



WS# 2

DATE: April 1, 2008
TO: Mayor and City Council
FROM: City Manager
SUBJECT: Centralized Kitchen Site Location Discussion

RECOMMENDATION

That Council reviews this report and provides staff direction regarding continued collaboration with SOS and Spectrum for the relocation of existing facilities; the appropriateness of the site being focused on or other potential site evaluation work; any intended financial commitment for the acquisition that staff should plan for and bring forward; and any other comments or input Council wishes to provide.

BACKGROUND

Since 1966, SOS has provided important services to needy seniors. Since 1971, Spectrum has likewise provided critical services to seniors. Their current facilities are adjacent to one another, using older commercial buildings and a shared parking lot leased from CalTrans. The buildings have been retrofitted to house kitchen facilities, but are inefficient with limited expansion capacity and are in need of repair.

In 2004, the Alameda County Area Agency on Aging (AAA) commissioned Alameda County Meal on Wheels (ACMOW) to direct a feasibility study for a central kitchen in Alameda County. Currently, home delivered and congregate senior meals are being produced in ten different kitchen facilities located throughout the county. Local meal providers, ACMOW, and the AAA undertook a feasibility study to see if meal production could be handled more efficiently with fewer facilities. The feasibility study examined the capacity of existing facilities, but concluded that no single existing facility had the capacity to provide culturally appropriate senior meals, therapeutic diets, and the ability to serve the entire county with daily hot meals. Further, the feasibility study concluded that Alameda County would be most efficiently served by a centralized facility located in the general area of the existing SOS and Spectrum facilities on Grove Way in Hayward. The study's conclusion was based on a variety of factors, including the central location within the county and easy freeway access to all parts of the county.

SOS and Spectrum buildings and land are CalTrans owned, and they are likely to be sold by CalTrans in the next two to three years. Originally acquired for the Highway 238 Bypass project, CalTrans expects to declare this property (as well as other properties acquired for the bypass project) surplus to their needs. Once declared surplus, the property will be sold to fund other state highway/transportation projects, as required by current State law. Specifically, the funds from the

sale of the 238 corridor properties will be used to fund what is called the Local Area Transportation Improvement Program (LATIP).

Because of the impending necessity of either the relocation of their current facilities or acquisition and rehabilitation of their current CalTrans-owned properties, as well as the conclusions of the AAA feasibility study, SOS and Spectrum began the development of plans and have taken a regional leadership role in locating an appropriate site for a centralized kitchen facility to serve the county. The organizations sought and received financial support from the City of Hayward and Alameda County through allocation of Community Development Block Grant (CDBG) federal grant funds, ACMOW, and the True North Foundation to continue their planning and feasibility work for the proposed development.

City staff's current understanding is that the previous City Manager was working with SOS/Spectrum development team members in assisting them in locating an alternative site, and represented to the development team that a different CalTrans parcel near their current location would be more appropriate. According to the SOS/Spectrum development team, they were encouraged to look at the alternative site rather than their existing site because their existing site would lend itself to a higher use as commercial development rather than a central kitchen facility.

Since June 2007, City staff has taken no additional actions regarding the acquisition of the alternative site, although Spectrum and SOS have continued to work with local legislators regarding the process required for the acquisition of CalTrans property related to the Hwy 238 Bypass Project.

There are a number of legal hurdles involved in site control of the alternative site, including the land being declared surplus, the Hwy 238 Bypass Project being legally terminated, legal issues around housing elements of the consent decree that stopped the original bypass project, as well as the land use study commissioned by CalTrans and currently being conducted by the City of Hayward.

In January 2008, the site development team contacted the City Manager requesting assistance from the City of Hayward in securing control of the proposed development site for the central kitchen facility. The City Manager met with the development team to discuss the issues raised and to determine possible next steps.

Because of the time elapsed and the change in City Managers, and no apparent record of previous City Council direction on the matter, City staff determined it would be best to bring the entire matter to the City Council in work session for further direction before proceeding.

Discussion

There are three primary issues for Council to consider: Land Use; Process; and Financial Considerations.

Land Use Issues

Site Analysis

The site under consideration is 2.14 acres, located immediately adjacent to the State Route 238/580 on-ramp (see Attachment 1). It is a highly visible site and serves as the last property in Hayward as one travels northbound and as the first property on the east side of Foothill Boulevard traveling southbound. To the east of the site is a condominium complex and to the south across Apple Avenue are a vacant lot and two apartment complexes that are also owned by CalTrans, one of which is in unincorporated Castro Valley. To the north of the site is unincorporated land that has little or no potential for development because of the slopes and proximity to the on-ramp.

Because of the on-ramp, access to the site is limited and only available from Foothill Boulevard from a northbound direction. This site is relatively flat, except toward the east below the condominium complex. Noise levels are high due to the proximity to traffic on Foothill Boulevard and the on-ramp.

Current Designations

The properties are currently designated Commercial/High Density Residential in the Hayward General Plan, which indicates that "Certain areas along major arterials or at key intersections may be appropriate for high-density residential use of mixed commercial/residential use". The Plan further indicates that "Development proposals within these areas should be evaluated within the context of applicable policies and standards and compatibility with adjoining areas."

The North Hayward Neighborhood Plan, adopted in 1994, contains the following strategies:

- Extend Agricultural (pre)zoning in the 238 right-of-way north of Apple Avenue for temporary agricultural or other dominantly landscaped use. If freeway plans are abandoned, seek a gateway park.
- Seek landscaping of the 238 right-of-way at the City entrance as forest/orchard/community garden with an entry feature such as the pergola at Mesa Verde.
- If the freeway is abandoned, acquire a park site at the City gateway.

The site is zoned Agricultural, "to preserve agricultural areas until such time as orderly development may take place." The Agricultural Zoning District allows by right a limited number of uses, primarily those associated with agriculture, including single family homes. Conditional uses included educational, cultural, religious, large group homes and recreational facilities. A centralized kitchen facility would not qualify as a conditional use under the Agricultural Zoning District.

Potential Uses

As indicated previously in this report, the City is currently working on the Route 238 Bypass Land Use Study, commissioned by CalTrans. While the study will not be completed until early spring 2009, the existing conditions inventory for the parcels within the CalTrans right-of-way corridor has been completed. The Existing Conditions Report provides insight into potential future uses along the corridor.

The possible site is considered to be in an awkward location because of access issues. Only accessible from one direction, and immediately adjacent to the 238 on-ramp with fast moving traffic, the potential for use as a retail site of any kind appears limited. Highway-oriented uses such as a gas station are not recommended due to the site's visibility and the Neighborhood Plan policy. A hotel, another typical highway oriented use, is likely infeasible because of the limited developable area, the on-ramp location, and the area needed for parking with a hotel facility.

The Existing Conditions Report indicates that while many of Hayward's small, scattered office buildings have high vacancy rates and lower rents than retail space, there is potential for new smaller office buildings to be developed on Foothill Boulevard. The scale of such buildings does not require significant latent demand, and newer buildings could draw tenants looking for high quality space. The adjacency to Castro Valley and freeway access could prove attractive to developers.

Given the visibility of the site and the limitations caused by the freeway on-ramp, if the site is to be developed for use other than as a gateway park/entrance feature to the city, that a use similar to the use being proposed by Spectrum and SOS be considered. Such a facility would not be impacted by traffic noise and pollution and would be well served by the freeway location. However, for such a facility to locate here, design would be critical to not only provide a desirable presentation toward Foothill Boulevard and the on-ramp, but to accommodate delivery and meal distribution trucks. To allow such use, a General Plan amendment and Zone change would be required.

(Should the kitchen facility be relocated, it should be noted that the current kitchen facility site on Grove Way, which is also CalTrans owned, would be a much more viable for commercial use, given its surrounding uses, ease of access, and because no on-ramp exists in that location. However, because the site does not abut Foothill Boulevard, it will not be as visible as other properties along the street).

Hwy 238 Land Use Study

As noted earlier in this report, the City is currently undertaking the completion of the Hwy 238 Land Use Study, commissioned by CalTrans for the express purpose of determining the "highest and best uses" of the over 200 parcels acquired for the construction of the Hwy 238 Bypass over many years.

Staff has concerns, which are likely shared by CalTrans, about developing recommendations at this point in the process regarding land use for specific properties covered by the study. The study is intended to review the CalTrans-owned parcels in a comprehensive manner, taking input from the community and other interested stakeholders regarding uses. From the City's perspective, integrated planning of the corridor parcels is essential to ensure eventual uses are compatible with surrounding uses as well as community desires for other amenities, such as open space, parkland, public facilities, commercial/retail, and housing development.

However, it appears that former staff encouraged the Spectrum/SOS development team to pursue this particular site, so there is some history in this particular situation that may warrant Council's consideration in advance of completing the Hwy 238 Land Use Study. The City's previous

financial participation, while not site specific, certainly has given Spectrum/SOS the understandable belief that the City is in support of their overall objectives, site selection aside. Previous representation and participation distinguishes this particular site from others. However, it should be noted that there are other development interests in CalTrans properties that have been put on hold while the HWY 238 Land Use Study is progressing, and staff generally has taken the position that the Land Use Study should be completed prior to designating uses along the corridor.

Process Issues

Staff's previous understanding was that such a sale would require a legislative solution. Under this scenario, legislation would be drafted to provide for an *option* for purchase at market value, assuring that either a local governmental agency or non-profit providing meal services could acquire the land. Acquisition would occur *after* the Hwy 238 Land Use Study was completed, the Hwy 238 Bypass Project was legally terminated, the land was declared surplus by CalTrans, and local land use designations approved by the City Council. The *purchase option* approach would be intended to provide Spectrum/SOS a level of site control needed to continue development plans and assure their receipt of Vitamin Fund settlement monies. Legislation was drafted last year that proposed conveyance of the property at less than market value, but was withdrawn because it appeared CalTrans would not be supporting it.

Spectrum/SOS representatives have indicated in their discussions with various State officials that there may be a mechanism for acquisition of the properties in advance of the other Hwy 238 parcels being released for sale as surplus lands. According to conversations that Spectrum/SOS representatives have had with Senator Ellen Corbett's office, the California Transportation Commission can authorize the sale of the land, but would likely only do so to the City of Hayward or the Hayward Redevelopment Agency (RDA). This approach requires the financial participation of either the City or the RDA, which is discussed further below. Staff is awaiting confirmation from CalTrans staff that this is in fact a possible alternative to legislation. In this process, the City/RDA would serve as the "fiscal agent" in the acquisition process. If this approach is taken, staff would work with Spectrum/SOS regarding financial terms of any such acquisition.

Financial Issues

The City Council has demonstrated previous financial support for the centralized kitchen facility project. The City of Hayward, through CDBG federal funds, has provided funding for planning and pre-development of a centralized kitchen facility. In both FY07 and FY08, \$41,800 was provided in each year. In the current funding cycle for FY09, \$100,000 is being recommended for site acquisition. This recommendation will come forward with staff's overall budget recommendations for FY08-FY10.

While a formal appraisal has not been conducted on the 2.14 acres under discussion, recent real estate transactions in the area would indicate a value in the range of \$1.5- \$2.0 million. If the alternative solution to site acquisition is to be pursued requiring the City or RDA to purchase the property, funds would need to be budgeted for such acquisition. In turn, a portion of the land necessary for development of the kitchen facility could either be sold (below market value is Spectrum/SOS's desire) or leased. The remaining portion of land could be sold by the City/Agency at market value for development purposes.

Inherent in this process is some level of financial subsidy by the City or RDA for the written-down value of the land provided to the project. That level of subsidy would be dependent on several factors: the original purchase price; the size of the subdivided parcels; the market value and timing of the sale of the remainder parcel; and how the acquisition is financed (through CalTrans, internal borrowing, etc.). The City/RDA would need to provide budget authority for this transaction or combination of transactions and staff would need to identify appropriate funding sources and mechanisms if this option is eventually pursued. It should be noted that the current RDA Five Year Plan does not include acquisition of this particular property. The Plan can of course be modified with Agency Board action. Staff could also work with Spectrum/SOS on some form of reimbursement pass through agreement that might relieve the City/Agency of all or a portion of the direct costs of acquisition.

Fiscal Impact

The City, through the Community Development Block Grant (CDBG) program allocation, has previously provided funds over a two year period of \$83,600. Spectrum/SOS has applied for \$100,000 for the upcoming fiscal year from CDBG program funds.

If the City/RDA were to acquire the property, additional funds would be expended based on property value. There is potential for subdividing the property and selling the remaining parcel for development to offset a portion of the land acquisition costs. In addition, the City/RDA would need to come to an agreement with Spectrum/SOS on how the site for the centralized kitchen is conveyed to their ownership or lease and the financial terms under which the transfer would occur. Depending on the form and details of this agreement, the transaction could be developed to be cost neutral to the City/Agency, depending on the level of participation by Spectrum/SOS. Staff believes the details of such an agreement should be finalized prior to City/Agency acquisition.

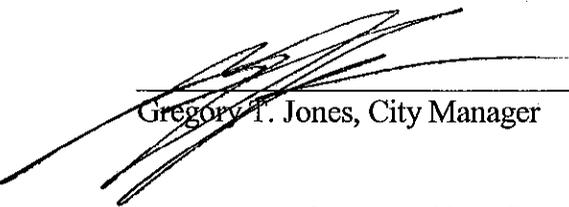
Next Steps

Depending on Council direction, staff could provide Spectrum/SOS assistance in developing legislation that provides Spectrum/SOS the opportunity to acquire the site from CalTrans. Staff could bring the legislation to Council for a resolution of support.

Council could also direct staff to work with Spectrum/SOS to look at additional alternative sites that avoid the complications related to the proposed site due to CalTrans ownership and the timing of the current Hwy 238 Land Use Study. This option however could jeopardize overall project timing and associated funding.

If Council directs staff to assist in pursuing the alternative acquisition strategy, we would work with CalTrans staff to understand the process by which the sale can be executed, as well as determine how the City/Agency would fund such an acquisition, including determining the ultimate estimated level of necessary subsidy to the project after all transactions were completed. Staff would return to Council for acquisition and budget authority.

In addition, if Council determines the use of the site is appropriate, staff would bring back for Council action the necessary land use changes, including a General Plan Amendment (GPA) and rezone.



Gregory T. Jones, City Manager

Attachment: Site Map (Aerial)

**THE REFERENCED EXHIBIT(S) IS/ARE
ATTACHED AS A SEPARATE LINK**

DEPARTMENT OF TRANSPORTATION

111 GRAND AVENUE
P. O. BOX 23660
OAKLAND, CA 94623-0660
PHONE (510) 286-5900
FAX (510) 286-5903
TTY 711



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March 26, 2008

Greg Jones, City Manager
City of Hayward
777 B Street
Hayward, CA. 94541

Dear Mr. Jones:

It is my understanding that the City of Hayward (City) is working with Assembly Member Mary Hayashi on legislation to provide a purchase option to convey certain properties within the State Route 238 corridor to the City of Hayward Redevelopment Agency (HRA), or a local non-profit for the purpose of development of a centralized kitchen facility. The parcels in question are in the general vicinity of Foothill Boulevard and Apple Street. As contemplated, the conveyed parcels would serve as a place to construct a facility that meets the needs of seniors.

While a legislative remedy may be appropriate, I want to advise you of an alternative method for your consideration. Currently, State regulations permit a direct sale of state-owned property to another governmental agency, provided the sale is at fair market value and approved by the California Transportation Commission (CTC).

With this in mind, the California Department of Transportation (Department) is open to working with the HRA to jointly obtain an appraisal of the property. Based on this appraisal, the Department could then enter into negotiations, the outcome of which could be the development and subsequent approval of a purchase and sale agreement between the Department and the HRA. (If the agreement were with the City, the City would have to be the end user.) Assuming the City concurs, the Department has no objection to initiating these discussions while the State Route 238 land use study is underway. Proceeding on this basis is with the assumption that this proposed use would be consistent with the conclusions and recommendations contained in the final land use study report. Further, as part of the agreement, a provision could be considered that would enable the HRA to secure site control relatively quickly, with an understanding that the purchase price could be paid over a period of time. In the past, the Department has allowed a ten-year financing period. In this case, we could discuss a financing structure calling for the loan balance to be paid in installments over a ten year period, but amortized over a thirty-year timeframe with the remaining balance due at the end of the term.

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Because the property in question is within the State Route 238 right of way, formal disposition could not take place until authority to dispose of excess property is obtained. Assuming a satisfactory purchase and sale agreement is otherwise prepared, one way to address the CTC approval requirement is to include a clause in the purchase and sale agreement that would make formal conveyance of title contingent upon affirmative action by the CTC.

If you find this alternate approach of interest, please contact Robert Macpherson, Deputy District Director, Right of Way at (510) 286-5899 to initiate the process.

Sincerely,



BIJAN SARTIPI
District Director