



**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 01/23/07

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS #2

**TO:** Mayor and City Council  
**FROM:** City Manager  
**SUBJECT:** Update on The Cannery Project

The purpose of this agenda report is to provide the City Council with a status report regarding the residential development underway in the Cannery and to obtain concurrence relative to an inclusionary housing issue described later in this report.

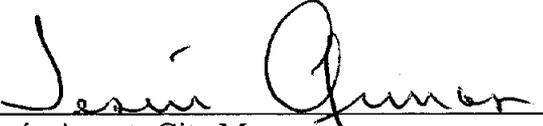
In keeping with the Cannery Plan, in December of 2005, the City Council approved development applications submitted by the Felson Companies and Citation Homes. Totaling 628 units, the Felson project comprised 333 condominiums and 16 duet-style homes, while the Citation project included 279 condominiums. Subsequently, Citation purchased the Felson project, and is responsible for implementation of both projects. Since the Council's approval, considerable activity has occurred, which is more fully detailed in the accompanying letter from Charles McKeag.

As part of the approval process, both projects were required to satisfy the City's inclusionary housing requirements. Additionally, because the Cannery is in the redevelopment area, it was also necessary to satisfy certain requirements with regard to the production of very low income units. More specifically, Felson was responsible for 32 moderate income units, and 21 very low income units. For Citation, it was responsible for 26 moderate income and 17 very low income units. For both projects, the moderate income will be developed on-site, while the very low income units are being satisfied via the construction of Eden's senior housing project (60 units) at Grand and C.

The Cannery Plan also calls for residential units on what is called the Libitzky property, which property contains a trucking operation. There is a valid use permit, although the permit expires in 2010. As noted in the attachment, Citation has an option to purchase this property, and plans to develop it consistent with the Cannery Plan. Under the Cannery Plan, approximately 170 could be developed on the property. Considering this level of development, a total of 16 moderate and 10 very low income units will need to be generated.

An issue has emerged with regard to compliance with the requirement associated with the production of very low income housing units. (Construction of moderate income units is not at issue, as they will be constructed on site.)

Although not documented, (because the Council did not have before it an application pertaining to the Libitzky property), as described in Mr. McKeag's letter, it has been assumed that Citation would be able to satisfy the production of very low income units via its participation in the Eden project. Due to the absence of documentation, staff seeks Council's concurrence with this interpretation.

  
\_\_\_\_\_  
Jesús Armas, City Manager

Attachment



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January 15, 2007

Jesús Armas  
City Manager  
City of Hayward  
777 B Street  
Hayward, CA 94541

**Re: Cannery Area Project Update**

Dear Mr. Armas:

This letter follows up on our recent conversation regarding my company's effort to implement our portion of the Cannery Area redevelopment project. As you know, the City Council approved our Vesting Tentative Map and Planned Development applications back in December of 2005. Since that time, we have worked closely with City Staff to finalize the detailed plans that will guide construction of the streets, utilities, and landscaping components of the project. We expect to complete the subdivision design process and bring the project back to the Council for Final Map approval within the next six to eight weeks. In the meantime, our architects will continue processing final construction plans for the various residential products, with an eye toward securing model home permits by April.

Now that we are nearing the end of the "paper" phase of the project, we thought you and the Council might appreciate an update on our near-term plans for site preparation and construction, as well as other planning and construction activities related to the Cannery. Toward that end, attached is a document that summarizes the work we have completed to date and outlines a rough schedule for and description of future events within the Cannery. Please feel free to share these materials with your staff and the Council as you deem appropriate.

SCS Development Co.

We appreciate your continued support of the project, and we look forward to working with you in the coming months as we strive to bring this new community from paper to reality.

Sincerely,

A handwritten signature in black ink, appearing to read 'CGM', with a long horizontal flourish extending to the right.

Charles G. McKeag

CGM/gkm

# **Cannery Place Project Hayward, CA**

**Development Progress Summary  
January 2007**

## **Project Background**

At the end of 2004, Citation Homes acquired 20 acres of land located in the heart of the Hayward Cannery Area. Citation began processing a development application for its property in early 2005. In June 2005, Citation secured an option to purchase an additional 26 acres of land from the Felson Companies, a local developer and apartment builder. Throughout the balance of 2005, Citation and the Felson Companies worked side-by-side with the City to complete a comprehensive development plan that includes 628 townhouse-styled condominiums, a small neighborhood retail facility, and a series public and private park and recreational amenities.

The project will also include the development of an affordable senior housing facility on land adjacent to the Downtown BART Station. The 60-unit senior project, which is being developed as a joint venture between Eden Housing and Citation, will provide much needed housing for seniors whose incomes fall below 50% of the area median income. In addition, the building will include ground floor space for Eden Housing's new corporate offices.

The City Council approved the Citation and Felson projects on December 13, 2005, and the senior project was approved in June 2006. Citation has since acquired fee title to the former Felson property, and intends to start construction of new homes in March 2007. Eden Housing has secured tax-credit financing for the senior facility and expects to break ground on the project in March 2007.

The various phases of the Cannery project (which Citation now calls "Cannery Place") are depicted on the attached site plan. Approximate locations for model homes and construction staging are highlighted within each tract.

## **Development Status**

### **Entitlements**

#### ***Cannery Place*** (628 townhouse-style condominiums)

- Tentative Maps & PD approved December 13, 2005
- Precise Plans approved September 11, 2006
- Final Maps scheduled for Council approval February/March 2007

#### ***Eden Senior Project*** (60 affordable senior units)

- Site Plan approved by Planning Commission June 2006
- Tax Credits Allocated September 21, 2006
- Parcel Map & Building Permits Pending City Approval

## **Site Preparation & Deconstruction**

### ***Cannery Place***

- All existing structures removed as of December 2006 (two large warehouse buildings totaling over 600,000sf)
- Soil remediation underway (approx. 15,000 tons of soil contaminated with lead & arsenic are being removed under RWQCB oversight)
- Concrete Recycling underway (all foundation material from demolition is being crushed to serve as aggregate baserock for new streets, etc.)
- Rough Grading to begin February 2007

### ***Eden Senior Project***

- All existing structures removed as of June 2006 (former potato washing facility and related outbuildings)
- Soil remediation complete as of October 2006 (surficial soil was impacted with lead & other metals)
- Rough grading to begin February/March 2007

## **Construction Activity**

### ***Cannery Place***

- Installation of underground utilities & streets to begin March 2007
- Replacement of water line in Myrtle Street to begin Spring 2007
- Model Home construction to begin April/May 2007
- First occupancy of new homes by early 2008

### ***Eden Senior Project***

- Site Grading to begin March 5, 2007
- Building construction to begin March 19, 2007
- Office buildout to begin November 1, 2007
- First occupancy of residential units by June 1, 2008
- Eden to occupy new office by June 1, 2008

## **Upcoming Events**

### **Possible Sale to Meritage Homes**

Citation is currently under contract to sell a portion of Tract 7613 to Meritage Homes Corporation. Meritage is a large, publicly traded homebuilding company headquartered in Scottsdale, AZ. The deal between Citation and Meritage contemplates that Meritage will acquire and build 171 out of the 628 units planned for the Cannery Place project. The transaction is scheduled to close escrow immediately following Council approval of a Final Map for the project. However, as a result of the recent downturn in the market for new homes, Meritage has expressed some doubt about its ability to consummate the deal. In the event Meritage is unable to perform, Citation will most likely build the entire project itself or find another buyer

for that portion of the project. In either event, Citation still anticipates that the project will be ready to come out of the ground in March or April of this year.

### **Development of Libitzky Property**

The final phase of the main portion of the Cannery Area Design Plan is the so-called "Libitzky Property" that lies immediately adjacent to Citation's Cannery Place parcels. For years, the Libitzky property has been occupied by various trucking and logistics outfits. The use permit and lease under which those businesses currently operate expires in August of 2010. Once the current tenants vacate the premises, the property will be ready for conversion to residential use consistent with the Design Plan.

In March of 2006, after months of negotiations, Citation succeeded in acquiring an option to purchase the Libitzky property. Since that time, Citation has worked with its engineers and architects to develop a site plan concept that will dovetail nicely with the previously-approved elements of the Cannery project. Citation intends to submit its formal development plans to the City for review and approval immediately following approval of the Final Maps for the other portions of the project. In the meantime, Citation is working with the owners of the Libitzky property to resolve a number of complicated boundary and entitlement issues that are critical to the success or failure of the pending transaction between the two parties.

One such issue relates to Citation's partnership with Eden Housing. During the entitlement process for Cannery Place, Citation discussed with the City how certain aspects of its project would correlate with the future development of the Libitzky property. One important element of those discussions was the extent to which Citation's up-front contribution to the Eden Housing senior project (approximately \$5.5 million in land, cash, and other in-kind donations) might benefit future development on the Libitzky property. Citation's Inclusionary Housing Plan contemplated that both the Felson and Libitzky properties would be eligible for an affordable housing credit sufficient to satisfy the Redevelopment Agency's requirement for producing "very low" income units within the borders of each project. This assumption was an important element of the economic feasibility of Citation's subsidy plan, and it became an important part of the deal between Citation and the owners of the Libitzky property.

Unfortunately, the documents presented to the City Council as part of Citation's original tentative map application do not discuss this aspect of the plan explicitly. As such, Citation and the owners of the Libitzky property are left seeking further assurance from the City that the original concept regarding credit for "very low" income housing units remains intact. Once such assurance is secured, both parties will be able to move forward with plans to redevelop the property.

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