



Quarry Village News

Issue # 3, July 12, 2006

Summary:

We need a QV developer; experts tell us what's what

We need QV market research; the Concord Group

We need people interested in QV; 37 now approved; 50 in pipeline;
need 100 or bust

Recap of five public meetings on QV

Caltrans funds City of Hayward study of future of surplus right of
way--including the quarry

Caltrans sale of land and AB 1462

Ten more profiles of people who want to come to QV

Boring HAPA organizational news

We need a developer

Quarry Village (QV) is going nowhere without a developer. The Hayward Area Planning Association does not have the credibility or the \$100,000 to \$1 million needed to get started. We can pretend to be a developer but we are really, so far, only a promoter. We need a developer to partner with. HAPA does bring something to the table--a lot of knowledge about how smarter smart growth would work, about local and regional politics, and about a process that could be successful.

Developers I've talked to agree that every large development is different, but there are common logical steps involved. In the case of QV, three obvious issues are: would people buy what we want to sell? Will the community and the City of Hayward let us build it? Can we get the land from Caltrans? The first question, marketability, remains in my mind the biggest question, partly because it is not clear how to do the research. With marketability and a developer, I am confident we can get approval and buy the land, even in competition with other developers who want to do a conventional development.

The initial expense is for the market research not only for the developer but for lenders he or she will have to go to for financing. The developer has to be optimistic enough that there really is a market to pay for the research. Then the developer would have to secure the land. Then comes creating a team of the developer, an engineer, and an architect/land planner, an aerial survey, decisions about cut and fill and buildable footprint, and a sketch site plan. With a site plan, we would be able work with City to get the project reviewed and approved. A large lender like CalPERS would also be brought in.

These activities do not necessarily happen sequentially, but can develop in parallel through networking over time. Relatively small expenditures are the basis for more serious investment, probably over \$1 million by the time the project would be approved by the City. To keep this in perspective, the current estimate for the total hard cost of the project is \$226 million. This figure excludes financing costs, most of the commercial investment, and some of the Village Bus costs. It includes all of the residential area and land improvement for the commercial block.

We need market research

Phil Kerr of the Olson Company suggested I contact the Concord Group, which does market research for Olson. I emailed the Concord group and got a positive response from John Shumway. I also visited Andrew Borsani in San Francisco and have reviewed some of Concord's reports. Mr. Shumway thinks the project might work and might build out faster than our assumptions so far, which would help on the financing costs. He is going to send a proposal for a report they might do, which HAPA could use in seeking a developer.

The Concord reports have a huge amount of data, but only some of it seems germane to marketability. A lot of it covers comparables, sale prices, and absorption, as it should, but QV does not have real comparables. I think some innovative market research could be helpful, and HAPA is doing some of it already, but I still can't think of a magic bullet that would answer the question. The Concord Group, however, could come up with more information that would at least be relevant and, equally important because of their credibility, help us find a developer.

We need interested people

HAPA is doing its own, innovative, market research. We may lack credibility with developers, but we are making progress and getting interesting results. We are finding people interested in buying QV condos. Our major way of finding them so far is an announcement on craigslist. People click onto our website and send in a survey.

We have a procedure for processing the surveys. When we get a survey we send a welcome message asking for a profile of the reasons for the person's interest. We send a follow-up message, and call on the telephone. If nothing works, we move the survey to an inactive file, but still keep the person on the newsletter list unless we are sure of a lack of interest. We want to feel confident that people are serious, so that a market researcher who followed up would agree with us. Also, people have very interesting things to say in their own words, which helps us understand what might appeal to the market. Ten more profiles are shown towards the end of this newsletter; we presented three in QV Newsletter #2.

We have approved 37 people so far and have 50 people in pipeline. When we reach 100, we will analyze and report. We need to speed up the approval process. If you would like a part-time job in Hayward helping with this, please contact me. When I get back to Hayward August 9 I will be able to work on finding help.

We also need to do more publicity. We need to get the word out at Cal State, to BART riders, on community cable TV, in newspaper real estate sections, to realtors, to retired home owners, and to local environmental groups.

We should also see if a professional research firm can pick up on these ideas to get a better sense of the market.

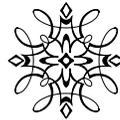
At some point, we may ask interested people to ask City Council to study the idea—it would be helpful, and certainly unusual, to have future buyers express their support for a development because it will help the environment.

Recap of five meetings

In May and June 2006, HAPA held four public meetings. The first was at Buffalo Bill's where ten people came, some of whom are now approved parties. The next was at the Hayward Public Library with six people, leading to two approved parties and to a new Board member, Rob Simpson. The third meeting was at the Biella room at CSU Hayward Campus, with five people, one of whom is approved. I suspect turnout was low for the Hayward Library and the CSU Library meetings because they had to be held at noon on a week day. The fourth meeting was held at the YMCA on Palisade, and about 15 people came, mostly neighbors interested in what might happen and what Caltrans was up to.

We should have more meetings, but attendance will depend on a good meeting time, having a developer, and enough publicity. The City (see below) will also be planning some meetings about all of the Caltrans surplus property.

A fifth meeting was the Annual Summit put on by TALC—the Transportation and Land Use Coalition—at the Unitarian Church in Oakland on April 1. About 25 people came to our PowerPoint presentation, including two Hayward City councilmembers, Bill Quirk and Barbara Halliday. Kieran Slaughter, a graduate student in geography at CSU Hayward and especially interested in Transit-Oriented Development, also attended. He works as Recreation Director, Social Services, Town Center at Acorn (Bridge Housing). I invited him to the HAPA office and we also took a tour of the quarry. He is willing to serve on the Board. I would like to vote him in at our next meeting. He is a resident of Richmond and previously attended CSU Humboldt.



Caltrans funds City of Hayward study of future of surplus right of way--including the quarry

Caltrans has awarded the City of Hayward a planning grant of \$250,000 to conduct a study of what to do with the 269 acres of surplus Caltrans Right of Way in the City of Hayward. The study will be at the conceptual level, leading to more specific City actions at a later date, and it will involve everyone interested in the issues. The first community meeting, expected in October, will identify issues.

The planning process may take a year for the conceptual plan and more time for specific implementations. Interested persons can read the City's grant proposal, available from David Risk at the Hayward Planning Dept., 510-583-4004 or david.rizk@hayward-ca.gov.

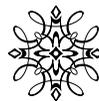
I reviewed some excellent color aerial maps showing the properties. My impression is that the quarry is the biggest developable parcel to be decided, but there are many issues.

The goals and objectives of the grant proposal cry out for Quarry Village, as if the City were trying to do everything it could short of actually endorsing the project:

- more efficient land use patterns

- housing supply to match population increases and workforce needs
- for the full spectrum of the population
- a variety of types
- meet the City's share of regional housing needs
- reduce dependency on single-occupant vehicle trips
- transit-oriented development
- including near the university campus
- neighborhood and project designs that enable more walking and biking
- use right of way for new pedestrian paths or bikeways
- for healthier communities
- housing in mixed-use projects and at higher densities
- in the vicinity of the university campus
- more affordable housing in closer proximity to jobs
- alternative transportation linkages to improve connectivity between and within neighborhoods
- minimize impacts on valuable habitat and productive farmland
- preserve riparian habitat
- increase resource use efficiency, including energy, water, and building materials conservation
- reduce traffic congestion and improve air quality
- long-term sustainable community/economic development and growth
- innovative and community-based “grassroots” involvement

There is relatively little connection between rational policy and politics. We need a credible developer and a good market study of our niche to make the connection, because we are several steps ahead of the minimal application of the above policies which the City has in mind.



Caltrans sale of land and AB 1462

Developers have made it clear to me that one of the first things a developer must do is secure control of the land. It makes no sense to spend money on planning a project where you might not get the land. In some cases developers may have to bid at auction, but then common sense usually limits what they are willing to offer to the value for probable conventional development.

The following discussion covers two issues: how Caltrans generally sells surplus right of way (ROW); and, for the specific State Route 238 ROW, the sale of surplus properties under AB 1462 to fund improvements to Central Alameda County Interstate highways. These two issues may be connected because the timing of new projects for the interstates could effect the timing of the sale of surplus ROW by Caltrans. Caltrans may wait for the funds to be needed for the new projects. If it reaches that point, Caltrans would not have time to wait for developer offers, but would probably conduct auctions.

Alternatively, Caltrans may wait for the City of Hayward to decide zoning and thus establish land values, and negotiate with developers who come in after rezoning. Finally, Caltrans may be willing to sell sooner to a developer who negotiates an option at a price established by a Caltrans appraisal. QV could seek a letter of intent from Caltrans or an option to secure the land as soon as

possible.

Caltrans and the land.

When will Caltrans sell the surplus ROW? I talked with a key person at Caltrans, and he does not have a timetable. There are several considerations. AB 1462 requires the use of surplus ROW funds for a local agency transportation improvement program (LATIP), and the California Transportation Commission (CTC) must approve the LATIP by mid-2010. The LATIP is likely to be the new Interstate projects, and the ROW would have to be sold in a timely way to pay for them. However, theoretically, since the freeway has been deprogrammed, Caltrans could declare the land surplus and sell it, and Caltrans would like to get rid of it. The funds would be put into a fund for the LATIP.

Selling off the developed properties. The developed parcels, about 300 units of single family houses and apartments, are likely to be appraised and sold as is. Current renters of single family houses have a right of first refusal. There will be plenty of advance notice of any land sales. Some renters may be able to afford a regular mortgage, and others may be able to afford a mortgage with a balloon payment. Renters will have every opportunity to find the financing they need, but ultimately will have to pay, under California law, the appraised value of their homes. I'd like to see a better break for the long-suffering Caltrans tenants in the single-family houses and for non-profit housing agencies to take over the apartments, but I don't know how to help make it happen.

Other governments also have a right of refusal, but there seem to be few or no developed parcels government would want. If the renter or a government do not want the property, it would probably be sold at auction. Small and boarded up parcels may be sold at auction, also. Larger apartments with maintenance issues could involve a negotiated sale at an appraised value.

Vacant land: the need for new zoning. Most of the surplus ROW is vacant. It has been at least 58 years since the City of Hayward thought about any use other than a freeway for the ROW, and, as discussed above, it will shortly be studying the area. The value of the land is determined by what the City will permit. Developers are not likely to offer as much if there is uncertainty about development potential. It would make sense for Caltrans to wait for the zoning to be in place, which is possibly why it is paying the City to put new zoning in place.

Sell sooner? The state for other reasons might decide to sell sooner, or a developer could approach Caltrans to get an option. Caltrans would consider appraising the property and negotiating an option. Deals differ, but might include payment of 10% of the value, interest over a term of five years, return of most capital if the deal fails but with some forfeiture, or, if successful, paying for the rest of the property at the agreed price. During the term of the option the developer seeks the entitlements necessary to support the development proposal. It might require a deposit of \$2.5 million. (Call me when ready.)

Probably later. Options seem more likely after zoning. For example, near term, when Hayward has rezoned Caltrans land in South Hayward, developers could approach Caltrans for options. Caltrans, however, can also push the matter using an two-step auction process using a first round

of closed bids followed by open auction among the top bidders from the first round. Auctions seem likely after the CTC approves a LATIP because Caltrans would not be able to wait for a developer to come in.

Park land at risk. The right of first refusal by government also applies to vacant land. The major area of interest here is the open space south of Harder Road down to just north of Calhoun. This land is above the cemetery and Moreau High School, mostly steep, and part of the viewshed below Garin Park. This land has high value as open space and will be difficult to develop. The land should be owned by the East Bay Regional Park District and added to Garin Park.

A smaller parcel between Centennial Hall Botany Grounds and Carlos Bee Park should be used to enlarge and unite these two smaller parks.

Planning for use of ROW funds.

AB 1462, the new SB 509. In February 2005, AB 1462 changed the language of SB 509, which dealt only with State Route (SR) 238 in Hayward (Central County), to deal with both SR 238 and SR 84 in Union City and Fremont (South County). The old plan for SR 84 included use of ROW obtained by Caltrans many years ago, but not needed for the currently acceptable proposal for SR 84. The situation is similar to SR 238, where long dispute led to an alternative project and surplus ROW.

The LATIP. Under SB 1462, the city (or county) with a defunct project may develop a local agency transportation improvement program (LATIP) that “addresses transportation problems and opportunities in the county which was to be served by the planned facility.” The city applies to the California Transportation Commission (CTC); the CTC must act on the LATIP before July 1, 2010; and then, if approved, funds from the sale of surplus ROW are allocated (programmed) to fund the LATIP.

Central stays central; South stays south. AB 1462 does not explicitly assign funds from sale of surplus SR 84 ROW to its related LATIP, nor funds from SR 238 ROW to its related LATIP. However, the policy of the Alameda County Transportation Authority (ACTA) is that funds from the sale of excess ROW in Central County may only be used to fund a LATIP serving Central County, and funds from sale of excess ROW in South County may only be used to fund a LATIP serving South County.

No LATIP for Foothill-Mission. AB 1462 allows the City of Hayward to use funds from the sale of Caltrans surplus ROW from the defunct SR 238 Foothill Freeway to fund a highway project along Foothill and Mission Boulevards, but that is not going to happen for two reasons.
>One, the cost of the Foothill-Mission project shrank and became fully fundable using only ACTA’s 1986 Measure B funds, so surplus ROW funds were not needed.
>Two, AB 1462 provides that “The proceeds shall be used only for highway purposes.” The City of Hayward intends to have the state rescind state highway designation for the arterial portions of State Routes 238, 185, and 92, making them local arterials and not highways and, thus, ineligible.

Amending the 1986 Expenditure Plan. In December, 2005, ACTA amended the Expenditure

Plan of 1986 Measure B to take the money from a defunct project along Foothill-Mission and apply most of it to a new, much smaller project along the same Foothill-Mission alignment. If the City of Hayward is not building a highway needing LATIP funds, and its Foothill-Mission project is ineligible anyway, the question arises as to what could be in a new LATIP serving the need to be met by the old 238 Freeway project. A lot of money is on the table. The ROW may be worth \$200 to \$400 million; Caltrans does not have a recent public estimate.

Using Expenditure Plan Amendment to get LATIP funds. There were enough Measure B funds from the old Foothill-Mission project to fund not only Hayward's new Foothill-Mission project but also two small Castro Valley projects and a study of what projects could use the surplus ROW funds consistent with the law. The study is called "the Central Alameda County Freeway System Operational Analysis" (the Central County Freeway Study) and it will look at I-880, I-238, and I-580. ACTA will use a small amount of its sales tax funds to get a large amount of surplus ROW funds.

The Central County Freeway Study will develop a plan for highway projects in Central County, focusing on the freeways where the biggest problems are. The study will identify projects with estimated costs that could be submitted in a LATIP to CTC for their approval. One possible project, for example, could be some interchange improvements at Whipple and I-880 where there is chronic congestion.

From the memo supporting amendment to the Measure B expenditure plan:

The technical report could be also used for preparation of programming documents (Caltrans Project Study Report) for possible State funding from...the sales of excess right-of-way pursuant to the SB 509 Statute.

... there is potential funding from sale of state owned right-of-way associated with Route 238 Bypass Project pursuant to the SB 509 Statute.

Source: ACTA, Dec. 8 2005 agenda, 1D Final Adoption of Amendment No. 1 to the 1986 Measure B Alameda County Transportation Expenditure Plan and 1F. Central Alameda County Freeway System Operational Analysis, <http://www.acta2002.com/agendas/pdfs/a051208a.htm>. SB 509 is now AB 1462.

Also in December 2005 the ACTA Board took additional action to allocate \$100,000 to get the study underway. ACTA then negotiated a Project Funding Agreement with the Alameda County Congestion Management Agency (ACCMA) to oversee work by a consultant. As of June 2006 the RFP was being circulated to find a consultant to do a \$1.5 million study. A total of \$5 million is available from ACTA.

AB 1462 puzzlers. AB 1462 has provisions that seemed to say that ROW funds could not be spent on Interstates and could only be spent on SRs 238 and 84:

>"This section does not apply to those highways that are in the National System of Interstate and Defense Highways." This language does not mean that LATIP projects cannot be built on interstates; it only means that the state cannot sell excess interstate ROW in the interstate system.

>"This section applies only to State Highway Route 238 and 84." This language does not mean that LATIP projects must be built on SRs 238 and 84; it means that only excess ROW from these routes can be sold and the law is not a basis for selling surplus ROW from other routes.

Timing. The time needed for the Central County Freeway Study, the 2010 deadline, and the time it will take for Hayward to plan suggest about two years before sales might start to happen.

Ten more profiles

We put the first three into QV newsletter #2, so this starts with #4. HAPA will do all it can to help you come to QV; you are special people.

4. A homeowner living near Hayward who is a senior employee in a high tech business also owns a residential investment property in south state. He is environmentally committed. He has kids probably attending Cal State Hayward in a few years and would buy a condo for them to live in and as an investment. He might buy another condo and move to QV if it is attractive enough.

5. Homeowner in Hayward would like to simplify her life in a smaller house, get rid of her car. and walk more. Her husband died some years ago; her two sons live in SF. She is environmentally committed and intrigued by the Quarry Village concept.

6. Highly educated couple in their late 20s are living in San Francisco, one working for a non-profit and the other for the federal government. They love the Bay Area, but cannot afford a house near work, especially considering hoped-for family additions. They do not want a car commute from some distant affordable subdivision and a BART commute into The City would work. They can afford a spacious Quarry Village condo. They appreciate restaurants and other amenities made possible by a dense urban area, and are looking for a sense of community, recreation, and good schools. Hayward generally has poor schools, but the elementary schools serving the hill area are excellent and the junior and senior highs passable. There are also excellent parochial schools nearby. They are strongly committed to the health and environmental values of Quarry Village.

7. A homeowner in San Francisco BARTs to work in Oakland, where he is a planner with a large agency. He is active in a large citizen group advocating smart growth, and interested in the pedestrian friendly and new urbanist design aspects of Quarry Village. He is interested in buying or renting to own, based on his financial situation when the time comes. "I love this project already."

8. Single man, living in San Diego and working as an urban planner, is an "urban environmentalist" dedicated to changing the way urban dwellers interact with the environment. Very interested in car-free living for the health, social, environmental and economic benefits. He would relocate to the Bay Area to live in Quarry Village. Interested in buying a two-bedroom two-bath unit. Wants the opportunity to live without a car. "I am excited to be a part of this, please keep me involved!"

9. A woman working in Oakland and renting in Albany is very interested in car-free living for health, time, and cost reasons. Was previously car-free for 8 years. Wishes to buy a 4 bedroom townhouse. Interested in rent-to-own options.

10. In his letter to us he leads off "I intend to purchase a home in Quarry Village as soon as they are available." Mid-career successful representative for manufacturing software in the western US works out of his home in Hayward. For him, "the environmental commitment and the walking and public transit oriented lifestyle of Quarry Village would be even more satisfying; more residents who engage with neighbors, more interactions due to the car-free public areas and peaceful grounds, along with the focal points of public transportation access and community stores." In his letter he makes more points on landscaping, utility bills, room rental. and escaping yard work.

11. She has lived in the Bay Area for almost 30 years and now lives in Oakland. She works as a consultant in Oakland substance abuse and mental health assessments for young parolees. She helps

evaluate trainers of HIV counselors in California and helps with HIV projects in Africa. She promotes sustainable work habits for new nurses. She is active promoting peace in Israel/Palestine. She is concerned about the environment, and is interested in living in Quarry Village as a community that uses resources consciously and wisely.

12. Domestic violence survivor currently living with her children in Tri-Valley area is looking to make a fresh start in an environment suitable and stable for her children where she can feel safe. Wants to rent a two bedroom apartment. Also interested in the price benefits of living in Quarry Village.

13. Single parent with children under 18 works in Oakland for a state environmental agency as a geologist and owns a home in the Hayward hills. Attended a workshop. Very enthusiastic about Quarry Village and is helping promote it for its affordability, health, and environmental advantages.



Boring organizational news

The HAPA Board met on June 13, 2006. We discussed South Hayward with Councilmember Bill Quirk, who then left for a Council meeting. (The City has ignored all of HAPA's ideas and there has been no support for them from the Fairway Park neighborhood, either, so we are unlikely to pursue anything more.)

The new HAPA Board constituted itself with a Board of Sherman Lewis, Evelyn Cormier, Bruce Barrett, Rob Simpson, and Joy Rowan. We adopted new bylaws and a conflict of interest policy, and made arrangements to approve a compensation policy. These actions are part of seeking recognition as a 501(c)(3), allowing contributions to HAPA to be tax-deductible and allowing us to receive funding from foundations.

We appointed an Advisory Committee of Bill Quirk, Hayward City Council; Peter Hellman, Paramount Homes; Dan Schaefer, BkF Civil Engineering; Gus Yates, Car Free Cities and eco-hydrology; and Kambiz Farnaam, realtor and commercial investor.

We discussed Quarry Village, the Stonebrae contribution to East Bay Parks, the Fish and Wildlife Service economic study of the whipsnake, and scheduling meetings by email.

Dues and contributions have been coming in and are much appreciated. We have 36 paid members, and I'll remind a few more in August. Please send checks to HAPA, 2787 Hillcrest Ave., Hayward CA 94542.

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