

**DATE:** January 27, 2009

**TO:** Redevelopment Agency Board Members

**FROM:** Redevelopment Director

**SUBJECT:** Authorization to Extend Exclusive Negotiating Agreement with MIKA Realty Group for a Proposed Mixed Use Development at City Center Campus

### **RECOMMENDATION**

That the Agency Board adopts the attached resolution authorizing the Executer Director to extend the Exclusive Negotiating Agreement with MIKA Realty Group for a proposed mixed use development at the City Center Campus.

### **BACKGROUND**

In January 2008, the Agency Board authorized the Executive Director to enter into a into an Exclusive Negotiating Agreement (ENA) with MIKA Realty Group (MIKA) for seven months to evaluate the feasibility of various development options for the City Center Campus (the "Site"), as depicted in Attachment A. At that time, MIKA was in contract to purchase the 11-story, former City Hall office building from a private party. In May 2008, the ENA was finalized and executed. In early June 2008, MIKA submitted a development application to remodel the 11-story office building, construct a six-story hotel with 153 guestrooms and an approximately 18,000 square foot conference center on the site of Centennial Hall, and to develop 162 units of housing above the City-owned parking structure. At the end of June 2008, the developer closed escrow and took possession of the 11-story office building. During the summer of 2008, MIKA conducted various engineering, geological, and environmental studies to determine the requirements and feasibility of redeveloping the Site. In September 2008, the U.S. Green Building Council issued a precertification that the project qualifies for gold level under Leadership in Energy and Environmental Design (LEED).

### **DISCUSSION**

Entitlement of the project has moved forward, though at a slower pace than provided for in the ENA. It has also taken longer than anticipated to establish development costs for the project, as well as to obtain a commitment from a hotel chain. This, coupled with the uncertainty in the economy and the crisis in the national financial sector, has resulted in negotiations not being completed within the seven month timeframe. The ENA expired in December 2008, and at that time

MIKA requested that the negotiating period be extended for 7.5 months through mid-July 2009. Subsequently, MIKA has submitted pro-forma development costs for the project, which are being analyzed by staff and a financial consultant. The Planning Application was also deemed complete in December. There are several proposed “green” site and architectural design features to this project which will make this an exciting addition to the City of Hayward, including green roofs, decorative wind turbines in the office plaza, and water-saving irrigation systems.

MIKA has obtained a franchise commitment from Hyatt Hotels for the hotel portion of the project. The hotel would carry the “Hyatt Place” brand, which Hyatt distinguishes as mid-scale hotel chain catering to the business traveler, including a self-service cafe, fitness and swimming facilities, and computer workstations in each suite. While Hyatt Place currently has converted hotels with in Dublin, Fremont, and Sacramento, this is the first hotel in the area to be designed and built from the ground-up under this brand. A Hyatt-approved hotel operator, Crescent Hotels & Resorts, is proposed to be the operator of the conference facility. A copy of Hyatt’s commitment letter is attached.

Business terms will be discussed in the upcoming months. As part of these discussions, staff will seek to ensure that the new conference facility can accommodate many of the existing functions that are currently held at Centennial Hall. Centennial Hall is currently scheduled to close by the end of the fiscal year, and it will be approximately two-years before the new facility is completed. As a result, the City will look for short-term substitute venues, and will be accounting for the early closing of Centennial Hall as part of project discussions. In addition, staff has had preliminary conversations with Cal State University East Bay (CSUEB) about the possibility of their involvement in this project. CSUEB has a growing hospitality management program, and it may be possible to incorporate internships or other training into the conference center program. Additionally, some portion of the proposed housing may be set aside for CSUEB faculty.

## **FISCAL IMPACT**

Extension of the ENA with MIKA in itself would have no fiscal impact to the Agency in the short term. Over the long term the fiscal impact is contingent upon how the site is redeveloped. The Agency would gain tax increment generated from the re-use of the office building. If adjacent portions of the site now used for Centennial Hall and the City parking structure were redeveloped for private use, additional tax increment and sales tax would be generated by the new mixed use development and from new residents supporting existing retail. Also, a hotel and restaurant would generate transient occupancy tax and sales tax. Staff anticipates some level of financial participation by the City/Agency, the details of which remain to be negotiated.

## **PUBLIC CONTACT**

Discussion about the City Center Campus has occurred at the following public meetings:

City Council/Agency Board, January 16, 2007 – Authorized one-year extension of tentative tract map for Centennial Towers and agreement to issue Request for Proposals (RFP) for redevelopment of former 11-story City Hall and adjacent Centennial Hall and City parking structure.

Council Downtown Committee, February 26, 2007 – Directed staff to enter into professional services agreement to prepare site for sale/development.

Council Downtown Committee, March 26, 2007 – Reviewed and commented on conceptual development site plan alternatives.

City Council/Agency Board Work Session, May 8, 2007 – Reviewed and commented on conceptual development site plan alternatives to be included in RFP.

Hayward Redevelopment Area Committee, October 10, 2007 – Reviewed and commented on RFP issued by staff for the site – no action taken.

City Council/Agency Board Work Session, January 8, 2008 – This project was discussed in terms of the Agency priorities.

City Council/Agency Board, January 29, 2008 - The Agency Board authorized the Executive Director to enter into an ENA with MIKA.

#### **NEXT STEPS**

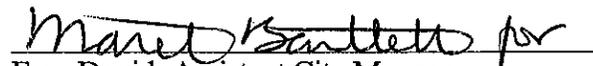
If approved, the ENA extension will be executed immediately. The new ENA schedule calls for the development review to be completed by the end of March. Project negotiations would be completed by May, and the Disposition and Development Agreement completed in June. The development applications are currently being reviewed and the environmental review has been initiated. The project is tentatively scheduled to be reviewed by the City Council/Agency Board in a work session in April 2009. If negotiations are completed in a timely manner, it is anticipated that the project could go before the Planning Commission in June 2009 and to the City Council/Agency Board in July 2009, for approval of the project and a disposition and development agreement.

Prepared by:



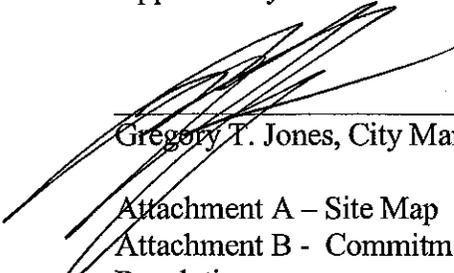
Paul Dalmon, Redevelopment Project Manager

Recommended by:



Fran David, Assistant City Manager

Approved by:



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Gregory T. Jones, City Manager

Attachment A – Site Map

Attachment B - Commitment Letter  
Resolution

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



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Chicago, IL 60606

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**VIA FEDERAL EXPRESS**

The Golshan Group, Inc.  
12121 Wilshire Boulevard, Suite 1112  
Mr. Rich Barreca  
Mr. Kevin K. Golshan  
Los Angeles, CA 90025  
(310) 442-8383

Dear Sirs,

Hyatt Place Franchising, LLC ("Hyatt Place") is pleased to advise you that on November 14, 2008, the Select Development Committee approved your Franchise Application for a 153-room Hyatt Place hotel in Hayward, California.

This approval is contingent upon the following conditions:

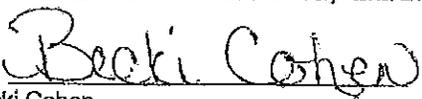
1. Satisfaction of all conditions set forth in the Franchise Application
2. Your immediate submission and Hyatt Place's approval of any outstanding documentation
3. Implementation of Design and Review comments
4. Your execution of the Franchise Agreement within 120 days from the date of this letter
5. No material changes to any of the information provided in your Franchise Application prior to execution of the Franchise Agreement

Please note that until the Franchise Agreement is fully executed, any use of "Hyatt" trademarks, service marks, or logos in any manner in connection with the hotel is prohibited.

We look forward to working with you toward finalization of the above and execution of your Hyatt Place Franchise Agreement. You may expect a member of our Design and Technical Support Team to contact you shortly. Please feel free to contact me directly at (312) 780-5483 should you have any questions.

Sincerely,

HYATT PLACE FRANCHISING, L.L.C.

By:   
Becki Cohen  
Real Estate Development-Executive Assistant

# DRAFT

## REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-\_\_\_\_\_

Introduced by Agency Member \_\_\_\_\_

*me*  
*1/22/09*

### RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE AN EXTENSION TO THE EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD AND MIKA REALTY GROUP FOR A PROPOSED MIXED USE DEVELOPMENT AT CITY CENTER CAMPUS

WHEREAS, in January 2007, the Redevelopment Agency Board of the City of Hayward directed staff to issue a Request for Proposals (RFP) for the redevelopment of the privately-owned office building located at 22300 Foothill Boulevard, the City-owned Centennial Hall and the adjacent City-owned parking structure; and

WHEREAS, in January, 2008, the Agency Board authorized the Executive Director to negotiate and execute an Exclusive Negotiating Agreement with Mika Realty Group for a period of seven months for redevelopment of the site or a portion thereof, which ENA was executed in May, 2008; and

WHEREAS, entitlement of the project has proceeded at a slower pace than expected as a result of the uncertainty in the economy and current financial crisis and difficulties establishing development costs and obtaining a commitment from a hotel chain.

NOW, THEREFORE, BE IT RESOLVED by the Agency Board of the City of Hayward that the Executive Director is hereby authorized and directed to negotiate and execute on behalf of the Redevelopment Agency an extension of the ENA for a period of seven and one-half months, in a form to be approved by the City Attorney.

HAYWARD, CALIFORNIA \_\_\_\_\_, 2009

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