



**MEMORANDUM, City of Lodi, Community Development
Department**

To: City Manager
From: Community Development Director
Date: April 5, 1999
Subject: Redevelopment Study Session April 15, 1999

As the City Council is aware, staff has been investigating the process of activating a Redevelopment Agency as well as initiating one or more project areas. In order to provide the City Council and community in general with additional information and dialogue regarding this matter, staff has organized a group from the California Redevelopment Association (CRA) to visit Lodi and give their views on our situation. The CRA provides this service to their member agencies as a means of flushing-out issues that may exist within their communities. From our standpoint, it is a way to get respected experts' opinions regarding our proposed program.

In the afternoon of April 15, the panel will tour the area previously discussed by the City Council generally bordered by Kettleman Lane on the south, downtown on the west, Turner Road on the north, and the industrial area east of Highway 99. The purpose of their visit is to review the area as it relates to state redevelopment law. At the evening study session, they will provide an outline of their thoughts and answer any questions the Council and public may have.

I view this exercise as a valuable tool for background purposes. It is our intent to move forward in the redevelopment process provided their opinions are not in conflict with our own.

Attached is information previously provided to the City Council in addition to short biographies of those individuals who will be joining us on April 15, 1999. If you have any questions, please do not hesitate to contact me.

Attachments

Quick Reference Summary

Answers to 12 Common Questions on Redevelopment

1. What is redevelopment?

Redevelopment is a process created to assist city and county government in eliminating blight from a designated area, and to achieve desired development, reconstruction and rehabilitation including but not limited to: residential, commercial, industrial and retail.

2. What is a Redevelopment Agency?

In most cities, the City Councilmembers are also the governing board for the Redevelopment Agency, however, the Council and the Agency are two separate, distinct legal entities. The Agency members hire staff to carry out the day-to-day operations and its redevelopment plans. In most counties, the Board of Supervisors is the governing board.

3. Of what benefit to a citizen is being in a redevelopment project area?

Redevelopment is one of the most effective ways to breathe new life into deteriorated areas plagued by social, physical, environmental or economic conditions which act as a barrier to new investment by private enterprise. Through redevelopment, a project area will receive focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate and add to the housing stock and gain active participation and investment by citizens which would not otherwise occur.

4. What is a redevelopment plan?

A redevelopment plan presents a process and a basic framework within which specific projects will be undertaken. The plan provides the Agency with powers to take certain actions such as to buy and sell land within the area covered by the plan (project area), improving dilapidated facilities and to use tax increment financing.

5. What is a project area?

The area within which actual redevelopment will take place. The project area must first go to public hearing (giving citizens who will be included in the project area a chance to express their views) after which the Redevelopment Agency acts on the adoption of the project area and becomes primarily responsible for future projects.

6. Why do we have redevelopment projects?

The basic reason for establishing redevelopment projects is to secure funds that can be used to attract commercial, industrial and residential development in order to eliminate blight and improve an area.

7. How do Redevelopment Agencies secure funds?

The State Law makes available to Redevelopment Agencies a method of obtaining funds called "tax increment financing." On the date the City Council approves a redevelopment plan, the property within the boundaries of the plan has a certain total property tax value. If this total assessed valuation increases, most of the taxes that are derived from the increase go to the Redevelopment Agency. These funds are called "tax increments." Usually, the flow of tax increment revenues to the Agency will not be sufficient in itself to finance the full scope of redevelopment activities and development projects. Therefore, agencies issue bonds. These bonds are *not* a debt of the City or County and are repaid solely from tax increment revenues. Tax increments can be used only in the same project which generates them, except for residential projects which benefit low and moderate income households.

8. Will property taxes be raised?

It is important to note that higher taxes from the sale, development or rehabilitation of property reflects a rise in property value and "not" an increase in tax rate. Until a property is improved or sold, assessed values and tax rates in redevelopment areas are restricted by Proposition 13 limitations.

9. Why does the Agency have the power of eminent domain (condemnation of property)?

Private developers seldom can assemble many separate parcels of land into a site large enough for their needs. One small "hold out" can refuse to sell at any price and block the entire development. The Agency can, if necessary, use its power of eminent domain to acquire the hold-out parcel and permit the development to proceed.

10. What is relocation?

Relocation is the displacement of a business or family for the purpose of clearing land and preparing it for its designated use. When a person or business meets the legal qualifications, the Redevelopment Agency pays for: Assistance in finding a new location, payments to help cover moving costs and payments for certain other costs as provided by law.

11. If a citizen should decide to sell property to the Agency, who determines the selling price?

The Agency would hire an independent appraiser to establish the fair market value of your property. If the owner is not satisfied with the appraised value of the property, he may hire his own appraiser to re-evaluate the property after which both appraisals will be compared and a selling price negotiated. Fair market value is the value that the property would have if it were placed in today's market place and sold.

12. How will this affect the city/county and other taxing agencies in regard to tax revenue loss?

Other taxing agencies will lose part of the new property taxes generated by redevelopment, but will continue receiving the base revenues. However, in blighted areas, the property values would not increase without redevelopment activities. Other taxing agencies will receive non-property tax revenues and revenues generated outside the project area as a direct result of redevelopment activities, i.e., sales taxes, hotel room taxes and property taxes.



**MEMORANDUM, City of Lodi, Community Development
Department**

To: Honorable Mayor and members of the City Council
From: Community Development Director
Date: October 22, 1997
Subject: Discussion of Redevelopment Process and Agency Formation

This memorandum shall serve as an outline regarding the Redevelopment Process in California and the discussions City Staff have had with the County Administrator.

OVERVIEW

California redevelopment law is contained within the Health and Safety code. Dating back in excess of fifty years, the most comprehensive amendments to the law took place in 1994. The presentation about the redevelopment process will be based on those amendments.

The term redevelopment and its used have many positive and negative connotations depending on one's experience. Much of the criticisms about the redevelopment process is either based on misinformation or bad public policy. Simply put, the City Council, sitting as the Agency Board, can allow redevelopment to be many different things. Each Agency governs the type of activities it deems appropriate in order to meet the goals of the community.

The purpose of redevelopment is to foster the elimination of physical and economic blight by encouraging new development to occur in an area that otherwise may not see investment take place. The primary tools available to an Agency are planning and financing. The most significant of these are the ability to assemble private property for private reuse and the utilization of tax-increment for financing. Briefly, tax increment financing entails a redistribution of the regular property tax generated on an area as a result of land improvement. At the time a project area is adopted, the property tax for that area is frozen as a base year. As redevelopment of the area proceeds and the value of the area increases, a percentage of the increase above the base year (tax increment) goes back to the Agency to be used to finance projects within the area. A common misconception is that the tax rate is affected. At no time during the redevelopment process does the Agency cause taxes to be raised.

Attached to this memorandum is a broad definition of blight. These factors are an important base in determining an area that qualifies for redevelopment assistance. Also attached is a brief list of the types of projects that are commonly undertaken using redevelopment funds.

DISCUSSIONS WITH COUNTY ADMINISTRATOR

The City has had a couple of conversations with David Baker and his staff regarding their outlook on redevelopment in the County. These meetings were initiated because of the County's latest actions relative to redevelopment issues in Ripon and Lathrop. Our feeling was to understand their thoughts prior to doing much background work. Based on the first meeting, staff organized a tour of an area that we felt met the definition contained within the redevelopment statute. A map of the tour route is included in this packet for information purposes.

Generally speaking, the County is receptive to working with us in developing a project area. The concerns the County has is related to minimizing the impacts to the County that an over zealous project may have. Staff's view of the conversations that have been held to date would be to consider a process as follows:

Conceptual Discussions

1. Preliminary identification of blighted area, potential projects, and financing methods.
2. Identification of potential fiscal impacts on services provided by City, County, and others.
3. Preliminary details of scope and schedule for further study and formal review.

Preliminary Feasibility Study

1. Current assessed value and property-tax allocation data for potential project areas.
2. Analysis of potential projects: cost, schedules, and financing strategies.
3. Projection of tax-increment growth and increases in service costs.
4. Consideration of alternatives, terms, limits, and mitigation measures.

Survey Study

1. Documentation of physical and economic blight.
2. Refinement of feasibility study to support designation of project areas.

Redevelopment Plan

1. Documentation and procedures as prescribed in California Redevelopment Law.

The process outlined is clearly more inclusionary that State law requires. Our feeling is that we have a strong case for a survey area and including the County will only benefit the City in the long run. As a caution, I should add that this opinion may change as we proceed.

RECOMMENDATION

Staff feels that the benefits of exploring the formation of a redevelopment project area are positive. I have included a typical time frame that was prepared by the County and is quite well done. As the summary depicts, there are a number of milestones in the process where the City Council has the ability to stop the project. It should be noted

that the work necessary in order to form the project area is intense and will require the use of consultant help.

Sincerely,

Konradt Bartlam
Community Development Director

KB/lw

Attachments

Cc: City Attorney
Deputy City Manager

DAVID F. BEATTY

Mr. Beatty is a senior shareholder in the Sacramento office, specializing in redevelopment, municipal and land use law. He serves as special counsel to a large number of redevelopment agencies and has participated in the formulation, adoption and implementation of redevelopment plans and projects and in related litigation. As counsel to the California Redevelopment Association, Mr. Beatty has negotiated and drafted many of the changes in the redevelopment law during the last 15 years. Prior to joining the firm, he was an attorney and legislative advocate for the League of California Cities. He has degrees from the University of Wisconsin and the University of Chicago and received his Juris Doctor from the School of Law at the University of California, Davis in 1972.

Mr. Beatty has presented numerous papers at conferences, seminars and continuing education courses, is a Visiting Professor at the U.C. Davis School of Law and is a member of the Urban Land Institute. He is also co-author of *Redevelopment in California*, published by Solano Press in 1995.

Russ Watson BIO-Summary

Narrative BIO:

After receiving a BA degree in Urban Planning from Cal Poly –Pomona, Russ Watson started his career in September 1975 with the City of Arcadia, serving as an Administrative Assistant in the Economic Development Department. In August 1977 Russ assumed the position as Redevelopment Program Specialist with the City of Eureka. He continued in this position until May 1983, wherein he left to serve as Principle Planner with the City of Lancaster, CA. Russ's primary responsibilities were implementing the four redevelopment project areas that existed at that time. In November 1994, after 11 ½ years, the adoption of three additional project areas, creation of a redevelopment department, and a annual budget in excess of \$60M, Russ left Lancaster as its Assistant Redevelopment Director to assume the position as Economic Development Director for the City of Brentwood. In November 1997 Russ begin work with the California Redevelopment Association as its Deputy Director.

The CRA is a voluntary membership organization representing redevelopment agencies and associate members throughout the state. Russ's duties with CRA include membership services, legislative review, conference planning and serves as editor for the *Redevelopment Journal*, published monthly.

File

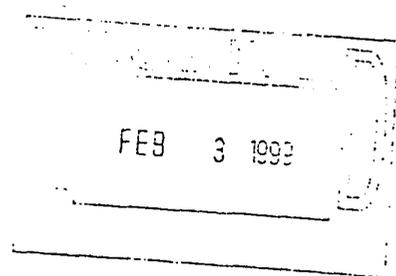
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Redevelopment and Financial Consulting

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February 1, 1999

Bill Carlson
Executive Director
CRA
1400 K Street
Sacramento CA 95814



Dear Bill:

I am pleased to announce the formation of Fraser & Associates. The firm will focus on redevelopment and financial services. Given my eight plus years of work in the field of consulting services to redevelopment agencies with Katz Hollis, I believe the firm can provide invaluable service to both public and private sector clients.

Fraser & Associates services are described below:

- Financial analysis - Various assistance in the financial aspects of an agencies operations, including tax increment estimates and projections; revenue verification; and financial and cash flow planning.
- Bond Services - Assistance in the issuance of tax allocation bonds, including the feasibility of issuing debt. Fraser & Associates provides fiscal consultant services that involve the in depth analysis of the revenues to be pledged to the debt offering.
- Feasibility analysis – This area of service includes the analysis of the feasibility for adopting or amending redevelopment plans, with an emphasis on financial analysis. Services in this area also include site specific feasibility studies for development projects.
- Implementation – Various types of assistance in the implementation of redevelopment plans. This includes preparing certain state mandated reports, such as the Statement of Indebtedness and Implementation Plans.
- Plan Adoption and Amendment – Services are provided in concert with other firms that specialize in plan adoptions. Fraser & Associates plan adoption services include overall project management and financial analysis in support of an adoption or amendment.

Please let me know if I can be of service to you. I have enclosed a business card for your use in this regard.

Sincerely,

Donald J. Fraser