



**DATE:** July 9, 2019

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT:** Approval of a Resolution Certifying an Addendum to the 2014 General Plan Environmental Impact Report, Approval of Master Development Plan, and Authorization for the City Manager to Issue a Request for Proposals for the Disposition and Development of Parcel Group 5: Bunker Hill

## **RECOMMENDATION**

That the City Council reviews and approves a resolution (Attachment II) certifying an addendum to the 2014 General Plan Environmental Impact Report (Attachment III), approves the Parcel Group 5 Master Development Plan (Attachment IV), and approves a resolution (Attachment V) authorizing the City Manager to issue a Request for Proposals (Attachment VI) for the disposition and development of Parcel Group 5: Bunker Hill.

## **SUMMARY**

The City of Hayward entered into a Purchase and Sale Agreement with the California Department of Transportation (Caltrans) in January 2016 to manage the disposition and development of former right of way for the now defunct Route 238 Bypass. This land is divided into 10 parcel groups and must be disposed of by 2022. This report covers Parcel Group 5: Bunker Hill.

Over the last year, the City has been working with the community to develop a vision and plan for the reintegration of Parcel Groups 5, 6, 8, and 9 back into the City. The remaining Parcel Groups 2, 3, 4, and 7 are under exclusive negotiation agreements with developers with plans being vetted with the community by the developers through the City's standard planning process.

For Parcel Group 5, the culmination of these planning efforts is the certification of an Addendum to the 2014 General Plan Environmental Impact Report (2014 GPA EIR), approval of a Master Development Plan (MDP), and issuance of a Request for Proposals (RFP) from developers for development of a maximum unit count of 74 plus eight deed-restricted affordable Accessory Dwelling Units (ADUs) consistent with the City's General Plan.

## BACKGROUND

### *Route 238 Corridor Lands Development*

In the mid-1960s, the California State Department of Transportation (Caltrans) purchased more than 400 parcels of property for the construction of a 14-mile Route 238 Corridor Bypass Freeway to run through the City of Hayward and parts of unincorporated Alameda County. In 1971, a lawsuit, filed in federal court on behalf of residents to be displaced by the freeway construction, blocked the project. Caltrans subsequently abandoned the freeway plan. In 1982, state legislation was passed to allow Hayward and other local jurisdictions—working through the Alameda County Transportation Authority—to develop alternative strategies for relieving traffic congestion in Central Alameda County. The legislation called for these Local Alternative Transportation Improvement Program (LATIP) projects to be funded from proceeds from the sale of properties that had been accumulated by Caltrans for the Route 238 Bypass Freeway.

In 2009, then Governor Arnold Schwarzenegger directed Caltrans to sell all property not needed for existing LATIP projects. Following this, Caltrans began to individually auction off these properties with the sole purpose of disposing of the land, without any larger land use or community considerations. To ensure the productive development of this land in a manner that maximizes land value while balancing the desires of the surrounding neighborhood and larger community, the City entered into a Purchase and Sale Agreement (PSA) with Caltrans to manage the disposition and development of these properties. The PSA divides the properties into 10 parcel groups which must be disposed of by 2022. Table 1 below provides the current status of these parcel groups:

<b>Parcel Group</b>	<b>Status</b>	<b>Entity</b>	<b>Est. Disposition Timeline</b>	<b>Estimated Unit Counts</b>	<b>Affordable Unit Count</b>
<b>1 &amp; 10</b>	Sold	William Lyon Homes (SOHAY)	August 2018	472 (approved)	48 (approved)
<b>2</b>	Under Negotiation	The True Life Companies (Mirza)	Fall 2019	189	19
<b>3</b>	Under Negotiation	Eden Housing and The Pacific Companies	Spring 2020	150	150
<b>4</b>	Under Negotiation	Eden Housing and The Pacific Companies	Spring 2020	3	0
<b>5</b>	Master Development Planning	City of Hayward	Fall 2020	81	8
<b>6</b>	Master Development Planning	City of Hayward	Fall 2020	1000	100
<b>7</b>	Under Negotiation	One Subaru of Hayward	Winter 2019	0	0
<b>8</b>	Master Development Planning	City of Hayward	TBD	0	0
<b>9</b>	Master Development Planning	City of Hayward	Spring 2020	0	0
			<b>TOTAL</b>	<b>1895</b>	<b>325<sup>1</sup></b>

<sup>1</sup> Staff estimates 17% of total Route 238 Corridor Lands Development residential units will be affordable.

## *Program Goals*

The 238 Corridor Lands Development Project provides a one-time opportunity to reintegrate these lands into the City, providing for new housing at all income levels, commercial development, open space, and trails. The four overarching goals of this community driven project are to:

- GOAL 1: Facilitate the cohesive, productive development of land driven by community vision;
- GOAL 2: Eliminate neighborhood blight;
- GOAL 3: Negotiate real estate transactions at no net cost to the City;
- GOAL 4: Generate funding for the key public benefits like open space, city-wide trails, affordable housing, public transportation, and other city priorities through on-site development requirements and sales.

On June 3, the Council Economic Development Committee (CEDC) received a report on the draft MDP and the draft RFP. The CEDC was supportive of the MDP and RFP and only made the following recommended changes:

- Increase the minimum lot size from 4,500 to 5,000 square feet.
- Require future development to not include natural gas utilities.
- Encourage a diversity of architectural styles that add additional neighborhood character.
- Clarify affordable housing requirements in the RFP.
- Require developers to include a community outreach and engagement plan in their response to the RFP.

On June 27, the Planning Commission reviewed the draft MDP and Addendum to the 2014 GP EIR, including draft California Environmental Quality Act (CEQA) findings. The Planning Commission was supportive of the MDP and only made the following comments and recommended changes:

- Include a requirement to provide defensible/fire resistant landscaping.
- Provide clarity over maintaining all existing utilities to existing property owners during construction and retain their existing gas service permanently.
- Ensure that the size of new homes is compatible to adjacent homes and the existing neighborhood.
- Articulate clear creek/riparian area setbacks consistent with the Alameda County's Watercourse regulations.
- Conduct additional traffic circulation, safety and engineering analysis regarding adding secondary access to the site at Carlos Bee Boulevard.

These items have been updated as appropriate in the MDP and RFP.

The Planning Commission also made numerous comments regarding the provision of affordable housing for Parcel Group 5: Bunker Hill to be included in the RFP. While commissioners were generally supportive of the proposed affordable housing options included in the RFP and providing on-site affordable housing, there were differing opinions about whether to make this a specific conditional requirement or to allow developers to

propose more expansive and creative ways to better integrate affordable “like-unit” options into the development. The Commission requested that the Council further deliberate on this.

## **DISCUSSION**

### *Parcel Group 5: Bunker Hill*

Parcel Group 5 encompasses Maitland Drive, Bunker Hill Blvd., Bunker Hill Court, and a portion of Central Blvd. The roughly 37-acre Parcel Group 5 is bounded by the Westview Drive neighborhood to the west, California State University East Bay (CSUEB) and Carlos Bee Blvd. to the north and Harder Road to the south. The area is sloped and was previously developed with 32 single family homes, 24 of which were occupied by residential tenants. These units will be completely vacated by this summer and will be completely demolished in the fall.

### *Policy Context and Code Compliance*

Hayward 2040 General Plan. The current General Plan designates all of Parcel Group 5 as Suburban Density Residential (SDR). Density under this land use designation is 1.0 to 4.3 dwelling units per acre. Any development of Parcel Group 5 will be required to be consistent with the General Plan. Aside from this, the Parcel Group 5 MDP is consistent with several other General Plan goals and policies including:

Goal LU-1: Promote local growth patterns and sustainable development practices that improve quality of life, protect open space and natural resources, and reduce resource consumption, traffic congestion and related greenhouse gas emissions.

LU-1.4 Revitalization and Redevelopment: The City shall encourage property owners to revitalize or redevelop abandoned, obsolete, or underutilized properties to accommodate growth.

LU-1.10 Infrastructure Capacities: The City shall ensure that adequate infrastructure capacities are available to accommodate planned growth throughout the city.

LU-3.7 Infill Development in Neighborhoods: The City shall protect the pattern and character of existing neighborhoods by requiring new infill developments to have complimentary building forms and site features.

LU-7.6 Open Space Access: The City shall require new hillside developments to provide public trail access (as appropriate) to adjacent greenways, open space corridors, and regional parks.

The site is also designated as a Housing Element site in the most recently adopted Housing Element and the Housing Element assumed a realistic capacity of 80 above moderate-income units for this site, which at the time included some properties that ultimately were sold to separate individuals. There are approximately six individually owned properties in this neighborhood, five of which were previously identified in the larger opportunity site.

The proposed 74 maximum number of units coupled with the individually owned properties is consistent with the 80 units proposed in the adopted Housing Element.

The proposal of 74 units plus the inclusion of an additional eight deed restricted ADUs also helps meet goals and objectives of the Housing Element including:

H-2.1 Homeownership Housing: The City shall encourage the development of ownership housing and assist tenants to become homeowners to reach a 60 percent owner-occupancy rate, within parameters of federal and state housing laws.

H-2.4 Integration of Affordable Housing: The City shall encourage a mix of affordability levels in residential projects and encourage dispersal of such units to achieve greater integration of affordable housing throughout the community.

H-3.5 Compatible Development of Underutilized Sites: The City shall encourage compatible residential development in areas with underutilized land.

### Zoning Ordinance

The current zoning for the site is Residential Natural Preserve (RNP) and includes the Special District 7 (SD-7) overlay for the Hayward Foothill Trail. This zoning provides for 20,000 square foot minimum lot sizes and a 30% maximum lot coverage ratio. As part of the RFP to be approved by the City Council, City staff is recommending that the City entertain a rezone of Parcel Group 5 by future developers to allow for a denser lot configuration that achieves the following:

- 5,000 sf. to 20,000 sf. lot sizes with a 10,000 square foot average lot size consistent with the General Plan;
- 30% to 40% maximum lot coverage ratio; and
- 60' to 100' maximum lot frontage.

Allowing these future zoning changes for Parcel Group 5 is intended to balance the neighborhood's desire for a low-density development consistent with the character of the existing neighborhood with the larger community-wide calls to develop more housing in response to the current housing crisis. Any new development will be required to comply with SD-7.

### Affordable Housing Ordinance (AHO)

Under the current AHO, a development project must provide affordable units equal to either 10% of the total units for for-sale units or 7% of the total units for rental units; pay an Affordable Housing In-lieu fee; or provide an alternative approach that exceeds these requirements. Any on-site units must be similar units to the market rate units provided in the development.

Given this development will be limited to large-lot for-sale single family homes at an average 3,500 square feet, providing like units that are highly subsidized single family homes at below market prices is not the most appropriate application of the AHO given

other smaller product types make more sense for the housing needs of the Hayward community.

To accomplish the development of on-site affordable units, staff has developed options for developers to satisfy the City's AHO requirements as part of the development requirements to be included in the RFP.

The first and preferred option is for the developer to construct deed restricted rental accessory dwelling units (ADUs) in an amount equal to 10% of their total unit count. Since ADU's are not like units consistent with the AHO, developers would also be required to pay 50% of the affordable housing in-lieu fee on the remaining 90% of their total unit count.

The second option is for the Developer to propose an alternative that meets or exceeds the thresholds of the first option.

Again, the Planning Commission has requested that the City Council deliberate further on the affordable housing options.

#### *Existing Site Conditions*

Located in the Hayward foothills, Parcel Group 5 is marked by steep terrain with grades ranging from 8% to over 45%. This topography limits the overall developable space. The roads are in very poor condition and do not meet city standards, lacking adequate curb, gutter, sidewalk, and lighting. Parcel Group 5 is accessible by vehicle only through Central Blvd./Westview Way. City sewer does not service a majority of Bunker Hill Blvd and Bunker Hill Court.

As described above, the current General Plan designates all of Parcel Group 5 as SDR. The current zoning for the site is RNP and includes the SD-7 overlay for the Hayward Foothill Trail. This zoning provides for 20,000 square foot minimum lot sizes and a 30% maximum lot coverage ratio.

The site is rural in nature and includes riparian corridors to the northwest and southwest, which provide habitat for wildlife that populate and meander throughout Parcel Group 5.

#### *Master Development Planning Process*

In 2017, the City contracted with urban design firm, DesignWorkshop, to develop Master Development Plans and associated environmental review documentation for several parcel groups including Parcel Group 5. As a part of this contract, DesignWorkshop and their subcontractors conducted site specific analyses and assisted the City in developing a community driven vision for the future development. The product of this work is the MDP for Parcel Group 5 (Attachment IV), which captures the proposed vision for Parcel Group 5 and articulates certain development standards and public benefits that the future development shall provide.

*Public Outreach:* For this parcel, staff held two neighborhood meetings in addition to a community-wide meeting on the Route 238 Corridor Lands Development project. In

addition to these meetings, staff has met with several neighborhood members to garner additional feedback.

The feedback from these meetings has been consistent, revolving around the following issues:

1. Maintaining the rural character of the neighborhood, with some neighbors expressing support for maintaining the existing zoning.
2. Constructing new public amenities like the Foothill Trail.
3. Preserving open space for wildlife.
4. Providing adequate on and off-street parking for residents and guests.
5. Minimizing traffic impacts on surrounding neighborhoods.
6. Constructing additional site access for construction activities and new vehicular access for the final development via an extension of Bunker Hill Blvd. to Carlos Bee Blvd.

The MDP seeks to balance this feedback with the larger community-wide calls to develop housing in response to the current housing crisis.

#### *Master Development Plan*

The MDP outlines the proposed vision for the redevelopment of Parcel Group 5, which is consistent with many of the comments and requests made by the community and surrounding neighborhood. This section briefly summarizes four main aspects of this vision. Further discussion can be found in the draft MDP (Attachment IV).

#### 1. Trails and Open Space

The MDP contemplates preserving over 10 acres of dedicated open space located in the riparian corridors at the northern and southern portions of the parcel. In addition to this, the site would include approximately 3,000 linear feet of the Hayward Foothill Trail along the eastern boundary of the site, connecting to the CSUEB campus as well as other segments of the trail. This 16-foot wide bike and pedestrian trail would be constructed in accordance with SD-7.

#### 2. On-Site Pedestrian and Vehicular Circulation Improvements

Paramount to development of Parcel Group 5 are access and mobility improvements that provide roadways that can accommodate the new development while increasing access for emergency vehicles and reducing traffic impacts on existing neighborhoods. All roadways within Parcel Group 5 will be improved to current City standards and will include wider drive lanes, rolled curbs, public parking, landscaping, and sidewalks. The new development will extend Bunker Hill Blvd to Carlos Bee Blvd., creating a new intersection approximately 200 feet from the existing Tanglewood intersection upon acquiring the rights for a small parcel currently owned by CSU East Bay. Right-turn pockets would be installed on Bunker Hill Blvd. and Carlos Bee Blvd. to improve access.

#### 3. Development Parameters

The development of Parcel Group 5 shall use its varying topography to its advantage, providing unprecedented bay views and access to open space. The future development will meet the surrounding community's desire to maintain a rural character marked by hillside open space that invites and retains existing wildlife and provides a level of seclusion away from the congested atmosphere of the Bay Area. Multiple wildlife corridors will be preserved within the neighborhood.

Consistent with the City's General Plan, the MDP sets a maximum unit count of 74 plus eight deed-restricted affordable ADUs to satisfy the City's AHO. In order to accomplish this and as described above, the City will entertain a rezone of Parcel Group 5 by a future developer to allow for any lot configuration that achieves the following:

- 5,000 sf. to 20,000 sf. lot sizes with a 10,000 square foot average lot size consistent with the General Plan;
- 30% to 40% maximum lot coverage ratio;
- 60' to 100' maximum lot frontage;

#### 4. Infrastructure Improvements

The existing infrastructure systems of Parcel Group 5 are inadequate and non-existent in certain portions of Parcel Group 5. The future development will be required to upgrade all infrastructure systems including new water, sewer, storm drain, and electric infrastructure. All electric and communication utilities including fiber-optic cabling will be installed in a joint trench within the upgraded roadways. Based on feedback from the CEDC, the new development will not include gas utilities (electric only) to promote a more sustainable project.

#### *Environmental Review*

The Addendum to the GP EIR (Attachment III) was prepared pursuant to CEQA Guidelines Section 15164 which states: "The lead agency or a responsible agency shall prepare an addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred."

The proposed modifications to the GP EIR described in the Addendum would not require major revisions to the GP EIR due to new or substantially increased significant environmental effects. The analysis contained in the Environmental Checklist confirms that the modified project is within the scope of the GP EIR and will have no new or more severe significant effects and no new mitigation measures are required. Therefore, no subsequent or supplemental EIR or further CEQA review is required prior to approval of the proposed project, as described in the Addendum. The resolution approving findings regarding compliance with the CEQA can be found in Attachment II.

#### *Request for Proposals*

Upon City Council approval of the MDP and RFP (Attachment VI), the City will issue the RFP to select a developer to execute the proposed vision for development of Parcel Group 5. The

City is the landowner of the parcel and therefore has the ability to set the explicit expectations for the future developer. The MDP provides some context for these expectations; however, the RFP further outlines the specific development parameters a developer must meet. This section briefly summarizes the key land use and development parameters contained within the RFP:

### 1. 238 Foothill Trail and Parkland Dedication Requirements

Developers will be responsible for constructing the 16-foot wide Hayward Foothill Trail throughout the parcel. The specific location of the trail will require approval by the City and the Hayward Area Recreation and Park District (HARD). The developer will also need to establish a Landscape and Lighting District or other property-based financing mechanism to fund ongoing maintenance of the trail. The Hayward Foothill Trail will be publicly owned by HARD or irrevocably accessible to the public and will be managed by HARD comprehensively. In addition, the developer may have to meet additional Parkland Dedication Requirements.

### 2. Affordable Housing Requirements

As described above, under the current AHO, a given development must provide affordable units equal to either 10% of the total units for for-sale units or 7% of the total units for rental units; pay an Affordable Housing In-lieu fee; or provide an alternative approach that exceeds these requirements. According to the AHO, any on-site units must be similar units to the market rate units provided in the development. Given this development will be limited to large-lot for-sale single family homes at an average 3,500 square feet, providing like units that are highly subsidized single family homes at below market prices is not the most appropriate application of the AHO given other smaller product types make more sense for the housing needs of the Hayward community. To accomplish the development of on-site affordable units, staff has developed options for developers to satisfy the City's AHO requirements.

The first and preferred option is for the developer to construct deed restricted rental ADUs in an amount equal to 10% of their total unit count. Since ADU's are not like units consistent with the AHO, developers are also being required to pay 50% of the Affordable Housing In-lieu fee on the remaining 90% of their total unit count.

The second option is for the Developer to propose an alternative that meets or exceeds the thresholds of the first option.

### 3. Green Development

The selected developer will be required to incorporate green building and landscaping elements in their proposed project that reduce the use of energy, water, and natural resources. Proposed new developments shall not include gas utilities (electric only) to promote a more sustainable project. Additionally, all units must comply with the California Building Standards Commission's new requirement to make all new homes solar powered. This can be accomplished either by installing solar panels on new homes or through constructing a solar power system to power the new development.

#### 4. Transportation Demand Management

The selected developer will be required to develop a Transportation Demand Management program that reduces vehicle miles traveled (VMT) and encourages residents to utilize alternative modes of transportation outside of single occupancy vehicles.

#### 5. Hayward Resident Priority Preference Plan

Consistent with Councilmember Wahab's recent referral, prospective developers related to development of the remaining 238 properties will be asked to include in their proposals a Hayward Resident Priority Preference Plan, which would include a priority preference for Hayward residents to purchase or lease market rate units in instances where all other financial considerations are equal, if possible. The Hayward Resident Priority Preference Plan for the leasing and sale of market rate housing units in their development must be pursuant to applicable state and federal Fair Housing laws and state any impact of this program on purchase price.

#### *RFP Process Timeline*

Responses to the RFP are tentatively due in September of this year. Following review of the applications, staff will internally rank the proposals and invite finalists to take part in interview panels consisting of staff and community members. The recommended finalist will be brought to the City Council for approval and authorization to enter into an Exclusive Negotiation Agreement (ENA).

Following this, the City will enter into an ENA for a 9-month period to negotiate a Disposition and Development Agreement (DDA). The Developer will be required to obtain concurrent approval of the DDA with the project's site plan and TDM Plan. Tentative Map approvals may take place after DDA approval but prior to closing at a date negotiated in the DDA. The City has no obligations to approve the DDA, site plan, TDM Plan, or Tentative Map.

#### **ECONOMIC IMPACT**

No property taxes are currently being paid on this parcel group. The development of the parcel will return it to the tax rolls and provide an opportunity for new residential development needed to address the goals of the Housing Element.

The sale of the parcel groups will be made pursuant to SB 470, which allows cities to sell public land for private development if the sale creates economic opportunity. Economic opportunity includes the creation and retention of jobs, increasing property tax revenues to all taxing entities, creation of affordable housing, implementation of a sustainable communities strategy, and implementation of a transit related project. The DDA for the project will include one or more of these elements as an obligation and/or outcome of the development.

#### **FISCAL IMPACT**

The estimated amount of new tax revenue to be generated will be calculated at the time a single development proposal is selected for negotiations.

### **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. This item supports the following goals:

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

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

### **NEXT STEPS**

ITEM	GOVERNING BODY	SCHEDULED DATE
Authorization to Enter into Exclusive Negotiations Agreement with Selected Developer	Hayward City Council	December 2019
Approval of DDA, Site Plan, and TDM Plan	Planning Commission Hayward City Council	September 2020

*Prepared by:* John Stefanski, Management Analyst II

*Recommended by:* Jennifer Ott, Deputy City Manager

Approved by:



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Kelly McAdoo, City Manager