



CITY OF HAYWARD AGENDA REPORT

AGENDA DATE April 14, 1998

AGENDA ITEM 6 (A&B)

WORK SESSION ITEM _____

TO: City Council and Redevelopment Agency Board Members

FROM: City Manager/Executive Director

SUBJECT: **Consideration of a Sale Agreement and Parking Agreement for the City Center Office Building and Parking Structure**

RECOMMENDATION:

That the City Council and Redevelopment Agency Board adopt the attached resolutions which authorize:

- transfer of title to the City Center Office Building from the City to the Redevelopment Agency;
- sale of the City Center Office Building from the Redevelopment Agency to City Center Hayward Associates, LLC (the "Buyer") in the amount of \$1,500,000;
- transfer of title to the City Center Parking Structure and Municipal Lot No. 4 from the Redevelopment Agency to the City of Hayward at no cost; and
- execution of a Parking Agreement for the City Center Parking Structure between the City and the Buyer.

BACKGROUND:

In 1996, the City Council authorized a contract with Cornish & Carey Commercial brokers for the marketing and disposition of the City Center Building (the "Building"). The brokers spent several months researching the market to determine the best strategy for presentation of the building. Subsequently, the brokers prepared a sales presentation package, and in April, 1997 mailed fliers to over 200 prospective buyers. Approximately eight different parties requested a detailed sales package, several of which expressed serious interest in the property. In October, 1997 staff reported to the City Council that an offer had been submitted by Shamrock Western and Douglas Finney, which appeared to be the best conceived of the offers that had been submitted. The City Council authorized staff to negotiate a Purchase and Sale Agreement with the proposed Buyer.

SALE OF THE BUILDING:

The proposed Buyer of the building is City Center Hayward Associates, LLC, whose principals are Mr. Roy Ferrari and Mr. Douglas Finney. Mr. Ferrari is one of the owners of Ferma Corporation, which is a general engineering company specializing in site preparation activities. The company's client and project list includes local, state and federal governments, as well as a number of the larger corporations and general contractors. Mr. Ferrari owns approximately 14 properties, including a 110,000 square foot R &

D office building in Sunnyvale and a neighborhood shopping center in Mountain View. Mr. Finney is a senior vice president with Cornish & Carey Commercial, and has experience in office leasing. Mr. Finney also owns several commercial properties on the San Francisco peninsula. Although Mr. Finney works for the same brokerage firm which the City has employed to market the building, the City's lead representative, Mr. Mark Ziemendorf, works out of a different office location and has warranted that there are no conflicts of interest involved in the transaction.

The Buyer intends to abate the existing asbestos and renovate the Building for re-use as a commercial office building. The Buyer has completed a due diligence investigation of the Building, including an assessment of the market and leasing conditions, physical inspections of all aspects of the building, and a seismic engineering study and retrofit plan for the building.

The Building is proposed to be strengthened to resist lateral movement in the following ways: 1) structural columns would be added to the interior of the former Council Chambers; 2) a diaphragm would be installed between the third level and ground on the west side of the Building to disperse Building loads; 3) new shear walls would be installed on all floors of the Building; and 4) the foundation would be strengthened to carry the added weight of the new shear walls. The City has had the Buyer's seismic engineering study reviewed by EQE Engineering. EQE is satisfied that the Buyer's engineering study and plan is a sound one which can achieve the City's requirement that the building be retrofitted to meet or exceed the 1985 Uniform Building Code (UBC) provisions with respect to structural integrity. While the City has determined that the 1985 UBC is a minimum requirement for structural retrofit, the Buyer has agreed to renovate the Building to current Code requirements.

The Buyer estimates that it will invest between \$15 and \$18 million to renovate the Building. Staff estimates that the property tax increment revenue that will be generated from the sale and retrofit of the Building is between \$170,000 and \$200,000 per year. Currently, the Building generates no property taxes due to its public ownership. In addition, the sale and retrofit of the building allows the City to avoid the cost to abate the asbestos and demolish the Building, which was estimated to cost in excess of \$1.5 million in December, 1996.

Based on the typical tenancy for a building of this size, staff estimates that the Building may house between 400 and 450 employees. Applying the data found in a 1995 market study prepared by EPS, Inc. related to the effects of locating a new City Hall and County facilities downtown, it is projected that these employees may generate between \$470,000 and \$530,000 per year in spending on lunches and downtown shopping.

CEQA FINDINGS:

Pursuant to Section 15301 of the State CEQA Guidelines this project would be categorically exempt from CEQA environmental review in that the Buyer proposes only to do a rehabilitation and retrofit of the building that will affect its interior and foundations, and will not add square footage to the building.

PARKING AGREEMENT:

In order to provide parking for the Building, a Parking Agreement for use of the City Center Parking Structure has been prepared. Under the terms of the Agreement, the tenants of the Building would have the exclusive right to up to 500 of the 700 parking spaces in the Parking Structure during weekdays from 7:00 a.m. to 6:00 p.m. After 6:00 p.m. the tenants would continue to have access on a first come first serve basis. This would allow 200 additional spaces to be made available to Centennial Hall during the weekdays. In the event that the proposed multi-plex theater project is developed, a parking agreement could also be entered into with the owner or operator of the theater. The primary hours for theater parking demand would be for evening and weekend use. In this way the Parking Structure will serve multiple users.

The Agreement is structured as an easement, in that the owners of the Building would have certain parking rights in perpetuity if they abide by the terms of the Agreement. The City would retain the right to relocate the Parking Structure within an area generally bounded by Foothill and City Center Drive. While the Buyer would pay no rent for the parking, they would pay their share of the monthly utilities and maintenance expenses based on their proportionate use of the facility. The proportionate amount has been calculated at 35% based on the designated number of spaces and hours of use. In addition to regular maintenance expenses, the Buyer would also pay their proportionate share towards a "reserve" fund for major repairs and painting, as well as insurance costs.

In the event that the Parking Structure is destroyed due to natural events, the insurance on the Structure would be used to replace it. The Buyer would contribute their proportionate share to cover any shortfall between the insurance proceeds and the cost to replace the Structure. The City also has the right to replace the Parking Structure either as a result of its deterioration or a desire to redevelop the site. However, there is an assumed "lifetime" to the Structure, which would end in the year 2050. The owner of the Building would be required to pay their proportionate share of the cost to replace the Structure only after the year 2050. If the City chooses to relocate the Structure to a new location, any costs associated with the acquisition of a new site would be the responsibility of the City. The City could then redevelop the existing Parking Structure site with whatever use it chooses.

MUNICIPAL LOT NO. 4:

Staff has included the proposed transfer of Municipal Lot No. 4 from the Redevelopment Agency to the City as an action to be taken concurrently with the City/Agency actions related to the City Center project. The authority to transfer both the City Center Parking Structure and Municipal Lot No. 4 is contained in the 1987 Project Lease between the City and the Redevelopment Agency which was executed as part of the 1998 Hayward Parking Projects Certificates of Participation financing. Under the terms of the Lease, title to the Parking Structure shall be transferred to the City upon expiration of the Lease. The debt on the Parking Structure has been fully repaid as of January, 1998.

City Council and Redevelopment
Agency Board Members
April 14, 1998

Because the debt has been repaid and the Lease has terminated, it is appropriate to convey this property back to the City. Apart from the old Parking Projects financing, Municipal Lot No. 4 has no relationship to the City Center transaction, and discussion of the proposed action is included simply as a convenience.

SUMMARY:

Staff recommends that the City Center Building be conveyed to the Redevelopment Agency prior to sale of the Building to the Buyer. This will simplify and expedite the sale transaction. The Agency would repay the City from the proceeds of the sale to the Buyer at the close of escrow. As discussed above, the Agency would also transfer the City Center Parking Structure to the City at no cost, and the City would then enter into the Parking Agreement with the Buyer. The time frame for close of escrow would be 60 days from execution of the Purchase and Sale Agreement, however, the closing date can be extended by 30 days if necessary. Thus, it is estimated that close of sale could occur as early as mid-June, 1998.

There are several benefits to the proposed sale of the Building and the proposed Parking Agreement:

- the City will receive \$1.5 million for the Building;
- the City will avoid the expenditure of over 1.5 million to abate the asbestos and demolish the building;
- the sale and retrofit of the Building should generate at least \$170,000 per year in redevelopment property tax increment, plus fees to the City;
- when fully leased, the new tenants are projected to spend up to \$530,000 annually in the downtown area.
- The Building owners will pay for their proportionate use of the Parking Structure, and the City will retain title to the structure, thereby retaining the ability to use of this facility for Centennial Hall and for other uses.

If the City Council/Agency Board so approves, staff will undertake all the steps outlined in the attached resolutions to close the sale of the City Center Building to the Buyers within a 60 to 90-day period.


Jesús Armas

PM 4-10-98

Draft Resolution No. 1 of 4

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION AUTHORIZING TRANSFER OF REAL
PROPERTY LOCATED AT 22300 FOOTHILL BOULEVARD
FROM THE CITY OF HAYWARD TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

WHEREAS, City Center Hayward Associates, LLC, a California limited liability company, has submitted an offer to purchase the real property located at 22300 Foothill Boulevard (APN No. 415-0250-112), including the structure known as the City Center Building (jointly "the Property"), and intend to renovate the City Center building for reuse as a commercial office building; and

WHEREAS, the legal description for the site on which the Property is located is parcel 2, parcel map 3547, filed February 9, 1983, Map Book 137, pages 62-65, Alameda County records; and

WHEREAS, a fee interest in the Property is vested in the City of Hayward and the City Council wishes to transfer the Property to the Redevelopment Agency of the City of Hayward to promote reuse of the building in accordance with the Redevelopment Plan for the Downtown Hayward Redevelopment Project; and

WHEREAS, notice of a public hearing regarding the proposed transfer has been provided according to law, and a public hearing held on April 14, 1998.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby authorizes sale of the City of Hayward's interest in the Property to the Redevelopment Agency of the City of Hayward for the sum of \$1,500,000, which shall be payable within 30 days after the Redevelopment Agency's sale of the property to City Center Hayward Associates, LLC.

BE IT FURTHER RESOLVED that the City Manager is authorized to execute all documents necessary to complete transfer of title to the Property to the Redevelopment Agency of the City of Hayward.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 1998

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

DM 4-10-98

Draft Resolution No. 2 of 4

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-_____

Introduced by Agency Member _____

RESOLUTION AUTHORIZING SALE OF REAL PROPERTY
LOCATED AT 22300 FOOTHILL BOULEVARD AND THE
CITY CENTER BUILDING LOCATED THEREON TO CITY
CENTER HAYWARD ASSOCIATES, LLC.

WHEREAS, City Center Hayward Associates, LLC, a California limited liability company, has submitted an offer to purchase the real property located at 22300 Foothill Boulevard (APN No. 415-0250-112), which includes the structure known as the City Center Building (jointly "the Property") and has proposed execution of a Purchase and Sale Agreement to acquire the Property for \$1,500,000 (one million, five hundred thousand dollars), and intend to renovate the City Center building for reuse as a commercial office building if the sale is approved; and

WHEREAS, the legal description for the parcel which comprises the Property is as follows: parcel 2, parcel map 3547, filed February 9, 1983, Map Book 137, pages 62-65, Alameda County records; and

WHEREAS, the City Council has authorized transfer of the Property to the Redevelopment Agency of the City of Hayward to promote reuse of the building in accordance with the Redevelopment Plan for the Downtown Hayward Redevelopment Project; and

WHEREAS, proposed purchase price of \$1,500,000 (one million, five hundred thousand dollars) is deemed to be the current fair market value of the property, based on proposals received by brokers for the marketing and disposition of the property; and

WHEREAS, sale and retrofit of the building is expected to generate at least \$170,000 per year in redevelopment property tax increment, as well as fees to the City; and

WHEREAS, occupancy and reuse of the building will also enable the commercial reuse of the City Center building, and City Center building tenants' patronage of business located in the downtown area during lunch hours and after work; and

WHEREAS, a public hearing has been duly noticed pursuant to Health & Safety Code section 33431 and held on April 14, 1998.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Hayward that it does hereby approve the sale of City Center Building to City Center Hayward Associates, LLC, a California limited liability company, for the amount of \$1,500,000 (one million, five hundred thousand dollars), based on the terms and conditions set forth in the proposed Purchase and Sale Agreement; and

BE IT FURTHER RESOLVED, that the Executive Director is authorized to execute all documents necessary to complete the sale, after approval by the City Attorney, acting as the Agency's General Counsel, as to the form of such documents.

HAYWARD, CALIFORNIA _____, 1998

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-_____

Introduced by Agency Member _____

RESOLUTION AUTHORIZING TRANSFER FROM THE
REDEVELOPMENT AGENCY TO THE CITY OF HAYWARD
OF MUNICIPAL LOT NO. 4 AND THE PARKING
STRUCTURE AND REAL PROPERTY LOCATED
ADJACENT TO CITY CENTER BUILDING AT 22300
FOOTHILL BOULEVARD

WHEREAS, the Redevelopment Agency owns a fee interest in Municipal Lot #4, located on "B" Street east of Foothill Boulevard, bearing the assessor's parcel designation of APN No. 427-011-20, and the legal description of which is attached hereto as Exhibit "A," and the real property on which the parking structure located adjacent to the City Center building at 22300 Foothill Boulevard, bearing the assessor's parcel designation of APN No. 415-0250-113, and the legal description of which is parcel 3, parcel map 3547, filed February 9, 1983, Map Book 137, Pages 62-65; and

WHEREAS, the Redevelopment Agency leased the parking structure located at 22300 Foothill Boulevard and Municipal Lot no. 4 (jointly "the Hayward Parking Projects") on June 1, 1987, to the City of Hayward pursuant to the Project Lease for the Hayward Parking Projects ("Project Lease"), which expired on December 31, 1997; and

WHEREAS, improvements to the Hayward Parking Projects were financed by debt issued pursuant to the 1987 Indenture for the Hayward Parking Projects, and such debt was fully paid as of January 1998; and

WHEREAS, Section 9.05 of the 1987 Project Lease provides that title to the Hayward Parking Projects shall vest in the City of Hayward upon the expiration of the Project Lease;

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Hayward hereby authorizes transfer from the Redevelopment Agency of the City of Hayward to the City of Hayward of the following real property: Municipal Lot No. 4 and the parking structure adjacent to the City Center Building; and

BE IT FURTHER RESOLVED that the Executive Director is authorized to execute all documents necessary to complete transfer of its interest in said real property to the City of Hayward, in consultation with the City Attorney, acting as the Agency's General Counsel.

HAYWARD, CALIFORNIA _____, 1998

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel

Exhibit "A"

**MUNICIPAL LOT NO. 4
LEGAL DESCRIPTION**

The property is situated within the city limits of the City of Hayward, County of Alameda, State of California and is described as follows:

PARCEL 1:

BEGINNING AT A POINT ON THE NORTHWESTERN LINE OF "C" STREET, DISTANT THEREON 250 FEET NORTHEASTERLY FROM THE INTERSECTION THEREOF, WITH THE NORTHEASTERN LINE OF 1ST STREET; AND RUNNING THENCE NORTHEASTERLY ALONG SAID LINE OF "C" STREET, 50 FEET; THENCE NORTHWESTERLY AND PARALLEL WITH SAID LINE OF 1ST STREET, 200 FEET; THENCE SOUTHWESTERLY AND PARALLEL WITH SAID LINE OF "C" STREET, 50 FEET; THENCE SOUTHEASTERLY AND PARALLEL WITH SAID LINE OF 1ST STREET, 200 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

BEGINNING AT A POINT ON THE NORTHWESTERN LINE OF "C" STREET, DISTANT THEREON SOUTHEASTERLY 200 FEET FROM THE INTERSECTION THEREOF WITH THE NORTHEASTERN LINE OF FIRST STREET; RUNNING THENCE NORTHEASTERLY ALONG SAID LINE OF "C" STREET, 50 FEET; THENCE NORTHWESTERLY AND PARALLEL WITH SAID LINE OF FIRST STREET 200 FEET; THENCE SOUTHWESTERLY AND PARALLEL WITH SAID LINE OF "C" STREET, 50 FEET; THENCE SOUTHEASTERLY AND PARALLEL WITH SAID LINE OF FIRST STREET, 200 FEET TO THE POINT OF BEGINNING.

PARCEL 3:

BEGINNING AT A POINT ON THE SOUTHEASTERN LINE OF "B" STREET, DISTANT THEREON, 200 FEET NORTHEASTERLY FROM THE POINT OF INTERSECTION THEREOF, WITH THE NORTHEASTERN LINE OF FIRST STREET, NOW FOOTHILL BOULEVARD, AS THE SAME EXISTED PRIOR TO THE WIDENING THEREOF, ON NOVEMBER 18, 1949; RUNNING THENCE NORTHEASTERLY ALONG SAID LINE OF "B" STREET, 100 FEET; THENCE SOUTHEASTERLY AND PARALLEL WITH SAID LINE OF FIRST STREET, 200 FEET; AND THENCE SOUTHWESTERLY PARALLEL WITH SAID LINE OF "B" STREET, 100 FEET; AND THENCE NORTHWESTERLY AND PARALLEL WITH SAID LINE OF FIRST STREET, 200 FEET TO THE POINT OF BEGINNING.

ASSESSORS PARCEL NUMBER 427-0011-020.

pm

4-10-98

Draft Resolution No. 4 of 4

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A PARKING AGREEMENT WITH CITY CENTER HAYWARD ASSOCIATES, LLC, FOR AN EASEMENT REGARDING THE USE OF A PORTION OF THE PARKING STRUCTURE ADJACENT TO THE CITY CENTER BUILDING AT 22300 FOOTHILL BOULEVARD

WHEREAS, the City Council in its capacity as the Redevelopment Agency of the City of Hayward has authorized transfer to the City of Hayward of the parking structure adjacent to the City Center Building at 22300 Foothill Boulevard and the site on which such parking structure is located in accordance with the terms of Section 9.05 of the 1987 Project Lease for the Hayward Parking Projects; and

WHEREAS, the Redevelopment Agency of the City of Hayward has approved the sale to City Center Hayward Associates, LLC, a California limited liability company, of the City Center building located at 22300 Foothill Boulevard; and

WHEREAS, City Center Hayward Associates, LLC has also requested that the City of Hayward enter into a Parking Agreement for an easement as to the use of approximately 500 of the total 700 parking spaces in the parking structure located adjacent to the City Center building parking structure for the future tenants of the City Center building on the basis of the terms and conditions set forth in the proposed Parking Agreement, a draft of which is on file in the office of the City Clerk; and

WHEREAS, the parties have agreed in principle to the terms of the Parking Agreement; and

WHEREAS, the City Council has considered the recommendations contained in the staff report regarding the proposed Parking Agreement and other comments presented at a public hearing held on April 14, 1998.

NOW THEREFORE, BE IT RESOLVED that the City Manager is hereby authorized to negotiate and execute a Parking Agreement for an easement in a form to be approved by the City Attorney, by and between City Center Hayward Associates, LLC, purchaser of the City Center Building, and the City of Hayward, on the terms substantially similar to those described in the staff report dated April 14, 1998.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 1998

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward