



COUNCIL ECONOMIC DEVELOPMENT COMMITTEE

MEETING MINUTES – November 2, 2020

CALL TO ORDER: Mayor Halliday called the Regular meeting to order at 4:01 p.m.

ATTENDANCE (September 2020-July 2021):

Committee Member	Present 11/2/2020	All Meetings Year to Date		Meetings Mandated By Resolution	
		Present	Absent	Present	Absent
Mayor Halliday (Chair)	✓	2	0	2	0
Council Member Mendall	✓	2	0	2	0
Council Member Salinas	✓	2	0	2	0

OTHERS IN ATTENDANCE:

Kelly McAdoo, City Manager; Jennifer Ott, Deputy City Manager; Paul Nguyen, Economic Development Manager; Sara Buizer, Planning Manager; Catherine Ralston, Economic Development Specialist; Suzanne Philis, Senior Secretary

PUBLIC COMMENTS

There were none

1. APPROVAL OF MINUTES OF REGULAR MEETING OCTOBER 5, 2020

A motion to approve minutes from the October 5, 2020 Regular Meeting was made by Council Member Mendall and seconded by Council Member Salinas. The motion was approved.

2. DISCUSSION OF MISSION CROSSINGS PROJECT COMMERCIAL FRONTAGE

Planning Manager Sara Buizer introduced the item noting current zoning limited what could be done on the frontage property. She then gave a short presentation and opened the floor for comments.

Council Member Salinas thanked MLC Holdings and the Manchester Hotels for coming back to the CEDC to discuss the project. While he understood the impacts of the COVID-19 pandemic on the hotel industry, Council Member Salinas said he was keeping economic development in the back of his mind and he wondered what would be a good interim use until demand for hotel rooms picked back up.

Planning Manager Buizer said there was no perfect answer and doing nothing wasn't desired. Everyone wanted activation at the site, she said, but questioned how much Mr. Patel, Vice President of Development/Asset Management at Manchester Hotels, should be expected to spend on an interim use. From a land use perspective, she said there were different uses allowed, but it would come down to the parties involved.

Council Member Salinas said he spoke to representatives from MLC Holdings and they didn't want a fence around an empty lot either. He asked the developers what their plan was.

MLC Holdings President Charles McKeag said there were signs that the proposed hotel development would be problematic and a struggle. He said they were interested in activating the site, but the challenge would be finding an interim use with modest improvement costs that wouldn't lock in the use permanently.

Mr. McKeag said Economic Development Manager Paul Nguyen had the great idea of working with a brewing company to temporarily set up a space there, but he never got a response after reaching out. Mr. McKeag said he had also had a conversation with former General Manager Paul McCreary about a popup event site in Cherryland the Hayward Area Parks and Recreation District had developed. Using a temporary electrical system, the site was now a local destination for community events and food trucks. That use, he said, activated the site but not all day every day. After attending an event there, Mr. McKeag said he used the site's layout to inform the design of the development across the street.

Mr. McKeag said Manchester Hotels had expressed flexibility on how to move forward noting they had already invested \$4 million for the site. Because of COVID-19 the hotel development industry was changing directions, he said. Noting the proposed hotel project had been approved by right, Mr. McKeag said he hoped a path forward would eventually become clear. In the meantime, he said, they were willing to offer financial assistance.

Council Member Salinas asked Economic Manager Nguyen if there were enough rooftops to support a pop up or temporary use. Manager Nguyen said he believed there would be demand for a temporary food use noting beside food trucks, many local restaurants lacked outdoor seating options. The location on Mission could also prove beneficial, he said.

Council Member Mendall asked about the viability of hotels in general. How long did experts expect it to take for the market to recover, he asked.

TRI Commercial Real Estate Services Executive Vice President Ed Del Beccaro said he was hired 18 months ago to conduct a hotel liability study. At that time, he said, there was a shortage of hotel rooms and as an underwriter, he concluded that hotel development in Hayward was viable. The market was different now, he said. It takes 60 to 70% occupancy to break even, he said, and right now occupancy was hovering around 25% because of the lack of business travel. How long will this last, he asked, estimated market recovery could take nine months to a year. He noted airlines were only booking 40% of their normal volume and many expected two big airlines to go bankrupt in the next year and hotels would suffer too.

Council Member Mendall asked about 24 months from now. Mr. Del Beccaro agreed the current situation was not permanent but said he didn't know who would suffer the most until things got better.

Since the hotel market was not gone forever, Mayor Halliday asked representatives what long-term plans the property owners had.

Mr. McKeag said Manchester Hotels worked with MLC Holdings during the design process and the hotel already had Marriott approval. Manchester, he said, was trying to figure out what the future holds.

Mr. Patel said Manchester Hotels was a small but successful company, but nobody could have anticipated the impact of COVID-19. He said he didn't know if the business travel market would recover if people could use Zoom and DocuSign instead. Because they were a small company, Mr. Patel said they would have to be very careful before investing a lot of money. To say the market would come back in two or three years was just guessing, he said, noting recovery always took longer and costs more than you think.

Council Member Mendall asked Mr. Patel how long it took to build a hotel. When Mr. Patel said 18 to 24 months, Council Member Mendall said that would be about the time COVID-19 was beginning to wane.

Mr. Del Beccaro noted he was just a broker, but he was also an optimist and thought the market would come back. That said, his name wasn't on any deeds. Although he couldn't predict timing, Mr. Del Beccaro said the long view was good with a few casualties along the way. He commented that Silicon Valley was still prospering and business travelers could still save money by staying in Hayward rather than in San Jose where one year ago, a hotel room cost \$300-\$500 a night.

Mayor Halliday opened the floor for outside comment.

Meredith Walker, a resident at Mission Crossings, said she had concerns about the property staying vacant, the increase in traffic caused by pop up solutions, and the lack of access to the site, noting there was only one way in. She said she understood that the hotel market wasn't good right now, but neighbors wanted something more complete. Ms. Walker said the City would lose leverage and the project would lose steam if the home builder was allowed to occupy the space rather than hold them to the original plan.

AJ, who lives across the tracks from the site, said he shared Ms. Walker's concerns and he asked how a vacant lot would help the people of Hayward. A hotel would have meant more people coming to stores and restaurants, he said, and noted he was already seeing more vagrants in the area. He said the pops up would at least provide some amenity.

Ashish said he was concerned about access. He asked if the community could be gated because they were already having security issues.

Myanh Truong, also a resident of Mission Crossings, said she liked the idea of food trucks but did have concerns about the traffic. Ms. Truong said management of the site would be required even with pop ups.

Planning Manager Buizer noted that it was still an active construction site and although the park had been completed, the second access point couldn't be opened until the City signed off on the

residential units and per the agreement, that couldn't happen until hotel was built.

Mayor Halliday confirmed that once the residential units were complete the park and second access could be opened.

Missing Crossings resident Cesar Payes said he understood Mr. Patel's concerns but the plan to have a park and BBQs and a hotel in the front of the development was precisely why he purchased his home. Now the package was changing. Mr. Payes said he still had to pay his rent; he was still liable; Mr. Patel should be too.

Mayor Halliday noted no decisions were going to be made that day and asked staff if the item would be going to Council. Planning Manager Buizer said based on the feedback received today staff would have to determine next steps.

Council Member Mendall asked Manager Buizer how long the hotel use could stay open. She responded that the project bond would stay on file until improvements were made and released upon track acceptance. The developer was offering to let the City keep the bond money, she said, until either a different commercial development happened at the site or until the hotel was built.

Council Member Mendall clarified that could mean the City would hold onto the bond money for six months or sixty years until something was built and the developer could ask for it back and was told yes. That didn't give the City enough teeth, he said and noted at some point the money should go to the City for non-performance.

Mr. McKeag pointed out the City could pull the bond if the conditions of the approval were not met.

Deputy City Manager Ott said the City would have to negotiate timelines so the bond could be pulled due to non-performance.

Council Member Mendall said whatever the City decided to do, it would have to be 100% clear to all parties to avoid any future litigation. He also said it should be 100% of the bond's value that the City gets to keep. He pointed out that if the hotel wasn't completed, the commercial space (like a coffee shop for residents) that was planned as part of the project would also not be built.

Council Member Mendall asked Mr. McKeag if MLC Holdings could claw back the ownership of the hotel property. Mr. McKeag said yes, they had a limited right to repurchase the property but the conditions that would allow them to do so would also put them at risk. It's a tricky situation, he said, and MLC Holdings would be much deeper in without a clear path out. Council Member Mendall said he just wanted to understand where they had leverage.

Council Member Mendall said he still wanted the hotel noting COVID was a temporary change and people weren't going to stop travelling for business. He said it was important that the City maintain its leverage until the hotel was built or a better use was proposed. Even if it took multiple years for that to happen, Council Member Mendall said the park and access road should be opened as soon as possible for the residents already there.

Council Member Salinas agreed with Council Member Mendall that the City shouldn't let go of the expectation of a hotel at the site. He also believed that the hotel industry on Mission would rebound

especially when Cal State East Bay opened back up and sports started being played. He said three years seemed like a reasonable amount of time to wait for development and whatever did happen at the site should have a direct community benefit. If the site was used for pop ups, he said, it needed to be kept safe and clean and when it opened, be a fun place to go. Security would need to be addressed, but he liked the idea of a food and commercial open-air market pop up. He pointed out that in addition to the catwalk from the neighborhood across the train and BART tracks, there should be bike racks and a bus stop to serve the location.

Mayor Halliday said she agreed with the other Council Members and while the City still wanted a hotel at the site, it was OK to wait a while to see if that would be viable. She said she also believed that things would go back to normal because people like contact and travel. Leverage should be maintained and after confirming the City didn't have access to use the bond money, Mayor Halliday said the City should use the \$1 million being offered for something that would benefit the community. She said a temporary use would be a benefit and much safer than leaving the site vacant. She agreed that security would be needed and that as soon as the parties came to an agreement, the park and access road should be opened.

Mr. McKeag said as soon as the housing construction was completed, the park and access road could be opened.

Mayor Halliday said most residents seemed supportive of a pop-up market and noted one might provide entrepreneurs with the opportunity to test a new concept. She said it would be good for everyone if the City could help activate the space. Mayor Halliday said the residents would be the biggest users and noted parking would be needed to attract those driving by. She said she didn't want a gate around the housing and hoped the activation of the site would provide a benefit rather than cause any problems for residents.

Deputy City Manager Ott confirmed that Committee Members were in support of the bullet point recommendations in the staff report with two additions: 1) that the bonds have a timeline or performance schedule associated with them, and 2) that more detail be made available about the temporary use of the site. She said she appreciated the direction from members and cautioned them that some flexibility would be needed as items came up during negotiations.

Planning Manager Buizer added that the park and access road be opened as part of the agreement.

Council Member Salinas asked that neighbors be kept in the loop as discussions moved forward. Council Member Mendall said he went out about a month ago to meet with residents and about 30 people showed up. He said he would be happy to meet with them again. Mayor Halliday clarified the meeting would be via Zoom and City Manager McAdoo said the City would be happy to arrange it.

3. REVIEW MISSION VILLAGE PROJECT MODIFICATIONS

Planning Manager Sara Buizer introduced the item noting the entitlement for the construction of 72 townhomes and commercial space had been extended but that the project was moving quickly and a final map should be ready in early 2021. Due to impacts from the COVID-19 pandemic, the applicant was requesting plans be modified to allow for a drive-thru for Starbucks, one of the three proposed commercial tenants. She noted that if approved, the commercial space would be completed at the same time as the housing.

Mayor Halliday said she didn't see how a drive-thru could work at that location. She said having the drive-thru wrap around the front of the building would completely change the look of the development.

Council Member Mendall asked how many parking spaces would be lost with the addition of the drive thru and was told none, but the retail square footage would be reduced from 8,000 to 7,000.

Council Member Salinas said he'd received positive feedback from residents about adding a drive thru. He said the Mayor's concerns were valid, but if engineered correctly a drive-thru wouldn't look bad.

Mayor Halliday said she'd received emails in support of a Starbucks but not necessarily of a drive thru. Certainly not around the front of the building, she said.

Council Member Salinas asked staff where the drive thru would go. Planning Manager Buizer said no plans had been formally submitted and a drive thru would have to go through full site plan review. She said the concept proposed today was not exactly what would be constructed but would instead provide feedback to the developer on overall support of a drive thru.

Council Member Salinas said the problem he saw up and down Mission was that all the entrances were in the back so all you saw from the road was the back of the building. With the drive thru going around the front, he said, all you would see here would be cars rather than people sitting at tables. He said drive thrus were dirty and messy.

Planning Manager Buizer noted the project had a long history and the patio area was originally planned for the street side corner of Mission and Industrial but everyone said no one would want to sit there. She said that was why seating was moved to the inside of the development.

Deputy City Manager Ott reminded Members that they were looking at a site plan rather than a rendering which would show more detail like landscaping and grading.

Mayor Halliday opened the item up for public comments but there were none.

Council Member Mendall said his feedback was not a hard no, but that he would like to see a rendering where the drive thru looked nice. He mentioned that the Burger King across the street had a drive thru and because of grading and landscaping could hardly be seen. He said he was more concerned about losing parking spaces because during the day spaces were needed for the retail uses and at night for residents. He didn't want residents parking in adjacent neighborhoods. Council Member Mendall thanked the developer for pursuing the project and said at a marquee corner it really had to look nice.

Doug Rich, Vice President of Valley Oak Partners, said he appreciated the feedback and was still working on a viable solution that would satisfy all of their concerns.

Council Member Mendall said quality of design and timeliness of demolition of the old building would help maintain his confidence in the project and that would aid in his giving his future support.

Council Member Salinas said his only concern was that the drive thru look good from the street. Mayor Halliday said she didn't think the site was big enough to accommodate a drive thru and two entrances. She said Council originally wanted more commercial space but agreed to more housing to make the project viable. What she didn't want to see, she said, was a line of cars spilling out into the street. Emails from neighbors were supportive of a Starbucks, she said, but Council had been very careful about where a drive thru was allowed and she didn't think there was enough room here.

Council Member Mendall suggested people look at the Starbucks drive thru on Hesperian in front of Costco as an example. In response to the suggestion that seating be in the front of the building facing the street, he said that would be horrible.

Mr. Rich assured the Mayor and Council Members that the seating would have a view of the interior park and neighbors would have a pleasant space to congregate. He said tenants wanted a drive thru and not just because of COVID. He asked Members to please keep an open mind until he could provide more detailed renderings of the proposed design.

Mayor Halliday said she understood the dilemma and wanted the project to move forward.

4. FUTURE MEETING TOPICS AS OF NOVEMBER 2, 2020

Mayor Halliday mentioned that some interesting things had come up at Plan Bay Area 2050 meetings including a proposed mandate to employers that 60% of workers work from home.

Council Member Mendall asked if there was going to be a meeting in December. City Manager McAdoo said she thought it was going to be cancelled, but Council Member Mendall said the new Council Members wouldn't be sworn in until December 15th so he could attend. Mayor Halliday said the group should meet on the 7th then.

Council Member Salinas asked staff if they'd been tracking expenses related to protests and he expressed concern about the public's reaction to election results. Economic Development Manager Nguyen said the EOC was tracking that information.

Manager Nguyen said staff was planning a presentation about a community bank at the December meeting. He said a study conducted by Alameda County was completed and presented to the County Board of Supervisors. Nguyen said the County's consultant would present the study findings to CEDC in December.

COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS

Manager Nguyen announced that Porifera won the East Bay Innovation award for Sustainability. Although Porifera, a manufacturer of advanced water removal treatments to concentrate juices, has its headquarters in San Leandro, he said, their manufacturing still took place in Hayward. Mayor Halliday said she would like to recognize and honor the achievement.

Mayor Halliday reminded everyone to vote and noted the new polling location at the main library.

ADJOURNMENT: The meeting was adjourned at 5:58 p.m.