



**MINUTES OF THE SPECIAL JOINT
CITY COUNCIL/REDEVELOPMENT AGENCY
MEETING OF THE CITY OF HAYWARD
City Council Chambers
777 B Street, Hayward, CA 94541
Tuesday, March 27, 2007, 8:00 p.m.**

MEETING

The Special Joint City Council/Redevelopment Agency Meeting was called to order by Mayor/Chair Sweeney at 8:00 p.m., followed by the Pledge of Allegiance led by Council Member/RA Ward.

ROLL CALL

Present: COUNCIL/RA MEMBERS Rodriguez, Quirk, Halliday, Ward, Dowling,
Henson
MAYOR/CHAIR Sweeney
Absent: COUNCIL/RA MEMBERS None

PUBLIC COMMENTS

Bart Schenone, representing the Hayward Lions Club, announced that the group is seeking nominations for its 74th Annual Distinguished Citizen Award. He provided information on how to contact and nominate citizens.

Jim Drake, a 40-year resident on Franklin Avenue, commented on the sites for the proposed power plants and asked several questions, which Mayor Sweeney asked that staff provide him the information. It was noted that the information is available on the City's website and the Hayward Library is receiving funding from this project.

S.J. DeFazio, a business owner on Pacific Street, operates a storage facility on property on that street which is in need of curb, gutter and drainage. When he contacted staff for funding assistance, he was informed that the property owners are responsible for the improvements. He asked for assistance in removal of trash and debris as there seems to be frequent dumping on that street. City Manager Armas responded that staff is considering the formation of an assessment district to fund the infrastructure. Mayor Sweeney directed staff to provide Council information on the status of this street.

CONSENT

Mayor Sweeney requested that the Minutes of March 6th be continued for further review. Council Members Rodriguez and Halliday asked that Consent Item 7 be removed for further discussion. Also, at the request of a resident, Consent #8 was removed.

1. Approval of Minutes of the Special Joint City Council/Redevelopment Agency Meeting of March 6, 2007
The minutes of the Special Joint City Council/Redevelopment Agency Meeting of March 6, 2007 were continued.

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2. Approval of Minutes of the City Council Meeting of March 13, 2007
It was moved by Council Member Henson, seconded by Council Member Dowling, and unanimously carried, to approve the minutes of the City Council Meeting of March 13, 2007
3. Consolidated Landscaping and Lighting District No. 96-1, Zones 1 through 11– Preliminarily Approve the Engineer’s Report, and Adopt a Resolution of Intention, and Set May 15, 2007, as the Public Hearing Date to Levy Assessments and Form Benefit Zone 12

Staff report submitted by Development Review Engineer Anastas, dated March 27, 2007, was filed.

It was moved by Council Member Henson, seconded by Council Member Dowling, and unanimously carried to adopt the following:

Resolution 07-031, “Resolution Preliminarily Approving Engineer’s Report, Declaring Intention to Form Landscape and Lighting District Zone 12 and to Levy Assessment for Fiscal Year 2007-2008, and Setting May 15, 2007, as the Public Hearing Date Concerning Consolidated Landscaping and Lighting District No. 96-1, Zones 1-12”

4. Maintenance District No. 1 – Storm Drainage Pumping Station and Storm Drain Conduit - Pacheco Way, Stratford Road and Ruus Lane - Preliminarily Approve the Engineer's Report, Adopt a Resolution of Intention and Set May 15, 2007, as the Public Hearing Date

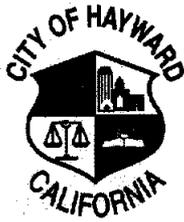
Staff report submitted by Development Review Engineer Anastas, dated March 27, 2007, was filed.

It was moved by Council Member Henson, seconded by Council Member Dowling, and unanimously carried to adopt the following:

Resolution 07-032, “Resolution Preliminarily Approving Engineer’s Report, Declaring Intention to Levy Assessments for Fiscal Year 2007-2008, and Setting May 15, 2007, as the Public Hearing Date Concerning Maintenance District No. 1 – Storm Drainage Pumping Station and Storm Drain Conduit – Pacheco Way, Stratford Road, and Ruus Lane (MD No. 1)”

5. Maintenance District No. 2 – Eden Shores Buffer Zone and Pre-Treatment Pond - Preliminarily Approve the Engineer's Report, Adopt a Resolution of Intention and Set May 15, 2007, as the Public Hearing Date

Staff report submitted by Development Review Engineer Anastas, dated March 27, 2007, was filed.



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It was moved by Council Member Henson, seconded by Council Member Dowling, and unanimously carried to adopt the following:

Resolution 07-033, "Resolution Preliminarily Approving Engineer's Report, Declaring Intention to Levy Assessments for Fiscal Year 2007-08 and Setting May 15, 2007, as the Public Hearing Date Concerning Maintenance District No. 2 – Eden Shores Storm Water Facilities and Water Buffer (MD No. 2)"

6. Utility Service Agreement 06-03 – Donald Wallace (Applicant/Owner) – Authorize the City Manager to Execute a Utility Service Agreement for Water Service for Property Located on Fairview Avenue

Staff report submitted by Acting Development Review Engineer Koonze, dated March 27, 2007, was filed.

It was moved by Council Member Henson, seconded by Council Member Dowling, and unanimously carried to adopt the following:

Resolution 07-034, "Resolution Authorizing the City Manager to Apply to LAFCO for Approval of Utility Service Agreement (USA 06-03) to Provide Water Service for the Property with Assessor's Parcel Number 085A-6100-005-04 on Fairview Avenue and Further Authorizing the City Manager to Execute Such Agreement"

7. West Tennyson Road Sewer Improvements: Authorization to Enter into an Agreement for Professional Services to Design Improvements to the Existing Sewer Line

Staff report submitted by Deputy Director of Public Works Ameri, dated March 27, 2007, was filed.

Council Member Halliday informed the Council that she and Council Member Rodriguez had spoken with Ed Bogue, former Planning Commissioner, who recommended that along with this project, an improvement is needed for the driveway on that street leading from the Oliver Corners Shopping Center.

City Manager Armas clarified that this is design work and not the actual work and part of this work will be to determine whether the street must actually be worked on due to the new technology of micro-tunneling. He would speak with Mr. Bogue in this regard.

It was moved by Council Member Ward, seconded by Council Member Dowling, and unanimously carried to adopt the following:

Resolution 07-036, "Resolution Authorizing the City Manager to Negotiate and Execute an Agreement for Professional Services with Harris and Associates for the West Tennyson Road Sewer Improvements Project, Project No. 7525"

8. Appropriation of Low and Moderate Income Housing Funds for Sara Conner Court

Staff report submitted by Neighborhood and Economic Development Manager Korth, dated March 27, 2007, was filed.

Jim Drake commented that Hayward is saturated with low-income and Section 8 housing and suggested that police officers be included in the funding when approved as, in his opinion, criminals reside in low income housing.

Council/RA Members expressed concern with his comments, observing that most of the new housing in Hayward is market rate and that Eden Housing does an excellent job. There was also an objection to the speaker's statement that criminals live in low-income housing, noting that there have been arrests of those residing in expensive homes as well.

It was moved by Council/RA Member Quirk, seconded by Council/RA Member Halliday, and unanimously carried to adopt the following:

Resolution 07-037, "Resolution Authorizing the City Manager/Executive Director to Negotiate and Execute the Necessary Documents to Return Funds to the City of Hayward's Community Development Block Grant Line of Credit"

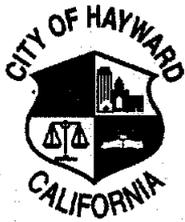
RA Resolution 07-07, "Resolution Amending Resolution No. RA 06-15, the Budget Resolution for the Redevelopment Agency of the City of Hayward for Fiscal Year 2006-2007, Relating to an Appropriation of Funds for Sara Conner Court"

9. Approval of Professional Services Agreement with Peckham & McKenney for City Manager Recruitment Services

Staff report submitted by City Manager Armas, dated March 27, 2007, was filed.

It was moved by Council Member Henson, seconded by Council Member Dowling, and unanimously carried to adopt the following:

Resolution 07-035 "Resolution Authorizing the City Manager to Negotiate and Execute an Agreement for Professional Services with Peckham & McKenney to Recruit for the Position of City Manager, and Appropriate Funds"



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HEARINGS

10. Cinema Place Project: Consideration of a Second Amended Disposition and Development Agreement and Amended Ground Lease

Staff report submitted by Redevelopment Director Bartlett, dated March 27, 2006, was filed.

Redevelopment Director Bartlett made the report highlighting the leasing plan, the agreement with Blake-Hunt Ventures and briefly described the history of the project. She noted that Century Theater has sold to Cinemark Theaters with a re-submittal of the theater lease, which caused several months delay in the construction. Due to increased construction costs, the developer re-bid his project, but a funding gap remained. Consequently, the developer is requesting financial assistance of \$1.5 million from the Agency financial assistance for site improvements to provide demolition costs, a covered walkway, as well as various site costs. She asked that the City's repayment agreement be amended to reflect this new arrangement and loan structure.

There will be a change to the lease agreement that required the Developer to pay a percentage rent at 5% of total rents received in excess of \$660,000, which will be raised to \$1.3 million. She discussed certain building fees that will be repaid in the future. A parking operation agreement with the developer as well as one with the theater operator will also be part of this effort. She indicated that there will be parking fees, but that the parking revenues may not exceed the operation costs of the garage and theater customers will receive free validated parking. She noted the contingency provision with the understanding that it is incumbent that the Agency and the City protect its investment in the downtown. Continuing, she pointed out the re-structuring of this agreement and there are a number of preconditions that have been achieved.

Madison Company of Redwood City will be funding the investment equity and will finance and purchase the project at the completion of the construction. Madison is currently involved with a condominium development at C and Main Street. The new construction contract is with San Jose Construction with construction to start in late April, with about 10 months to complete the building shell and four months for retail with additional months for the cinema opening in late fall 2008. She noted that representatives of the developers are available. She responded to Council/RA Members questions.

Council/RA Member Henson asked for further assurances that this will be the last time that Blake-Hunt comes before the Council. City Manager/Executive Director Armas explained the issues that caused delays in the construction including the increased costs of construction materials. He also explained that Madison will be the new owner when the project is complete.

In response to Council/RA Member Dowling's question, he was informed that the project will include murals on the walls of the parking garage.

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Council/RA Member Halliday commented on the \$88,000 expense to construct the overhead walkway along Foothill during the construction and hoped that it would be worth the cost. This insures safety to those using the walkway, which will extend more than half a block.

Council/RA Member Ward commented on the unanticipated increases in the cost of construction and was assured that Madison development has experience in retail as well as residential development. He asked that staff review the internal rate of return. This was explained by Redevelopment Director Bartlett as a measure that the investor reviews to achieve investment over time in real estate investment. At the end the investor will sell it and receive a sales price. That ratio of return to them versus their initial investment will yield a certain percentage of return over time. When asked if this was consistent with the norm, Redevelopment Director Bartlett reported that this is a few points higher than the norm, because this is a risky project. The theater is a specialty and the investor is guaranteed a return. There was further discussion on the theater operation and lease. City Manager/Executive Director Armas explained the liability of a million dollars against the City and the timeframe is reduced by five years to alleviate some concerns. Council/RA Member Ward stated that this was discussed by the Downtown Committee and there was consensus on the outstanding issues.

Mayor/Chair Sweeney asked whether there would be an impact penalty if the theater operator assigned its lease to a firm that was less reputable. It was noted that the Agency would have to determine reasonable approval rights to not allow a less than reputable operator and the Agency also has reasonable approval rights of the sub-tenants and could deny the approval of a re-assignment of the lease.

Mayor/Chair Sweeney commented that there seems to be economic penalties against the City for its negative actions, but there did not seem to be corollary penalties for the developer.

Mayor/Chair Sweeney opened the public hearing at 8:48 p.m.

Brad Blake of Hunt-Blake, Danville, appreciated the patience of the Redevelopment Agency staff and members. He responded to questions and assured the Agency that the leases are in place, the theater is committed, the contractor has signed the agreement, and the capital is available from Madison. He reported that once approved, the project can start in 30 days.

Council/RA Member Dowling was happy to hear the tenants are secured. He asked for a report on the restaurant that will be on the second floor. He also affirmed that Cinemark is intending to provide foreign films as long as the market is there. He suggested a restaurant like Yoshi's in Oakland.

Brad Blake explained that there have been four to six prospective tenants, but it has challenges as the restaurant will be located in the second floor. His firm is open to recommendations on the restaurant. In response to the question on the showing of foreign films, he was confident that it will be commercially reasonable and Cinemark continues to retain the Century name. The ground lease stipulates the intent to provide foreign and independent films as long as it is economically viable.



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City Manager/Executive Director Armas indicated that Cinemark has numerous theaters and has presence in thirteen foreign countries, in particular the Spanish language.

Council/RA Member Henson asked for insight on the theater business to which Mr. Blake shared his experience as a landlord to theaters. He reported that the theater business is healthy as long as good films are produced and that business seems to continue to be economically stable. The statistics state that numbers of attendance have been relatively flat. He urged approval of the project.

Council/RA Member Halliday agreed that this project will be a boost for the City's downtown. She also agreed that the foreign or independent screens could be economical. She suggested that the palm tree species be lush looking. She affirmed that Madison will maintain the walkway or alley that will be safe and well-lit and suggested posters of the movies be displayed, advertising of shops or maps be placed within the garage area.

City Manager/Executive Director Armas summarized that the walkway will be safe and well-lit as well as attend to her suggestions about the displays. He noted that the City's landscape architect is involved and seeking to maintain a balance between desires against costs.

Council/RA Member Rodriguez asked for the reason in selecting palm trees, having experienced palm tree removals in her neighborhood. Mr. Blake stated that the trees are symbolic and evoke a beacon-type of look and seem to make a Hollywood-style appearance. She commended Mr. Blake for his efforts.

Jim Blake, Executive Vice-President of Madison Company of Redwood City, stated that his firm is a privately held real estate investment, acquisitions and a management company. Development experience is focused more on residential, some office, some mixed-use and this project is an investment. In response to Council/RA Member Dowling's question regarding the condominium, he indicated that the decision was made with that in consideration of the theater project. Council/RA Member Dowling urged security and safety measures be considered, noting recent shootings in neighboring areas.

Jim Drake asked about the property ownership and the total amount that Hayward's Redevelopment Agency has invested. He was concerned about charging for parking in the proposed garage.

City Manager/Executive Director Armas reported that the property (formerly Albertson's property) is owned by the City's Redevelopment Agency. The property is divided in half for the theater and the retail and the other half for the parking garage. He noted that the Agency will continue to own the property. The Agency will have \$12.7 million and more than \$7 million for the parking structure. There are no plans to charge parking fees, but should the need arise, that is a possibility.

Mayor/Chair Sweeney closed the public hearing at 9:23 p.m.

Council/RA Member Ward moved the staff recommendation, seconded by Council/RA Member Dowling and stated that this is a sound investment and the return to the City will be significant. Sales revenues will be beneficial for the City. He was pleased that actual construction will begin. He commended Blake-Hunt for their successes in Redwood City and Walnut Creek and an excellent track record. Based on his recent experience with Madison, he agreed that it will be a good partner for this project.

Council/RA Member Dowling agreed that this is a very important project in the downtown and the largest investment toward the downtown. This will definitely enhance the downtown area. He was pleased with its progress and looked forward to the completion.

Council/RA Member Henson echoed his colleagues and noted that this will be a catalyst for additional improvements to the downtown. He had some concerns, but most of them have been addressed including his frustration on the delays of the construction. He commended all who are involved in this project.

Mayor/Chair Sweeney asked for clarifications on the funding reimbursement of \$135,000 and recommended a date specific for the repayment. City Manager/Executive Director replied that the repayment can occur in the Redevelopment Agency's Fiscal 2007-08 budget. The repayment amount is for building fees that will be deferred. In response to Mayor/Chair Sweeney's second question, he affirmed that this is an Agency Fund obligation and not a General Fund obligation.

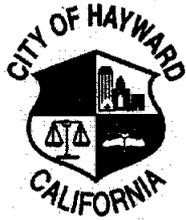
It was moved by Council/RA Member Ward, seconded by Council/RA Member Dowling, and unanimously carried to adopt the following with the repayment be made out of the Redevelopment Agency's Fiscal 2007-08 budget:

Resolution 07-038, "A Resolution of the City Council of the City of Hayward Approving and Authorizing the Execution of a Second Amended Disposition and Development Agreement Between the Redevelopment Agency of the City of Hayward and Cinema Place Hayward, LLC"

RA Resolution 07-08 "A Resolution of the Redevelopment Agency of the City of Hayward Approving and Authorizing the Execution of a Second Amended Disposition and Development Agreement Between the Redevelopment Agency of the City of Hayward and Cinema Place Hayward, LLC"

RA Resolution 07-09, "Resolution Authorizing the Execution of an Amendment to the Agreement with the City of Hayward for the Repayment of a Loan from the City of Hayward"

RA Resolution 07-10, "Resolution Amending Resolution RA 06-15, as Amended, the Redevelopment Budget Resolution for Fiscal Year 2006-2007, Relating to an Appropriation of Funds from the Agency's Tax Increment Fund for the Purpose of Funding Various Site Improvements for Cinema Place Hayward, LLC"



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City Manager/Executive Director Armas publicly acknowledged and commended Maret Bartlett, Redevelopment Director, for her arduous efforts within short notice to insure the progress of this project, noting that she worked beyond the call of duty. He also thanked the developers, Blake-Hunt, for their input, patience and efforts towards this project.

COUNCIL REPORTS

Council Member Henson reported that he and Council Member Ward attended the Congressional Cities Conference in Washington D.C. They were able to lobby not just our representatives, but also other legislators to express concerns on the increased statistics in crime. They lobbied for funding for local police efforts, noting that the FBI has transferred staff previously dedicated to local agencies over to the Homeland Security staff. He spoke regarding the Cops Improvement Act, S368, which will increase funding for community policing. He also spoke on Senator Feinstein's bill, S231, which will authorize funding for training and to address gang activities. In addition, he commented on efforts to approve pro-children policies. Lastly, he spoke on the continued need to address inoperability.

Council Member Ward reported that he serves as the City's representative on the Alameda County Housing Authority, noting that there are currently 4,000 families waiting for housing. He continues to lobby for continued funding at the local level for housing.

ADJOURNMENT

Mayor/Chair Sweeney adjourned the meeting at 9:42 p.m., in memory of Paloma Weaver-Mullen, former Hayward City Clerk, who served for 15 years.

APPROVED:

Michael Sweeney, Mayor, City of Hayward
Chair, Redevelopment Agency

ATTEST:

Angelina Reyes, City Clerk, City of Hayward
Secretary, Redevelopment Agency