

CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 01/16/07

AGENDA ITEM 6

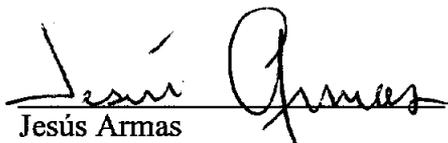
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: City Manager
SUBJECT: Extension of Tract Map for Centennial Towers

In addition to the information contained in the attached report regarding a request to extend the subject tract map, I offer the following for the City Council's consideration.

When the subject property has been discussed in the past, many on the Council and some members of the public have suggested that, from an urban planning and redevelopment perspective, combining this site with the adjoining garage and Centennial Hall sites would yield a better product. One way to do this is to develop and issue a Request for Proposals soliciting development proposals for a comprehensive and integrated project. Because the City or Redevelopment Agency owns two of the three sites, I explored with Intercoastal representatives their willingness to include their property in such an RFP. I am pleased to report that Intercoastal is agreeable to participating in such an effort. Intercoastal still desires to have the map extended, and staff is supportive of this request, particularly because the outcome of an RFP process will be unknown for a period of time.

Key to an RFP is having a clear understanding of the desired outcome. It would seem appropriate, therefore, that retaining professional services of an architect or site planner to develop a concept plan for inclusion into the RFP would be useful. Accordingly, it is recommended that the Council authorize staff to work with the Council Downtown Committee with regard to retaining such services and to develop initial concepts, with the understanding that the concepts will subsequently be presented to the full Council for its consideration.


Jesús Armas
City Manager

Attachment



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 01/16/07

AGENDA ITEM _____

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Director of Community and Economic Development

SUBJECT: Tentative Tract Map 7487 – Request for One-Year Extension of Tract Map for Centennial Towers - Property Located at 22300 Foothill Boulevard – The Albert Group, Inc. (Applicant)/Intercoastal Group of Properties, Inc. (Owner)

RECOMMENDATION:

It is recommended that the City Council rely on the previously adopted environmental documents and adopt the attached resolution granting a one-year extension to the tentative map.

DISCUSSION:

On January 6, 2004, the City Council approved (7:0) the conversion of the former City Center Building into 150 residential condominiums. The Council's action included approval of a Vesting Tentative Tract Map, Conditional Use Permit, an agreement to allow parking in the City's parking structure, and an amendment to the Downtown Design Plan to allow the proposed residential density and building height.

On January 17, 2006, the City Council approved (7:0) a one-year time extension of the tentative map and approved the removal of the "Vesting" aspect of the tentative map, thereby treating this as a conventional tentative tract map. Vesting tentative tract maps are not eligible for extensions. Also on January 17, 2006, the Planning Director approved the extension of the conditional use permit.

The applicant has requested an additional one-year time extension of the conditional use permit and the tentative tract map. Exhibit A accompanied the applicant's request for the extension. As noted, the extension request anticipates a leveling off of construction costs in 2007 and a recovery of the residential sales market in 2008 when the project would be ready for marketing.

The applicant has also requested a one-year time extension to the conditional use permit. If approved by the Planning Director, it would be the last extension allowed for the conditional use permit. Therefore, if the applicant does not submit a building permit application by January 2008, a new conditional use permit application would be required.

ENVIRONMENTAL REVIEW

A Negative Declaration, prepared pursuant to the California Environmental Quality Act (CEQA) Guidelines, was certified by the City Council on January 6, 2004. Because the application is a request for an extension of time that will have no environmental impact, no additional environmental review is required under CEQA.

PUBLIC NOTICE

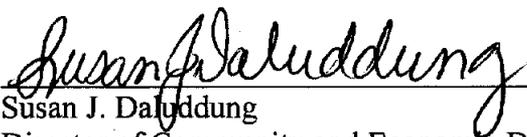
On January 6, 2007, a public hearing notice was published in *The Daily Review* and on January 5, 2007, a public hearing notice was mailed to every property owner and occupant within 300 feet of the subject site, as noted on the latest assessor's records.

Prepared by:



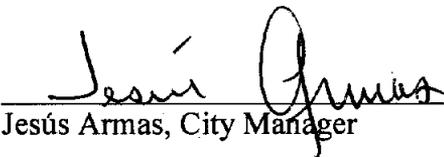
Arlyne J. Camire, AICP
Associate Planner

Recommended by:



Susan J. Daluddung
Director of Community and Economic Development Department

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A. Applicant's *Reasons for Delay and Request for Extension*
Exhibit B. Findings for Approval of Tentative Tract Map Extension
Draft Resolution

REASONS FOR DELAY AND REQUEST FOR EXTENSION

Until recently, it was the intention of InterCoastal Property to proceed with the negotiated purchase of the city-owned garage and demolition of Centennial Tower as a precursor to development of condominiums on top of the garage. Our presentation of the proposed project to the Downtown Committee on September 25 was well-received and we were encouraged by the positive comments made by both the Council members and the neighboring property owners.

InterCoastal's commitment to the purchase of the garage and development of the project remains strong. However, as we have proceeded with the design, the sales market for housing in the Bay Area (and nationwide) has continued to erode. Sale prices for single family homes and condominiums have fallen and the inventory of available homes has risen. Real estate economists are indicating that the erosion of the Bay Area residential market, which began in mid-2006, will continue through 2007 and possibly into 2008.

In addition, the cost of construction has continued to rise throughout 2006. Material and labor shortages due to the boom in construction (in the nation as well as world-wide) have driven prices steadily upward for the past 3-4 years. And, in response to the construction boom and demand for services, contractors have taken the opportunity to increase their profit margins.

The fall in residential prices and sales, combined with the continuing increase in construction costs has caused InterCoastal Group-as well as many other developers in the Bay Area-to reconsider the wisdom of starting a major development in the present economy. For reference, we have attached several recent articles indicating the effect of the economy on the Bay Area lending and development communities.

Although we recognize that the proposed condo project would not reach the market until 2008, the costs to complete the design and (hopefully) secure entitlements, purchase the garage and demolish the Tower represent an additional investment approximately \$4.5 million in addition to the existing investment in the Tower site. This is substantially greater than the potential investment in the development of a vacant parcel of land and represents an unreasonable risk of capital in an uncertain market.

Although the expectation is that the sales market will not recover until 2008, there are indications that the increase in construction costs may start to level off sometime in 2007. Although there are no expectations that costs will actually decrease from their present levels, there is hope that the increasing number of canceled projects will lower demand and cause prices to stabilize and, once again, become predictable for beyond periods beyond thirty days.

In summary, the housing market and construction costs are moving in opposite directions, creating an uncertain future for housing development. Until the two reverse course and begin to converge, there is little to encourage any developer to invest further in a potential development. Once again, we would like to emphasize our interest and commitment to purchasing the garage and developing the garage and Tower sites. We respectfully request, however, an extension of our present entitlements on the Tower site while we wait for conditions to improve. As you know, the Tower entitlements include a waiver from providing inclusionary units for the 150 units. A loss of this waiver would render any project on this site financially unfeasible, even in improved market conditions.

Attached please find the following articles:

San Francisco Business Times article dated November 23, 2006 discussing the weakening housing market and canceled projects in Oakland by Lennar Corporation and Olson Company. Because there are limited new condominium developments in Hayward, sales of new condominiums in Oakland represent the most accurate comparables. Oakland is also seen as the nearest competition for buyers looking in the Hayward market.

San Francisco Business Times article dated August 21, 2006 discussing the lack of funding for new housing developments due to the market turndown.

San Francisco Chronicle article dated December 3, 1006 indicating the one year decrease in number of home sales and median price in Hayward and zip code 94541 in particular (-31.3% in home sales and -14.1% in median price).

ALTERED LANDSCAPE

Home-building boom ends as buyers become scarce

BY RYAN TATE

rtate@bizjournals.com

A weakening housing market has thrown a bucket of cold water on residential development in downtown Oakland, prompting price cuts and sales incentives and calling into question future development projects.

Developers appear to still be jockeying aggressively for city entitlements to build, but it remains to be seen whether that will translate into new housing projects soon. Developers are likely to find ways to delay or drag out construction, particularly those who cannot finish projects in time to avoid a proposed city affordable housing requirement, now under study by a special commission. Development officials reporting to outgoing mayor Jerry Brown emphasize that much of the housing built under Brown's 10K downtown housing initiative is too far along to be canceled, and that the investment climate in Oakland has changed permanently for the better.

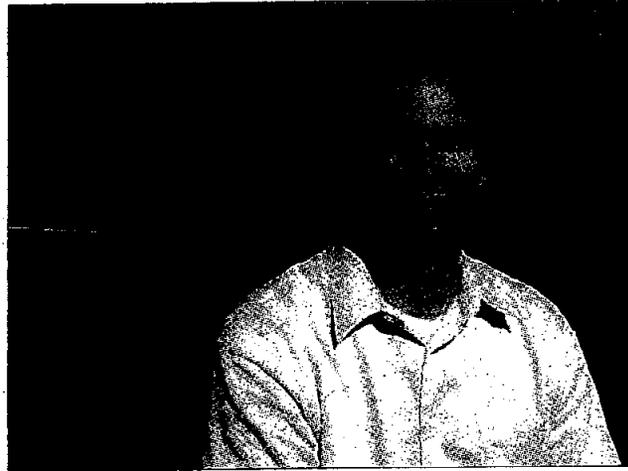
But in the near-term, developers report that the recent home-building boom is petering out.

"It's dead," said Stuart Gruendl, whose BayRock Residential is in the process of building an eight-story condo building on the edge of Oakland's Chinatown. "Land has fallen off — I'm not aware of any big (land) sales transactions that are occurring now."

Gruendl is hoping his project will be spared from the worst of the falloff in housing demand when his sales office opens by the end of November, since the Chinatown market is thought to be especially hot.

Slow sales

At Pulte Homes' nearby development in the Jack London Square district, only 15 of 93 units have sold, despite a promotional event with free beer, seafood and jazz. The company offers two years free of homeowners dues to first-time buyers, which is worth about \$12,000.



SPENCER BROWN

'We're not selling as well as we thought we were and we're definitely having to incentivize buyers.'

Steve Kalmbach

Pulte Homes regional president

Pulte regional president Steve Kalmbach said the company has cut prices for the units. He said his is not the only downtown project that's struggling, and named several others, all recently built or close to finishing.

"We're not selling as well as we thought we were and we're definitely having to incentivize buyers," Kalmbach said. "And that's a snapshot of the entire market over there (in Oakland)."

The cooling market has industry insiders watching large projects around town to see if they will be canceled or scaled back. National home builder DR Horton in the spring bought a site approved for a 22-story, 291-unit condo tower at 188 11th St. But the company has

faced a glut of national inventory, and local observers fear the company will follow in the footsteps of Lennar Corp. and Olson Co., both of which canceled downtown housing projects this year.

The city planner handling the project said she had not heard from DR Horton or its partners since June. The company could not be reached for comment.

Las Vegas-based Molasky Pacific this summer bro ground on a condo highrise at 2nd Street and Broadway, in the Jack London Square area, but it remains to be seen whether the company will build a similar 281-unit condo tower near 23rd and Valdez streets.

Uncertainty remains

Real estate players are also watching Shorenstein Co., which last year sought permission to build condos just west of its 555 City Center office towers. The company has rights to build either office, midrise condos or highrise condos on the site, but has not committed to any particular plan. It must decide by 2009 or give up the right to develop the land, which was originally owned by the city and is now owned by Shorenstein.

Oakland Development Director Claudia Cappio said that the slight decline in housing prices now will accelerate next year as more units come online. But this will enhance affordability and because the city has so many different types of housing under construction, from low-end to luxury, the city will compete well against its neighbors in attracting new residents, she said.

"We have a lot of projects in the pipeline," Cappio wrote in an email. "No doubt some of these will pause or drop off depending on factors such as marketability for the product, competition, location, construction costs and interest rates."

Ryan Tate covers East Bay real estate for the San Francisco Business Times. ■

Bankers turn leery of lending to home builders

San Francisco Business Times · August 18, 2006 by Mark Calvey

Bankers are reining in their lending to home builders as a rising number of new homes sit on the market amid an industry slowdown.

"We're aware of a number of competitors who got very aggressive, and now they're trying to pull in fast," said Steven Buster, president and CEO of the **Mechanics Bank** in Richmond. He declined to identify those rivals, but he did say he is comfortable with his bank's home-builder loans.

It's a hallmark of the housing cycle to see some bankers who were overly eager to lend, especially in the historic housing boom of the last several years that went on far longer than many anticipated. Bankers like to say when the tide rolls out, it becomes apparent who's swimming naked.

"In every cycle, you see lenders who were aggressive," said Brian Garrett, president and CEO of **Community Bank of the Bay** in Oakland.

Bank of America was among the banks to pull back early amid signs of a housing slowdown.

California's largest bank was touting its defensive posture at a banking conference hosted by investment bank Keefe, Bruyette & Woods this week.

"There will be a slowdown," Eugene Godbold, president of commercial real estate lending at BofA, said of the residential and commercial real estate markets. "The question nobody knows the answer to is how far will it dip and how long will it last."

Moves to pull back

BofA began last summer cutting back on land advances to developers and raising lending criteria on mortgages for income-producing property.

The amount of money available on Wall Street to home builders may be mitigating the impact of the housing slowdown, bankers said.

Home builder confidence fell to the lowest level since February 1991, according to the Wells Fargo/National Association of Home Builders Housing Market Index released this week.

"Two big factors are coloring builders' perceptions of the market right now -- rising sales cancellations and substantial growth in inventories of both new and existing homes," said NAHB Chief Economist David Seiders. "We expect the erosion in market activity to continue through most of this year before stabilizing in 2007."

Local picture

That may be bit more optimistic than what Bay Area bankers are anticipating. Buster at Mechanics Bank said home builders are preparing for a downturn that's likely to last at least 18 months.

Home builders are boosting incentives and cutting prices to sell the homes they've built. And home builders nationally have been relinquishing land tied up for possible purchase as order cancellations rise and sales slow.

In the Bay Area, Hans Lapping, an attorney at Miller, Starr & Regalia in Walnut Creek, said he was routinely getting five or six calls a week to discuss raw land deals in California as recently as two months ago.

"They've stopped buying land," he said.

Garrett of Community Bank of the Bay said he's among those pulling back from financing residential developments. But he's still participating in commercial projects outside the bank's primary Oakland market to give the bank's loan portfolio geographic diversification. This month he passed on a land loan for a Southern California in-fill development.

"A year ago, I would have considered participating in the loan. Six months ago I would have felt uneasy about it," Garrett said. "Today my answer was a firm, 'No thanks.'"

Mark Calvey covers banking and finance for the San Francisco Business Times.

Totally Turn-Key

Alameda County

Total sales as of Nov. 7 373
 Median price \$585,000

Contra Costa County

Total sales as of Nov. 7 401
 Median price \$545,500

Marin County

Total sales as of Nov. 7 67
 Median price \$832,000

Napa County

Total sales as of Nov. 7 31
 Median price \$575,000

San Francisco County

Total sales as of Nov. 7 131
 Median price \$770,000

San Mateo County

Total sales as of Nov. 3 140
 Median price \$757,000

Santa Clara County

Total sales as of Nov. 7 476
 Median price \$675,000

Solano County

Total sales as of Nov. 7 144
 Median price \$460,000

Sonoma County

Total sales as of Nov. 7 144
 Median price \$540,000

Based on data reported Nov. 28.
 Resales only.

Source: DataQuick

Bay Area home price report

Sales and median prices include all attached and detached homes, both new and resale. The median-price, square-foot statistic is for resale houses only. DataQuick gets its sales information from public records at county recorder offices where documents are filed after the close of escrow.

Pct.	Community	ZIP	October 1-yr. sales	October 1-yr. pct. chg.	October 1-yr. median	October 1-yr. pct. chg.	High price	October-05 sq. ft.	October-06 sq. ft.	October-06 pct. chg.	
	Alameda County										
	Alameda	94501	45	-16.7%	\$638,000	8.1%	\$1,380,000	\$479	\$480	0.2%	
	Alameda	94502	20	-16.7%	\$730,000	0.7%	\$1,900,000	\$495	\$421	-14.9%	
	Albany	94706	20	11.1%	\$580,000	-11.0%	\$730,000	\$573	\$578	0.8%	
	Berkeley	94702	12	-29.4%	\$570,000	-9.9%	\$765,000	\$566	\$524	-7.4%	
	Berkeley	94703	9	-25.0%	\$627,500	7.6%	\$830,000	\$542	\$522	-3.7%	
	Berkeley	94704	3	0.0%	\$530,000	10.6%	\$642,000	\$445	\$394	-11.5%	
	Berkeley	94705	9	-10.0%	\$752,000	-36.7%	\$1,600,000	\$506	\$521	3.0%	
	Berkeley	94707	14	0.0%	\$925,000	-3.0%	\$1,295,000	\$539	\$493	-8.7%	
	Berkeley	94708	5	-61.5%	\$820,000	16.1%	\$900,000	\$423	\$402	-4.8%	
	Berkeley	94709	4	0.0%	\$652,500	-22.0%	\$675,000	\$512	\$565	10.2%	
	Berkeley	94710	5	150.0%	\$470,000	-14.1%	\$595,000	\$519	\$533	2.7%	
	Castro Valley	94546	31	-38.0%	\$580,000	0.9%	\$1,250,000	\$434	\$461	6.0%	
	Castro Valley	94552	20	100.0%	\$741,250	-9.8%	\$1,125,000	\$397	\$439	10.6%	
	Dublin	94568	59	-67.2%	\$675,000	16.4%	\$1,550,000	\$417	\$373	-10.6%	
	Emeryville	94608	33	-5.7%	\$415,000	-4.5%	\$740,000	\$408	\$396	-2.8%	
	Fremont	94536	64	-48.0%	\$628,250	-3.0%	\$910,000	\$451	\$465	3.1%	
	Fremont	94538	71	10.9%	\$566,000	-6.9%	\$1,025,000	\$465	\$503	8.1%	
	Fremont	94539	37	-32.7%	\$837,000	16.3%	\$2,300,000	\$502	\$468	-6.8%	
	Fremont	94555	32	-38.5%	\$665,750	0.9%	\$986,000	\$460	\$413	-10.4%	
	Hayward	94541	55	-31.3%	\$479,500	-14.1%	\$806,000	\$416	\$431	3.7%	
	Hayward	94542	13	-40.9%	\$660,000	-12.0%	\$1,380,000	\$362	\$418	15.2%	
	Hayward	94544	71	-20.2%	\$550,000	-1.8%	\$1,074,000	\$483	\$493	2.0%	
	Hayward	94545	31	-42.6%	\$573,750	-4.4%	\$1,300,000	\$459	\$410	-10.6%	
	Livermore	94550	63	-31.5%	\$637,500	8.1%	\$1,555,000	\$384	\$382	-0.5%	
	Livermore	94551	55	-33.7%	\$577,500	1.3%	\$960,000	\$433	\$402	-7.0%	
	Newark	94550	53	-5.4%	\$606,000	-0.7%	\$1,054,000	\$440	\$474	7.6%	
	Oakland	94601	21	-57.1%	\$487,500	4.8%	\$650,000	\$410	\$393	-4.1%	
	Oakland	94602	26	-21.2%	\$655,000	21.3%	\$1,280,000	\$487	\$503	3.3%	
	Oakland	94603	29	-44.2%	\$415,000	1.8%	\$580,000	\$449	\$430	-4.2%	
	Oakland	94605	38	-36.7%	\$510,000	6.8%	\$870,000	\$416	\$398	-4.5%	
	Oakland	94606	6	-66.7%	\$525,000	2.1%	\$630,000	\$381	\$360	-5.7%	
	Oakland	94607	11	-21.4%	\$425,250	5.0%	\$570,000	\$327	\$483	47.7%	
	Oakland	94609	11	-21.4%	\$515,000	-0.5%	\$760,000	\$412	\$425	3.3%	
	Oakland	94610	21	10.5%	\$750,000	49.9%	\$1,610,000	\$445	\$409	-8.1%	
	Oakland	94612	3	-25.0%	\$575,000	23.7%	\$950,000	\$510	n/a	n/a	
	Oakland	94618	18	-30.8%	\$845,000	5.0%	\$2,400,000	\$527	\$504	-4.4%	
	Oakland	94619	27	12.5%	\$580,000	10.5%	\$875,000	\$459	\$438	-4.6%	
	Oakland	94621	36	9.1%	\$417,500	3.1%	\$585,000	\$400	\$364	-9.0%	
	Piedmont	94611	36	-12.2%	\$775,000	-8.6%	\$1,270,000	\$464	\$527	13.6%	
	Pleasanton	94556	38	-25.5%	\$831,500	-4.4%	\$1,685,000	\$451	\$451	0.0%	
	Pleasanton	94588	27	-27.0%	\$700,000	-2.4%	\$1,480,000	\$438	\$431	-1.5%	

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**FINDINGS FOR APPROVAL
EXTENSION OF TENTATIVE TRACT MAP 7487**

1. The approval of a one-year extension for Tentative Map Tract 7487, as conditioned, will have no significant impact on the environment, cumulative or otherwise as documented in the adopted Mitigated Negative Declaration prepared per the guidelines of California Environmental Quality Act (CEQA).
2. There have been no changes to the State Subdivision Map Act, the City's Subdivision Regulations, the General Policies Plan, the Downtown Design Plan, and the City of Hayward Zoning Ordinance that would affect the conformance of the tentative tract map.
3. The site remains physically suitable for the proposed type of development.
4. As documented in the previously adopted Initial Study and Negative Declaration, the design of the subdivision and the proposed improvements are **not** likely to cause substantial environmental damage or substantially and avoidably injure fish or wildlife or their habitat.
5. The design of the subdivision and the proposed improvements are **not** likely to cause serious health problems.
6. Existing streets and utilities continue to be adequate to serve the project.
7. The applicant cites rising construction costs, labor shortages and falling home sales prices as reasons for not moving forward with the project this year.
8. None of the findings set forth in Section 64474 of the Subdivision Map Act¹ have been made.

¹ The findings of Section 66474 set forth the grounds for denial of a tentative map which are as follows:

- (a) That the proposed map is not consistent with applicable general and specific plans as specified in Section 65451.
- (b) That the design or improvement of the proposed subdivision is not consistent with applicable general and specific plans.
- (c) That the site is not physically suitable for the type of development.
- (d) That the site is not physically suitable for the proposed density of development.
- (e) That the design of the subdivision or the proposed improvements are likely to cause substantial environmental damage or substantially and avoidably injure fish or wildlife or their habitat.
- (f) That the design of the subdivision or type of improvements is likely to cause serious public health problems.
- (g) That the design of the subdivision or the type of improvements will conflict with easements, acquired by the public at large, for access through or use of, property with the proposed subdivision.

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 07-

Introduced by Council Member _____

**RESOLUTION APPROVING AN EXTENSION OF
TENTATIVE MAP TRACT 7487/PL-2003-0515 FOR
CENTENNIAL TOWERS THE ALBERT GROUP, INC.
(APPLICANT) AND INTERCOASTAL GROUP OF
PROPERTIES, INC. (OWNER)**

WHEREAS, on January 6, 2004, the City Council of the City of Hayward approved Vesting Tentative Map Tract 7487 and Conditional Use Permit PL 2003-0515 for Centennial Towers located at 22300 Foothill Boulevard; and

WHEREAS, on January 17, 2006, the City Council approved changing the map from a vesting tentative map to a tentative map and extended the tentative map and conditional use permit for one year; and

WHEREAS, the applicant has requested an additional one-year time extension of the tentative tract map in anticipation of a leveling off of construction costs in 2007 and of recovery of the residential sales market in 2008 when the project would be ready for marketing; and

WHEREAS, the City Council has reviewed and considered all material presented and finds and determines that there has been no change of circumstances relative to the Project warranting additional environmental review under CEQA and reliance on the previously adopted Negative Declaration is warranted.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Hayward relies on the previously certified Negative Declaration and hereby approves the request for a one year extension of the tentative map.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2007

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward