

COUNCIL DOWNTOWN COMMITTEE

**Monday, March 24, 2008
7:00 p.m.**

**Room 2A - Hayward City Hall
777 B Street
Hayward, CA 94541**

Public Comments: (Note: For matters not otherwise listed on the agenda the Committee welcomes public comments under this section, but is prohibited by State Law from discussing items not listed on the agenda. Your item will be taken under consideration and referred to staff.)

1. Retail Attraction Program Update

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Please request the accommodation at least 72 hours in advance of the meeting by contacting the Downtown Development Division at (510) 583-4260 or by using the TDD line for those with speech and hearing disabilities at (510) 247-3340.



CITY OF
HAYWARD
HEART OF THE BAY

DATE: March 24, 2008
TO: Council Downtown Committee
FROM: Susan J. Daluddung, Director of Community and Economic Development
SUBJECT: Retail Attraction Program Update

RECOMMENDATION

That the Downtown Committee (CDC) reviews and comments on this report.

BACKGROUND

The CDC reviewed the status of the program in September 2007, including a report that discussed various meetings with downtown property and business owners, as well as area retail brokers; the announcement of the first program loan to Teriyaki Experience; and a discussion regarding the need to consider modifying the parameters of the loan programs. At that time, staff suggested a need to increase the loan limits in order to help address the functional inadequacies of older buildings in key locations, as well as to help fund the high-cost improvements required by restaurant and other food or entertainment service businesses. Also, during its review of redevelopment project priorities and the Five-Year Implementation Plan in January 2008, staff suggested that this program receive increased funding in the amount of \$1 million to address the needs outlined above. Based on feedback received from the Agency Board in those meetings, staff is including the additional funding for approval as part of the proposed FY 09-10 budget.

DISCUSSION

Staff continues to market the program by meeting with prospective tenants as well as downtown property owners. These efforts are ongoing. Last fall, serious interest was expressed by a Berkeley-based bakery. However, the organization ultimately chose to open a new store in San Francisco, due in part to the lack of other significant new retail businesses on B Street at present. Other potential downtown businesses include an independent hamburger restaurant. Additionally, City staff attended an International Council of Shopping Centers (ICSC) conference and "deal making" event in Monterey on March 19th and 20th to promote downtown Hayward. Finally, progress is being made with respect to the "Clean and Safe Downtown" initiative: security at the Cinema Place garage and increased sidewalk cleaning are in place, upgrades to downtown lighting are currently being studied by a consultant, and improvements and replacements for downtown trash receptacles are getting underway.

As discussed last fall, staff is finding it necessary to consider larger loans in order to enable new restaurants and other such businesses to move into older building spaces downtown. In addition, it is desirable in certain instances to fund loans to enable new tenants to go into spaces that are currently occupied by marginal businesses that wish to close or move.

Recently, a new loan package has been submitted and conditionally approved by the loan committee for an upscale restaurant serving "California cuisine" by the Faat Group, Inc., to be located at 1036 B Street. The business owners had looked at Cinema Place, and had worked for six months with the owner of another vacant space downtown, but were unable to conclude their lease negotiations with that owner. As a result, the Faat Group partners began to consider a property, which is currently operated as a Chinese restaurant by the property owner. The owners are actively seeking to sell their business and lease the property. The Faat Group intends to renovate both the interior and exterior of the building. One of the partners is in the construction business and has experience undertaking restaurant interior improvements. The total cost of the project including the start-up of the restaurant is budgeted at approximately \$1,200,000. The business partners and family investors have pledged to put up approximately \$950,000, and propose to take out a CDBG-funded business loan of \$100,000 and a Redevelopment Agency-funded Retail Attraction loan of \$150,000. Under the terms of the Agency's loan, and in keeping with the spirit of the original terms of the program, \$50,000 would be forgivable at the end of the 10-year loan term, while \$100,000 would be repayable during that time at 3% interest.

It would also be helpful to be able to consider loan requests for buildings at visible locations on the perimeter of the target area, particularly including the east side of Foothill Boulevard at the B Street intersection, and also to the north side of A Street at the corners of Mission and Main. For example, staff has recently been approached by the owner of a building on the east side of Foothill at B Street, opposite Cinema Place, with a request for assistance and tenants in hand.

Even with these concessions, it appears that existing owners of some vacant properties within the target area are not actively seeking tenants for their vacant shop spaces by investing in the maintenance of their buildings and listing their buildings with a professional broker. For the most visible of these properties, staff may investigate the potential of having the Agency enter into a "master lease" with the landlord if a desirable sub-tenant can be found. This option was anticipated at the onset of the program. Staff is also looking for ways to assist the Green Shutter Hotel to undertake further improvements at that property.

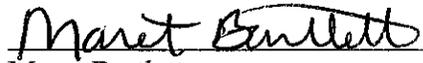
FISCAL IMPACT

Staff is not requesting additional program dollars at this time, however, additional funds will be proposed for this program in the coming fiscal year.

NEXT STEPS

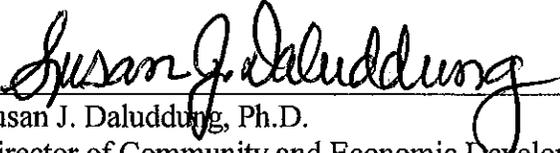
Staff will continue to work with property owners to market their vacant retail spaces in the downtown area, and to continue with the initiatives outlined under the "Clean and Safe" initiative.

Prepared by:



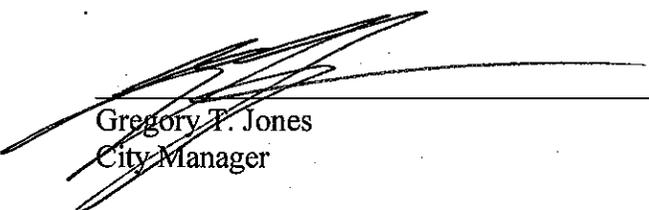
Maret Bartlett
Redevelopment Director

Recommended by:



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

Approved by:



Gregory T. Jones
City Manager