



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/11/02
AGENDA ITEM 3
WORK SESSION ITEM _____

TO: Redevelopment Agency Board Members
FROM: Director of Community and Economic Development
SUBJECT: Approval of Contract for Marketing B and Foothill Property

RECOMMENDATION:

It is recommended that the Agency Board adopt the attached resolution authorizing the Executive Director to execute a contract with Retail Real Estate Group, Inc. to market the property at B Street and Foothill Boulevard

BACKGROUND:

On May 7, 2002 the Agency Board authorized the acquisition of the fee title and leasehold interest in the former Albertson's site. At that time, staff indicated that it would return with a contract for marketing this property to prospective users and/or developers.

Letters requesting marketing service proposals (RFP's) were issued to four brokers, including Terranomics Retail Services, Gallagher & Miersch, Retail Real Estate Group, and Matt Mitchell with Michael Tanzillo & Co. The RFP discussed the Agency's goals for seeking a re-use or redevelopment of the property in a way that will create a lively, pedestrian-oriented anchor for the eastern end of the historic downtown area, and cited examples of the types of retail tenants that would be preferred. The RFP also indicated that the Agency would consider either re-use of the existing building or a redevelopment of the site, as well as either sale or long-term lease arrangements, depending on the proposed uses and terms of disposition.

Of the brokers contacted, two submitted proposals. These were from the Retail Real Estate Group and Michael Tanzillo & Co. with Matt Mitchell. The proposals were evaluated based on overall experience in marketing commercial-retail properties of this type, contacts with the types of retailers the Agency may be interested in, and the quality of the firms' initial marketing strategy for this property. Each firm's proposed fee structure was also evaluated.

Based on the proposals received, staff is recommending entering into a six-month contract with the Retail Real Estate Group. The company has three principal brokers and all three would be involved in marketing the property. The primary reasons for selecting this firm are that it has a great deal of experience in marketing former supermarket properties, as well as re-tenanting, re-configuring and redeveloping shopping centers ranging in size from 16,000 to 130,000 square feet of building area. Much of the firm's experience is in the San Jose/Mountain View area, with additional experience in Fremont and Union City. Examples of centers the firm has worked on include: Orchard Farm Center in San Jose, Grant Road Center in Mountain View, Avalon on the Alameda in San Jose, and the Nob Hill-Payless Drug Center in Fremont. While many of the properties represented by the firm have remained shopping centers, some properties have been redeveloped as residential, commercial or mixed-use projects.

The firm's strategy for marketing the property would be to first work with the Agency to refine and prioritize its goals for the site, including preferred tenants. Concurrently, the firm would assemble materials for a marketing brochure for the site, including information about the building itself, demographic data on the area, and information on activity in the downtown area. The firm would encourage participation by other Bay Area brokers through outreach by mail and e-mail, and begin contacting prospective tenants that are identified as especially desirable. The firm indicates it maintains a database of over 1,000 retail companies. The firm would also work with the Agency to consider marketing strategy alternatives such as a redevelopment of the site, should initial efforts to lease the building be unsuccessful.

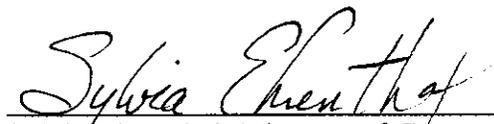
The firm's proposed fee structure is as follows. In the event of a lease of the building, the brokerage fee would range from \$4 to \$6 per square foot of the building depending on whether the building has single or multiple tenants and whether the fee is split with a broker representing the tenant(s). This would amount to a fee ranging from approximately \$111,650 to \$167,500. In the event of a sale of the property, the fee would be 4% to 5% of the sales price, depending on whether the commission is split with another broker representing the buyer. In the event of a ground lease, the fee would also be in the range of 4 to 5% of the capitalized value of the ground lease, depending on whether it is split with another broker. Based on the Agency's appraised value of the property, a 5% fee on the sale of the property would be \$174,500. Retail Real Estate Group's proposed fee structure in the event of a sale or ground lease is competitive with the fee proposed by the other proposing firm.

Staff recommends that the Agency Board authorize the Executive Director to approve a contract with the Retail Group as described in this report. At this time staff is also requesting direction from the Agency Board regarding users or particular retail tenants that it believes would be desirable for this location.

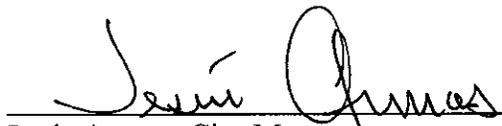
Prepared by:


Maret Bartlett, Redevelopment Director

Recommended by:


Sylvia Ehrental, Director of Community
And Economic Development

Approved by:


Jesús Armas, City Manager

Resolution

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-_____

Introduced by Agency Member _____

mmf

RESOLUTION AUTHORIZING THE EXECUTIVE
DIRECTOR TO ENTER INTO A CONTRACT WITH
RETAIL REAL ESTATE GROUP, INC., FOR THE
MARKETING OF THE PROPERTY AT B STREET AND
FOOTHILL BOULEVARD

BE IT RESOLVED by the Redevelopment Agency of the City of Hayward that the Executive Director is hereby authorized and directed to negotiate and execute on behalf of the City of Hayward a contract by and between Retail Real Estate Group, Inc. and the City of Hayward for the marketing of the property at B Street and Foothill Boulevard, in a form approved by General Counsel.

HAYWARD, CALIFORNIA _____, 2002

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS:

ABSENT: AGENCY MEMBERS:

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel