



CITY OF
HAYWARD
HEART OF THE BAY

WS

DATE: September 11, 2007

TO: Mayor and City Council
Planning Commission

FROM: Community and Economic Development Director

SUBJECT: Review of Revised Proposal by Legacy Partners Related to the South of Route 92 Specific Plan Amendment Study

RECOMMENDATION

That Council and the Planning Commission review the information in this report and provide staff with feedback on changes to the proposed land uses by Legacy Partners for the undeveloped approximately 60 acres in the eastern portion of the South of 92 Specific Plan Area.

SUMMARY

The Legacy Partners (Legacy) proposal is regarding approximately 60 acres in the eastern portion of the South of 92 Specific Plan Area. Legacy last presented their proposed plan for this property to Council and Commission on May 1, 2007, at which time Council and Commissioners did not support the concept and made several alternative suggestions.

Legacy has worked with staff to incorporate these changes and is now presenting a revised plan for consideration before a joint session of the Planning Commission and the City Council. Changes to the plan that Legacy has made include:

- slightly reduced the number of housing units,
- grouped the housing units and located them at the southeast portion of the site adjacent to the Oliver Sports Park,
- moved the regional retail use to near the intersection of Industrial Boulevard and Hesperian Boulevard,
- added a fitness facility at the southeast corner of Marina Drive and Industrial Boulevard, and
- slightly reduced the square footage of the neighborhood retail use and relocated it to along Eden Shores Boulevard.

Exhibit A shows the current proposal and Exhibit B shows the previous proposal.

The central issue associated with the proposal is whether the variety of land uses proposed by Legacy, which includes additional housing, neighborhood and regional retail, and office/business park uses, are more desirable than uses that would be allowed via another development concept, including per the existing Specific Plan. Development under the existing Specific Plan would allow neighborhood retail uses on three acres and a variety of office uses, including research and development and medical and dental clinics, on the remaining acreage.

BACKGROUND

In February of 1998, City Council adopted a resolution approving the South of Route 92 Specific Plan and related documents. A condition of that approval required that a ballot measure supporting the resolution (Measure HH) be approved by the voters of Hayward. In November of 1998, Measure HH was approved, which allowed implementation of the Specific Plan. As indicated in that measure, the City Council retained the authority to approve future amendments to the land use policies applicable to the Specific Plan area properties.

Utilizing that authority, in the fall of 2005, the City Council amended the Specific Plan by approving residential uses for the approximately 28-acre property located along the east side of the Union Pacific railroad tracks, west of Marina Drive. That property was previously designated in the Specific Plan as "Light Manufacturing" and is currently being developed with single-family and townhome residential units.

The existing Specific Plan land use designations for the currently proposed project area is *Business Park*, except for approximately 3 acres along Hesperian Boulevard, which is shown as neighborhood-serving *Retail Commercial* (see Exhibit C). The associated General Plan and Zoning Ordinance designations reflect the Specific Plan, which show *Industrial Corridor* (G.P.) and *Business Park* (Z.O.) for all but three acres of the project area, with three acres designated as *Retail and Office Commercial* (G.P.) and *Retail Commercial* (Z.O.).

On November 14, 2006, the City Council authorized work to begin on the South of Route 92 Specific Plan Amendment Study. The purpose of the study was to evaluate potential revisions to the Specific Plan that would allow for consideration of a greater variety of land uses within the study area.

Since November of last year, a market analysis, fiscal impact analysis, and traffic impact analysis were completed for three land use alternatives, to determine feasibility and impacts of a variety of land use concepts. The three land use alternatives included Alternative 1: existing Specific Plan land use designations; Alternative 2: Legacy's previous proposal that showed a variety of land uses, including housing, neighborhood and regional retail, and office uses; and Alternative 3: similar to Alternative 2, except housing was replaced with office use.

Two joint work sessions were held in February and early May of this year that summarized the three land use alternatives and the various studies. While comments supported expansion of the commercial retail area, concerns were expressed about accommodating additional housing at the expense of reducing the space available for future business park uses.

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Staff also hosted two community meetings this year in the Eden Shores neighborhood, which occurred on March 7 and May 16. Broad support was expressed for Legacy’s proposal, in part because of the greater mix of land uses, including the provision of commercial retail opportunities, and the transition between the current housing and proposed development. Attendees expressed the desire to have high-quality retail stores and an Asian-American market, but voiced concerns with traffic, as well as visual impacts to the Hesperian Boulevard entry into their neighborhood. Some residents suggested that the regional retail use be moved to be closer to the Industrial/Hesperian intersection.

DISCUSSION

A summary of possible development scenarios under the three land use alternatives and the revised proposal from Legacy is shown in the following table.

Alternatives Development Summary

Land Use Alternative	Office-flex/R&D	Neighborhood Retail	Regional Retail	Residential
Alternative 1: Existing Specific Plan	53.4 ac. 1,400,000 sf	3.0 ac. 33,000 sf	None	None
Alternative 2: Legacy’s Previous Proposal	20.1 ac. 502,500 sf	6.3 ac. 66,500 sf	15.5 ac. 160,000 sf	14.6 ac. 174 units
Legacy’s Revised Proposal*	20.5 ac. 500,000 sf**	5.4 ac. 56,000 sf	16.5 ac 160,000 sf	14.4 ac. 167 units
Alternative 3: Office/Biotech/Retail	34.7 ac. 907,000 sf	6.3 ac. 66,500 sf	15.5 ac 160,000 sf	None

*revised per the project proponent in response to comments received on previous proposal

** includes 42,000 square foot fitness facility

Comparison of Legacy’s Previous Proposal (Exhibit B) with Current Legacy Proposal (Exhibit A)

The current proposal is indicating three-story office buildings along Industrial Boulevard and in the northwest portion of the project area. Along the east side of Marina Drive, the site plan indicates a larger, three-story medical office building and several single-story, smaller office buildings. Also shown is a 42,000 square foot fitness center. Although such use is shown within the office/business park area, it would provide a service for both residents and workers in the area and would be compatible with and complement the business park/medical offices uses. Legacy’s current proposal shows office uses on 0.4 more acres compared to the previous proposal, but slightly less square footage (2,500 square feet). Additionally, due to a reconfiguration of uses, buildings with a parking structure in the northwest portion of the site are arranged in a more traditional, interconnected campus style development, rather than in a linear configuration along Industrial Boulevard as was

previously shown. Also, the potential noise impacts from trains to residents associated with the previous proposal has been eliminated since such housing has been replaced by office uses. Furthermore, office uses are now shown along the east side of Marina Drive, south of Industrial Boulevard, which would replace parking lot area for the regional retail use that was previously shown across from the Bridgeport residential development being constructed along Marina Drive. In summary, the amount of parking lot area across from the Bridgeport residential development has been greatly reduced and deeper business park/ areas have been provided to allow potential for a more traditional campus style development that would contain a variety of interconnected buildings to enhance the environment for workers.

The amount of neighborhood serving retail use has been reduced by 10,500 square feet and 0.9 acres. However, the relocation of this retail to north of Eden Shores Boulevard would provide greater opportunities to cater to the neighborhood and enhance the aesthetic environment along Eden Shores Boulevard for residents in that area, compared to the previous proposal. The relationship and shared parking potential for the regional and neighborhood serving retail is also enhanced with the revised proposal.

The regional retail building and parking lot are shown relocated northward to take greater advantage of the major intersection of Industrial Boulevard and Hesperian Boulevard. Such relocation would minimize traffic and noise impacts to residential uses to the east and would provide easier access for shoppers of that facility. Additionally, such location would provide easier access for future business park and office users along Industrial Boulevard eastward toward I-880.

The number of residential units is slightly reduced and will occupy two less acres. The biggest difference with regards to the residential units is that the current proposal now shows all the units together adjacent to Hesperian Boulevard and Eden Shores Boulevard, north of the 25-acre sports complex. Additional parking is shown between the two residential developments, to accommodate overflow parking from the sports complex during peak activity, as has been requested by staff of the Hayward Area Recreation and Park District. Noise impacts from Hesperian Boulevard traffic would need to be addressed through design, particularly for those townhouse units that would face onto Hesperian Boulevard.

Comparison of Specific Plan (Exhibit C) with Current Legacy Proposal (Exhibit A)

Possible development under existing land use designations in accordance with the Specific Plan would result in 183,000 square feet less retail space than the current Legacy proposal, 160,000 square feet of which is regional retail use. The acreage allocated for neighborhood retail use in the Legacy proposal is nearly double that of the Specific Plan. However, due to the inclusion of housing and more retail space in the Legacy proposal, development would result in over 885,000 square feet less office space that could be realized per the Specific Plan.

The analyses performed for the original three land use alternatives are still relevant and will not require changes. The revised proposal from Legacy would fall within the development amounts of three land use alternatives and therefore, additional analysis was not conducted. The original mitigations proposed would still be required during project development.

It should be noted that at this stage in the process, General Plan Land Use and Zoning designations are being contemplated, along with associated changes to the Specific Plan and its Development Guidelines. Specific review of development projects would occur at a later time, whether the Specific Plan is amended or not. Such specific reviews would entail analysis of proposed building designs and layout and, depending on the specific uses, review of conditional use permit applications.

Staff Analysis

Staff believes that the revised proposal from Legacy is superior to the previous one for the following reasons:

1. Moving the regional retail use to the corner of Industrial Boulevard and Hesperian Boulevard is a more appropriate location for such use, since it would be along major arterials and further away from residential uses. Such location would provide more convenient access to users from I-880, including future office workers along Industrial Boulevard.
2. Relocating the neighborhood retail center to the north of Eden Shores Boulevard would provide opportunities to enhance the visual corridor and entry to the residential neighborhoods to the west that will soon total over 820 units, providing for more pedestrian-friendly design, and would provide opportunities for shared parking potential with the regional retail use to the north. Visibility of the center from Hesperian Boulevard would be retained in that the center would still abut that major arterial.
3. The arrangement of office uses would facilitate campus style development at the northwest area of the site that could include pathways, picnic areas and other enhanced features typically found in modern campus style developments, and would minimize impacts to residential uses across Marina Drive, compared with impacts associated with retail uses and related parking lots.
4. Housing to include both single-family units and townhomes adjacent to the 24-acre sports complex would encourage greater use of such facility by new residents, would be more compatible with existing residential development to the west, would provide housing in close proximity to neighborhood-serving retail uses, which would encourage pedestrian activity, and would provide additional parking opportunities for the users of the sports complex.

Compared to the existing Specific Plan, Legacy's proposal would provide:

1. greater retail opportunities in an area that lacks such opportunities, which would provide more sales tax revenues for the City coffers,
2. a mix of land uses that would be compatible with and help generate greater potential for more immediate development of office/business park uses and which would still provide opportunity for a campus style development and other office uses that would total to more than a half-million square feet, with Hayward currently having over one million square feet of vacant inventory,
3. additional needed housing in an arrangement that would take full advantage of nearby neighborhood-serving retail uses and the sports complex, encouraging less dependence and use of the automobile, while providing property transfer tax revenues, and
4. introduce a new regional retail use to further enhance sales tax revenues for the City.

ENVIRONMENTAL REVIEW

Since the May work session, staff prepared and circulated a draft Mitigated Negative Declaration for the proponent's proposal, which concluded that all potentially significant environmental impacts, including traffic impacts, could be mitigated to less-than-significant levels. Staff anticipates preparing a technical memorandum to the Mitigated Negative Declaration, summarizing changes to the project previously analyzed.

FISCAL IMPACT

A fiscal impact analysis was conducted for the original three land use alternatives, which included Legacy's previous proposal. As stated previously, additional analysis was not conducted.

Legacy's previous proposal (Alternative 2) is anticipated to provide a net fiscal benefit to the General Fund of about \$39.4 million over a twenty-year period to 2016. This type of office and retail development mix, especially one which includes a regional retailer, generates significant General Fund revenues, about \$54.3 million, in the form of sales taxes, property taxes and property transfer tax revenue. However, the presence of the housing component in the development mix also results in additional service costs in the City budget of about \$14.9 million, resulting in the net benefit of \$39.4 million over 20 years.

In comparison, the existing Specific Plan (Alternative 1, which represents status quo), a mix of business park uses with a much smaller retail component, created only \$9.9 million in net benefit.

A modified version of Legacy's proposal (Alternative 3), which included additional office/flex uses instead of the residential uses, would generate a slightly higher net fiscal benefit of \$39.9 million. While this alternative yielded less revenue, it also resulted in lower costs to service the project area. The end result is that both Alternative 2 and Alternative 3 are comparable in terms of net revenue. Again, staff believes that the fiscal impacts of the revised proposal by Legacy would be similar to that reflected in previous Alternative 2.

Legacy indicates that their financial assessment relies on the housing to make the project viable in their business model. Housing is also critical to the City in generating additional sales tax dollars from the increased household spending. Also, property transfer tax dollars would be generated when a residence is sold, which would occur less frequently with office or business park uses. The market for large, single-use business parks is weak and the property is projected to stand unused after a decade with designation as Business Park. A detailed summary of the fiscal impact analysis is shown in the following table.

**Fiscal Impact Summary For Each Land Use Alternative
In 5 Year Increments (Nominal/Current Dollars)**

Alternative #1					
	2007-2011	2012-2016	2017-2021	2022-2026	Total
5-Year Revenue	\$ 1,546,941	\$ 3,697,727	\$ 5,852,884	\$ 8,447,448	\$ 19,545,000
5-Year Cost	\$ 529,906	\$ 1,518,134	\$ 2,890,840	\$ 4,689,900	\$ 9,628,780
Net Fiscal Impact	\$ 1,017,035	\$ 2,179,593	\$ 2,962,044	\$ 3,757,548	\$ 9,916,220
Alternative #2					
	2007-2011	2012-2016	2017-2021	2022-2026	Total
5-Year Revenue	\$ 5,249,822	\$ 14,279,435	\$ 16,114,192	\$ 18,663,341	\$ 54,306,790
5-Year Cost	\$ 1,560,958	\$ 3,513,782	\$ 4,414,587	\$ 5,401,451	\$ 14,890,778
Net Fiscal Impact	\$ 3,688,864	\$ 10,765,652	\$ 11,699,605	\$ 13,261,890	\$ 39,416,011
Alternative #3					
	2007-2011	2012-2016	2017-2021	2022-2026	Total
5-Year Revenue	\$ 3,590,218	\$ 12,730,321	\$ 15,347,114	\$ 17,686,163	\$ 49,353,816
5-Year Cost	\$ 618,301	\$ 1,913,015	\$ 3,020,541	\$ 3,931,892	\$ 9,483,748
Net Fiscal Impact	\$ 2,971,917	\$ 10,817,306	\$ 12,326,573	\$ 13,754,271	\$ 39,870,068

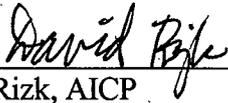
NOTICING

A June 14 public hearing before the Planning Commission was scheduled, but Legacy Partners requested that such hearing be postponed to allow further revisions to their proposal. Staff had received a letter of support for Legacy's proposal from the Eden Shores Homeowners' Association president. Notice of this joint work session was sent to interested parties, including the Eden Shores homeowners association.

NEXT STEPS

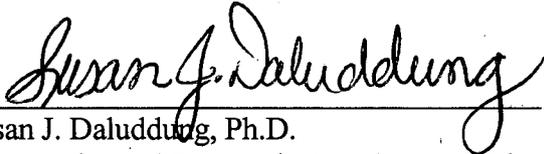
In response to an application and revised proposal from Legacy partners, Inc., upon concurrence from City Council, staff will be presenting to the Planning Commission recommended revisions to the South of Route 92 Specific Plan and the related Development Guidelines, as well as amendments to the General Plan and Zoning Ordinance. Staff will also be presenting a technical memorandum to the Final Mitigated Negative Declaration (MND), in accordance with the California Environmental Quality Act, summarizing changes to the proposed project. A public hearing is scheduled before the Planning Commission for September 20. The Planning Commission will make recommendations to the City Council, which is tentatively scheduled to have a public hearing on October 9.

Prepared by:



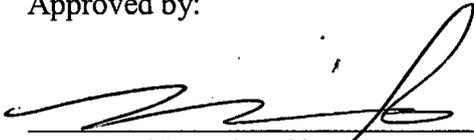
David Rizk, AICP
Planning Manager

Recommended by:



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

Approved by:



Fran David, Acting City Manager

Attachments:

- Exhibit A: Current Proposal by Legacy
- Exhibit B: Previous Proposal by Legacy (Alternative 2)
- Exhibit C: Land Uses per Existing Specific Plan (Alternative 1)
- Exhibit D: Third Land Use Alternative (Alternative 3)

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