



**DATE:** June 4, 2019

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT:** Approval of Actions Necessary for the City of Hayward to Enter into a Purchase and Sale Agreement with 37 Hayward, LLC for Purchase of the City Center Tower Property Located at 22300 Foothill Boulevard for a Purchase Price of \$5,200,000 and Up to an Additional \$100,000 in Associated Costs

### **RECOMMENDATION**

That the City Council:

1. Adopts a Resolution approving the acquisition of property located at 22300 Foothill Boulevard (APN 415-250-112), authorizing the City Manager to negotiate and execute a Purchase and Sale Agreement (PSA) with 37 Hayward, LLC, and finding that the acquisition is exempt from review under the California Environmental Quality Act pursuant to Sections 15061 and 15301 of the California Environmental Quality Act Guidelines; and
2. Adopts a Resolution appropriating \$3,300,000 from the Route 238 Corridor Lands Development Fund (Fund 411) and \$2,000,000 from the General Fund (Fund 100) for a total of \$5,300,000 for the purchase of real property located at 22300 Foothill Boulevard (APN 415-250-112).

### **SUMMARY**

Staff recommends that the City Council authorize the City Manager to negotiate and execute a Purchase and Sale Agreement with 37 Hayward, LLC (PSA) for the acquisition of the 1.4-acre City Center Tower property (Property) located at 22300 Foothill Boulevard for a purchase price of \$5.2 million and up to an additional \$100,000 in associated costs. The Property is adjacent to other land owned by the City, and its acquisition provides a unique opportunity to preserve it for future redevelopment to help revitalize the downtown. The proposed acquisition of the Property will be for public purposes, which may include exchange, mitigation of blight, or economic development.

## **BACKGROUND**

The City Center Tower Property, located at 22300 Foothill Boulevard and the former home of Hayward's City Hall, has been vacant for over 20 years and is located in the middle of two City-owned parcels near downtown Hayward. The property owner, 37 Hayward, LLC, offered the City the opportunity to purchase the Property for \$5.2 million in early May 2019. In response to the request, the City and the property owner negotiated a draft PSA according to the key terms outlined below.

## **DISCUSSION**

As stated above, City staff is recommending that the City Council authorize the City Manager to negotiate and execute a PSA for acquiring the Property according to the following key terms:

- **Purchase price.** \$5,200,000 payable in cash.
- **Payment terms.** Property owner to pay all back taxes prior to closing; City to waive all code enforcement liens.
- **Inspection period.** 15 days from execution of the PSA.
- **Escrow deposit.** \$170,000 that will be credited towards the purchase price upon execution of the PSA and treated as non-refundable upon expiration of the inspection period, absent a default by the property owner or other contingency stated in the PSA.
- **Closing.** Closing on the transfer of the property to occur within 30 days following expiration of the inspection period.

The Property is adjacent to other land owned by the City for a total of 5.8 acres of contiguous land (including the Property), and its acquisition provides a unique opportunity to preserve it for future redevelopment to help revitalize the downtown. While the City has not yet committed to any development plans for the Property and instead will maintain the existing use until such time as the City Council approves a specific project, the City is acquiring the Property for public purposes, which may include exchange, mitigation of blight, or economic development.

## **Environmental Review**

The acquisition of the Property is exempt from review under the California Environmental Quality Act ("CEQA"), pursuant to CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption), in that the City has not yet committed to any development plans for the Property, but instead will maintain the existing use until such time as the City Council approves a particular project or use, if the City Council elects to consider modifications of the Property in the future. As such, it can be seen with certainty that there is no possibility

that the City's acquisition of the Property will have a significant effect on the environment in that acquisition, in and of itself, will not involve the physical design, development, demolition, or construction of structures or any physical modification to the Property or other land, and in the absence of particular plans any environmental effects of acquisition would be speculative. Acquisition is also exempt pursuant to CEQA Guidelines Section 15301 (Existing Facilities), in that the current use of the Property is intended to remain until a future use is approved, and there is nothing unusual about the proposed acquisition in terms of size, location, or other circumstance that is anticipated to result in a significant environmental effect.

**FISCAL IMPACT**

Staff recommends funding the purchase of the Property from the following funds:

Account	Amount
Fund 100 (General Fund)	\$2,000,000
Fund 411 (238 Property Disposition – Lyon Homes Proceeds)	\$3,300,000
<b>Total</b>	<b>\$5,300,000</b>

City staff recommends that the funds used to acquire the Property be repaid from any resale of the assembled City Center properties, if such future action is approved by the City Council.

**STRATEGIC INITIATIVES**

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities strategic initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. The proposed purchase of the Property supports the following goal and objectives:

Goal 1: Improve the quality of life for residents, business owners, and community members in all Hayward Neighborhoods.

Objective 1: Increase neighborhood safety and cohesion.

Objective 2: Foster a sense of place and support neighborhood pride.

**PUBLIC CONTACT**

The Property has been the subject of significant public discussion over the decades. The City's acquisition of the Property will allow the City to acquire the Property for public purposes consistent with community input.

**NEXT STEPS**

The City will work with the property owner to close on the transfer of the property as soon as possible per the terms of the PSA.

*Prepared and Recommended by:* Jennifer Ott, Deputy City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

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Kelly McAdoo, City Manager