

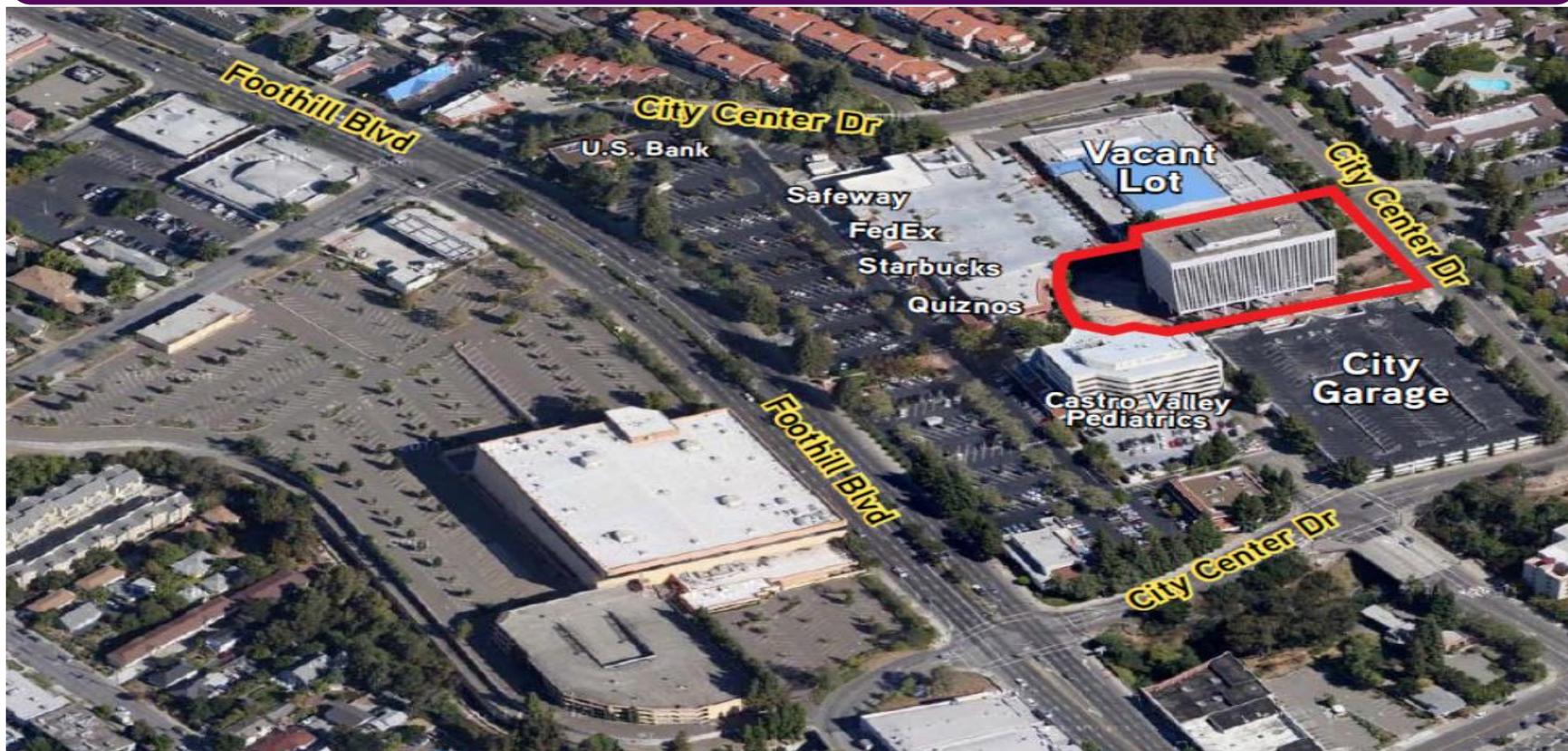
City of Hayward Catalyst Site Analysis

December 16, 2014



Creating Communities of Value™

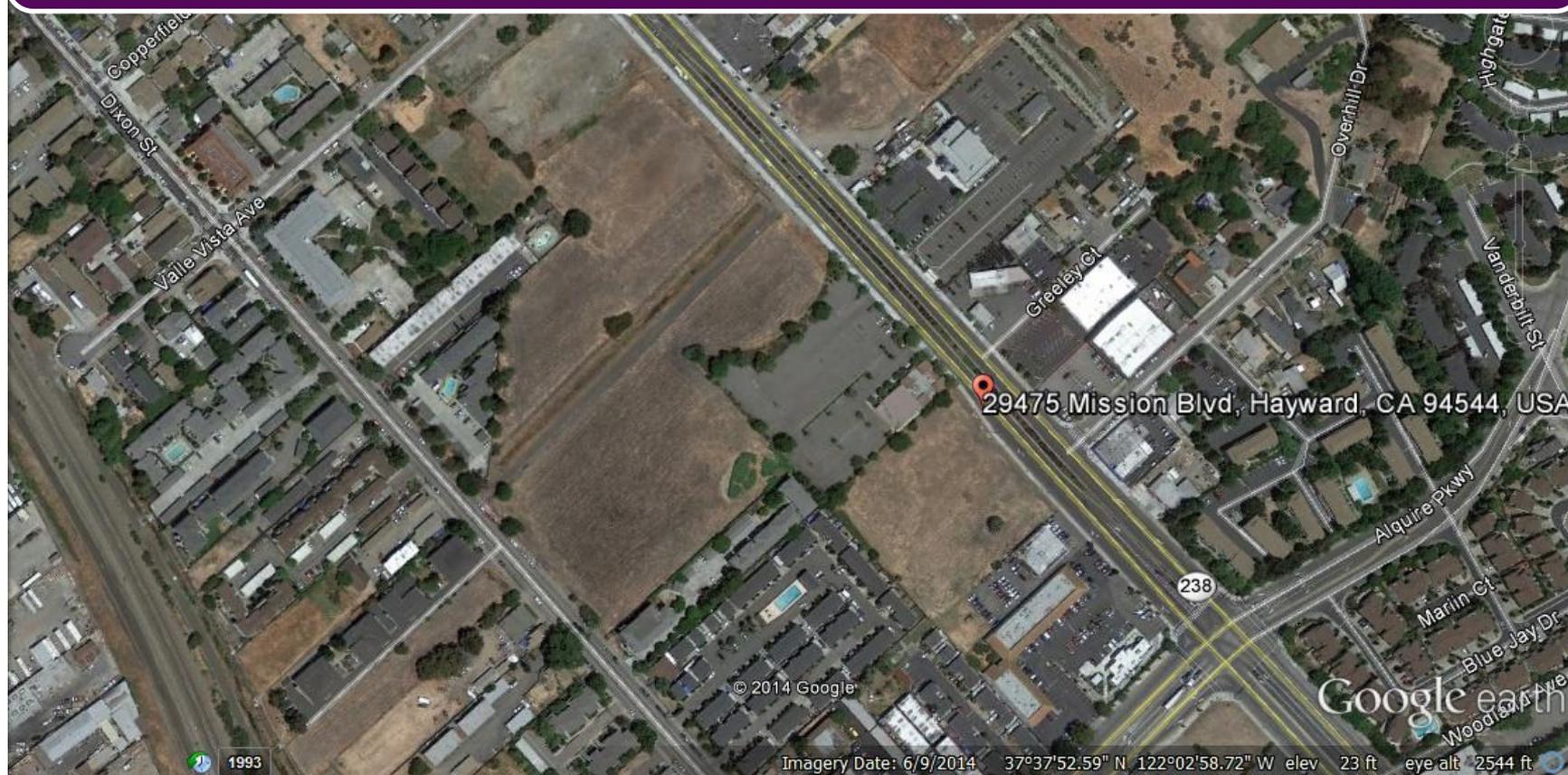
City Center Site – 5.79 acres



Mervyns Site – 11.0 acres



Mission Blvd./Valle Vista – 16.4 acres



“Highest and best use” for purposes of this effort refers to the use that best serves the needs and desires of the City, and does not refer to obtaining the highest financial return for any involved party.

How do we do it?



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Review planning and economic development studies, reports and past development proposals



Interview City Council, planning & economic staff



Interview property owners to understand their interests, challenges and development horizons



Study market viability and associated residual land value

Hire highly qualified and independent consultants to offer their expertise



Create strategies that best align interests of all parties



Review findings and recommendations with City Council



Economic & Planning Systems, Inc. (EPS) is a land economics consulting firm experienced in the full spectrum of services related to real estate development market analysis, public/private partnerships, and the financing of government services and public infrastructure.

The City of Hayward engaged Economic & Planning Systems, Inc. (EPS) to study the potential market demand and financial feasibility for the development of housing, retail and office development on one of several identified sites in Hayward, California.



Attached single-family housing (townhomes) offers greatest market and financial feasibility for all sites

- Townhomes (20 du/acre): \$2,538,000/acre (\$16,900 du)
- Major Retail (.35 FAR): \$646,196/acre (\$56 per Bldg. SF)
- Condos (50 du/acre): \$137,500/acre (\$2,750 du)
- Apartments (50 du/acre): (\$63,417/acre) (\$1,268 du)

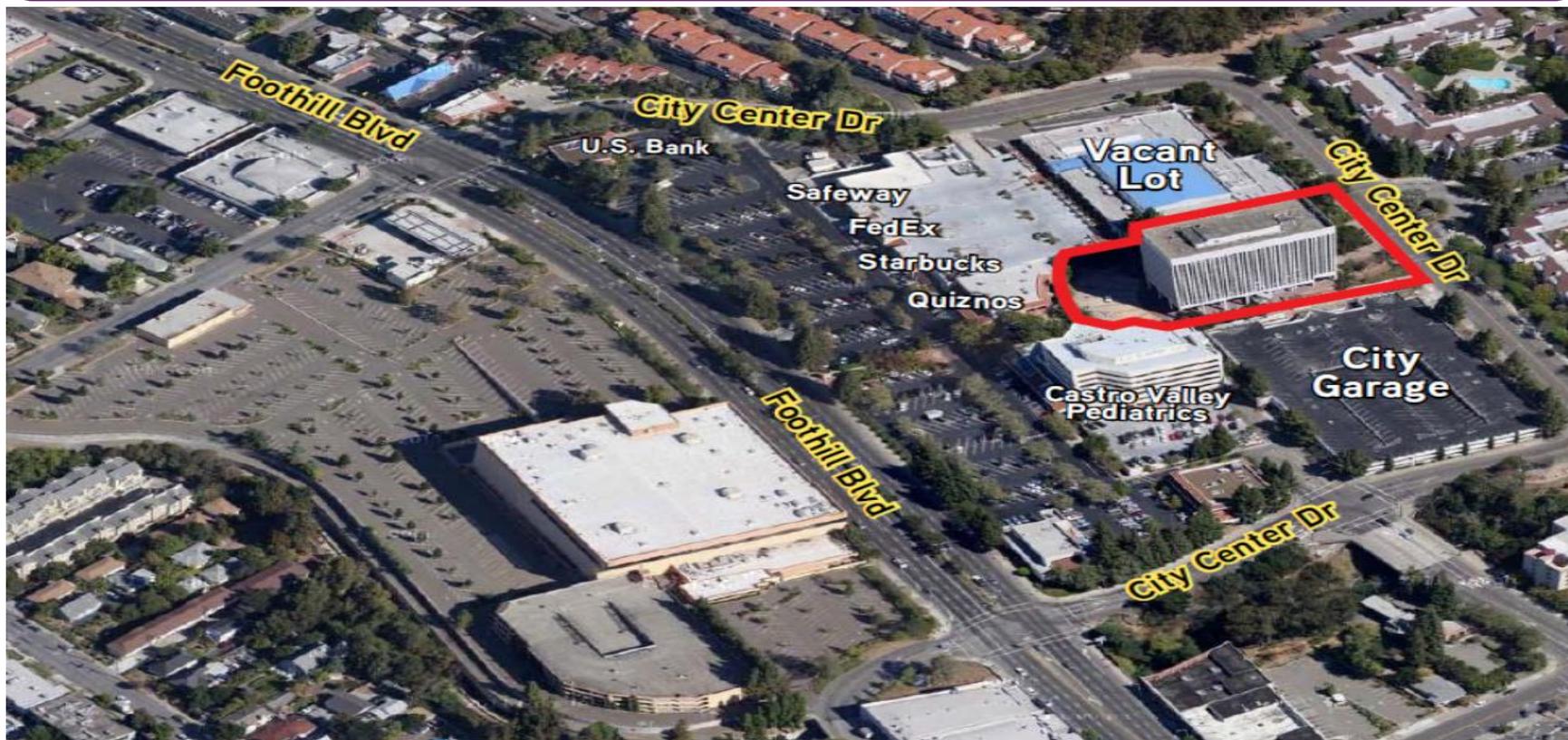
Shifts in the demographic composition of the city's population seem favorable to high-density downtown residential development

City's retail market is relatively healthy but still offers limited development opportunities for specific retail users

Development potential for office development is limited in short term due to abundance of vacant space



City Center



City Center

- Mid Density Residential brings the highest financial return to the property owner (\$2,538,000 per acre)
- High Density Residential is potentially feasible
- Retail, office and hotel not likely
- The project will require a qualified and experienced builder to design and develop a “unified” project as complexities exist

Parcel 1: (Centennial) 22292 City Center Dr. - 2.14 Acres

Sewer Easement

Pedestrian Easement in favor of
Parcel 2 (Tower)

Parking Easement in favor of
Parcel 2 (Tower)

Memorandum of Agreement:
Right to roof top parking

Mechanic's Lien for \$170,348.23
(David Gray, 2009) - Removed

Parcel 3: (Garage) 22321 City Center Dr. - 2.23 Acres

Within boundaries of
Community Facilities District

Easement for Underground
Utilities

Parking Easement in favor of
Parcel 2 (Tower)

Mechanic's Lien for \$2,035
(David Gray, 2009) - Removed

Parcel 2: (Tower) 22300 Foothill Boulevard - 1.40 Acres

- Foreclosed by note holder (over \$7 million)
- Over \$650,000 in Property Taxes due (5-year default)
- Within boundaries of Community Facilities District
- Pedestrian Easement in favor of Parcel 1 (Centennial)
- Parking Easement over Parcel 3 (Garage: 350-693 spaces)
- There are relocation rights for this parking, and maintenance and capital requirements imposed on the owner of Parcel 2

Work with new owner of “Tower” property to develop a unified project with pedestrian connections to Japanese Garden, Senior Center and Downtown

Understand that the value of the City-Owned parcels can be quite significant (\$10,000,000+), which could be invested to realize other city goals and objectives

Parcel 2 rights and obligations should be reviewed by legal counsel to be clear about the opportunities and constraints for development of the city-owned parcels

Mervyns Site



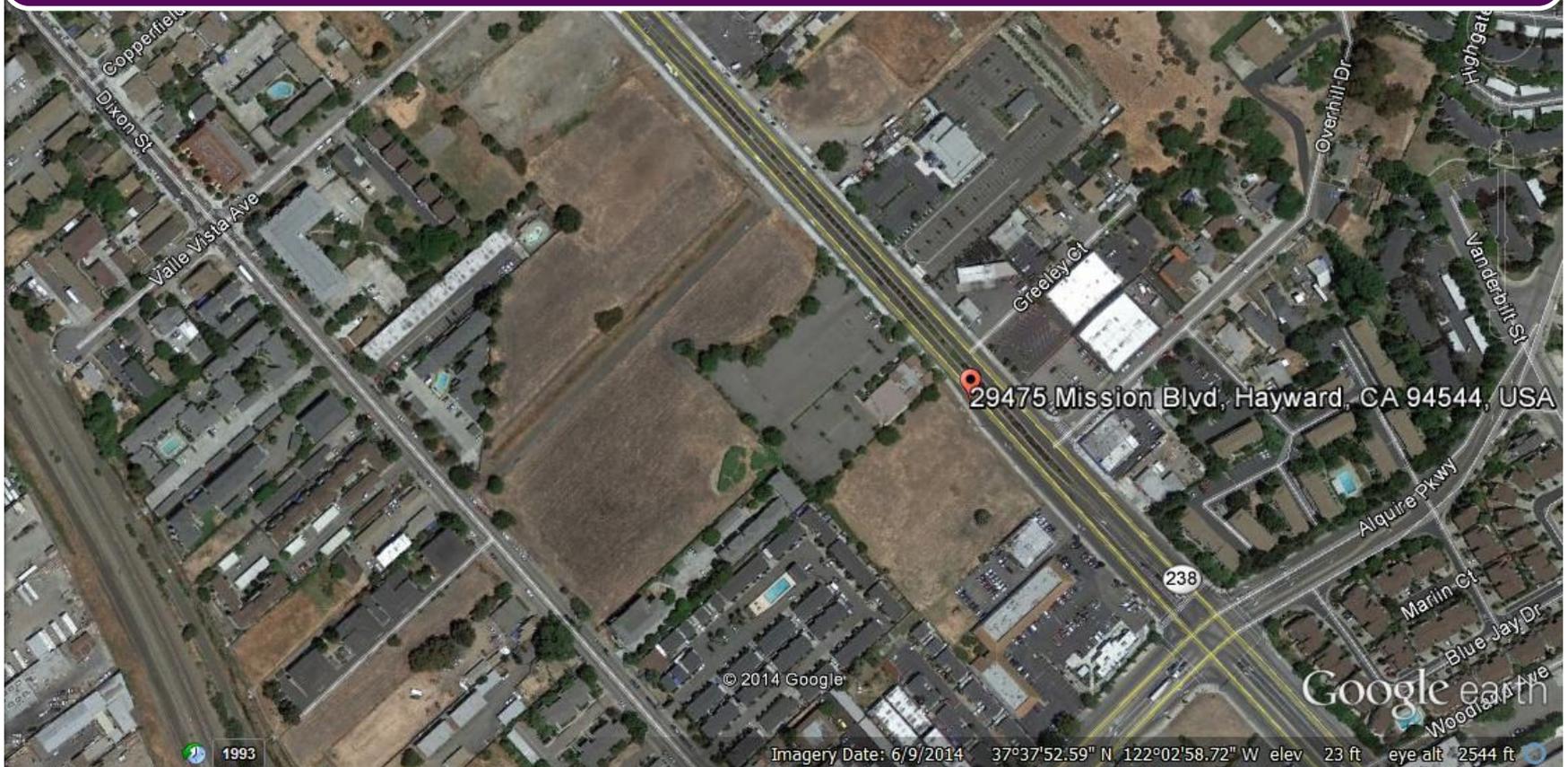
Class A Apartment Complex with Retail

MAIN STREET





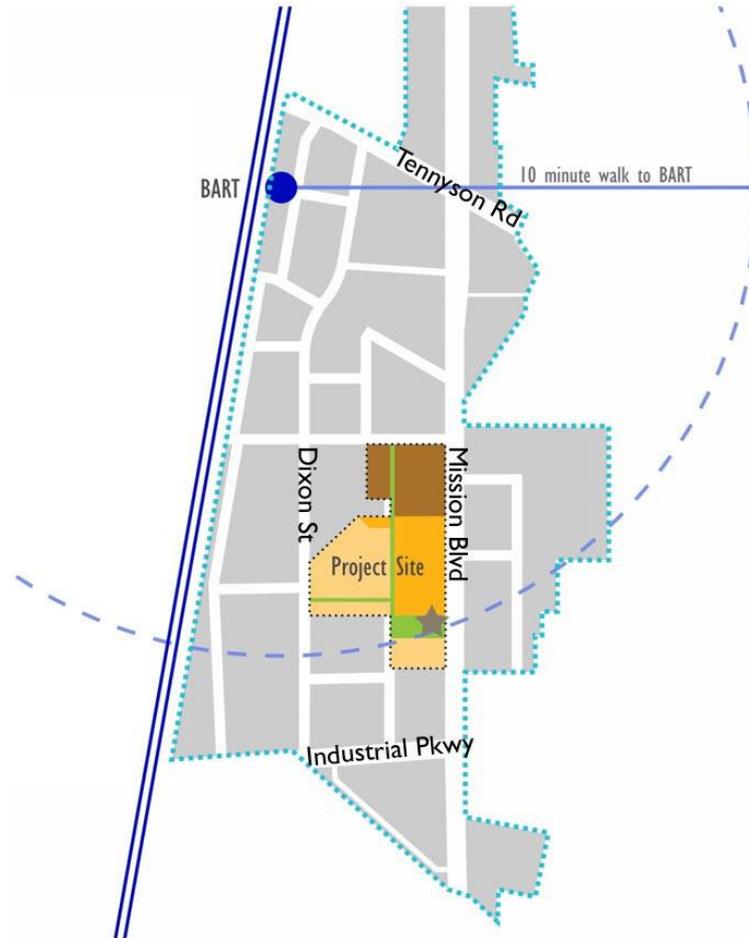
Mission Blvd./Valle Vista – 16.4 acres



Location: Mission Blvd/Valle Vista



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- Project Site Area
- South Hayward BART/Mission Blvd Form-Based Code Project Area
- - - - 10 minute walk to BART
- ==== Tracks



Existing Ownership: Mission Blvd/Valle Vista



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Caltrans

- Owns approximately 15-acres
- Will soon be released via RFP to the highest bidder

City of Hayward

- Owns 1-acre of land slated for Community Center

Laborer's Hall

- 29475 Mission Blvd., Hayward, CA
- 7,688 +/- square feet
- 2.2-acre parcel

Private Developer (Pinn Brothers) has acquired two Caltrans parcels

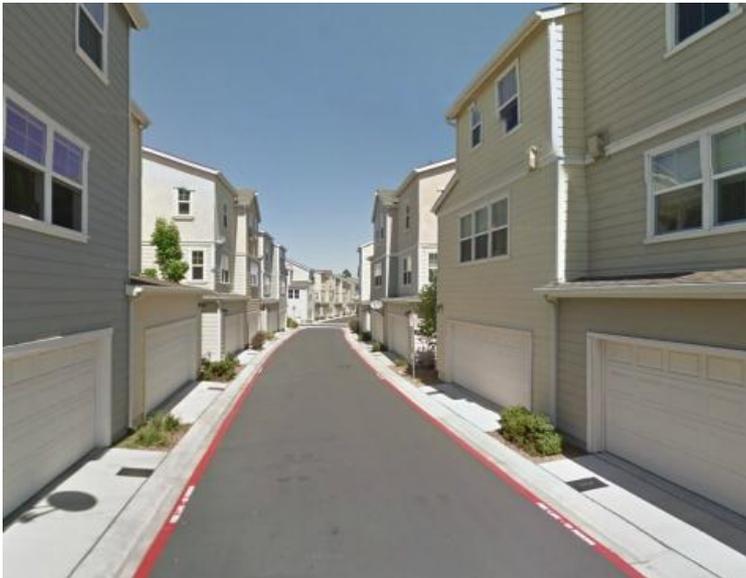
Marquee and Precedent Setting Project



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Opportunity to set the precedent for future developments in Hayward

From This...



To This...



City Ownership: Public Use and Open Space



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Open Space continues as a strong priority



Pedestrian and Bicycle Connections are critical



Laborer's Union Hall Property Could be Included Asset



Step I:

Work with Staff to design Marquee and Precedent Setting Project



Step 2: Test Conceptual Plan for Market Viability and Value



84 Townhomes on 4.2 acres = \$7.9 - \$8.3 mil

Estimated Sales Range Per Unit - \$375,000 to \$395,000

Per Acre Value Range - \$1.8 to 1.9 million

51 Small Lot SFD on 6.9 acres = \$9.6 - 10 mil

Estimated Sales Range Per Unit - \$750,000 to \$785,000

Per Acre Value Range - \$1.3 to 1.5 million

140 Apartments on 4.2 acres = \$5 - \$5.6 mil

Estimated Value Per Entitled Unit - \$35,000 to \$40,000

Per Acre Value Range - \$1.2 to 1.3 million

Total Estimated Project Value Range

\$22,500,000 to 23,900,000

Or

\$1,470,588 to \$1,562,091

Overall Per Acre*

**Based on 15.3 developable acres
Community Center parcel is +/- 1 acre*

How do we do it?



- Both of these properties were owned by the State (Caltrans)
- The auction took place on July 25, 2014.

Street Address - 29497 Mission Blvd

Acreage - .8362

Street Address - 29553 Mission Blvd

Acreage - .623

Status: Both sold at auction for a total of \$801,000 (1.46 acres)

Average Per Acre: \$548,630

- Another private property that was purchased on July 16, 2014 for \$370,000

Street Address - 29553 Mission Blvd

Acreage - .568

Average Per Acre: \$651,408

Design marquee and precedent-setting project for the entire 16+ acre property

Consider including Laborer's Hall as a potential Community Center

Establish value "As Entitled"

Confirm if value differential can create the desired enhancements to the project

Entitle project and enter into Exclusive Right to Negotiate with Caltrans to acquire



Continue to encourage aggregation and work with private sector if that is their goal

Continue to seek land purchase in order to achieve aggregation if private sector not moving forward

Continue to design marquee project either as direct entitlement or as guide for private sector

Protect two parcels marked as “civic space” for marquee park

Summary of Key Strategic Actions for City

MAIN STREET

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Keep watchful eye on City Center and pursue opportunities when present

Continue design and other work with Dollinger Properties on the Mervyns Property

Negotiate the purchase or control of the Mission Blvd./Valle Vista Caltrans properties

Search for, acquire and entitle ideal site for hotel and conference center



PKF Consulting USA, LLC (PKFC) provides a full range of services to the hospitality, real estate, and tourism industries. PKF Hospitality Research, LLC (PKF-HR) owns the database for Trends® in the Hotel Industry, the statistical review of U.S. hotel operations.

The City of Hayward engaged PKF Consulting USA to study the potential market demand and financial feasibility for the development of either a full-service or a select-service hotel on one of several identified sites in Hayward, California.

Selected Study Sites



Definition: Full-Service Hotel



Definition

Mid-priced, upscale, or luxury hotels with an on-site restaurant and meeting space. Full-service hotels may offer enhanced amenities such as a lounge, spa, and/or extensive recreational services.

Brand Examples

Marriott • Wyndham • Renaissance • Hilton • Sheraton • Embassy Suites
• Crowne Plaza • Hyatt • Holiday Inn



Full-Service Hotel – Comparison of Value to Cost

Estimated Value upon Opening:	\$40,200,000
Estimated Construction Costs:	\$60,000,000
Shortfall:	(\$19,800,000)

*As the hotel's estimated value is less than its estimated construction costs by \$19.8 million, the full-service hotel concept is considered **financially infeasible** without a public subsidy from the City of Hayward.*

Definition: Select-Service Hotel



Definition

Mid-tier or upper-tier hotels with limited, if any, dining and banquet facilities. Amenities are limited and typically include a small fitness center, a business center, and complimentary breakfast.

Brand Examples

Hilton Garden Inn • Hyatt Place • SpringHill Suites • Four Points by Sheraton • Courtyard by Marriott • Cambria Suites



Select-Service Hotel – Comparison of Value to Cost

Estimated Value upon Opening:	\$22,700,000
Estimated Construction Costs:	\$19,800,000
Excess:	\$2,900,000

*As the hotel's estimated value exceeds its estimated construction costs by \$2.9 million, the select-service hotel is considered **financially feasible**.*

Meeting Space

- If the City desires a larger conference center, a common approach would be for the City to develop a stand-alone facility
- Additional cost to city of approximately \$4.0 and \$5.0 million

Examples

- City of Industry - Sheraton Hotel
- City of Modesto - Doubletree Hotel
- City of Fresno - Doubletree Hotel

Clarification on Report Findings

- The city should not limit its search for a hotel and conference room site to the sites investigated as none are “good” locations.
- The city should instead search for the most desirable sites near major freeways and focus its significant resources toward bringing a hotel and conference center to the city.