DATE: August 18, 2026

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Adopt Resolutions Authorizing the City Manager to Negotiate and Execute 1) An Amendment to the Loan to the Hayward Economic Development Corporation; and 2) An Agreement for Staffing Services Between the Two Agencies

RECOMMENDATION

That the City Council adopts two resolutions (Attachment II and III):

1. Authorizing the City Manager to negotiate and execute an amendment to the repayment terms of the loan from the City to the Hayward Economic Development Corporation (HEDC), and
2. Authorizing the City Manager to negotiate and execute an agreement with the HEDC for staffing services provided by the City to the HEDC.

SUMMARY

The HEDC finished two years of operating actuals at the end of July, 2026. Based on these actuals, the Corporation determined that it is unable to make loan payments to the City according to the existing loan agreement. Because of this, staff recommends that the City Council adopt the attached resolution (Attachment II) authorizing the City Manager to amend the loan repayment to terms that are more aligned with the operational reality of the HEDC. In addition, staff recommends that the City Council adopt the attached resolution (Attachment III) authorizing the City Manager to negotiate and execute a staffing agreement with the HEDC to reimburse the City for staff services provided in FY 2025, FY 2026, and for each fiscal year moving forward.

At the same time, staff are actively implementing steps to increase operating revenue from the property and preparing for possible disposition, including declaring the property as surplus.

BACKGROUND

On October 10, 2023, the City Council authorized the formation of the HEDC as a Nonprofit Public Benefit Corporation with the goal of supporting economic development activities throughout Hayward. According to the HEDC bylaws, the City Council serves as the Board of the Nonprofit and the City Manager is the Chief Executive Director.

On January 8, 2024, the City Council authorized a loan from the General Fund to the HEDC in the amount of $8.6 million. The loan allowed the HEDC to purchase the lease to the Cinema Place Property, with the goal of helping maintain the existing tax revenue, jobs and anchors downtown and to support the creation of new jobs and opportunities in the future.

On September 9, 2024, the City Council authorized the Interim City Manager to enter into the Economic Development Loan Agreement with the HEDC, which set the terms for the repayment of the $8.6 million to the City.

DISCUSSION

HEDC Financials

The HEDC finished two years of operating actuals at the end of July, 2026. Based on these actuals, the Corporation is unable to make loan payments to the City in accordance with the current loan agreement, including the payments that were due in FY 2025 and FY 2026. Because of this, staff recommends that the City Council adopt the attached resolution (Attachment II) authorizing the City Manager to amend the loan repayment schedule to terms that are more aligned with the operational reality of the HEDC.

Proposed Loan Repayment Terms

Staff recommends amending the repayment terms as outlined in the table below. The proposed terms extend the loan deferment payment by three years to allow the HEDC to build a sustainable operating model. The amendment also extends the repayment period to lower the annual payments and reduces the interest rate so that the total repayment to the City by the end of the term is roughly equal to the current agreement. The goal of this amendment is to set an annual repayment amount that makes the City whole while recognizing the market realities faced by HEDC.

	Current Terms	**Proposed Terms**	**Difference**
Deferment Period	Through January 1, 2025	Through January 1, 2028	3 Years Longer
Lenth of Repayment	15 years (2040)	22 years (2050)	7 Years Longer
Interest Rate	5.86% for the first 5 years; then adjusted annually at the City's annual averaged managed portfolio rate + 1%	3.72%	2.15% less
Annual Payment	$864,384*	$547,933	$316,451 less
Total Principal Payment	$8,600,000	$8,600,000	Same
Total Interest Payment	$4,523,018*	$4,532,198	$9,180 more
Total Payments to City	$13,123,018	$13,132,198	$9,180 more

*Assumes a 5.86% interest rate for the life of the loan and is an approximation

Staffing Agreement
After twenty-four months of operations, staff have a better understanding of the staff hours needed to support the HEDC. While the majority of HEDC work is conducted by Advent, a contract property manager, the City provides staffing for some HEDC activities through regular, full-time City employees. These City positions are listed below, along with the estimated hours spent on HEDC activities:

- Assistant City Manager: 20 hours/year
- Real Estate Manager: 60 hours/year
- Economic Development Officer: 20 hours/year
- Assistant City Attorney: 10 hours/year
- Administrative Secretary: 10 hours/year
- Deputy Director of Finance: 10 hours/year
- Accounting Manager: 10 hours/year
- Accountant: 12 hours/year
- Management Analyst: 10 hours/year

Staff recommend that the City Council adopt the attached resolution (Attachment III) authorizing the City Manager to negotiate and execute a staffing agreement with the HEDC to reimburse the City for staff services provided in FY 2025 and FY 2026 ($38,689 each year) and for each fiscal year moving forward. In the case that HEDC cannot make the reimbursement payment, the agreement would stipulate that the balance be added to the principal of the City's loan to the HEDC.

FISCAL IMPACT

The FY 2027 budget already assumes no loan payments from the HEDC to the City this fiscal year. For that reason, this action will not have an impact on the adopted budget.

However, compared to the existing loan agreement, the proposed loan agreement amendment is a negative impact on the City's finances in the near term by deferring the FY 2025 loan payment of $432,192, the FY 2026 payment of $864,384, and the FY 2027 payment of $864,384, totaling $2,160,961. Over the long term, the dollar amount the City will be repaid through loan receivables will be the roughly same as the current agreement ($13.1 Million). However, since the amendment spreads the repayment over 22 years instead of 15 years, the value of those dollars will likely be less due to inflation.

The staffing agreement reimburses the City for staff hours spent on HEDC activities. This agreement offsets costs that are currently covered by the General Fund and therefore has a net positive impact on the General Fund of approximately $39,000 for FY 2026-27.

NEXT STEPS

If the City Council adopts the two attached resolutions (Attachment II and III), staff will execute the loan agreement amendment and staffing agreement with the terms outlined above. In addition, as part of the loan monitoring, staff will provide annual updates to the Council Budget and Finance Committee on the finances and activities of the HEDC.

Prepared by: Mary Thomas, Assistant City Manager

Approved by:

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Jennifer Ott, City Manager