



## **COUNCIL ECONOMIC DEVELOPMENT COMMITTEE**

### **MEETING MINUTES – October 29, 2018**

**CALL TO ORDER:** Mayor Halliday called the Special meeting to order at 4:00 p.m.

#### **ATTENDANCE:**

| Committee Member       | Present<br>10/29/18 | All Meetings<br>Year to Date |        | Meetings Mandated<br>By Resolution |        |
|------------------------|---------------------|------------------------------|--------|------------------------------------|--------|
|                        |                     | Present                      | Absent | Present                            | Absent |
| Mayor Halliday (Chair) | ✓                   | 2                            | 0      | 2                                  | 0      |
| Council Member Márquez |                     | 1                            | 1      | 1                                  | 1      |
| Council Member Mendall | ✓                   | 2                            | 0      | 2                                  | 0      |

#### **OTHERS IN ATTENDANCE:**

Kelly McAdoo, City Manager; Jennifer Ott, Deputy City Manager; Laura Simpson, Director of Development Services; Christina Morales, Housing Manager; Catherine Ralston, Economic Development Specialist; Jeremy Lochirco, Principal Planner; Suzanne Philis, Senior Secretary; Kim Huggett, Hayward Chamber of Commerce; representing Hines: Victor DeBoer, John McManus, George Clever, Janet Galvez, Teresa Goodwin; Chu Rao, Pristine Homes; Paul Hodge; two students from Life Chiropractic College West

#### **PUBLIC COMMENTS**

Hayward Chamber of Commerce President and CEO Kim Huggett reviewed the 33rd Annual Business Expo that happened on Oct. 10th in the Grand White Tent at St. Rose Hospital, noting so many people took advantage of the free flu shots that they ran out of vaccines. He also commented on the number of business-to-business opportunities in Hayward.

#### **1. APPROVAL OF MINUTES OF SPECIAL MEETING SEPTEMBER 17, 2018**

A motion to approve minutes was made by Council Member Mendall with a second by Mayor Halliday. Minutes from the September 17, 2018 Special Meeting were approved.

#### **2. CONCEPT PROJECT REVIEW – GILLIG SITE**

Deputy City Manager Ott introduced the item noting the 26-acre Industrial Development catalyst site along Highway 92 was formerly occupied by Gillig bus manufacturing. Tarlton Properties had

expressed interest in building a life-science development, but that project fell through when funding could not be secured. Hines had attached a concept plan review, she said, which included a layout of the site. No entitlement application had been submitted, no staff analysis had been conducted, but she noted Hines wanted high-level feedback before moving forward with an application. Deputy City Manager Ott then turned the floor over to Hines representatives.

Regarding Mr. McManus' presentation of who was leasing similar buildings in the industrial market, Council Member Mendall said he recognized the company names, but asked what type of uses went into the buildings. Mr. McManus said manufacturing, headquarters, support for high tech, R&D, assembly, warehouse and retail.

Deputy City Manager Ott asked representatives to go into more detail about the building design visible from Highway 92. Architect Ms. Goodwin explained the site plan was dictated by the freeway with buildings breaking up the visibility from the south and the loading area screened from the other side. Ms. Goodwin said there was one long wall, but it could be articulated with ins and outs, and was partially screened by neighboring buildings.

Director of Development Services Simpson noted staff was in the process of updating industrial zoning regulations with a Council Study Session scheduled for December and anticipated adoption in spring. City Manager McAdoo said given the updates there had been discussion about how this application would fit into the new regulations and the timing of the application processing. City Manager McAdoo said that was part of the feedback desired from CEDC members. Director Simpson added that Council could decide if existing applications were processed under the old or new regulations.

Council Member Mendall said the new standards needed to apply to the development noting the site was too big, too visible and too important to use the old rules and hope that it worked out. He said the new standards could apply retroactively to other projects as well since everyone should be stepping up their game.

Council Member Mendall said he really liked the previous proposal and he was still mourning the loss. He said he really wanted to see commercial/office at this location and at other sites in the City.

Council Member Mendall said he was trying to be realistic about his expectations for this project, but what he saw was three prettier-than-usual warehouses and he didn't want to approve warehouses. He said it was a step in the right direction, but he wanted more for this site. He said if the two small buildings were true commercial/office and the other building flex industrial, that was a compromise he could accept. Regardless of the use, he said whatever fronts the freeway needed to look like commercial/office with a lot of glass, not just at the corner.

Mayor Halliday said she agreed with Council Member Mendall's comments. She asked representatives what their timetable was for submitting plans. Mr. Clever said right now they were in contract with Gillig and the presentation was part of their due diligence. If they went ahead with the project, he said, they would close on the land in mid-November and submit a development application after the first of the year. They are motivated, Mr. Clever said, to keep the project moving and would work with staff to do so. Mayor Halliday said she hoped the City could do the same with the updated industrial regulations and recommended they keep track of upcoming discussions. She said it was unlikely that the Council would approve warehouses at this highly visible, gateway site.

Mayor Halliday asked if there were any commitments from some of the businesses mentioned for uses other than warehouse. Mr. McManus said that was a marketing question and he could only speak to probabilities and what had recently happened. He said most warehousing uses were headed east to cities like Tracy and Stockton and what was happening here was advanced manufacturing and R&D. He noted that the proposed buildings were in demand because the internal walls could be moved to accommodate all kinds of R&D. He said the warehousing happening here was last mile fulfillment with value added elements to it. He said he couldn't guarantee that the buildings wouldn't be used for warehousing, but he said the probability was that they would not.

Council Member Mendall asked staff if the updated industrial regulations would give the City the tools to require uses other than warehouse. Director of Development Services Simpson said yes, the regulations would include subzones that would provide more detail on what the City desired and in some cases a CUP (conditional use permit) to require a particular use. Director Simpson said this site was a catalyst site and would require a CUP under the new regulations.

Deputy City Manager Ott said it was the size of the building that triggered the CUP noting any industrial building over 150,000 square feet would trigger a CUP under the new regulations.

Council Member Mendall said that was funny that the smaller buildings could still be used for warehousing. City Manager McAdoo it was up to Council; that was what staff was proposing, but Council could require that parcels, particularly those along Highway 92, had uses other than warehousing.

Deputy City Manager Ott said it was a market-driven policy question that Council would need to decide; at what point was Hayward ready to hold out for exact uses or acknowledge that flex space would give the City the best chance to get what it wanted.

Council Member Mendall said he agreed with Manager Ott, that he was open to a broad range of uses, he just didn't want them to bottom out at warehouse. The bottom of the range needed to be a step up from warehouse, he said. He was in favor of creating flexible spaces.

Deputy City Manager Ott suggested staff discuss the new regulations with Hines and work with them to develop a range of uses that included more than just warehouse.

Mayor Halliday said it was a similar question to the next item on the agenda of requiring retail when approving housing developments especially at corners and along busy roads. The City had been stung in the past with the retail not getting built, she said, so that was why Council was looking at creating new conditions of approval.

Council Member Mendall said he worked in Foster City and everything over there was office and that was only nine miles away. He suggested Hines build higher (add more floors) to get the project to work financially noting for the right project he would go as high as they wanted, within reason.

Mr. Clever said Hines had built office buildings, life science and everything else, and as much as he would like to build a higher value use at this site, he questioned whether it was financeable, noting that was why the Tarlton project had failed. Mayor Halliday asked why funding was available in Foster City but not in Hayward and Mr. Clever said the peninsula had always commanded higher

rents and been a more vibrant office market. He said office rents were running \$4 a foot per month on the peninsula and those were the kinds of rents that were required to justify a new office building.

Mr. McManus commented that there was higher probability for office in downtown Hayward because of the proximity to BART. He said he only sees demand for office near BART increasing in the coming years.

Deputy City Manager Ott said she met with BART representatives and they were talking about putting out an RFP (Request for Proposals) for the BART-owned property across the street from City Hall to see if there was demand for office near transportation and downtown amenities.

Mayor Halliday said advanced manufacturing and R&D was not warehousing and that was a use Council would like to see for the Gillig site.

Ms. Galvez added that warehouse uses were moving east because they required low rents. She said the proposed project would cost Hines well over \$100 million so the tenants would need to be able to pay well above warehouse rents. She also noted Hines was only building the shell and the incoming tenant could potentially add more value with improvements.

Mr. Clever said they would lease to non-advanced manufacturing uses because they would need to recoup their investment. Mayor Halliday clarified that he meant warehouse and Mr. Clever said there would be a lot of considerations.

Mayor Halliday said the City was willing to be flexible but the property along 92 might have to have some more restrictive uses.

Deputy City Manager Ott said staff would continue to work with Hines to develop a project that met the new regulations.

### **3. CONDITIONS OF APPROVAL – MIXED USE AND AFFORDABLE HOUSING PROJECTS**

Principal Planner Lochirco introduced the item noting staff had been working many months to reformulate the conditions of approval that typically get applied to mixed-used projects, in particular, commercial and retail components for planned developments and affordable housing. Based on feedback from stakeholder meetings and Council, he said, staff drafted standard conditions that would apply to project phasing, mixed use and affordable housing. He noted that most conditions related to affordable housing came from the ordinance passed by Council in 2017.

Council Member Mendall asked if the conditions related to planned developments were separate from commercial phasing proposals. Principal Planner Lochirco said in some cases the two were interlinked noting SoHay was a great example with both commercial and residential in multiple phases. He noted multiple conditions could apply to the same project.

Council Member Mendall thanked staff for bringing the conditions back to Council so quickly. He asked if the next step was taking the framework to Council for adoption or just feedback.

Director of Development Services Simpson said this project had been underway before Council started raising questions and Council approval was not required to start using the new conditions.

She noted, however, that as each project came forward, it would either be approved by the Planning Commission or the Council.

City Manager McAdoo said depending on the feedback, the conditions wouldn't have to go to Council for approval. They could be discussed by Council during a work session, she said.

Council Member Mendall said regarding the first set of conditions related to community benefit and commercial requirements were good with one exception. Under Project Phasing & Mixed-Use COA, he understood that 99 out of 100 residential units could receive a certificate of occupancy and it was only the last unit that would be in jeopardy if the commercial/retail component wasn't under construction. He said that was not strong enough and he recommended 50 or 75% instead.

Deputy City Manager Ott pointed out that for an apartment project the developer might need a significant portion of the project to be complete to begin leasing out the space. She said that may not be the case for townhomes.

Council Member Mendall said for vertical mixed-use this wouldn't apply because the retail was on the ground floor under the residential. He was concerned about the horizontal mixed-use like in SoHay where they could build all the housing and not build the retail.

Principal Planner Lochirco said a better example was Mission Crossings with a combination of residential and commercial (hotel). He said what staff was trying to do was make sure there was a specific delivery timeline for the commercial. Director of Development Services Simpson said the City could strengthen the requirement to 50% completion because if vertical framing was started the developer was very likely going to complete the project.

Council Member Mendall said that was what he was striving for; more than one unit should be on the hook. When Director of Development Services Simpson gave an example of possible language, Council Member Mendall said the language used for Mission Crossings was his attempt at achieving the balance he was looking for. He said any flexibility should be a staff's discretion.

Regarding the affordable housing piece, Council Member Mendall said he got a little lost. He didn't understand the table in Attachment II.

Housing Manager Morales said the intent of the condition was to memorialize the developer's affordable housing plan which they would be required to submit as part of their application. She said the first option says that the project would have to comply with the plan and even if the project gets sold the number of affordable units shown in the plan would still be required. The tables, she said, were four alternatives the developers select and still comply with the condition.

Mayor Halliday clarified that the City had been receiving this information it just wasn't listed as a condition of approval. Housing Manager Morales said that was correct but noted the new language would require more detail from the developer on how they could be complying with the affordable housing ordinance.

City Manager McAdoo said it would also memorialize any recommendations or changes Council makes to the project's conditions of approval and those would run with the land use approval. It would provide more specific information on the intent of Council and what was approved, she said.

Council Member Mendall said that was what he and the Council wanted; some sort of assurance that the affordable housing would be built regardless if only the first half of the development was built, or the project got sold.

Deputy City Manager Ott asked staff to confirm that the ordinance would allow the requirement to be met by fee and that the City couldn't enforce affordable housing on site. City Manager McAdoo said that was why further conversation was needed with Council.

Council Member Mendall said he didn't want Council to approve a project thinking there was going to be affordable housing on site and later the developer changes his mind and just pays the fee. Members and staff agree that any changes to the affordable housing component of the project should have to go back to Council for approval.

Council Member Mendall requested that project applications include a table that details how the affordable housing component would be met.

Housing Manager Morales asked if Council wanted a hybrid of the chart and the table and Mayor Halliday said the chart was for staff and the developer, a table was enough for Council. Mayor Halliday said the staff proposal to provide a summary table to Council was good.

Council Member Mendall said grading wasn't mentioned in the report, but during one past project (Garin Vista) the developer had had torn up the hillside, experienced land and mud slides, went bankrupt, and abandoned the project leaving the hillside in an ugly state. He asked how the City could be protected from that happening again.

City Manager McAdoo said an improvement bond was required before a developer started grading so the City could clean up the hillside if that happened. She said the project pre-dated everyone at the table and that she didn't know what happened. Council Member Mendall said he wanted assurance that the City had language in place to keep that from happening again.

Principal Planner Lochirco said staff has been collectively looking at conditions of approval for projects that both have and have not been developed. He said staff had also been working with other departments to better manage expectations and timing before issuing permits.

Council Member Mendall requested an email be sent to Council summarizing the changes. City Manager McAdoo said staff could do an informational memo. Mayor Halliday requested the Planning Commission receive the memo, too.

#### **4. SMALL BUSINESS ASSISTANCE PROGRAM UPDATE**

Economic Development Specialist Ralston announced the start of a small business incubator and job creation program. She said Economic Development had received \$75,000 in Community Development Block Grant funding for (up to) \$5,000 grants to small businesses in the Tennyson Corridor and downtown with five or fewer employees and that were minority or woman-owned. She said staff was scheduled to walk the Tennyson Corridor on Nov. 9<sup>th</sup> to meet with business owners and provide them with details of the program.

Mayor Halliday said the City had a façade improvement program for the Tennyson Corridor and

asked how this program was different. Specialist Ralston said this program allowed grant funding to be used for a variety of things including interior improvements and purchasing inventory.

Council Member Mendall confirmed it was a grant and Specialist Ralston said yes, noting businesses would make the purchase and then the City would issue a refund.

Deputy City Manager Ott said staff was going to reach out to all businesses on Tennyson regardless of size. If the businesses didn't qualify as micro enterprise, she said, staff would get feedback and talk to them about other ways the City could support them.

Specialist Ralston then gave a summary of accomplishments for the Small Business Façade Program.

Council Member Mendall asked if the Façade Improvement program was funded by CDBG and Specialist Ralston noted that \$100,000 was funded by CDBG, \$50,000 by Economic Development. He thanked staff for working with businesses on Tennyson but noted he couldn't tell the difference in some of the before and after photos. He said maybe that was due to the size of the grant, but if the grants were larger, he would expect to see a difference.

Deputy City Manager Ott said staff was in the process of retaining a design professional specializing in small business façade improvements to help business owners make small changes that would really make a big difference.

Specialist Ralston also noted that lighting improvements for businesses were more difficult to see in daytime photos.

Mayor Halliday said she had spoken to business owners who were very happy with the program.

## **5. FUTURE MEETING TOPICS AS OF OCTOBER 29, 2018**

Council Member Mendall removed several topics that had either been addressed or were no longer needed. He questioned the Maker Space item and Senior Secretary Philis said she had outreached staff and members could take a tour if they wanted. Mayor Halliday confirmed the Maker Space was at the adult school and said a tour could be fun.

Deputy City Manager Ott asked if there was any interest in touring the industrial sector to look at key sites and flex spaces. Mayor Halliday said she thought that was a good idea.

Regarding the Downtown Specific Plan Update, City Manager McAdoo asked members if the item needed to come back to the CEDC if it was going to Council in December. Members agreed the item could be removed.

Mayor Halliday requested an update on the marketing and branding plan.

Council Member Mendall asked about the retail plan. Specialist Ralston noted an updated Economic Development Strategic Plan would be coming for CEDC review and that would include the updated retail plan for the next five years. Council Member Mendall said the last time the retail piece was presented to them it was not what he was looking for. He said he hoped more work would be put into the EDSP before it was presented to the CEDC for approval. Mayor Halliday confirmed with staff that

the EDSP would include information presented by the retail consultant.

Deputy City Manager Ott noted the retail consultant looked at catalyst sites but didn't specifically address the question of ground floor retail, if it should go everywhere, or if it should go downtown, for example. Council Member Mendall said events in retail areas were mentioned before and that wasn't a commercial/retail plan. Specialist Ralston mentioned that the old strategic plan did mention events as part of the retail strategy, but those references had been removed.

City Manager McAdoo suggested staff sit down with Council Member Mendall to discuss further.

Mayor Halliday said her concern was building neighborhood-serving retail as part of all the new development happening in the City. Services like daycare were needed close to residential, she said.

Mayor Halliday requested an update on the progress of the Community Benefit District. City Manager McAdoo said the board had met several times and Deputy Director of Development Services Bristow was serving as the City representative on the board. City Manager McAdoo said the board was getting ready to issue an RFP for the management company. Mayor Halliday suggested an informational item for the CBD as well. Council Member Mendall requested a bi-annual update and City Manager McAdoo said an annual update would be completed every spring in association with the renewal of assessments. Mayor Halliday said she wanted to know what the CBD would be doing with the assessments especially in connection with the Downtown Specific Plan. City Manager McAdoo said mainly security and cleanliness, but Mayor Halliday said events should be part of it too. City Manager McAdoo agreed the event funding requests that used to go to the Downtown Business Improvement Area Advisory Board would now be going to the CBD, which had a set-aside line item budget for events.

#### **COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS**

None

**ADJOURNMENT:** The meeting was adjourned at 5:48 p.m.