



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 02/13/01
AGENDA ITEM 6
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Community and Economic Development
SUBJECT: Authorization for Assignment of Development Agreement Relating to South of Route 92 Business Park (Vesting Tentative Tract 7065) from Hayward Oliver Owners LLC (Owner/Applicant) to Glenborough Realty Trust Incorporated

RECOMMENDATION:

- It is recommended that the City Council adopt the attached resolution authorizing the City Manager to execute an Assignment and Assumption Agreement with Glenborough Realty Trust, Inc., transferring the rights and obligations provided for in the Development Agreement between the City and the Hayward Oliver Trust for the property commonly referred to as Oliver East.

BACKGROUND:

The South of Route 92 Specific Plan and Development Guidelines were adopted by City Council on February 17, 1998. Concurrent with adoption of the Specific Plan, the General Plan and Zoning Ordinance were amended to reflect the new land uses proposed for the area, which included a mixed development of business park, light manufacturing, retail and residential uses along with parks and open space. The vesting tentative map and the Development Agreement were approved by the City Council on September 21, 1999, providing for subdividing 251.53 acres into 538 residential lots and twenty-two business park lots.

The Development Agreement specifically provided for the Oliver Trust to sell, assign or transfer to Duc Housing Partners all or a portion of their interest, rights, and obligations under the agreement without prior written consent of the City. Duc Housing Partners, through their affiliated entity Hayward Oliver Owners LLC, did complete the purchase of all the South of 92 property earlier this year. All future sales, assignments and transfers, however, do require the consent of the City of Hayward.

Attached as Exhibit A is a request from Duc Housing Partners, Inc. for assignment of portions of the Development Agreement to Glenborough Realty Trust, a Real Estate Investment Trust (REIT) based in San Mateo. Glenborough is unusual in that it develops new properties in addition to investing in existing ones. Some of their recent projects include an 85,000 square foot, six-story office building in San Mateo and a 488,000 square foot, four-building project in

Burlingame. Staff has reviewed their 1999 Annual Report and concluded that they are financially capable of implementing the Business Park development. As a condition of the assignment, Glenborough will have to fulfill the obligations under the Development Agreement that pertain to the Oliver East property. This includes the development of the Sports Park, public and other infrastructure improvements. Staff therefore recommends that the City Manager be authorized to negotiate and execute an assignment and assumption agreement and other reasonable and necessary documents with Duc's affiliate, Hayward Oliver Owners LLC, and Glenborough that assure the terms and conditions of the Development Agreement are fulfilled.

Council should also be aware that Duc Housing anticipates that it will also be requesting consent to transfer the residential portion of the Oliver Trust properties to another residential developer in the near future. Since preparation for the fill operation is only now beginning, it is not feasible to meet the original September 1, 2001 date for the Sports Park to be complete and operational. Consequently, Glenborough has suggested a revised substantial completion date of May 1, 2002.

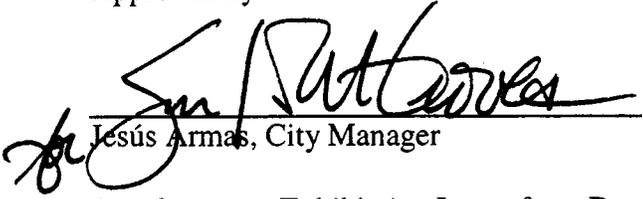
Given market changes since the original proposal and review of this development, Glenborough will be proposing a greater intensification of use for this business park site. Specifically, they would like to develop the entire acreage north of the Sports Park as a business park and eliminate the light-manufacturing component. Their stated goal is to create an extensively landscaped, pedestrian friendly business park of up to 1.8 million square feet, with mid-rise office buildings up to six stories.

In addition, Glenborough believes that there may be a reasonable and attractive alternative to the extensive filling of the property provided for in the original plan. Consideration is being given to surface parking at existing grade level, including underneath the buildings. This would raise the first floor of the buildings to a height slightly higher than the street. Parking areas would be landscaped with closely placed trees. Street landscaping would be designed to shield parked cars from view from the street, and landscaping around buildings would be designed to create usable open space for tenants and visitors. To the extent that implementation of this concept may require minor modifications to the adopted Development Guidelines, Glenborough would move forward to develop plans for later review by the appropriate hearing bodies. Daniel Levin, Senior Vice President for Development for Glenborough, will be present to provide a more complete description of the concept and answer Council questions. In order to finance the extensive public improvements required by the Development Agreement, Glenborough also proposes to file a petition for a Mello-Roos Community Facilities District prior to filing the first final map.

Recommended by:


Sylvia Ehrenthal, Director of Community
and Economic Development

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A – Letter from Duc Housing Partners, Inc.
Exhibit B - Site Plan and Building Illustrations



Duc Housing Partners, Inc.

EXHIBIT A

January 29, 2001

Mr. Jesus Armas
City Manager
City of Hayward
777 B Street
Hayward, CA 94541

Re: Mt. Eden Business and Sports Park Community
Request for Assignment of Development Agreement

Dear Jesus:

As we have discussed over the past several weeks, Duc Housing Partners, Inc. and its affiliated entity, Hayward Oliver Owners LLC (together "Duc") have tentatively structured an agreement with Glenborough Realty Trust Incorporated ("Glenborough") to acquire and develop the commercial portion of the Oliver property. I am writing to provide you with an introduction to Glenborough and to explain how their involvement would affect the procedural implementation of the project.

Glenborough is a real estate investment trust (REIT) based in San Mateo, CA. They currently own and operate over 14 million square feet of office and industrial property in 20 markets throughout the US. Their stock is traded on the New York Stock Exchange under the symbol GLB. Glenborough's market capitalization as of January 26, 2001 was \$535 million.

Although we have discussed the development of the commercial property with many firms over the past three years, we were attracted to Glenborough because they clearly understood and appreciated the City of Hayward's vision for the property. It is their intent to construct a business park consisting of mid-rise office buildings in a landscaped campus environment. Their plans appear to conform perfectly to the development contemplated in the South of 92 Specific Plan.

Glenborough is currently constructing an 85,000 square foot, six-story building with a three-level underground parking garage in downtown San Mateo. This is the first new Class A building to be built in San Mateo in over twenty-five years. All of the advertising and promotional material for this building is being done over the Internet, and you can visit the web site at 101ellsworth.com.

Glenborough recently received the final regulatory approvals for a 480,000 square foot, four building project, Burlingame Shores, on the site formerly occupied by the Burlingame Drive-In Theater just south of the San Francisco Airport. The working drawings are being completed and should be submitted to the City of Burlingame within the next three months. Enclosed please find a booklet of pictures describing this project. Please let us know how many additional copies you would like submitted on February 8th along with the additional information Glenborough is planning to deliver to your office.

As part of a mixed-use project in Redwood City, Glenborough is proposing to build approximately 400,000 square feet of office space in Redwood City. As this project is still in the planning stages, there is no comparable information available at this time. The firm also owns the building at 400 South El Camino Real in San Mateo where their headquarters office is located.

As you know, development rights and obligations pursuant to Vesting Tentative Map 7065 were formalized in the Mt. Eden Business and Sports Park Community Development Agreement between the City of Hayward and the Oliver Trust recorded on December 13, 1999. The Agreement provided for an automatic assignment to Duc upon its acquisition of the project. Duc acquired the commercial portion of the Oliver property in December 2000. We now respectfully request that the City accept an assignment of Duc's rights and obligations as they relate to the commercial portion of the project to Glenborough.

Our agreement with Glenborough provides for them to construct all of the improvements and accept all other obligations as they are documented on the Improvement Plans for Tract 7065 Eden Shores Business Park (East Side) prepared by Ruggeri Jensen Azar & Associates. It further provides for Glenborough to complete all landscaping pursuant to the Landscape Plans for Eden Shores Business Park prepared by Rose Associates. Glenborough will also be responsible for completing the Sports Park and is in a position to begin grading and fill work as soon as all regulatory approvals are obtained and the weather permits.

We hope that the city will view our request for an assignment of the Development Agreement to Glenborough as a positive development toward completing the project. We believe their financial strength and commitment to a high quality development made them the best candidate to construct the project as originally envisioned by you and the City Council. As you are also aware, we are close to reaching an agreement with Standard Pacific to construct the residential portion of the project. Standard Pacific would be an outstanding addition to the development team. They have recently completed a very successful project, Twin Bridges, on the east side of Hayward and are anxious to continue their mutually beneficial relationship with the City. At a later date, we will likely request that the City approve of Standard Pacific as an assignee under the Development Agreement.

Please let me know if I can provide any further information or answer any questions you or your staff may have. Thank you in advance for your consideration.

Very truly yours,



Patrick J. Geary
Executive Vice President

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN ASSIGNMENT AND ASSUMPTION AGREEMENT WITH GLENBOROUGH REALTY TRUST PROVIDING FOR THE TRANSFER OF RIGHTS AND OBLIGATIONS CONTAINED IN THE MOUNT EDEN BUSINESS AND SPORTS PARK DEVELOPMENT AGREEMENT (AGREEMENT) BETWEEN THE CITY OF HAYWARD AND THE OLIVER TRUST

WHEREAS, the City of Hayward approved the South of 92 Specific Plan and Development Guidelines for the property commonly referred to as the Oliver Trust Property; and

WHEREAS, the Oliver Trust and the City of Hayward entered into a Development Agreement for the development of the Oliver Trust Property (Property); and

WHEREAS, pursuant to provisions contained in the Agreement, the Oliver Trust assigned its rights and obligations to Duc Housing Partners , Inc. (Duc); and

WHEREAS, Duc now desires to assign its rights and obligations for the development of the property commonly referred to as Oliver East to Glenborough Realty Trust (Glenborough); and

WHEREAS, it has been determined that Duc is not in default of the terms of the Agreement, that Glenborough is willing to and can comply with the terms and conditions of the Agreement, and that Glenborough and Duc are willing to execute any documents reasonably requested by the City with respect to the assumption of obligations.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hayward that the City Manager is hereby authorized to complete negotiations and execute an Assignment Agreement, Assumption Agreement, and all other documents deemed necessary to complete the assignment of the rights, duties and obligations for the development of the Oliver

East Property as provided for in the Mount Eden Business and Sports Park Community Development Agreement. Such agreements and documents shall be in a form approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2001

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward