



CITY OF
HAYWARD
HEART OF THE BAY

WS # 3

DATE: October 2, 2007
TO: Redevelopment Agency Board Members
FROM: Director of Community and Economic Development
SUBJECT: Presentation of Finalists for a Proposed Residential Development at the Residual Burbank School Site

RECOMMENDATION

That the Agency Board reviews and comments on this report.

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 redevelopment of the existing Burbank School site, once vacated, in a residential capacity.

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 unused portion of 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 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 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 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.

DISCUSSION

The Agency proposes to sell the 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 exclusion negotiations with that developer to negotiate 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. On May 11, 2007, the RFP was issued 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.

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 on the interior of the block. Other site development criteria would included a requirement that no units exceed two-stories at the street face, 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. A summary of the proposals is attached and they 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 HUSD 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.

Having reviewed all five of the proposals, those submitted by Citation Homes Central (Citation) and The Olson Company (Olson) ranked the highest overall and far exceeded the others in terms of the purchase price offered for the land. Staff conducted panel interviews with Citation and Olson and both were asked to make revisions to their proposals based on staff recommendations. In August, Citation and Olson resubmitted their proposals with enhancements to site planning and architectural detail in particular. Conceptual Site Plans for both developers are attached.

Citation: The Citation proposal consists of 60 single-family detached homes on small lots ranging from 1,472 to 2,400 square feet. In accordance with the Inclusionary Housing Ordinance, nine of the units will be sold at below market rate with resale restriction for a minimum of 45 years. As depicted in the attached conceptual site plan, those units along the perimeter of the site will have fronts facing exterior streets. The units on the interior of the site will have fronts facing an internal walkway. There are two internal drives in an east-west direction with two entrances along Myrtle Street. Garages for all units will open onto the internal drives. The site plan provides for private open space for each unit on front porches and/or front yards. The units facing B, C, and Myrtle Streets will be 2-story ranging in size from 1,846 to 2,104 square feet with 4 to 5 bedrooms and up to 3.5 bathrooms. The internal units and those facing Filbert Street will be 3-story ranging in size from 1,725 to 2,000 with 3 to 4 bedrooms and up to 3.5 bathrooms. All units will have 2-car side by side garages.

Olson: The Olson proposal consists of 56 single-family detached homes on small lots averaging 2,200 square feet. In accordance with the Inclusionary Housing Ordinance, nine of the units will be sold at below market rate with resale restrictions for a minimum of 45 years. As depicted in the attached conceptual site plan, units on the perimeter of the site will have fronts facing the exterior streets; and in particular, those along B Street will have elevated front porches. The interior units will be clustered in courtyards to the north and south of a central drive in an east-west direction with the entrance along Myrtle Street. The site plan provides private open space for each unit defined by low fences in front yards, front porches, and rear and/or side yards with high fences between individual units. The units will be two-story ranging in size from 1,405 to 1,545 square feet. They will have 3 to 4 bedrooms and 2.5 bathrooms. All units will have 2-car side by side garages.

There is an approximate \$300,000 land price differential between the two top-ranked proposals with Citation's adjusted offer at \$6.0 million and Olson's at \$5.7 million. Citation's offer was actually \$6.2 million; however, this price must be adjusted down by \$200,000 to reflect the estimated cost of on-site environmental remediation which Citation asked the Agency to undertake.

The following is staff's comparison of the two proposals, based on the RFP criteria, and other relevant considerations. (A comparison of all the developers' proposals is attached with Citation's and Olson's highlighted.)

| Developer | Olson | Citation |
|-------------------------------|--|--|
| Relevant Experience | Highly experienced in in-fill/redevelopment, has built three projects in Hayward and one under construction (two with Agency). | Experience with in-fill development. Has started building Cannery development. |
| Financial Feasibility | Proforma appears realistic. Olson has strong financing track record. | Proforma appears realistic. Highest offer for land acquisition. Higher house sale prices (larger units). Citation is self-financing, does not rely on lenders. |
| Site Plan/Architecture | Excellent in staff's opinion. Courts provide relief from street "tunnel" | Very good. Developer has revised plans to place three-story |

| Developer | Olson | Citation |
|--|--|---|
| Site Plan/Architecture con't | effect, and greater traffic safety. More private open space. Building height and street presentation, better scaled fit to neighborhood. | units in center of development, so not to overwhelm neighborhood. |
| Inclusionary Housing | Developer submitted well integrated inclusionary plan, designated and disbursed units. Has experience with for-sale affordable housing production and marketing. | Inclusionary plan was sufficient, though not as specific as Olson's in terms of designating units to specific locations. |
| Other Considerations Environmental | Developer is a LEED certified builder, recognized by the U.S. Green Building Council. Developer anticipates surpassing "Gold Level Status" for this Project. | Developer also anticipates commitment to meet LEED standards. Is considering demonstration project with non-profit. |
| Other Considerations Product Differentiation/ Competition | Developer is offering similar sized units to those in the Cannery (trade off for open site plan, lower building heights). Units will compete with those sold in Cannery. Competition could encourage better, faster development, better prices for consumer. | Developer is offering larger-sized units to those in Cannery, with appeal to larger families (better product differentiation from Cannery units). Developer could control pace of bringing Burbank units on-line vis a vis Cannery units, maintain higher values. |

FISCAL IMPACT

The proceeds from the sale of the land 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 is 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.

NEXT STEPS

Pending review and comment by the City Council/Agency Board, staff anticipates bringing a report to the Agency Board on October 16, 2007, to recommend that the Agency enter into an Exclusive Negotiating Agreement (ENA) with one of these two developers for a period of eight months. 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 Disposition and Development Agreement (DDA) with the developer. If negotiations are concluded within an eight month target timeframe, a DDA could be entered into by May 2008,

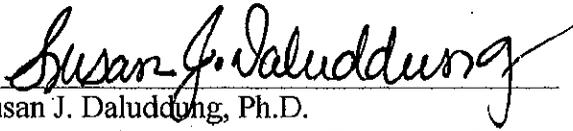
and the Site could be formally transferred to the developer shortly after the new school is ready for occupancy in August 2008.

Prepared by:



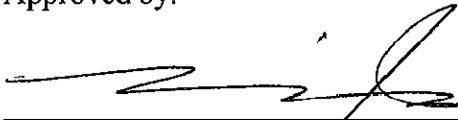
Paul Dalmon
Redevelopment Project Manager

Recommended by:



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

Approved by:



Fran David, Acting City Manager

- Attachment A - Site Map
- Attachment B - Developer Proposals Summary
- Attachment C - Citation Homes Central Conceptual Site Plan
- Attachment D - The Olson Company Conceptual Site Plan

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