



## COUNCIL ECONOMIC DEVELOPMENT COMMITTEE

### MEETING MINUTES – May 6, 2019

**CALL TO ORDER:** Mayor Halliday called the Regular meeting to order at 4:05 p.m.

#### **ATTENDANCE (September 2018-July 2019):**

Committee Member	Present 5/6/19	All Meetings Year to Date		Meetings Mandated By Resolution	
		Present	Absent	Present	Absent
Mayor Halliday (Chair)	✓	7	0	6	0
Council Member Mendall	✓	7	0	6	0
Council Member Salinas	✓	4	0	4	0

\* Council Member Salinas appointed as of Feb 2019

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

Kelly McAdoo, City Manager; Jennifer Ott, Deputy City Manager; Laura Simpson, Director of Development Services; Sara Buizer, Planning Manager; Paul Nguyen, Economic Development Manager; Catherine Ralston, Economic Development Specialist; Elizabeth Blanton, Associate Planner; Suzanne Philis, Senior Secretary; Leah Beniston and Kelley Rutchena, The True Life Companies; Kim Huggett, Chamber of Commerce

#### **PUBLIC COMMENTS**

Hayward Chamber of Commerce President and CEO Kim Huggett announced upcoming events and that the B Street Apartments (formerly known as the Green Shutter Hotel) were available for lease.

#### **1. APPROVAL OF MINUTES OF REGULAR MEETING APRIL 1, 2019**

A motion to approve minutes with minor corrections was made by Council Member Mendall with a second by Council Member Salinas. Minutes from the April 1, 2019 Regular Meeting were approved.

#### **2. PRELIMINARY CONCEPT REVIEW FOR A NEW HOUSING DEVELOPMENT LOCATED AT 27177 AND 27283 MISSION BOULEVARD BY THE TRUE LIFE COMPANIES.**

True Life Land Acquisition and Development Manager Kelly Rutchena gave the presentation noting the 2.5-acre property was located across the street from Moreau Catholic High School and was zoned ST4 under the City's form-based code.

Council Member Salinas mentioned that Bowman Elementary School, located behind the site, may close. He said he wasn't sure if that would impact the project, but regardless, he wanted to maintain the Council's desire for retail space on the ground floor of all new development along Mission Boulevard.

Council Member Mendall said any commercial use, not just retail, would be acceptable over exclusively housing. Ms. Rutchena asked him if he would consider a live/work option and he said yes, but it wasn't his first choice. He said the front of the development along Mission should have a commercial feel.

Council Member Mendall suggested True Life have a conversation with the school district to confirm the plan for Bowman Elementary because he had heard the school was going to be rebuilt to front Mission Boulevard. If that was the case, he said he was OK with no retail behind the school, but if HUSD was selling the property then he encouraged True Life to assemble the parcels into a larger development. He also noted a larger development would make it financially feasible to include the ground floor commercial space.

Council Member Mendall expressed support of a higher density development of two buildings of stacked flats rather than multi-story townhomes. He also confirmed with representatives that the proposed development would not have garages facing Mission.

Mayor Halliday said the Council's vision was high density housing and commercial uses along Mission Boulevard and she couldn't approve a project without a commercial component. She was sorry to hear they were having problems securing a daycare provider for the commercial space but noted with Moreau High School and St. Clements Church, there was enough vehicular and foot traffic at the site to attract other services. She also expressed support for stacked flats, a better presentation toward Mission and some connectivity within the development.

Council Member Salinas commented that there was a big need for daycare and at that site made perfect sense. Mayor Halliday cautioned against any commercial or retail services that were not appropriate near a school.

True Life Vice President of Entitlements Leah Beniston thanked the committee and said the feedback was very helpful. She said that they would continue to speak to daycare providers when the project was further along and it was more realistic to sign a lease. She also commented that the cost for new construction was substantially higher than improving an existing structure.

Council Member Mendall commented that they were going profit on the housing units and that should subsidize the construction cost of the commercial component. Overall, he said, they would still come out ahead. Ms. Beniston said that wasn't exactly true and noted the site required a lot of grading and site preparation.

Council Member Salinas mentioned a new program at both CalState East Bay and Chabot that taught adults how to open and run a daycare center. Ms. Beniston said SoHay developers were also looking for a daycare provider and that project would be up and running before theirs. She said they would reevaluate what services were needed later in the process.

Council Member Salinas also mentioned the Packing House in downtown Anaheim which was a new destination spot that combined food and entertainment. When he visited, he said it was packed with students and people of all ages. Mayor Halliday agreed a food-oriented use could do well at that location.

Mayor Halliday reiterated that if Council allowed housing-only developments to go in along Mission and left no room for commercial there would be no way to correct the situation later.

### **3. PARK NEXUS STUDY FEE CALCULATIONS**

Associate Planner Elizabeth Blanton gave the presentation noting the park impact fee calculations showed the maximum allowable park in-lieu fees for both residential development (current practice under the Quimby Act) and non-residential developments (if added under Mitigation Fee Act). She asked the Committee to provide direction on 1. whether park impact fees should be applied to non-residential developments; 2. should fees be reduced below the maximum allowable, and if so, by how much and for which type of developments; 3. were there any types of development that should be exempt from park fees such as accessory dwelling units (ADUs), affordable housing or senior housing; and, 4. should park impact fees for residential be set by development type or bedroom count.

Council Member Salinas asked why Oakland's fee were so low. City Manager McAdoo observed that Oakland didn't charge any park fees at all.

When comparing fees charged by neighboring cities, Council Member Salinas asked if it made a difference that Hayward had a separate Park District. City Manager McAdoo said that Hayward gave most impact fees to HARD (Hayward Area Park and Recreation District).

For context, City Manager McAdoo added that besides the park in-lieu fee, Council was also considering a traffic impact fee and modifying the affordable housing ordinance to either raise fees or require units on-site for new development. She mentioned that earlier that day a developer had complained to her about how high fees were in Fremont and said that was why some of their projects were not being constructed. She cautioned the Council to think about these factors and find a balance.

City Manager McAdoo also mentioned that charging fees by bedroom count versus building type helped to keep costs affordable for studios and 1-bedroom units.

Planning Manager Buizer pointed out this was a NEXUS study and there was no reason why fees had to be set at the highest level. She also said staff would recommend that fees have an inflationary factor that would have fees adjust over time rather than becoming stagnant.

Council Member Mendall thanked staff for the report and said the comparison of fees to other cities was excellent. He asked if fees could be set high but with the flexibility to be lowered by Council if certain amenities were included. Planning Manager Buizer said developers wanted certainty and expressed that too much ambiguity with the total cost of impact fees could cause problems. Council Member Mendall acknowledged the point but asked staff to consider it because trade offs had been successfully negotiated in the past.

Deputy City Manager Ott said the ordinance could state that these fees could be negotiated in the development agreement. Council Member Mendall was supportive of this idea.

Council Member Mendall said fees should be immediately increased by 50% and questioned why they hadn't been raised sooner. He said he was open to the idea of charging fees on all development types, but expressed concern that unlike housing, adding fees might hurt the City's ability to attract retail, commercial and industrial uses. He said he would consider approving fees on non-residential developments at no higher than the industrial level.

Going down the list of questions from staff, Council Member Mendall said no, or very low, for number one; he wasn't sure about number two, commenting that jumping to the max made him nervous but maybe in the context of other development fees; three, no exemptions except for affordable senior housing and at least zero bedroom fees for all types; and four, by bedroom.

Finally, Council Member Mendall emphasized the need to complete a traffic impact fee study so Council could make the two decisions together. City Manager McAdoo said it would be another year before staff could come back with an analysis of traffic impact fees and she didn't want to wait until then. Council Member Mendall agreed and asked if staff could compromise by looking at neighboring jurisdictions' traffic impact fees and provide a typical range or average.

Council Member Salinas said he appreciated staff's comments about the ambiguity of costs for development and said it had been a big issue in the past. He expressed support for Deputy Manager Ott's suggestion of using the development agreement to add flexibility. One thing he didn't want to do was to raise fees so high that it stymies development.

Going down the list of questions from staff, Council Member Salinas said he supported at least a token fee on all development so the City could start adding amenities like linear parks; he didn't want to increase fees so high that developers questioned coming to Hayward; for number three, he was unsure and expressed more concerned at the amount of traffic and cars generated by ADUs; and yes, he preferred fees based on bedroom count.

Mayor Halliday pointed out the City's ability to raise fees would be moot if current state legislation passed especially regarding ADUs. She also said a developer recently pointed out to her that although fees were lower in Hayward, so were values. She said the City should really look at that before raising fees and noted that could change with all the new development.

Going down the list, Mayor Halliday said she was very reluctant to consider fees for non-residential developments at any rate higher than the very minimum and expressed surprise at the capital improvement fees charged by other cities; no to raising fees to the maximum but instead look at rates for similar cities like San Leandro and Union City; yes to a 0 bedroom fee for ADUs (which would cut current costs in half); and yes on bedroom count.

Council Member Mendall confirmed that moving forward all fees would be adjusted for inflation.

#### **4. UPDATE ON VACANCY RATES AND TRENDS FOR DIFFERENT PROPERTY TYPES**

Economic Development Specialist Catherine Ralston gave the presentation that included rates and trends for office, industrial, retail and multi-family residential.

Council Member Mendall confirmed that the office space at City Center was not showing in her office vacancy rates because it was not currently on the market.

Council Member Salinas asked if there was a difference between vacancy and totally uninhabitable. Specialist Ralston said if the property wasn't on the market, it wasn't being counted.

Mayor Halliday asked for the definition of a power center. Specialist Ralston explained that a power center was a created downtown and gave the example of Santana Row in San Jose.

Council Member Mendall and staff identified the source of three growth spikes on the Multi-Family chart as the affordable housing project by the South Hayward BART station, the AmCal project next to BART and the senior housing at 880 A Street.

Council Member Salinas said when he and his wife recently visited Arizona, the number topic of conversation was the cost of living in California. He said he didn't hear one good opinion about California.

Council Member Mendall said he appreciated the data, especially the numbers showing a demand for office space. He said preconceptions about the lack of demand for office in Hayward needed to change. He said if he was a developer for office space, he would be looking at the empty lot by the Hayward BART Station. Deputy City Manager Ott said staff was in discussions with BART about office at that location. Council Member Mendall said the City should be pushing for more development of commercial office space.

Mayor Halliday also thanked staff and predicted the desire for brick and mortar retail would come back as shoppers realized touching and feeling the product was more satisfying than looking at pictures. Council Member Mendall disagreed saying his kids never leave their rooms to shop. City Manager McAdoo said retailers were changing how they interact with shoppers by creating more flexible return policies. Mayor Halliday said Macy's reported negative sales because more items were returned than purchased.

Council Member Mendall asked staff to share the information about office space with other Council Members.

## **5. FUTURE MEETING TOPICS AS OF MAY 6, 2019**

Council Member Mendall suggested keeping the schedule of upcoming topics flexible so the new Economic Development Manager could get settled and develop a work plan. Deputy City Manager Ott noted that master plans for the 238 Project were going to start filtering through the Committee and would push the listed topics back. Council Member said he was fine with that.

Council Member Salinas said he would like to see information about enforcement efforts of the City's ordinance included with the report on the impact of cannabis. City Manager McAdoo said a full report, including feedback from PD, would be coming back to the full Council. She noted an annual check in to Council was required for dispensaries. City Manager McAdoo said enforcement wasn't related to Economic Development and said it shouldn't be included on Future Meeting Topics. She said the impact of cannabis pushing other businesses out of the industrial sector was something ED staff could address.

Council Member Mendall said he wanted Economic Development staff to weigh in on effect of cannabis on the market. Council Member Salinas noted he spoke to one downtown property owner who was holding out for cannabis businesses to lease his space at the cost of other businesses.

Mayor Halliday said there was an assembly bill that would force the City to expand the number of cannabis businesses in Hayward from three to 10. She said she was preparing a letter of opposition.

Economic Development Manager Nguyen said Development Services staff was preparing a report for June on a possible vacant building ordinance.

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

Council Member Mendall requested an update the Development Pipeline Brochure. He said he brought the brochure to community meetings and people loved it. Staff said an update was underway.

Economic Development Manager Nguyen announced the upcoming Business Appreciation Event on May 16<sup>th</sup> at Stonebrae County Club. He invited members to attend.

**ADJOURNMENT:** The meeting was adjourned at 5:51 p.m.