



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/11/02
AGENDA ITEM 4
WORK SESSION ITEM _____

TO: Redevelopment Agency Board Members
FROM: Director of Community and Economic Development
SUBJECT: Modifications to the Cannery Community Partners, LLC and Approval of Cannery Project Related Contracts

RECOMMENDATION:

It is recommended that the Agency Board adopt the attached resolution modifying the Exclusive Negotiations Agreement (ENA) with Cannery Community Partners, LLC.

BACKGROUND:

In July, 2001 the Agency Board authorized the issuance of a Request for Development Proposals (RFP) for the majority of the Cannery Area shown as Sub Area 2 in the Cannery Area Design Plan. On December 18, 2001 the Agency Board authorized the Executive Director to enter exclusive negotiations with Cannery Community Partners, LLC, consisting of Shea Homes and Centex Homes.

On January 25, 2002 staff met with Shea Homes and was notified that Centex Homes had withdrawn from the proposed partnership. Shea Homes continued to be committed to the project but requested time to consider partnerships with other developers. By February Shea Homes had identified Pulte Homes as a feasible development partner.

SUMMARY OF THE PROPOSAL:

Shea Homes and Pulte Homes are both very large home building companies. Pulte Homes, like Centex, is publicly traded on the New York Stock Exchange, and reports annual revenues of over \$5 billion. Pulte Homes is the largest homebuilder in the nation. In fiscal year 2001, Pulte reported sales of approximately 22,000 homes nationally, of which 600 were in California. For comparison purposes, the combined Shea companies had revenues of \$1.7 billion in 2001, and delivered approximately 5,000 homes. Shea Homes is believed to be the largest privately held homebuilder in the nation.

Pulte Homes has extensive experience delivering infill developments in Northern California with many in San Jose, Dublin, and Livermore. In addition, each company has undertaken other large local projects, such as River Oaks and Silver Creek (Shea) and Mariani Square (Pulte) in San Jose.

The revised proposal submitted by the development team was thorough, and addressed all the items of information that were requested by the Agency in the RFP. The developers have also provided staff with additional financial information and hosted a tour of their recent and current projects developed throughout the Bay Area.

The original proposal indicated a total of 708 for-sale units and a variety of proposed housing types as anticipated under the Plan. These include two types of live/work units, units laid out in 12-plex buildings, 4-plex buildings, traditional town homes, carriage house units, and single-family homes. The revised proposal submitted by Shea Homes and Pulte Homes includes no carriage house units and a reduced number of 12-plex units. The market rate units are currently projected to have sales prices ranging from about \$303,000 to \$445,000.

In accordance with the requirements of the RFP, the original development team proposed 15%, or 106 of the for-sale units be designated as affordable housing, including all of the carriage units and some of the 12-plexes. The RFP did not require rental housing as part of the project, however staff recommends that during the ENA term additional consideration be given to meeting the 15% affordability requirement in whole or in part through the development of rental units within the Cannery. Recent Council discussions surrounding the Housing Element have suggested the need for additional high-quality, affordable rental housing in Hayward. Further analysis and discussion is required regarding the distribution of affordable units between for-sale and rental housing, integration of affordable units with market rate units, and alternatives for long-term management of the affordable units.

The development team continues to propose that the project be constructed in three phases. Phase One includes the new Burbank Elementary School and expanded Cannery Park, as well as the Water Tower Park and housing through the mid-section of the development site. Phase

Two encompasses the southern end of the site, and Phase Three includes the portion that is immediately adjacent to the school and park. The development team has held preliminary discussions with all of the property owners.

The proposed development schedule indicates that a Disposition and Development Agreement (DDA) could be negotiated and executed within six months, however, staff recognizes that this complex project may require additional time. During the ENA period, a more detailed phasing schedule with benchmark dates will be developed as part of the DDA.

It is recommended that the Agency Board authorize the Executive Director to enter into an Exclusive Negotiating Agreement (ENA) with the Cannery Community Partners, as reconstituted, for a period of six months. While this period may represent a challenge, having a fixed negotiations period will enable all the parties to remain focused on achieving its goals

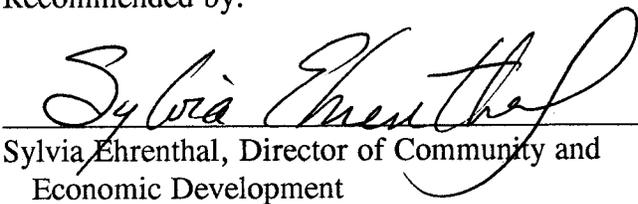
in a timely way. If an extension become necessary, it will be brought back for the Agency Board's consideration. The developer has agreed to pay a deposit for the ENA of \$50,000. This deposit would be non-refundable to the extent necessary to pay the costs of the Agency (legal counsel and other consultants) until there is an executable Disposition and Development Agreement with the Agency. A copy of the ENA, in substantially final form, is on file in the Office of the City Clerk.

Prepared by:



Maret Bartlett, Redevelopment Director

Recommended by:



Sylvia Ehrenthal, Director of Community and
Economic Development

Approved by:



Jesús Armas, City Manager

Resolution

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-_____

Introduced by Agency Member _____

**RESOLUTION APPROVING MODIFICATIONS TO THE
CANNERY COMMUNITY PARTNERS, LLC, AND
AUTHORIZING THE EXECUTIVE DIRECTOR TO
EXECUTE RELATED PROFESSIONAL SERVICE
CONTRACTS**

WHEREAS, on December 18, 2001, the Agency Board authorized the Agency to enter into exclusive negotiations with Cannery Community Partners, LLC, consisting of Shea Homes and Centex Homes for development of the Cannery Area; and

WHEREAS, staff was notified that Centex Homes had withdrawn from the project and had been replaced by Pulte Homes.

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency hereby accepts on behalf of the Redevelopment Agency of the City of Hayward the replacement of Centex Homes by Pulte Homes as a principal of Cannery Community Partners, LLC.

BE IT FURTHER 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 an exclusive negotiating agreement with a term of six months with Cannery Community Partners, LLC for a proposed development at C, Filbert, Myrtle and Winton Avenue.

HAYWARD, CALIFORNIA _____, 2002

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:

MAYOR:

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