



DATE: November 27, 2018

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Authorization for the City Manager to Negotiate and Execute an Exclusive Negotiating Agreement with Red Bridge Partners for the Purchase of Three Parcels Located at the Northeast Corner of C and Main Streets for a Mixed-Use Housing and Commercial Project.

RECOMMENDATION

That the City Council adopts the attached resolution (Attachment II) authorizing the City Manager to negotiate and execute an Exclusive Negotiating Agreement (ENA) for the sale of three parcels of land at the northeast corner of C and Main Streets for a mixed-use housing and commercial project.

SUMMARY

The purpose of this item is to authorize the City Manager to enter into an ENA with the developer, Red Bridge Partners (RBP), to prepare conceptual development plans and commence negotiations of a Disposition and Development Agreement for acquisition and development of City owned parcels for a mixed-use housing project in Downtown Hayward. The ENA gives RBP reassurance that the City will not negotiate with another development entity while they are expending funds to conduct due diligence during the ENA negotiation period.

BACKGROUND

The City of Hayward purchased three parcels located on C Street and Main Street in downtown in 2014 (APNs: 428-66-38-01, 486-66-37, 428-66-38-2) with the street addresses of 1026 C Street and 22696 Main Street totaling 0.70 acres. The City purchased the properties as a strategic acquisition to attract new development to the downtown, including for the adjacent Green Shutter site to the north. The property is a vacant parcel consisting of a small unoccupied office building located at the corner of C Street and Main Street, which will be demolished given structural damage.

In a separate action, the Green Shutter site was acquired by Structure Properties, a private development company, in April 2016 and received development approvals for renovation of the property into 41 apartments with commercial ground floor tenants. The project is nearing completion and is actively leasing the remodeled residential units. Consistent with the vision and plan to revitalize the downtown, the City issued a Request for Proposals (RFP) on October 31st, 2017 for acquisition and development of the C and

Main Street properties and received no responses. With competing Citywide development activity and staffing priorities, the disposition process for the C and Main Street properties was placed on hold.

In the summer of 2018, the City received an unsolicited offer for a mixed-use housing project from the developer, Red Bridge Partners (RBP), a residential developer, who are also partners in the redevelopment of the adjacent Green Shutter Project.

The three parcels under consideration for sale total 0.79 acres in size and are in the Central City Commercial and Central City Plaza zoning districts. The General Plan designation is Central City-Retail and Office Commercial. The allowed density on the site is 30 – 65 units per acre.

DISCUSSION

The City evaluated an initial proposal received by RBP for the purchase of the City parcel and is recommending moving forward with exploring further the RBP proposal subject to certain conditions outlined below. Their proposal includes a mixed-use project with ground floor commercial space and residential units located above.

Staff is recommending that the City Council approve entering into an ENA to allow exploration of RBP's mixed-use project proposed for a prime corner in the downtown core. The ENA is only the first step in the land disposition process. RBP will need to prepare site development and feasibility studies to develop a project description and project proforma and obtain environmental clearance and land use entitlements. The ENA simply provides RBP reassurance that the City will not negotiate with another entity while they are expending funds during the due diligence and commencing negotiation of the key terms of future a Disposition and Development Agreement with the City. Listed below is a summary of key elements of the proposed ENA:

Key Elements of the ENA

Due to the high visibility and central location of this development site, staff is recommending a short negotiating period of 90 days with required performance markers to ensure the developer performs within set time periods. The negotiating period may be extended for an additional 90 days if the first performance measures are met. At the end of the 180 days, staff recommends the project returns to the City Council for a determination whether the project will move forward with a Disposition and Development Agreement (DDA) or the City will issue a Request for Proposals for other developments on the site.

The required performance measures are as follows:

At the end of the initial 90 days, RBP must submit the following prepared to the satisfaction of the City Manager, in addition to the required good faith deposit and reimbursement deposit:

1. Conceptual Site Plans, elevations, and project description indicating number of units, retail space and parking;
2. Proposed financing plan and project proforma; and
3. Estimated project timeline.

If these items have all been submitted prior to the end of the initial 90-day period to the satisfaction of the City Manager, an additional 90 days will be added to the ENA. For staff to bring the final recommendation of moving forward with the negotiation of a DDA, the following items would need to be completed:

1. Developer has completed a concept level review with the Council Economic Development Committee;
2. Developer submits a completed application and project plans for the required planning entitlements; and
3. Developer provides City with copies of the final version of all reports, studies, analyses, and similar documents prepared to date.

Upon completion of these items, prior to the end of the second 90-day period, staff will return to the City Council seeking authorization to execute a DDA with RBP. If these items are not completed, the ENA will expire.

As part of the ENA, the City will require that future development of the site include the following:

- Affordable housing units to be incorporated into the project, rather than the payment of in-lieu fees consistent with the Affordable Housing Ordinance.
- Commercial storefronts shall be located along both the Main Street and C Street frontages.
- Parking shall be unbundled from the rest of the units allowing tenants to lease a parking space separate from their housing unit.
- Developer will submit a good faith deposit and staff and City consultant time will be billed against the deposit.

ECONOMIC IMPACT

The proposed sale of the three City owned parcels would have a significant positive economic impact for the City. No property taxes are currently being paid on the parcel group. Sale of the parcels to a non-governmental entity will place it back on the tax rolls. In addition, RBP is proposing to purchase the parcels and construct a new mixed-use development on the site with potentially for-sale units. The development also includes commercial space along the ground floor, which could potentially generate positive sales tax revenue and create local jobs. This development could serve as a revitalization project strengthening Hayward's downtown and encouraging other development or investments in the area, specifically along C Street.

The sale of the parcel group will be made pursuant to SB 470, which allows cities to sell public land for private development if the sale creates economic opportunity. Economic opportunity includes the creation and retention of jobs, increasing property tax revenues to all taxing entities and implementation of a transit-related project. If the project moves forward to the DDA phase, the DDA for the project will need to include one or more of these elements as an obligation and/or outcome of the development.

FISCAL IMPACT

This is the initial phase of potential property disposition and development. There are no anticipated fiscal impacts with the ENA/DDA negotiations as the developer deposit will pay for staff time and consulting costs. The estimated amount of new tax revenue to be generated will be calculated at the time the DDA moves forward for City Council consideration.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purposed of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal and objectives:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

Objective 1: Increase neighborhood safety and cohesion – The sale of the properties would remove three vacant parcels along a major street in the downtown to create a more cohesive neighborhood.

PUBLIC CONTACT

No public notice is required with this action. As the developer begins to put together the preliminary land use plan, community outreach will be an expectation of this process. In addition, there will be the standard public hearings before the Planning Commission and City Council as the City considers the necessary planning and environmental approvals for the proposed project should it move forward to those phases.

NEXT STEPS

If Council authorizes the action, the City Manager will negotiate and execute the ENA and staff will begin work with the developer. Should staff be successful in the negotiations with the developer, and the developer meets all performance measures as described above, the project will return to the City Council for final determination on whether the project moves forward with a Disposition and Development Agreement.

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Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager