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**DATE:** January 29, 2008  
**TO:** Redevelopment Agency Board Members  
**FROM:** Director of Community and Economic Development  
**SUBJECT:** Authorization to Enter into an Exclusive Negotiating Agreement with Mika Realty Group for a Proposed Mixed Use Development at City Center Campus

### **RECOMMENDATION**

That the Agency Board adopts the attached resolution authorizing the Executive Director to enter into an Exclusive Negotiating Agreement with Mika Realty Group for a proposed mixed use development at the City Center Campus.

### **BACKGROUND**

In January 2007, the Agency Board directed staff to issue a Request for Proposals (RFP) for redevelopment of the privately owned 11-story office building located at 22300 Foothill Boulevard, the City-owned Centennial Hall, and the adjacent City-owned parking structure. The site is approximately six acres and is referred to as City Center Campus (the "Site"), as depicted in Attachment A. Under the direction of the Council Downtown Committee in early 2007, staff hired consultants to prepare conceptual redevelopment alternatives for the Site. In May 2007, Council reviewed two conceptual development alternatives, which included primarily residential use with some ground level retail and office use. During the summer of 2007, staff prepared the RFP for the Site. The RFP included the two conceptual development alternatives as examples of the site layouts that met the Agency's planning objectives, but noted that alternative proposals, including the re-use of existing building, would be considered.

The RFP was issued on August 15, 2007, to approximately 24 firms including developers, professional practices, the owner of the office building (InterCoastal Property Group), consultants, and interested parties. Additionally, it was posted on the websites of the City of Hayward and the California Redevelopment Association. Staff conducted a pre-submittal meeting in September 2007, which was attended by approximately 16 interested parties, and proposals were due by October 19, 2007. In response to the RFP, one proposal was received from a joint venture of local developers known as the Zaballos/Smith/Felson Group. They proposed deconstructing all structures on the Site and redeveloping it as a residential development consisting of 448 condominium units and 16,000 square feet of retail and office use. Two other developers responded

to the RFP: Klein Financial Corporation and SunCal Companies, however, both cited reluctance to develop formal proposals due to concerns with the City/Redevelopment Agency not having site control.

Concurrent with preparing the RFP, staff received notification from the owner of the office building that they had entered into a contract to sell the building to the Mika Realty Group (Mika). Mika indicated that their intention was to retain the building for office use. They assembled a team of engineers and architects who evaluated the structure and developed cost estimates to seismically retrofit it. Having concluded their studies, Mika informed staff that they wanted to move forward with rehabilitating the building. They also indicated that they would be exercising their owner participation rights as provided for under the Hayward Redevelopment Plan and California Redevelopment Law. Subsequent to the RFP, Mika expressed interest in redeveloping the entire site, and has submitted conceptual site plans and elevations as depicted in Attachments B and C. To that end, the RFP process was suspended and staff now recommending that the Agency enter negotiations with Mika to redevelop the Site.

Mika's current proposal includes retrofitting the office building for office use; construction of 164 residential units on three floors above the existing parking structure with 1,000 square of retail space at the plaza level; and construction of a six-story hotel with 156 rooms, an optional restaurant space, and a 10,000 square foot private conference center, all on the site of Centennial Hall. The residential component of the proposal is subject to both the feasibility of structurally retrofitting the parking garage and a market study/financial analysis for developing housing on the site. Mika has hired PKF Consulting to prepare a market feasibility analysis for the hotel/conference facility component. The conference facility, as currently planned, would be a privately owned and operated facility, marketed to the business community; however, other options are being discussed. Mika indicated that they have been in communication with the adjacent property owners, R. Zaballos & Sons, to develop a compatible and mutually beneficial redevelopment project for the entire city block and the surrounding neighborhood.

Mika was established in 1965 and currently operates as a partnership specializing in the operation and ownership of numerous commercial and industrial buildings, and to lesser extent retail centers and apartment buildings. The majority of their holdings are located in Southern California. For this project, they are bringing on the Intertex Companies as a partner and as the general contractor. Intertex was founded in 1982 and has extensive experience in the construction and renovation of commercial properties as well as public works projects including schools and military facilities.

## **FISCAL IMPACT**

The fiscal impact to the Agency is contingent upon how the site is redeveloped. The Agency would gain tax increment generated from the re-use of the office building. If adjacent portions of the site now used for Centennial Hall and the City parking structure were redeveloped for private use, additional tax increment and sales tax would be generated by the new mixed use development and from new residents supporting existing retail. Also, a hotel and restaurant would generate transient occupancy tax and sales tax. The developer may ask the City or Agency to assist or participate in the project in the future; however currently no funding for the project is allocated.

## **PUBLIC CONTACT**

Discussion about the City Center Campus has occurred at the following public meetings:

City Council/Agency Board, January 16, 2007 – Authorized one-year extension of tentative tract map for Centennial Towers and agreement to issue Request for Proposals (RFP) for redevelopment of former 11-story City Hall and adjacent Centennial Hall and City parking structure.

Council Downtown Committee, February 26, 2007 – Directed staff to enter into professional services agreement to prepare site for sale/development.

Council Downtown Committee, March 26, 2007 – Reviewed and commented on conceptual development site plan alternatives.

City Council/Agency Board Work Session, May 8, 2007 – Reviewed and commented on conceptual development site plan alternatives to be included in RFP.

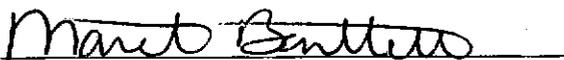
Hayward Redevelopment Area Committee, October 10, 2007 – Reviewed and commented on RFP issued by staff for the site – no action taken.

City Council/Agency Board Work Session, January 8, 2008 – This project was discussed in terms of the Agency priorities.

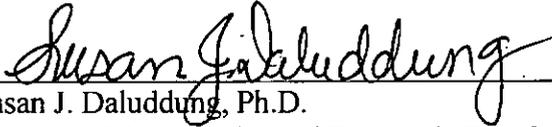
## **NEXT STEPS**

It is proposed that the Agency enter into a negotiation period with the developer for seven months to evaluate the feasibility of various development options for the site. The initial objective would be to determine the feasibility of the proposed development for each of the parcels adjacent to the office building either together or independently. If negotiations commence in February 2008 and are concluded within the targeted timeframe of July 2008, a development agreement could be entered into as of summer or fall 2008.

Prepared by:

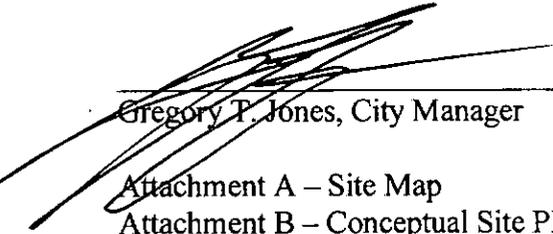
  
Maret Bartlett, Redevelopment Director

Recommended by:



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

Approved by:



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Gregory P. Jones, City Manager

Attachment A – Site Map  
Attachment B – Conceptual Site Plan  
Attachment C – Conceptual Elevation  
Resolution

DUE TO THE SIZE AND  
COLOR OF THE FOLLOWING  
ATTACHMENTS, THEY  
HAVE BEEN INCLUDED AS  
SEPARATE LINKS

# DRAFT

## REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA- 08-

Introduced by Agency Member \_\_\_\_\_

*mae*  
*1/22/08*

### RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD AND MIKA REALTY GROUP FOR A PROPOSED MIXED USE DEVELOPMENT AT CITY CENTER CAMPUS

WHEREAS, in January 2007, the Redevelopment Agency Board of the City of Hayward directed staff to issue a Request for Proposals (RFP) for the redevelopment of the privately-owned office building located at 22300 Foothill Boulevard, the City-owned Centennial Hall and the adjacent City-owned parking structure; and

WHEREAS, the RFP was issued on August 15, 2007, and a joint venture of local developers, the Zaballos/Smith/Felson Group, submitted a formal proposal; and

WHEREAS, concurrent with the preparation of the RFP, staff received notification from the owner of the office building that it had entered a contract for the sale of the building to the Mika Realty Group (Mika), which subsequently submitted conceptual plans for City review and informed staff that it wished to rehabilitate the office building and exercise its Owner Participation rights; and

WHEREAS, in light of the interest expressed by Mika in rehabilitating the office building and exercising Owner Participation rights, on December 7, 2007, the Director of Community and Economic Development notified the Zaballos/Smith/Felson Group of the suspension of the RFP; and

WHEREAS, after reviewing the conceptual plans set forth by Mika, staff recommends that Agency Board authorize the Executive Director to negotiate and execute an Exclusive Negotiating Agreement with Mika for a period of seven months for redevelopment of the site or a portion thereof.

BE IT RESOLVED by the Agency Board of the City of Hayward that the Executive Director is hereby authorized and directed to negotiate and execute on behalf of the Redevelopment Agency, for a period of seven months, an Exclusive Negotiating Agreement with Mika Realty Group for a proposed mixed use development at City Center Campus, in a form to be approved by the City Attorney.

