



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 10/11/05
AGENDA ITEM 3
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Authorization for Sale of City Parcels at Northwest Corner of West A Street and Hesperian Boulevard to Browman Development Company

RECOMMENDATION:

It is recommended that the Council adopt the attached resolution that authorizes the sale of the City-owned subject property to Browman Development Company.

DISCUSSION:

In February 2003, the City entered into an Exclusive Negotiating Agreement with Browman Development Company (Browman) for a ground lease of the City-owned parcels located at the southwest corner of Hesperian Boulevard and Golf Course Road. The parcel was formerly occupied by the Festival Cinema. Since that time, Browman has been actively seeking a tenant in order to redevelop the parcel.

Browman has finalized a deal with the Target Corporation that calls for Target to ultimately purchase the parcels from Browman after Browman's acquisition of the parcels from the City. On June 21, 2005, Council authorized acquisition of the existing ground lease from RPD Vagabond Associates for \$3,300,000 using funds provided by Browman Development. On July 26, 2005, Council approved the Target Store development for this site and subsequently, on September 13, 2005, approved the purchase of the JT Gas Station leasehold in order to construct the West A Street Improvements project. With all of these steps accomplished, staff has negotiated the final terms of the Sales Agreement with Browman Development and recommends its approval by Council.

In order to meet the very ambitious schedule required by the Target Corporation, work has been ongoing to clear the Festival Cinema Site. The grading contractor for Browman Development has also begun preparing the Target building pad site under a grading permit from the City. Both the Vagabond Inn and JT's Gas Station have or will shortly cease their operations. The City's contractor will soon begin deconstruction of the gas station. Browman Development has also scheduled the start of deconstruction work on the Vagabond Inn for the very near future. As previously noted, the Carrows Restaurant will remain in operation under a lease to Browman.

As noted during approval of the Target project and its environmental documentation, the City's property has some hydrocarbon contamination beneath the site as a result of several plumes, primarily from previous gas station leaks on the opposite side of Hesperian. In order for the development to proceed, certain clean-up requirements have been established by the Regional Water Quality Control Board, which will lead to an agreement that the Board will not sue the new owners or the City regarding this site, and to allow a commercial development on the site. The agreement calls for the City to reimburse Browman for the first \$450,000 of these costs, and Browman would be responsible for the next \$50,000 and the City for the next \$50,000 above \$500,000. While both parties will be motivated to minimize these costs, anything above \$550,000 will be shared by both parties. Staff intends to pursue recovery of these costs from the responsible parties.

The City has processed parcel map 8813 (see Exhibit A) that adequately defines the 13.33 acre site that is to be sold to Browman Development after completion of the various street changes, which are part of the West A Street Realignment Project. The sales agreement identifies the final purchase price as \$8,134,680, which is consistent with the appraised value previously reported. The sales agreement also includes the pass-through of \$3,300,000 for purchase of the Vagabond ground lease, as noted above.

Prepared and Recommended by:



Robert A. Bauman, Director of Public Works

Approved by:



Jesús Armas, City Manager

Attachment: Exhibit A: Parcel Map

PARCEL MAP 8813

BEING A DIVISION OF CITY LEASEHOLD PARCELS, CITY OF HAYWARD, COUNTY OF ALAMEDA, STATE OF CALIFORNIA

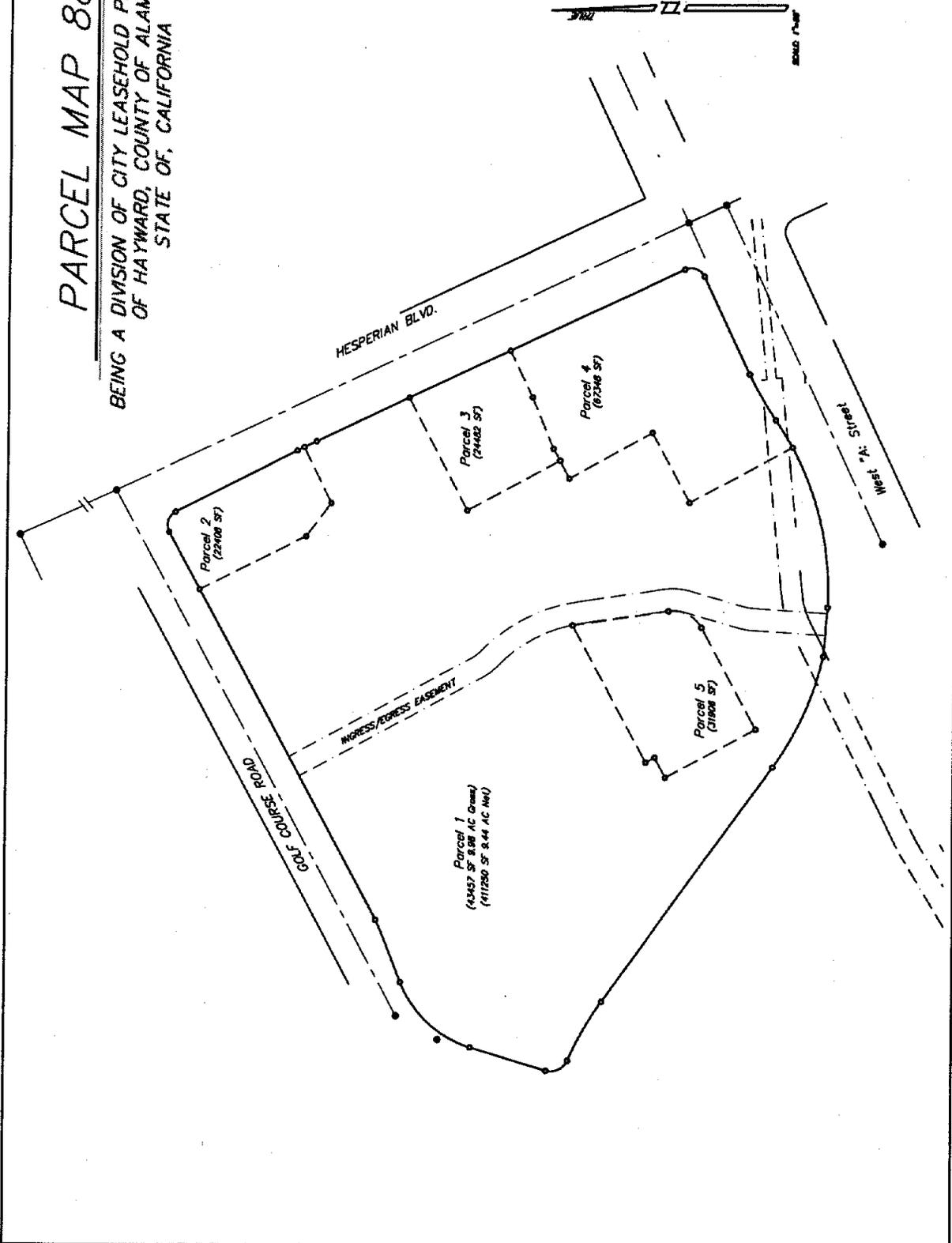


Exhibit A

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 05-

Introduced by Council Member _____

**RESOLUTION AUTHORIZING THE CITY MANAGER
TO ENTER INTO A SALES AGREEMENT WITH
BROWMAN DEVELOPMENT COMPANY FOR CITY-
OWNED PARCELS LOCATED AT THE NORTHWEST
CORNER OF WEST A STREET AND HESPERIAN
BOULEVARD**

WHEREAS, the City entered into an Exclusive Negotiating Agreement with Browman Development Company (Browman) in February 2003, for a ground lease of the City-owned parcel located at the southwest corner of Hesperian Boulevard and Golf Course Road which was formerly occupied by the Festival Cinema; and

WHEREAS, in order to redevelop the parcel Browman has been seeking a tenant to occupy the parcel, and has recently finalized a deal with the Target Corporation which calls for Target to purchase a portion of the parcel from Browman after Browman's acquisition from the City; and

WHEREAS, staff has now negotiated the final terms for the Sales Agreement with Browman and recommends Council approval.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby authorizes the City Manager to enter into an agreement for the sale of the City-owned parcel (Parcel Map 8813) to Browman Development Company in the amount of \$8,134,680.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward