



COUNCIL ECONOMIC DEVELOPMENT COMMITTEE

MEETING MINUTES – June 6, 2016

CALL TO ORDER: Mayor Pro Tempore Mendall called the regular meeting to order at 4:01 p.m.

ATTENDANCE:

Committee Member	Present 6/6/16	All Meetings Year to Date		Meetings Mandated By Resolution	
		Present	Absent	Present	Absent
Michael Ly	✓	6	1	6	1
Didacus-Jeff Joseph Ramos	✓	7	0	7	0
Mayor Halliday (Chair)		6	1	6	1
Council Member Jones	✓	6	1	6	1
Council Member Mendall	✓	7	0	7	0
Vacancy (Anjanette Scott, resigned 4/1/16)					
Vacancy (Navneet Ratti, resigned 2/23/16)					

OTHERS IN ATTENDANCE:

Fran David, City Manager; David Rizk, Director of Development Services; Micah Hinkle, Economic Development Manager; Paul Nguyen, Economic Development Specialist; Paul Mueller and David Dowd, Newmark Cornish & Carey; Janiene Langford, CSU East Bay Program Manager Institute for STEM Education; Kim Huggett, President and CEO, Hayward Chamber of Commerce; Paul Hodges, Board of Directors, HARD; Suzanne Philis, Senior Secretary

PUBLIC COMMENTS

None

1. APPROVAL OF MINUTES OF APRIL 4, 2016

Motion to approve minutes with one minor correction made by Council Member Jones with a second by Member Ramos. Minutes from the April 4, 2016 Regular Meeting were approved with Mayor Barbara Halliday absent.

2. INDUSTRIAL REAL ESTATE UPDATE

Paul Mueller, Senior Managing Director of Newmark Cornish & Carey, started the update by noting the market was on fire with no product available for lease or sale. Mr. Mueller then went through a handout distributed at the meeting.

Regarding Historical Vacancy versus Asking Rates for Industrial, Mayor Pro Tempore Mendall asked why the vacancy rate was so high if there were no products available. David Dowd, Managing Director, explained that new construction showed as a vacancy and even one new building could impact the percentage and Hayward had three.

Mr. Mueller confirmed for Mayor Pro Tempore Mendall that the reason companies were pushing farther out into the central valley was because they were desperate for large spaces and lower rents.

Mayor Pro Tempore Mendall asked why Hayward was considered “safe.” Mr. Dowd explained that because of its central location, truly the Heart of the Bay, goods coming to Hayward via the Port of Oakland were only four hours away from market.

Mr. Mueller stated that Hayward was considered a “deep market” because of its large industrial base of industrial and warehouse-based businesses. Mayor Pro Tempore Mendall asked if that same reasoning explained why Hayward was not known as a research & development hub. Mr. Mueller said yes and explained that similar business uses liked to group together.

Mayor Pro Tempore Mendall commented that the City was studying the feasibility of a shuttle service for the industrial sector now and Council may be making a decision in the fall. This was in response to Mr. Mueller’s comment that one challenge facing businesses in the industrial sector was getting their workers from BART stations to the business.

Council Member Jones asked if there was a sweet spot for the per square foot rate where the lease rate would cover the cost of construction. Mr. Mueller said he thought they were in that position now or fast approaching it with just a 20 cent difference between what was being asked and what would need to be asked per square foot. Council Member Jones also confirmed that most companies were looking for 32 foot ceilings rather than the current 20 foot ceilings if redevelopment was going to occur.

Council Member Jones said it was exciting that redevelopment of existing businesses was taking place rather than property owners trying to get the most rent out of an old building. Mr. Mueller noted that upgraded sprinkler systems (fire prevention) were probably the number one upgrade.

Council Member Jones asked if any one business was hoarding warehouse space and Mr. Mueller said not in the Hayward market. Economic Development Manager Hinkle said he had noticed the trend of businesses selling property on the Peninsula at a premium, buying bigger buildings here, and subletting the extra space until they were ready to expand. Manager Hinkle also noted staff was already seeing remodeling going on by property owners of under-utilized spaces to garner higher rents.

Director of Development Services Rizk asked why Historical Vacancies versus Asking Rates for R&D had jumped so high for Hayward compared to the I-880 Corridor, if it was a trend and whether it would continue. Mr. Mueller said the spike was caused by new construction and speculative development. Mr. Dowd explained that Hayward rates were also catching up to the rest of the market. Manager Hinkle noted that several buildings that had stood vacant for some time and were now being filled.

Economic Development Specialist Nguyen asked how high rents would have to climb to shift Hayward from Industrial/Warehouse to R&D. Mr. Mueller said rates would have to reach \$1.50 per square foot. He also said that the rising cost of the land could make warehouses less economical and City streets hitting capacity could deter more truck traffic. Mr. Mueller also pointed out that just as San Mateo was an extension of Highway 92, for other uses to migrate to Hayward, they would require key upfront locations along the highway.

Mayor Pro Tempore Mendall said he sees trends changing and thinks Hayward could now fill office space. Mr. Mueller said Hayward would need to provide the housing and retail amenities that would draw people from across the San Mateo Bridge to live and work here. He suggested surveying commuters on Highway 92 to find out where they were going.

Council Member Jones also noted that Hayward needed to provide amenities in the industrial sector to attract workers and businesses from the Peninsula.

Mayor Pro Tempore Mendall said that although he was sad to lose Gillig he also sees it as an opportunity to completely change the synergy of the site. Mr. Mueller said absolutely and noted the site was big enough to do almost anything.

Mayor Pro Tempore Mendall pointed out to staff that this was conversation the committee had had before but now the rest of City Council needed to hear it to change how they see Hayward. Member Ramos asked if he meant a presentation to Council and Mayor Pro Tempore Mendall said he would leave it up to staff to decide.

3. REVIEW OF HAYWARD STEM COMMUNITY PROGRAM AND PARTNERSHIP

Economic Development Manager Hinkle introduced CSU East Bay Program Manager Institute for STEM Education Janiene Langford who gave the presentation.

Ms. Langford noted the Institute was housed at CSUEB, but was privately funded primarily by corporate donors. The STEM Career Awareness Day, held on April 13th, was an industry-led, one-day program where high school students toured and met with local businesses, she said. The event in Hayward was a grassroots effort to build bridges between education, business and local government. She added that a mixer, sponsored by the Economic Development Division, was held April 7th at City Hall to introduce business representatives to educators before the main event.

Member Ramos asked what was next after the one-day events; what was the goal of the program and what would on-going efforts entail. Ms. Langford said continuing to link government to businesses and schools; leveraging those relationships to create internships for students; creating opportunities for businesses to continue to meet and work together; and bringing year-round programing like Circle Labs, currently located and funded by businesses in Berkeley, down to Hayward.

Council Member Jones said he hoped the program could continue and commented that it would be beneficial to measure success, by, for example, counting how many students who go through the program go on to college. He said such measurables could be used to secure more funding from businesses and cities. Ms. Langford noted that two lead teachers were identified at each high school to create consistency. She also said another goal she had was getting families and parents more involved.

Member Ramos asked if Promise Neighborhood students in Jackson Triangle were involved in the program and Ms. Langford said yes, but noted the program wasn't limited to students in the Jackson Triangle.

Member Ramos suggested creating metrics for those students since other data was already being collected.

Economic Development Manager Hinkle acknowledged Ms. Langford's work in implementing the program and bringing the different groups together for a successful event. He pointed out that each year the event would get better as the groups got to know each other and expanded on the advantages of working together. He noted these efforts were included in the Economic Development Strategic Plan (EDSP) as Goal SR6: Improve Hayward's education-to-job bridge through an active community partnership.

Mayor Pro Tempore Mendall acknowledged that creating metrics to measure success for this program would be difficult, but he encouraged Ms. Langford to try to find some evidence, even if some of it was anecdotal or the number of businesses and students that wanted to participate again next year.

Member Ly asked how many students participated. Ms. Langford said the goal was 200 total from the four high schools and they ended up with 125. Member Ramos pointed out that was up from zero.

Member Ramos asked if Moreau Catholic High School was contacted and Ms. Langford said no she'd only worked with HUSD.

Ms. Langford concluded by saying she was pleased with the results of the first year and the partnerships created.

4. COMMERCIAL INCENTIVES PROGRAM

Economic Development Manager Hinkle said that both the General Plan and the EDSP mention the development of incentive plans for the retention, attraction and expansion of business, but how to do that was open to a lot of different options. He outlined what had been done in the past and the ideas staff was considering and the associated complexities.

Mayor Pro Tempore Mendall said four years ago, when he was campaigning to be a member of the City Council, he was talking about some of these same potential incentives and the feedback he received was, that's not the problem, fix the City's permitting process to make it more business-friendly. He told staff to take credit for the changes already made to not only the permitting process but for the implementation of the Business Concierge Program, which both save time and money and send a different message about Hayward's attitude toward business.

Mayor Pro Tempore Mendall told staff to stop focusing only on the downtown area. Any incentive programs should be applicable city-wide, he said. He also said to be very careful with anything that appears to subsidize retention because all businesses would want help. Mayor Pro Tempore Mendall said he may support subsidizing expansion and attraction, but the program would have to be well-crafted. He also supported sales tax sharing for a limited time and only for the businesses the City wanted to attract.

Regarding buildings that have been vacant for a long time, Mayor Pro Tempore Mendall said he would rather see the City develop a program that subsidized the sale of the property or for infrastructure improvements, he said, that would improve the entire area. Both could potentially attract investors with a better vision for the property's potential and with more access to capital.

Council Member Jones said he struggled with the concept of incentives because often it ended up subsidizing a failed business model. He agreed that concentrating on improving infrastructure lifted the whole area up and was worth pursuing in blighted areas both in and outside of downtown.

Council Member Jones suggested considering subsidizing aspects of development like sewer hook-up fees, increasing water meter capacity for fire sprinklers, and energy upgrades. He also pointed out that some cities offer specific incentives to encourage a particular use desired for specific buildings, for example, a restaurant or other entertainment uses.

In regards to vacant properties, Council Member Jones said he prefers performance loans over sales tax rebates because over the long-term rebates weren't healthy for the community. He pointed out that a lot of businesses moved as soon as the rebate ended.

Member Ly asked how many buildings staff hoped to assist and how much it would cost and Economic Development Manager Hinkle said six to eight buildings at a cost of approximately one million. Member Ly asked where the funding would come from and Manager Hinkle staff would have to look at various sources including the General Fund.

If downtown property owners purchased the building so long ago, Member Ly asked if they couldn't, or just wouldn't, sell the property for a profit. Economic Development Manager Hinkle said it was difficult to determine the exact reason owners held on for so long, but he suspected they were emotionally invested to a particular vision and wanted to be part of the windfall when it happened.

Member Ramos said downtown property owners were using buildings as a tax write-off and the City would have a hard time beating that income. He agreed that infrastructure improvements were a good idea and that incentives were a bad idea because the City would never get its money back; bad uses would fail. He suggested bringing together investors and property owner for a Shark Tank-like presentation and he reminded staff to reserve spaces for strategically placed retail nodes to provide neighborhood services.

Mayor Pro Tempore Mendall added that the cost of green building requirements could be spread out over time and made payable through water bills. He also suggested staff develop a list of targeted businesses and develop incentives to attract them.

Member Ramos pointed out that at the former Ford site staff had seen the opportunity for a hotel and connected the developer to the appropriate contacts. He said other cities didn't have that service. Mayor Pro Tempore Mendall said that was because of the pre-application meeting and Business Concierge service staff provided. Member Ramos commented that the developer wouldn't have had that vision on his own.

FUTURE AGENDA ITEMS

Mayor Pro Tempore Mendall requested that Future Agenda Items be listed as a separate report rather than as part of the minutes.

Member Ramos requested an update about Green Shutter developments.

Mayor Pro Tempore Mendall asked when the incentive program would come back for approval and staff said they would work with the City Manager to determine timing.

COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS

Economic Development Manager Hinkle announced that staff was attending the national Biotech Conference in San Francisco later on in the week as part of Team California and would be manning a booth in partnership with the East Bay Economic Development Alliance. Specialist Nguyen mentioned

that the Team California pavilion was one of the largest booths and would be front and center when participants walked into Moscone Center.

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