

DATE: October 23, 2007

TO: Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Authorization to Enter into an Exclusive Negotiating Agreement with Citation Homes Central for a Proposed Residential Development at the Residual Burbank School Site

RECOMMENDATION

That the Agency Board adopts the attached resolution authorizing the Executive Director to enter into an Exclusive Negotiating Agreement with Citation Homes Central.

SUMMARY

In partial payment for building the new Burbank School, the Redevelopment Agency will be acquiring a portion of the site of the existing Burbank School. The Agency proposes to sell the site to a developer to redevelop it for residential use. Proposals were submitted by five developers and staff ranked the proposals from Citation Homes Central and The Olson Company as the top two.

Both of the top proposals have substantial merit based on staff's ranking. Citation has more variety in unit size, and has made the strongest financial offering of all five developers for the land. Olson on the other hand has the preferred site plan; however, it has unresolved issues with labor. To that end, Citation is recommended as the developer for the site as they have agreed to revise their site plan based on staff's recommendations. Additionally, they have expressed a desire to make this a model and award winning project through the incorporation of *Green Building* elements.

BACKGROUND

In 2001, the City Council adopted the Cannery Area Design Plan to transform this older industrial area into a vibrant new community and to integrate it with an established residential neighborhood. The Design Plan identified public improvements including a new school to replace the existing overcrowded Burbank School and the expansion of Cannery Park, both of which would serve existing and new residents. It also created an opportunity for residential redevelopment of the existing Burbank School site, once vacated.

On July 10, 2006, the Hayward Unified School District (HUSD), the Hayward Area Recreation and Park District, the City, and the Redevelopment Agency entered into the "Public Facilities Development and Property Exchange Agreement" (the PFDA), which specified the land exchange and financial arrangements for the Cannery Area public improvements. In accordance with the provisions of the PFDA, when the new school is completed and ready for occupancy, the Agency will transfer it to the HUSD, and concurrently, the HUSD will transfer the existing school site to the Agency in order to facilitate the subsequent sale and redevelopment of the site. The area to be transferred to the Agency is referred to as the "Residual Burbank School Site" (the Site), and it is approximately 3.9 acres. The Site is bounded by B Street to the north, C Street to the south, Myrtle Street to the east, and the extension of Filbert Street to the west as depicted in the attached Site Map.

At present, half the Site is zoned and designated for Public Facilities in the City's General Plan due to its use as a school, while the other half of the site is zoned and designated under the General Plan for Medium Density Residential. Therefore, approval of a General Plan Amendment will be necessary to allow for redevelopment of the site. The Medium Density Residential designation calls for residential densities in the range of 8.8 to 17.4 units per acre, and is the same as the zoning of the blocks on three sides of the site (the fourth side being the new school). This zoning designation would result in a development with a total number of units that could range from 34 to 66.

The Agency proposes to sell this site to a developer to redevelop it with a medium-density residential development on the entire block. The PFDA allows the Agency to select a developer and to enter into exclusive negotiations with that developer to define the terms of a Disposition and Development Agreement prior to the HUSD conveying the property to the Agency. To facilitate this, on April 23, 2007, the Council Downtown Committee recommended that staff prepare and issue a Request for Proposals (RFP) to solicit proposals from housing developers. The RFP was issued on May 11, 2007, with a due date of June 15, 2007. The RFP was issued to approximately 18 developers including local, regional and nation-wide firms, and it was also posted on the City of Hayward and the California Redevelopment Association websites. The RFP invited proposals for a medium-density residential development on the Site.

DISCUSSION

The RFP requested development proposals in which the site planning and architecture respect and complement the historic character of the surrounding neighborhood, as well as the principles of the Cannery Area Design Plan. Because of the depth of the Site, it was anticipated that the proposals may include units in the interior of the block. Other site development criteria included a requirement that no units fronting onto B and C Streets exceed two-stories and that garages be accessed from internal streets or alleys.

In response to the RFP, five developers submitted proposals including Citation Homes Central, Classic Communities, Pulte Homes, SummerHill Homes, and The Olson Company. The development proposals were rated by staff using the following criteria:

- Relevant experience of the development team in producing similar, high quality housing developments;

- Financial feasibility of the proposed development, including the demonstrated potential to generate land value in order for the Redevelopment Agency to defray Burbank School costs and HUD repayment obligations;
- Preliminary site-planning and architecture that compliments the historic character of the neighborhood and Cannery Area Design Plan;
- Commitment to the City's Inclusionary Housing Ordinance. In accordance with the Agency's prevailing wage policy, all new developments involving a DDA are subject to prevailing wages.

Having reviewed all five of the proposals, those submitted by Citation Homes Central and The Olson Company ranked the highest overall and far exceeded the others in terms of the offered purchase price for the land. Citation offered to pay \$6.2 million for the land and Olson offered \$5.7 million which is \$500,000 less. Citation is requiring that the Agency undertake the required environmental remediation on the Site, which is estimated to cost \$200,000, and Olson had included this in their proposal; hence, the actual differential for the purchase price for the land is \$300,000.

Staff conducted panel interviews with both developers and each was asked to make revisions to their proposal based on staff recommendation. In August, Citation and Olson submitted revised proposals with enhancements to site planning and architectural detail in particular. A summary of the proposals and site plans for both developers is attached. They were presented at a City Council/Agency Board Work Session on October 2, 2007. At the meeting, there was discussion about the merits and weaknesses of each proposal. Representatives of labor organizations attended the meeting and voiced concerns about labor practices at a housing development in Oakland in which Olson is the developer. Attachments E and F provide further background, plus Olson's response to the allegations made by labor representatives.

In general, staff believes that the proposals by Citation and Olson are both very good. Both developers are experienced with in-fill projects, have worked with redevelopment agencies, have developed affordable housing projects, and have committed to incorporating green building elements in their projects. Citation has more variety in unit size for the market, and has offered the highest purchase price of all five developers for the land. Citation has also indicated that it does not rely on institutional financing, and is stronger in terms of financial capacity. Olson on the other hand has the preferred site plan; however, it has unresolved issues with labor. In consideration of these factors, staff recommends that Citation be selected as the developer, with a provision that they work with staff to improve their site plan. It is recommended that the Agency Board authorize staff to enter into an Exclusive Negotiating Agreement with Citation for a period of 120 days, and to direct staff to work with the developer to modify their plans by addressing the following issues:

- Reduce the visual impact of rows of garages facing interior streets by reconfiguring lots so that additional units face or present side facades onto interior streets, or by interspersing landscaped areas to break up the monotony of the garage doors;
- Reduce the amount of impervious surfaces on-site, particularly roadways and consider ways of calming traffic and reducing auto-speeds along interior streets, possibly by reconfiguring streets;
- Provide functional private outdoor space for the housing units, as well as public landscaped areas, including pedestrian walkways and landscaped front set-backs;

- Differentiate between the B Street and C Street unit facades to reflect the architectural and scale differences between the two streets; consider providing some variation in building setbacks from the sidewalk, ensure that buildings located on corners have full architectural detailing on both corners, and consider providing elevated front porches; and,
- Identify specific *Green Building* elements, *Green Point* certification objectives and other sustainable building practices.

Such changes may require a reduction in the number of units on site, and may consequently affect the developer's pro forma.

FISCAL IMPACT

Staff recommends going for the higher price offer for the land of \$6.2 million. The anticipated proceeds from the sale will be used to reduce the amount of the obligation of the HUSD owed to the Agency for the costs associated with the construction of the new Burbank School which are budgeted at \$35,400,000. The cost of the new school was included in the projects the Agency financed through the issuance of tax allocation bonds in 2004 and 2006. As the bonds are paid down with tax increment, the proceeds from the land sale will be allocated back to the Agency's capital projects fund for new projects. The Agency also gains the tax increment as the area is redeveloped. Additionally, the selected developer would be required to submit a good faith \$50,000 deposit upon execution of the Exclusive Negotiation Agreement with the Agency. The deposit will be used to defray expenses incurred during negotiations and may be applied against the purchase price for the land once escrow closes.

PUBLIC CONTACT

Discussion about the Residual Burbank School Site has been on the agenda for the following public meetings:

Council Downtown Committee, April 23, 2007

City Council/Agency Board, Work Session, October 2, 2007

Hayward Area Redevelopment Committee, October 10, 2007

The Citation and Olson proposals were reviewed by the Hayward Area Redevelopment Committee (HRAC) on October 10, 2007. Though they did not take any action, a majority of the Committee members expressed a preference for the Olson's conceptual site plan; however, some members also thought Citation is stronger in terms of financial capacity,

NEXT STEPS

It is proposed that staff report back to the Agency Board at the end of the 120-day negotiating period to evaluate progress with respect to staff's concerns regarding design issues. During the negotiations period, it is expected that the developer would submit plans and apply for project

entitlements, including the zoning and General Plan changes discussed above. As a result, project planning approvals could be brought forward at the time the Agency Board considers approving a DDA with the developer. If negotiations are concluded within a six month target timeframe, a DDA could be entered into by May 2008, and the Site could be formally transferred to the developer shortly after the new school is ready for occupancy in August 2008.

Prepared by:



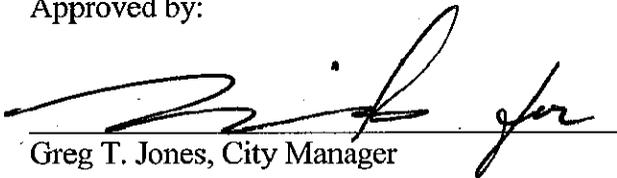
Maret Bartlett
Redevelopment Director

Recommended by:



Susan J. Daluddung, Ph.D.
Director of Community and Economic Development

Approved by:



Greg T. Jones, City Manager

Attachment A -- Site Map
Attachment B -- Summary of Developer Proposals
Attachment C -- Citation Homes Central Conceptual Site Plan
Attachment D -- The Olson Company Conceptual Site Plan
Attachment E -- Trade Letters
Attachment F -- The Olson Company Letter
Resolution

**DUE TO THE COLOR OF THE
REFERENCED ATTACHMENT, IT
HAS BEEN ATTACHED AS A
SEPARATE LINK**

DRAFT

10/18/07

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-07-

Introduced by Agency Member _____

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD AND CITATION HOMES CENTRAL FOR A PROPOSED RESIDENTIAL DEVELOPMENT AT THE RESIDUAL BURBANK SCHOOL SITE

BE IT RESOLVED by the Agency Board of the City of Hayward that the Executive Director is hereby authorized and directed to execute on behalf of the Redevelopment Agency, for a period of 120 days, an Exclusive Negotiating Agreement with Citation Homes Central for a proposed residential development at the residual Burbank School Site, in a form to be approved by the City Attorney and providing for Citation Homes Central's payment of a \$50,000 deposit upon execution of the Exclusive Negotiating Agreement with the Agency.

HAYWARD, CALIFORNIA _____, 2007

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:
