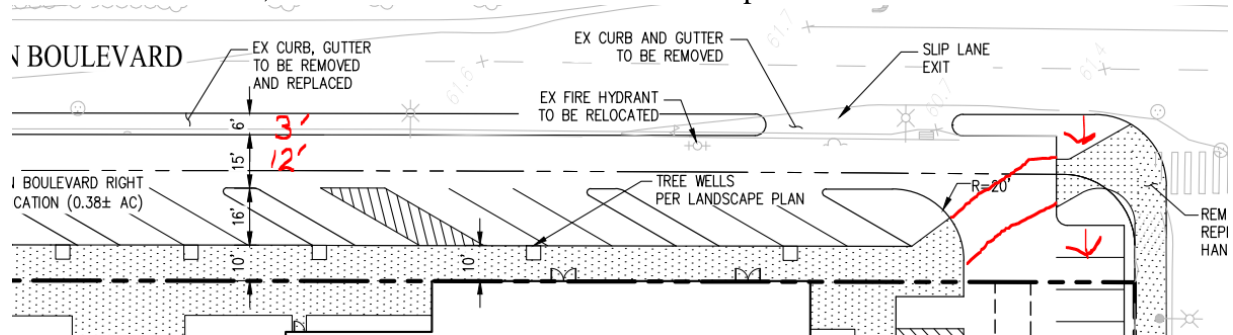
I'm glad we are starting to rebuild Mission Boulevard as envisioned in the specific plan. I'll mention that plan is difficult to access as it was hosted on the old city website - the form based code link at <https://www.hayward-ca.gov/your-government/documents/planning-documents> is also broken.

I have two larger concerns to bring to this public hearing, and a few smaller issues and questions just for my own knowledge.

My primary concern is the slip lane. The design calls for the slip lane to extend out into the current Mission Boulevard right of way. (Figure TM.3) It is difficult to tell what the eventual lane width on Mission would be with this change, and such a change may preclude a bike lane on Mission from being feasible. Mission Boulevard has the right of way to provide protected bike lanes as-is. This extension of the curb would compromise that.

While the staff report mentions the ultimate goal to have most of Mission with this side-street approach, moving the curb out for this project would cause issues with any bike lane extensions north from the currently planned improvements in South Hayward. While the side-street approach is welcome, it will take a very long time to complete such a system, when safety is needed much sooner.

I suggest lowering the lane width of the interior slip lane and the concrete buffer to allow for a future bike lane project. The SE corner could have one parking space removed and the whole island shifted west to accommodate that portion. See the figure below, which may not be perfect for access but I still think is quite a reasonable amount of space. Recommended lane widths are included, arrows show the desired shift of the pedestrian island.



The facility type for cyclists is the primary reason bicycle trips are expected be extremely low, but there is no permanent barrier to change as it stands.

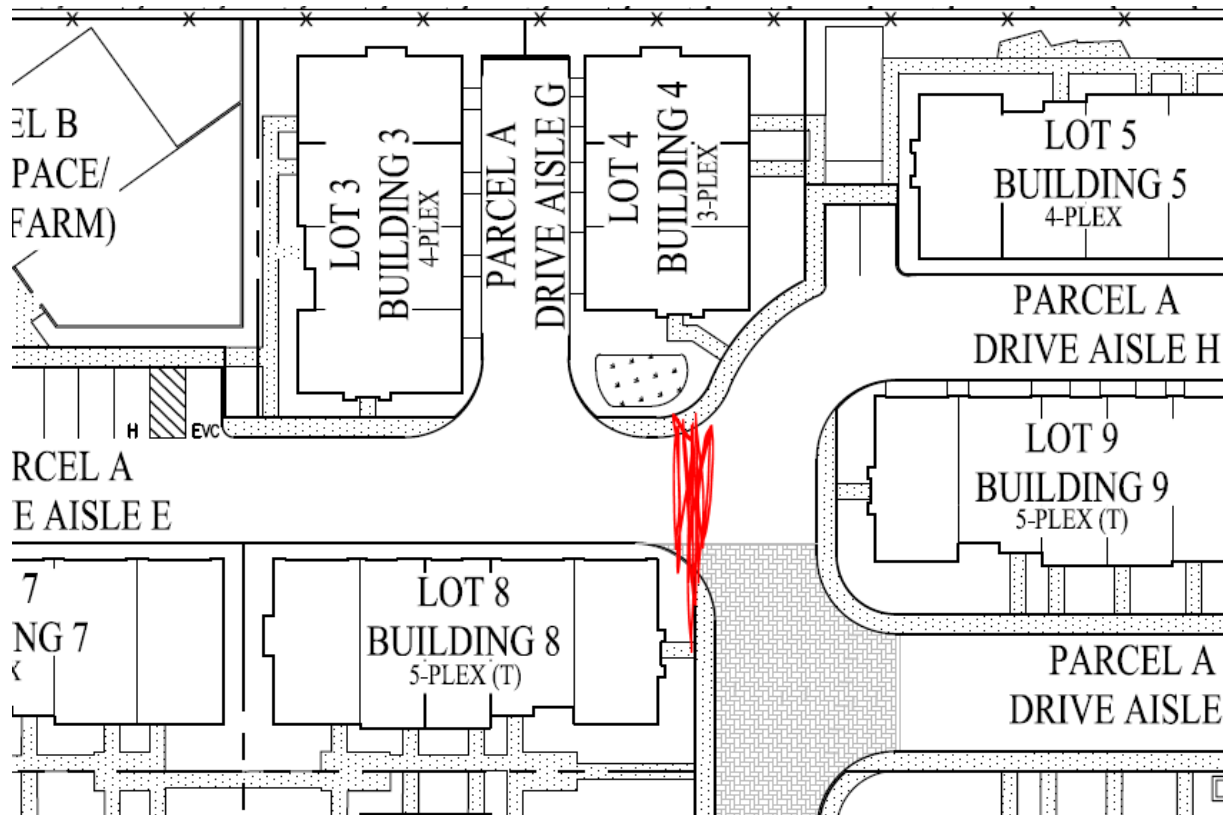
My second larger concern is the wall between the residential and commercial portions of the

development. There seems to be no walking path from the residential to the commercial area through the buffer bio area. There should be such a path, or even a gate, to allow access to the future retail under the hotel without walking all the way around the edge of the property. The security benefits to such a barrier are minimal, in my opinion, given the other low-traffic low-visibility side entrances.

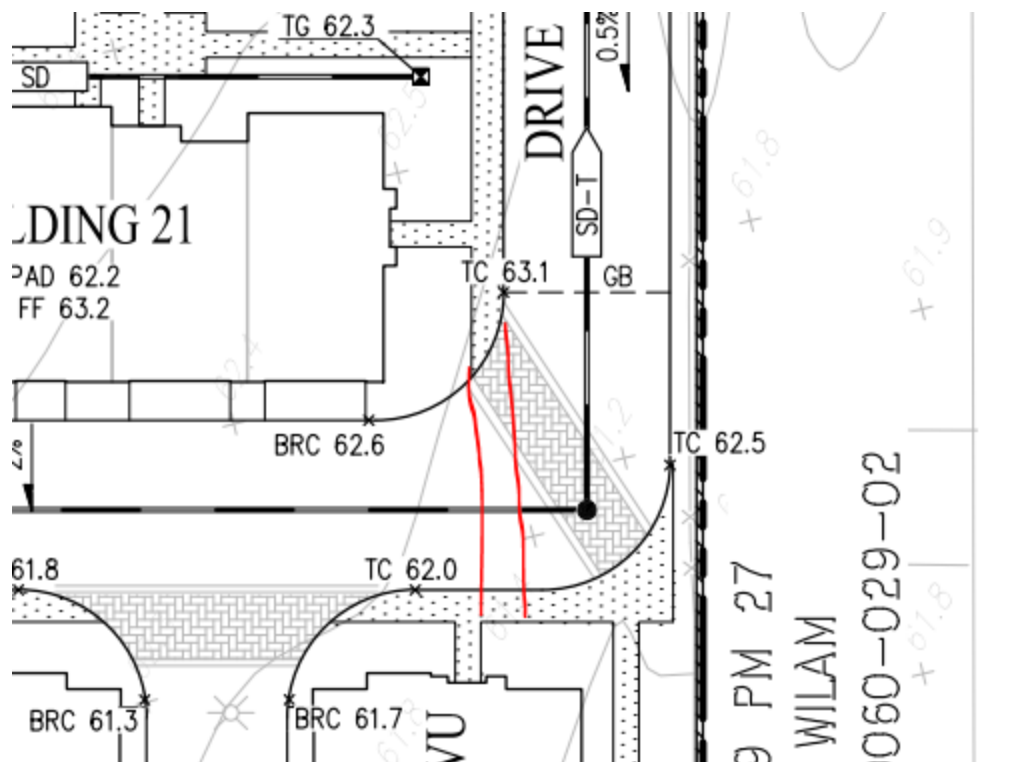
As for my more minor concerns:

First, there seems to be no crosswalk at the SE portion of the development from the hotel walk to the curb area. That should be included. (See the above picture again)

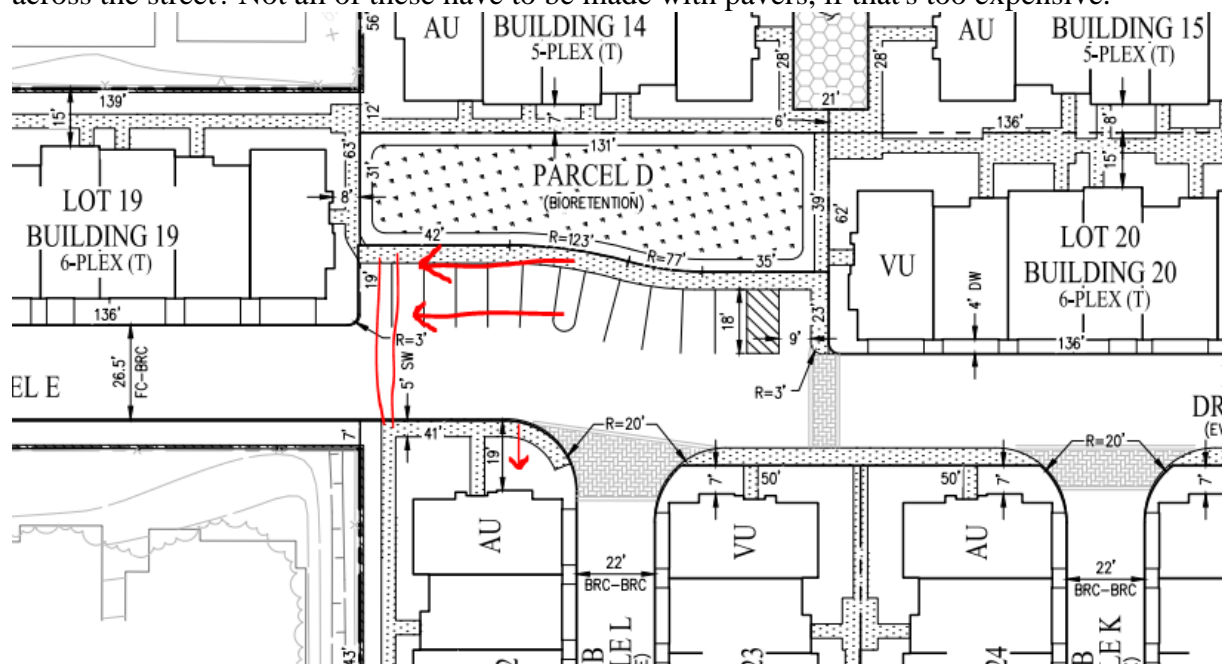
Second, there should be a crosswalk or marked paver area East to West in the area shown below.



Third, I do not understand the walking path at the southwest corner which does not meet at a right angle with the road. Is there a visibility concern? Most people are not going to be staying in that crosswalk and will walk north as they cross from east to west.



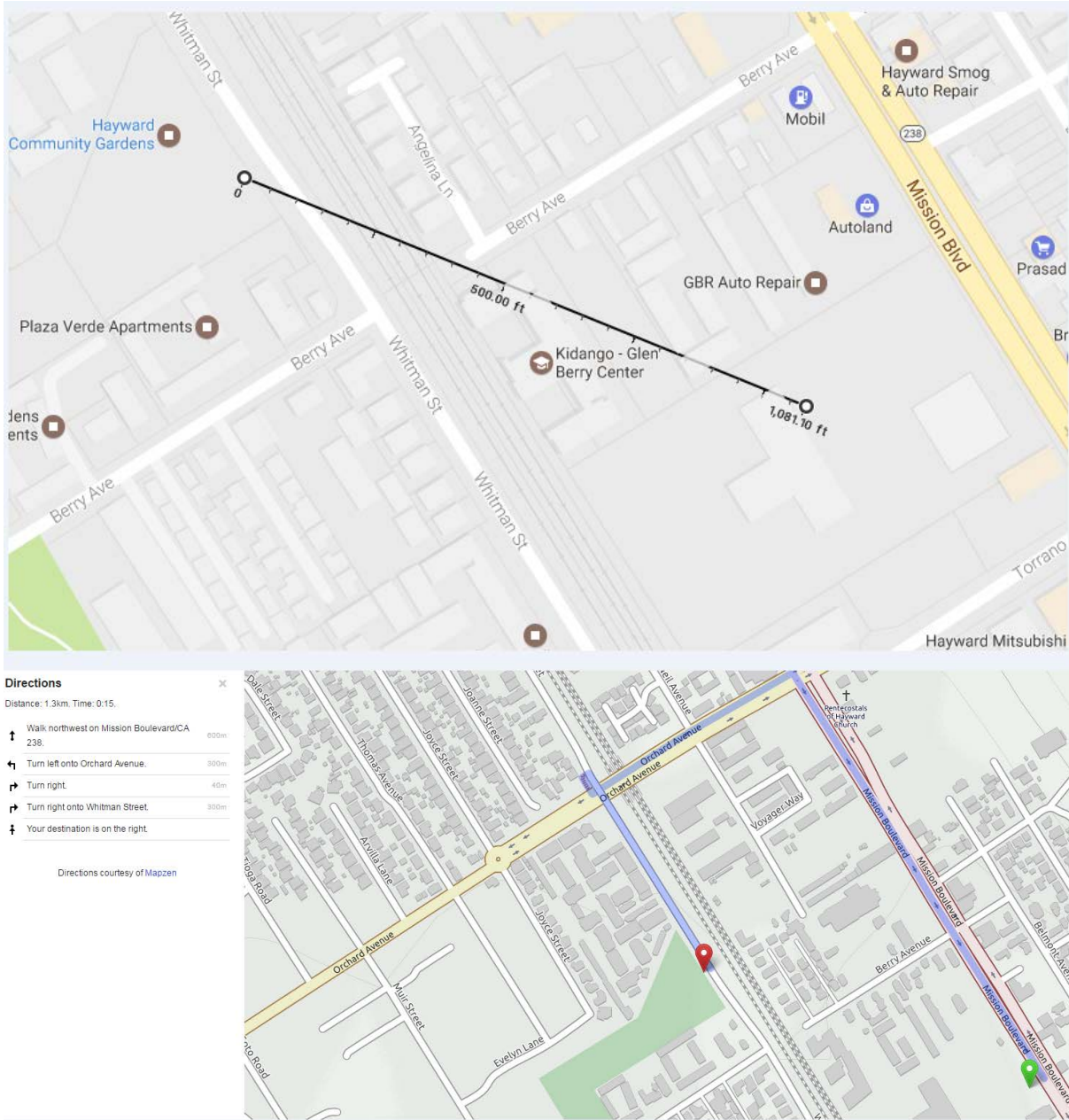
Fourth, could we shift the parking angle at parcel D over to provide another walking path across the street? Not all of these have to be made with pavers, if that's too expensive.



Fifth, the street width within the development seems excessive. If anything, the street could be widened near the turns if necessary for fire access and then slimmed again. The shown fire paths indicate the trucks have plenty of clearance even without starting or finishing in the oncoming lane.

Finally, while the urban farm is admirable, it is somewhat sad that a local neighborhood farm less than 1000ft away from the property is not accessible, because we've neglected to provide

better pedestrian access over the BART tracks. Of course, this is not the developer's issue to address.



Personally, I wish that there were more units overall (or at least more Plan 5 units), as opposed to units that are over 2,000 sq ft (all other unit types), given the bay area housing affordability problem. However, all housing helps and this will prevent displacement elsewhere by pulling high-end owners towards this development, rather than outbidding other potential new residents on existing property.

Other than these details, the mixed use, medium density, multi-street access, economic development, and overall aesthetic are welcome.

Thank you for your attention.

Sincerely,

Steven Dunbar

**PH 17-025**

MILLER STAR REGALIA ON BEHALF OF MCL HOLDINGS

**MISSION CROSSINGS PROJECT**





**MILLER STARR  
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April 20, 2017

**Via Email and U.S. Mail**

Sara Buizer  
Planning Manager  
City of Hayward  
777 B Street  
Hayward, CA 94541  
Email: Sara.Buizer@hayward-ca.gov  
Mike.Porto@hayward-ca.gov

Re: Mission Crossings: Support for Continuance of  
Special Planning Commission Hearing

Dear Ms. Buizer:

This office represents MLC Holdings, the applicant for the Mission Crossings project, which is scheduled to be considered by the City's Planning Commission this evening, as Agenda Item No. 1. We understand there has been correspondence submitted by Mr. Varni, on behalf of his client, which asserts a number of claims and seeks a continuance of this item. As explained more fully below, my client is supportive of continuing the above-referenced matter to a date certain of Thursday, April 27<sup>th</sup>.

As a preliminary matter, we would like to commend the City for its thoughtful and diligent approach to the processing of the requested entitlements for this project. In particular, we believe the Addendum and related technical studies prepared by the City and its consultants reflect a robust analysis that have been prepared in accordance with and adequately reflect CEQA's mandates. Furthermore, the City has adhered to all applicable procedural requirements under state and local laws and regulations as these relate to notice and disclosure.

Accordingly, the CEQA documentation for the project fulfills CEQA's fundamental purpose of facilitating informed decision making, and thus it would be proper to proceed with the scheduled hearing. That said, we understand the desire to ensure a full opportunity for review of said documentation; therefore, we support the City's continuance of the matter to the date certain of Thursday, April 27<sup>th</sup>.

Sara Buizer  
Planning Manager  
City of Hayward  
April 20, 2017  
Page 2

Please feel free to contact me with any questions regarding the foregoing.

Sincerely,

MILLER STARR REGALIA

Handwritten signature of Nadia L. Costa in cursive script.

Nadia L. Costa

NLC:sls

cc: Arthur F. Coon, Esq. (Miller Starr Regalia)  
Charles McKeag (MLC Holdings)  
Justin Derby (MLC Holdings)