



CITY OF HAYWARD

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Cover Memo

File #: CONS 15-393, **Version:** 1

DATE: December 15, 2015

TO: Mayor and City Council

FROM: City Manager

SUBJECT

Amendment to Agreement for Consulting Services with Dutra Cerro Graden

RECOMMENDATION

That Council adopts a resolution authorizing the City Manager to execute an Amendment to Agreement for Consulting Services for Dutra Cerro Graden (DCG).

BACKGROUND

As part of the City's adopted [Economic Development Strategic Plan <http://www.hayward-ca.gov/haywardopenforbusiness/documents/2013/Economic_Development_Strategic_Plan.pdf>](http://www.hayward-ca.gov/haywardopenforbusiness/documents/2013/Economic_Development_Strategic_Plan.pdf), the City is targeting redevelopment of key properties to provide economic revitalization and opportunities to enhance the community with quality development. In order to evaluate targeted sites, and as previously communicated to Council, the City entered into an agreement for consulting services with Dutra Cerro Graden (DCG) for analysis of: 1) City Center, 2) former Mervyn's Headquarters, and 3) Valle Vista - Mission Boulevard site.

The consultant work completed to date has focused on market feasibility of redevelopment and potential strategic options for the City to explore for development of the catalyst/opportunity sites. A presentation was made to City Council on December 16, 2014. Given the various development options, market timing, and current development activity of the three sites, City Council asked that additional analysis and concept studies be focused on the Valle Vista site located off of Mission Boulevard for the development of a catalyst project in South Hayward.

DISCUSSION

The Valle Vista project is complicated as it has multiple ownerships including the State of California, Hayward Area Recreation District, private owners, and the City of Hayward (see Attachment II). In addition, the site is part of the City's [South Hayward Form-Based Code, <http://www.hayward-ca.gov/CITY-GOVERNMENT/SPECIAL-PROJECTS-&-STUDIES/shbfbfc/pdf/2014/140318_SOUTH_HAYWARD_BART_MISSION_BLVD_FBC.pdf>](http://www.hayward-ca.gov/CITY-GOVERNMENT/SPECIAL-PROJECTS-&-STUDIES/shbfbfc/pdf/2014/140318_SOUTH_HAYWARD_BART_MISSION_BLVD_FBC.pdf) which provides guidance on development within the Mission Boulevard Corridor. The specialized nature of this scope

requires an understanding of project management, site planning and visioning, architecture, market analysis, real estate development, construction feasibility, and applicable Federal, State, and local development regulations. City staff engaged DCG to help develop a project concept, engage key property owners, conduct due diligence activities, and produce concept plans and visioning for the project site; along with identifying potential options to implement development of a catalyst project.

In addition, the City has received an unsolicited inquiry from a developer interested in pursuing development on the Valle Vista site consistent with the Council's prior direction on the vision for the site. Staff intends to continue working with this developer to determine whether a feasible project exists. If a deal cannot be negotiated and brought to Council in early 2016 for consideration, staff will continue to pursue further entitlement activities on the site, eventually leading to a request for proposals to solicit interest from other developers. The continued services of DCG will be needed either to assist with taking the properties through the entitlement process or to assist in the negotiations and disposition of the properties with the current developer.

Staff has negotiated an amendment to DCG's existing contract to facilitate these continued activities and for DCG to act as the City's real estate broker in the eventual marketing and sale of these properties. The full scope of work for the DCG contract is included as Attachment III.

FISCAL & ECONOMIC IMPACT

As part of the Adopted FY 2015-2016 Capital Improvement Program, a project fund of \$1 million was established for due diligence and project management of the acquisition and development feasibility of Caltrans lands. The project activities associated with the DCG agreement would be part of the development feasibility of Caltrans lands and would be charged to the project account. If a development project materializes from the City's efforts to acquire and sell the property, the proceeds from the sale would be credited back to the project fund. Since the agreement spans multiple tasks, the scope and fee has been broken down to two distinct phases.

Phase 1: Site Condition, Concept Visioning, and Market Feasibility

Phase 1 required project management and sub-consultant studies and activities by the consultant. DCG has delivered to the City five reports plus concept plans for development of the area, which were shared with Council. These have included the hotel/conference center feasibility study, retail market study, residential market study, and appraisals, among others. The total cost for Phase 1 was \$162,000, which includes payments by DCG to subcontractors.

Phase 2: Project Management, Representation, and Implementation

Phase 2 involves a combination of project management and real estate brokerage services. Since this is a speculative approach with a possibility of a sales transaction not materializing, the compensation for services would be a \$10,000/month for non-brokerage charges for an estimated six-month duration. This could be extended by the City Manager for an additional six months if further work is necessary. If the City property is sold to a developer of a catalyst project, the broker's commission would be 3.5% of the sales transaction amount.

The cost of this recommended agreement is \$307,000 (\$25,000 Original agreement + \$282,000 proposed

amendment), in addition to a potential commission of 3.5%, if a successful sales transaction occurs.

In terms of economic impact, the development of a catalyst project could establish a new destination for South Hayward and particularly near the South Hayward BART Station. The intent is to establish a community vision and incorporate place-making elements for South Hayward in order to develop a catalyst project. If a catalyst project is developed, it would spur both direct and indirect economic activity. The total economic benefit would be determined once a development project is identified and the Council determines the use is appropriate for the site and the community.

Prepared by: Micah Hinkle, Economic Development Manager

Recommended by: Kelly McAdoo, Assistant City Manager

Approved by:



Fran David, City Manager

Attachments:

Attachment I
Attachment II
Attachment III

Resolution
Ownership Map
Revised Scope of Services for Valle Vista