

# City of Hayward Catalyst Site Analysis

October 27, 2014



*Creating Communities of Value™*

# Sites Included in Analysis

MAIN STREET

Creating Communities of Value™

## City Center Site – 5.79 acres



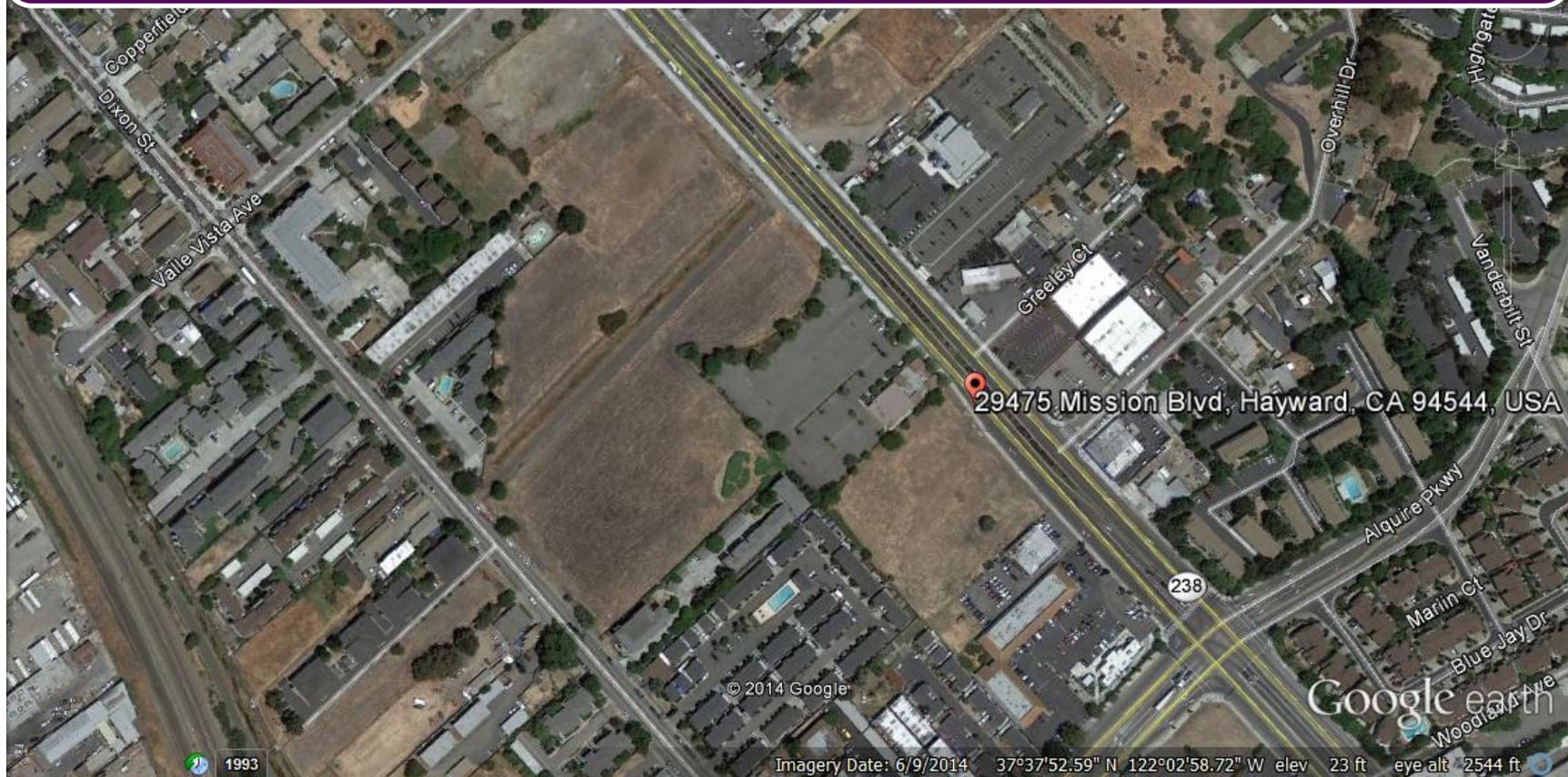


# Sites Included in Analysis

MAIN STREET

Creating Communities of Value™

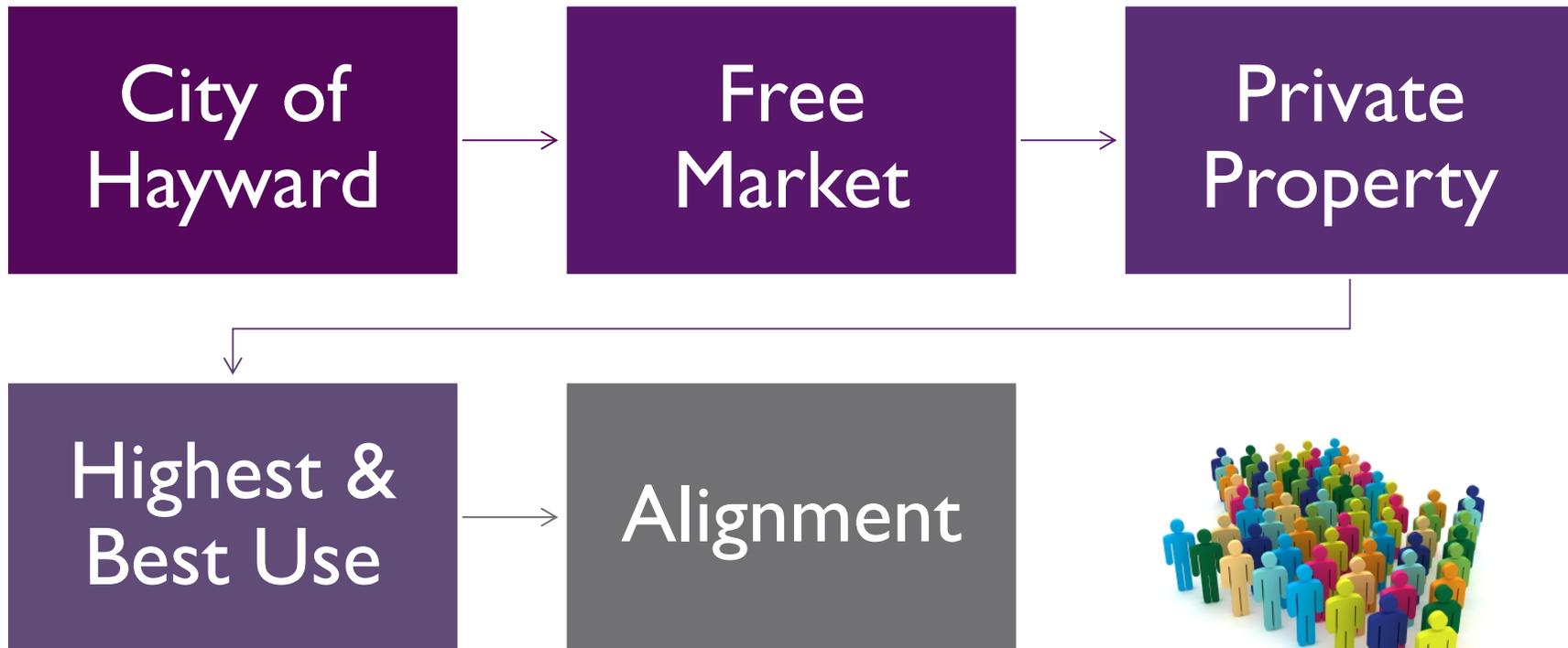
## Mission Blvd./Valle Vista – 16.4 acres



# What are we *really* trying to do?

MAIN STREET

*Creating Communities of Value™*



# How do we do it?

MAIN STREET

*Creating Communities of Value™*

Review planning and economic development studies, reports and past development proposals



Interview City Council, planning & economic staff



Interview property owners to understand their interests, challenges and development horizons



Study market viability and associated residual land value

# How do we do it? *(Continued)*

MAIN STREET

*Creating Communities of Value™*

Identify potential development challenges



Summary of what strategies might be employed to better align the interests of all parties



Create project descriptions that best reflect the interests of the market, property owners, and the City's key policy and planning objectives.



Review findings and recommendations with City Council, planning & economic development staff



*PKF Consulting USA, LLC (PKFC) provides a full range of services to the hospitality, real estate, and tourism industries. PKF Hospitality Research, LLC (PKF-HR) owns the database for Trends® in the Hotel Industry, the statistical review of U.S. hotel operations.*

The City of Hayward engaged PKF Consulting USA to study the potential market demand and financial feasibility for the development of either a full-service or a select-service hotel on one of several identified sites in Hayward, California.

# Selected Study Sites

MAIN STREET



# Definition: Full-Service Hotel

MAIN STREET

## Definition

*Mid-priced, upscale, or luxury hotels with an on-site restaurant and meeting space. Full-service hotels may offer enhanced amenities such as a lounge, spa, and/or extensive recreational services.*

## Brand Examples

Marriott • Wyndham • Renaissance • Hilton • Sheraton • Embassy Suites  
• Crowne Plaza • Hyatt • Holiday Inn



# Feasibility: Full-Service Hotel

A white street sign with black lettering that reads "MAIN STREET". The sign is mounted on a black post and is set against a background of trees and a blue sky.

Creating Communities of Value™

## Full-Service Hotel – Comparison of Value to Cost

Estimated Value upon Opening:	\$40,200,000
Estimated Construction Costs:	\$60,000,000
<b>Shortfall:</b>	<b>(\$19,800,000)</b>

*As the hotel's estimated value is less than its estimated construction costs by \$19.8 million, the full-service hotel concept is considered **financially infeasible** without a public subsidy from the City of Hayward.*

# Definition: Select-Service Hotel

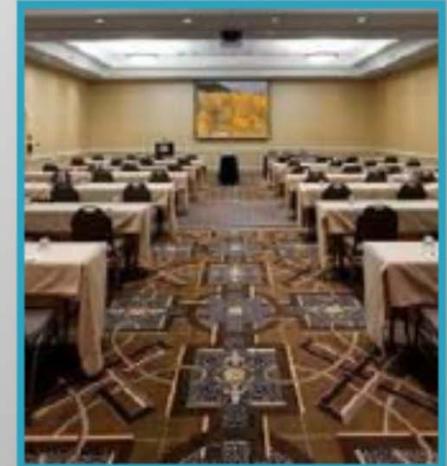
MAIN STREET

## Definition

*Mid-tier or upper-tier hotels with limited, if any, dining and banquet facilities. Amenities are limited and typically include a small fitness center, a business center, and complimentary breakfast.*

## Brand Examples

Hilton Garden Inn • Hyatt Place • SpringHill Suites • Four Points by Sheraton • Courtyard by Marriott • Cambria Suites



# Feasibility: Select-Service Hotel

A white street sign with black lettering that reads "MAIN STREET". The sign is mounted on a black post and is set against a background of trees and a blue sky.

Creating Communities of Value™

## Select-Service Hotel – Comparison of Value to Cost

Estimated Value upon Opening:	\$22,700,000
Estimated Construction Costs:	\$19,800,000
<b>Excess:</b>	<b>\$2,900,000</b>

*As the hotel's estimated value exceeds its estimated construction costs by \$2.9 million, the select-service hotel is considered **financially feasible**.*

## Meeting Space

- Select-service hotels typically offer approximately 1,500 SF of meeting space
- If the City desires a larger conference center, a common approach would be for the City to develop a stand-alone facility adjacent to the hotel
- This facility would then be leased to operator for a nominal rent
- The size of this facility would be approximately 10,000 to 12,000 square feet
  - This would provide for 5,000 to 6,000 square feet of usable meeting space
- Cities which have developed conference centers using this structure include:
  - City of Industry - Sheraton Hotel
  - City of Modesto - Doubletree Hotel
  - City of Fresno - Doubletree Hotel

## Requirements

- Need 2.5 acres – 4 acres
- Construction cost is estimated to be between \$4.0 and \$5.0 million

# Conclusions

MAIN STREET

*Creating Communities of Value™*

#1



## Mervyn's Site

- Site of former Mervyn's headquarters. Currently vacant
- Features adjacent parking garage
- Not owned by the City
- Better visibility and accessibility from Foothill Blvd than City Center Site

Note: the preferred location for a hotel in Hayward is near the intersection of Interstate 880 and Highway 92, as this location is more proximate to demand generators and has excellent accessibility

# Housing, retail and office development



MAIN STREET

*Creating Communities of Value™*



*Economic & Planning Systems, Inc. (EPS) is a land economics consulting firm experienced in the full spectrum of services related to real estate development market analysis, public/private partnerships, and the financing of government services and public infrastructure.*

The City of Hayward engaged Economic & Planning Systems, Inc. (EPS) to study the potential market demand and financial feasibility for the development of housing, retail and office development on one of several identified sites in Hayward, California.

# Consultant Findings



Attached single-family housing (townhomes) offers greatest market and financial feasibility for all sites

- Townhomes (20 du/acre): \$2,538,000/acre (\$16,900 du)
- Major Retail (.35 FAR): \$646,196/acre (\$56 per Bldg. SF)
- Condos (50 du/acre): \$137,500/acre (\$2,750 du)
- Apartments (50 du/acre): (\$63,417/acre) (\$1,268 du)

Shifts in the demographic composition of the city's population seem favorable to high-density downtown residential development

City's retail market is relatively healthy but still offers limited development opportunities for specific retail in different City submarkets

Multifamily development is experiencing strong demand but rents for Class A will need to rise to make Class A feasible

Development potential for office development is limited in short term due to abundance of vacant space

# Specific Site Findings - City Center

MAIN STREET

Creating Communities of Value™

## City Center



## City Center

- Hotel and/or Conference Center not feasible
- Not an ideal site for retail (abundant retail nearby and hidden)
- Mid Density is financial “Highest and Best Use”
  - (\$2,538,000 per acre)
- High Density Residential is feasible
- Tower property recently purchased
- To meet the city’s desire to see the development completed as a “unified” project, potential constraints need to be addressed
- Pedestrian connections to Japanese Garden, Senior Center and Downtown an important design element

# City Center: Findings



*Creating Communities of Value™*

**Parcel 1: (Centennial)  
22292 City Center Dr.  
- 2.14 Acres**

Sewer Easement

Pedestrian Easement in favor of  
Parcel 2 (Tower)

Parking Easement in favor of  
Parcel 2 (Tower)

Memorandum of Agreement:  
Right to roof top parking

Mechanic's Lien for \$170,348.23  
(David Gray, 2009) - Removed

**Parcel 3: (Garage)  
22321 City Center Dr.  
- 2.23 Acres**

Within boundaries of  
Community Facilities District

Easement for Underground  
Utilities

Parking Easement in favor of  
Parcel 2 (Tower)

Mechanic's Lien for \$2,035  
(David Gray, 2009) - Removed

## Parcel 2: (Tower) 22300 Foothill Boulevard - 1.40 Acres

- Foreclosed by note holder (over \$7 million)
- Over \$650,000 in Property Taxes due (5-year default)
- Within boundaries of Community Facilities District
- Pedestrian Easement in favor of Parcel 1 (Centennial)
- Parking Easement over Parcel 3 (Garage: 350-693 spaces)
- There are relocation rights for this parking, and maintenance and capital requirements imposed on the owner of Parcel 2

# City Center: Next Steps



MAIN STREET

*Creating Communities of Value™*

Work with new owner of “Tower” property to develop a unified project with pedestrian connections to Japanese Garden, Senior Center and Downtown

Understand that the value of the City-Owned parcels can be quite significant (\$10,000,000+), which could be invested to realize other city goals and objectives

Parcel 2 rights and obligations should be reviewed by legal counsel to be clear about the opportunities and constraints for development of the city-owned parcels

# Specific Site Findings - Mervyns

MAIN STREET

Creating Communities of Value™

## Mervyns Site



## Mervyns Site

- Not THE ideal site for Hotel and/or Conference Center
- Mid Density is financial “Highest and Best Use”
  - (\$2,538,000 per acre)
- High Density Residential is feasible
- Explains why site is hotly pursued by residential developers
- Possible to realize maximum return for all parties within existing political constraints
- Combination of EPS data and DCG market analysis updates findings
- DP has extensive retail experience, takes a long-term investment approach to property development, and plan to maintain ownership of assets
- DP has expressed interest in Class A Apartment development on site
- Class A apartment complex and standalone retail (65,000 – 70,000 SF) is likely feasible (horizontal mixed use)
- Property Owners: Property value –vs- entitlement feasibility

# Mervyns: Next Steps

A small image of a street sign that says "MAIN STREET" in a white box with a black border, mounted on a black post against a blue sky and some trees.

*Creating Communities of Value™*

Continue to support negotiations  
between Chavez and Dollinger

Class A Apartment and  
65,000 SF – 70,000 SF of Retail

City can add significant value through  
entitlement certainty and streamlining

# Class A Apartment Complex with Retail

MAIN STREET

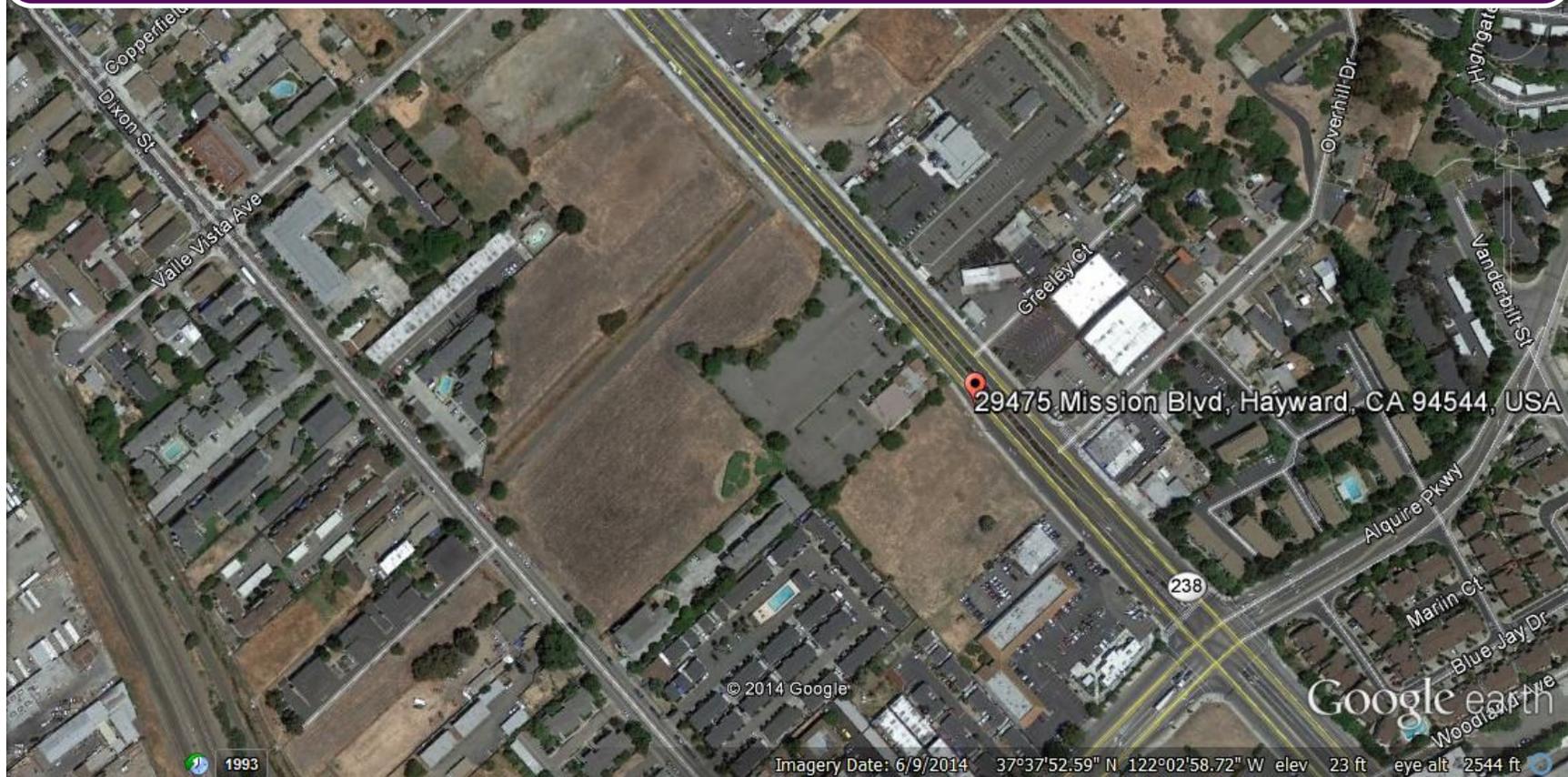


# Specific Site Findings: Mission Blvd/Valle Vista

MAIN STREET

Creating Communities of Value™

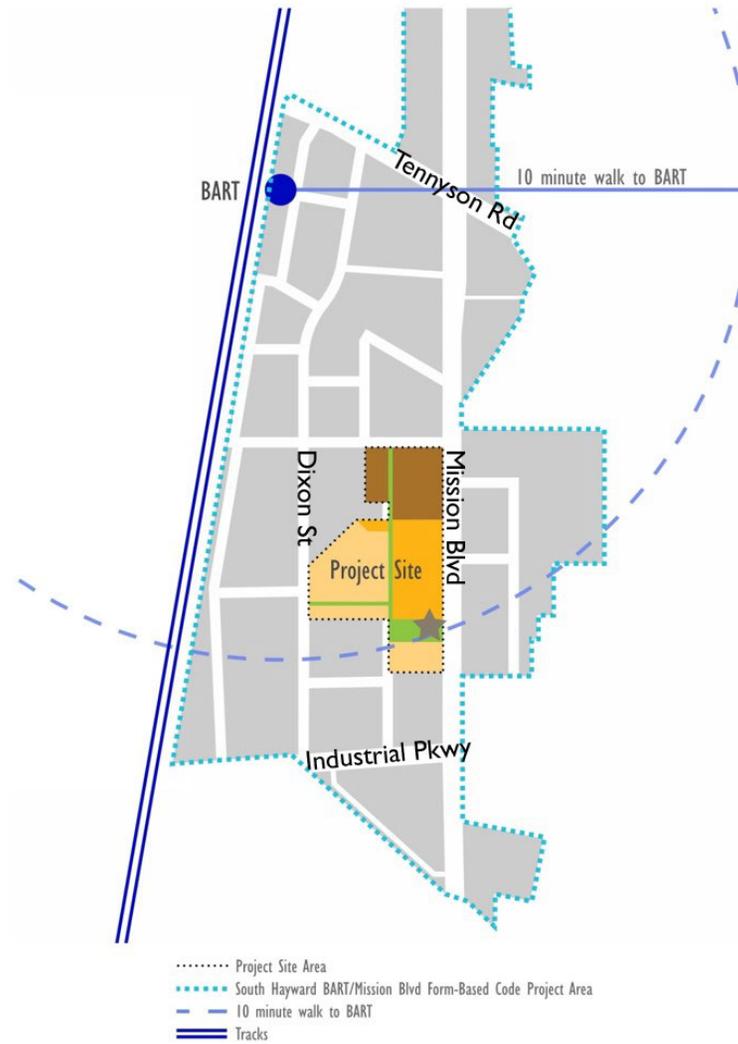
## Mission Blvd./Valle Vista – 16.4 acres



# Location: Mission Blvd/Valle Vista

MAIN STREET

*Creating Communities of Value™*



# Existing Ownership: Mission Blvd/Valle Vista



Creating Communities of Value™



# Existing Ownership: Mission Blvd/Valle Vista

A white street sign with black lettering that reads "MAIN STREET" is mounted on a black post. The background shows a clear blue sky and some green foliage.

*Creating Communities of Value™*

## Caltrans

- Owns approximately 15-acres
- Will soon be released via RFP to the highest bidder

## City of Hayward

- Owns 1-acre of land slated for Community Center

## Laborer's Hall

- 29475 Mission Blvd., Hayward, CA
- 7,688 +/- square feet
- 2.2-acre parcel

## Mission Blvd/Valle Vista

- Hotel and/or Conference Center not feasible
- Retail feasible, but preferable near the entrance to CSU-Hayward (East Bay)
- Mid Density is financial “Highest and Best Use” (\$2,538,000 per acre)
- Transit Oriented Development near South Bay BART (High Density Residential)

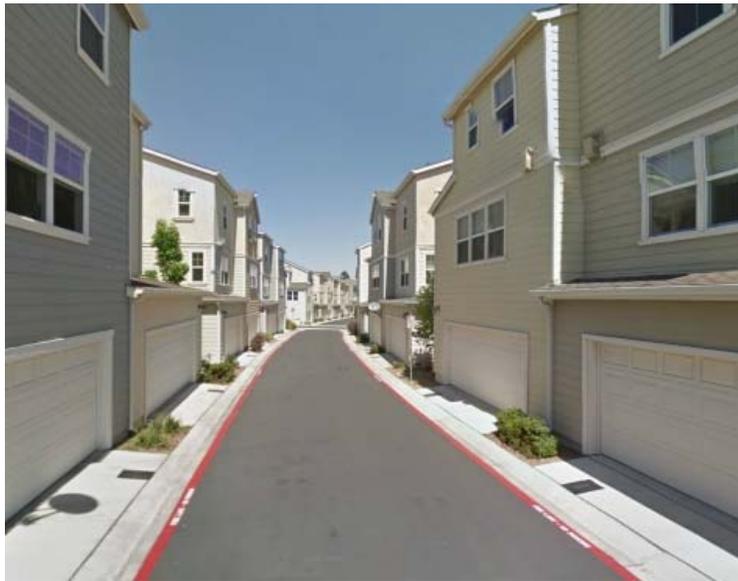
# Marquee and Precedent Setting Project

MAIN STREET

*Creating Communities of Value™*

Opportunity to set the precedent for future developments in Hayward

From This...



To This...



# Key Project Elements

MAIN STREET

*Creating Communities of Value™*

Open Space continues as a strong priority



# Key Project Elements

MAIN STREET

*Creating Communities of Value™*

Pedestrian and Bicycle Connections are critical



# Key Project Elements

MAIN STREET

*Creating Communities of Value™*

## Laborer's Union Hall Property Could be Included Asset



# How do we do it?



*Creating Communities of Value™*

## Step I:

## Work with Staff to design Marquee and Precedent Setting Project



# How do we do it?

## Step 2: Test Conceptual Plan for Market Viability and Value



# Viability and Market Value Analysis

MAIN STREET

Creating Communities of Value™

**84 Townhomes on 4.2 acres = \$7.9 - \$8.3 mil**

Estimated Sales Range Per Unit - \$375,000 to \$395,000

Per Acre Value Range - \$1.8 to 1.9 million

**51 Small Lot SFD on 6.9 acres = \$9.6 - 10 mil**

Estimated Sales Range Per Unit - \$750,000 to \$785,000

Per Acre Value Range - \$1.3 to 1.5 million

**140 Apartments on 4.2 acres = \$5 - \$5.6 mil**

Estimated Value Per Entitled Unit - \$35,000 to \$40,000

Per Acre Value Range - \$1.2 to 1.3 million



## Total Estimated Project Value Range

\$22,500,000 to 23,900,000

Or

\$1,470,588 to \$1,562,091

Overall Per Acre\*

*\*Based on 15.3 developable acres  
Community Center parcel is +/- 1 acre*

# How do we do it?

MAIN STREET

Creating Communities of Value™



## Second Street at Walpert Street Land Use Analysis

### PROPERTY OVERVIEW: SECOND ST. AT WALPERT ST.

<b>Property Overview:</b> 24249 Second Street, Hayward, CA	<b>Owner of Record:</b> State of California	<b>Environmental Constraints:</b> Undetermined
<b>Property Class:</b> Vacant	<b>Assessor's Parcel Numbers:</b> 445-5-107,9	<b>Title Issues:</b> Undetermined
<b>Location:</b> 24249, 24237, 24261, 24275 Second Street, Hayward, CA	<b>Total Size of Study Area:</b> 9.96 Acres	
<b>Onsite Structures:</b> Three (3) older single-family detached homes and accessory structures	<b>General Plan &amp; Zoning:</b> RM/SD7 Medium Density Residential/ Agricultural	



## Step 3: Acquire Caltrans land at “Market Value”

**9.6 acres  
Sold at Auction  
in May of 2013  
for \$6 million  
(\$600,000 per acre)**

**Sold “as is” without  
entitlements**



# Mission Blvd/Valle Vista: Next Steps



MAIN STREET

*Creating Communities of Value™*

Design residential plan acceptable to the city of Hayward for entire 16+ acre property

Consider including Laborer's Hall as a potential Community Center

If residual land value exceeds the value already received by Caltrans for previous land sale, have city purchase the land from Caltrans SUBJECT TO sale to Developer

Use difference in value to enhance project as “Marquee and Precedent Setting”

City can add value through entitlement certainty and streamlining

**Begin Exclusive Right to Negotiate or Request for Proposal - ASAP**

# Summary of Key Strategic Actions for City



MAIN STREET

*Creating Communities of Value™*

Facilitate conversation/negotiations between Chavez and Dollinger for horizontal mixed use including significant retail component

Gain disposition control of major pieces of undeveloped Caltrans properties

Continue to pursue select-service hotel for Hayward in central or southwest part of town; plan for City-development of a conference center in conjunction with the hotel

Keep watchful eye on City Center and pursue opportunities when present

# Summary of Key Strategic Actions for City

MAIN STREET

Creating Communities of Value™

Aggressively and creatively plan for model TOD development on Mission/Valle Vista site including both public and private parcels, if possible

*Keep open space as a priority*

*Include pedestrian and bicycle connections*

*Understand value of product diversity*

*Possible community center if done right*

*Valuation of entitled project is extremely positive*

*Chance for Hayward to lead the way in municipal development in post RDA world*

*Requires increased risk with much greater reward*

*Don't lose market window*