



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

AGENDA – LODI REDEVELOPMENT AGENCY

Date: November 17, 1999

Time: 7:00 p.m.

For information regarding this Agenda please contact:

Alice M. Reimche

City Clerk

Telephone: (209) 333-6702

MEETING OF THE CITY OF LODI REDEVELOPMENT AGENCY

- A. Call to Order
- Res. No. RDA99-1 B. Resolution of Organization and Naming of Officers
- Res. No. RDA99-2 C. Resolution Adopting Bylaws and Appointing Further Officers
- Res. No. RDA99-3 D. Resolution Adopting Personnel Rules and Regulations
- Res. No. RDA99-4 E. Resolution Adopting Procedures for the Preparation, Processing and Review of Environmental Documents
- Res. No. RDA99-5 F. Resolution Designating Newspaper of General Circulation
- Res. No. RDA99-6 G. Resolution Authorizing and Directing Agency Secretary to File Statement of Organization
- Res. No. RDA99-7 H. Resolution Adopting Conflict of Interest Code for Agency Members, Officers and Employees
- Res. No. RDA99-8 I. Resolution Authorizing Execution of Cooperation Agreement with City of Lodi
- Res. No. RDA99-9 J. Resolution Authorizing Executive Director to Execute Agreement for Professional Services with Seifel Associates for Redevelopment Plan and Environmental Documents
- K. Public Comments
- L. Adjournment

Alice M. Reimche
City Clerk

CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Meeting of the Redevelopment Agency
MEETING DATE: November 17, 1999
PREPARED BY: City Attorney

RECOMMENDATION: That the Redevelopment Agency take the actions indicated by adopting the numerous Resolutions.

BACKGROUND: On July 7, 1999, the City Council adopted Ordinance 1675. That Ordinance became effective thirty days subsequent to its adoption. At that time the City of Lodi Redevelopment Agency came into being. Since that time staff has been working to bring to the Agency a recommendation regarding the acquisition of professional services to assist staff in the development in a redevelopment plan and the necessary environmental documents. Item J on your agenda is that staff recommendation.

However, items B through H are organizational and preliminary items that the Agency must act upon in order to be able to proceed with item J.

Item B on the agenda is represented by a Resolution which staff recommends the adoption of. It is a simple resolution, which makes some basic organization statements and names the Mayor and Mayor Pro Tempore as the member officers of the Agency.

Item C on the agenda is presented for adoption by resolution of the Agency. In enacting the resolution, the bylaws of the Agency would be approved. These bylaws are typical bylaws for Redevelopment Agencies. They provide basic operating perimeters relative to meeting times, as well as a meeting place. Also conduct of business is set out relative to agenda form as another example of activity under the bylaws. Additionally, the bylaws provide for compensation to the members. The level of compensation is established by Health & Safety Code §33114.5 and is embodied in that portion of the bylaws titled Compensation. Additionally, those members of staff who function as officers within the corporation are also set forth.

Item D on the agenda is a resolution authorizing the adoption of Personnel Rules & Regulations. The resolution is quite simple in form since the Agency is simply being asked to adopt the City's Personnel Rules & Regulations as it's own. Since City personnel functions as the staff for the Agency, it is a reasonable request so that there are not different rules applying to City staff members when they are functioning as staff for the agency.

Items F & G on the agenda are truly ministerial acts on the part of the Agency in order to address requirements under the statute by which the Agency was formed. The designating of a newspaper

APPROVED: _____
H. Dixon Flynn -- City Manager

of general circulation is simply done in order to make it clear where notices that need to be published by the Agency will in fact be published. Item G authorizing the filing of Statement of Organization is simply done so that a roster of redevelopment agencies can be maintained by the State. Such a filing also notifies the County of the existence of the Agency.

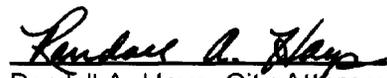
Item H the Agency is obliged to adopt a Conflict of Interest Code both for the Agency members and for officers and employees. Basically, the Agency is adopting and applying to itself and its officers and employees the Conflict of Interest Code of the City of Lodi. This particular undertaking then cuts down on the number of filings that have to be made since filing under the one Code simply allows you to designate that it is also a filing for the Agency.

Item I on the agenda is the first item of real substance to be undertaken by the Agency. What has been prepared for the Agency consideration is the execution of a Cooperation Agreement between the Agency and the City. The purpose of this particular agreement is to put the Agency in a position to have funding available to it to begin undertaking its activities. The agreement makes clear that the Agency is receiving a loan from the City and therefore has a debt that is to be repaid to the City at such time as the Agency is able to develop tax increment funds. By the Agency acting, a bilateral agreement is created between the City and the Agency which will provide funding to the Agency.

Item J on your agenda is placed to logically follow the action which the Agency is requested to take on Item I. If the Cooperation Agreement between the City and the Agency is not in place, the Agency will not have the funds available to undertake the Redevelopment Plan work as well as the preparation of the environmental documents associated with such work. It is my understanding that this item will have for your review a memorandum from Mr. Bartlam explaining his recommendation relative to the selection of Seifel Associates to perform the Redevelopment Plan and environmental document work.

FUNDING: Not applicable.

Respectfully submitted,



Randall A. Hays, City Attorney



REDEVELOPMENT AGENCY

AGENCY COMMUNICATION

AGENDA TITLE: Authorize the City Manager to execute a Professional Services Agreement with Seifel Associates for Redevelopment Plan and Environmental documents.

MEETING DATE: November 17, 1999

PREPARED BY: Community Development Director

RECOMMENDED ACTION: That the Agency Board authorize the City Manager to execute a Professional Services Agreement with Seiffel Associates for redevelopment plan and environmental documents.

BACKGROUND INFORMATION: As the City Council will recall, the Lodi Redevelopment Agency was established earlier this year. The next step in the process of identifying an area for redevelopment purposes is the preparation of a plan. The consultant we are recommending specializes in this type of work and has completed projects similar to ours throughout the State.

Staff prepared a Request for Proposal (RFP) and sent that request to qualified consultants who provide agency services. Two proposals were received and an interview of those firms was conducted. The City Attorney, myself, and Rich Laiblin from the County Administrator's office reviewed the proposals for content and relevant experience. Based on this review and the interview process, it is our recommendation to retain Seiffel Associates to prepare the necessary documents in order to establish a redevelopment project area. A copy of the Scope of Work is attached for information. A complete copy of the proposal is on file in the Community Development Department should the Council desire additional background.

The contract amount is \$222,050. The Council has budgeted \$200,000 in this year's budget for this work. The additional \$22,050 will come from the contingency fund. I would also note that this entire amount will be repaid to the General Fund from Agency revenues once those are established.

FUNDING: \$222,050

Funding Available Vicky McAthie
Vicky McAthie
Finance Director

Konradt Bartlam
Community Development Director

Attachments

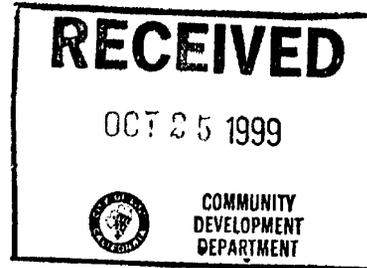
Janet Keenan for
H. Dixon Flynn -- City Manager

Seifel Associates

A California Corporation

October 22, 1999

Konradt Bartlam
Community Development Director
City of Lodi Community Development Agency
City Hall
221 West Pine Street
Lodi, California 95241



Subject: Redevelopment Plan Adoption Services

Dear Konradt,

We appreciate this opportunity to submit a proposal to assist the Lodi Redevelopment Agency (Agency). As requested, this proposal outlines a proposed scope of services for redevelopment advisory services to establish a redevelopment project, to assist the Agency staff with the redevelopment plan adoption process, including preparation of all required documents. The identified area encompasses over 1,000 acres in Lodi's Eastside.

This letter outlines a proposed scope and fee estimate for a Feasibility Study for adopting the Community Redevelopment Project Area and Redevelopment Plan. It is also designed to serve as a contract between us, should you desire to proceed. The Feasibility Study will provide the background information necessary to proceed with any Redevelopment Plan Adoption.

SCOPE OF PROFESSIONAL SERVICES

At the initiation of the contract, team members will meet with the Agency to review the proposed work tasks and discuss how they can most efficiently and cost effectively be implemented. This scoping session will:

- Review the proposed timeline for completion of each task and establish a schedule for the assembly of information and the preparation of draft documents.
- Determine how each work task can best be accomplished and allocate responsibilities among staff and consultant team members to assure the timely and efficient completion of each step.
- Schedule the proposed preparation of the Feasibility Report and Redevelopment Plan adoption documents and public participation process.
- Compile a master list of relevant materials required, such as maps, aerial photos, plans, graphics, prior cost estimates on proposed improvements in the Project Area.
- Assemble and review existing data. As described in this proposal, our approach will maximize the use of existing data.



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- Determine how coordination and task management is best accomplished. Designate a point person from the staff who will help assemble materials, schedule meetings and gather comments on all written drafts.

The work will be carried out in two phases: the first is the redevelopment project Feasibility Analysis and the second is major redevelopment document preparation. The Scope of Work has been structured to facilitate integration of information prepared during the Feasibility Analysis into the documentation required to support a full redevelopment plan adoption, to the maximum extent possible.

A. FEASIBILITY ANALYSIS

The first task of our work is designed to provide the Agency with sufficient information to determine the best approach to creating the proposed Redevelopment Project. This work will result in a survey area to the proposed Redevelopment Project Area boundary. We will then present a recommended approach to the Redevelopment Plan adoption process.

To commence work on the feasibility study we will do the following:

- **Scoping Session.** As part of the overall scoping session, the Consultant Team will meet with City staff to review the work program and reach a consensus on the most effective way to proceed with the feasibility study.
- **Background Information.** All available background information, including maps, engineering and planning studies, etc. will be reviewed for possible relevance to the feasibility assessment.
- **Reconnaissance Survey.** The Consultant Team will join City staff in a preliminary reconnaissance survey of the area to gain added insight into physical and economic conditions, community attitudes, and community needs.

1. Objective of Feasibility Analysis

The primary objective of the Redevelopment Feasibility Analysis is to assemble information and facts sufficient to permit effective decision making by City staff, the City Council and interested citizens regarding the appropriate use of redevelopment as a community improvement, economic development and financing tool in Lodi. The report will include a background in understanding the basis of establishing a redevelopment project area. Other objectives include the definition of suitable project boundaries, the identification of potential redevelopment activities, and a general assessment of existing conditions. The Feasibility Analysis will facilitate the decision-making process concerning proceeding with a redevelopment program.

The feasibility analysis will answer the following questions:

- What is the purpose of redevelopment in California?
- What are the basic legal requirements for a redevelopment plan to be adopted?
- What areas should be included within the boundaries of a redevelopment project area?
- Is the recommended area predominantly urbanized?

- Is the recommended area sufficiently blighted?
- Can the blight be alleviated or eliminated by the effective use of redevelopment?
- What other public or private resources might be marshalled to eliminate blight?
- What is the potential for leveraging tax increments against private investment?
- To what extent will tax increments be able to alleviate or eliminate blight?

All of the work described above will be summarized in the Feasibility Analysis. We will prepare a document that will contain the following sections:

1. Introduction to Redevelopment in California
2. Reasons for Establishing the Redevelopment Project
3. Goals and Objectives of the Redevelopment Project
4. Recommended Survey Area Boundaries
5. Redevelopment Project Eligibility
6. Potential Tax Increments Revunues
7. Proposed Redevelopment Program
8. Conclusions and Recommendations

2. Base Map Preparation

Using available maps supplied by the City, the consultants will prepare base maps at a level of detail suitable for redevelopment planning. These maps will then be used to document existing conditions and plot potential project boundaries. If appropriate, the area under study will be divided into a series of subareas to facilitate analysis and decision making.

3. Field Survey

A survey of the entire study area will be conducted to assess the extent of physical and economic blight. Special attention will be given to the issues of redevelopment project blight eligibility, under the California Community Redevelopment Law (CRL). We will also make a determination characterizing the proposed Project Area by urbanized and non-urbanized land uses to meet the 80 percent urbanized test under CRL.

We will prepare a summary description of the physical and economic blight findings. Blight must be shown to be pervasive throughout the proposed Project Area. The Community Redevelopment Law (CRL) requires evidence of at least one type of physical and economic blight.

The consultant team will review the blighting conditions within the proposed Project Area. Using the blight definitions provided in CRL Sections 33031 and 33032, the consultants (working closely with the staff and legal advisors) will identify the presence or absence of blighting conditions in the Project Area by:

- Collecting and reviewing information needed to justify physical and economic blight, as available from local governmental and private sector sources,
- Performing a one day field survey of the physical conditions of the proposed Project Area; and,
- Meeting with staff to review our findings and discuss local conditions, trends, concerns, improvement needs, and long-term planning objectives in the community.

If it is determined to be necessary, the consultant team would prepare an in-depth survey of physical blighting conditions, ranking the building conditions according to a standardized evaluation method used successfully by John B. Dykstra on numerous redevelopment projects, as additional services.

The determination of economic blight will be based on an examination of indicators of economic activity in the proposed Project Area. The results of this analysis will provide an indication of whether existing blighting conditions would be able to be overcome by private enterprise acting alone.

b. Preliminary Boundary Recommendations

The consultants will recommend to City staff preliminary redevelopment project boundaries. These boundaries will be mapped and used as the basis for further analysis and tax increment projections.

4. Redevelopment Program and Financial Feasibility Analysis

Under the CRL, the Preliminary Report must demonstrate that the proposed project activities are directly related to the alleviation of blight. The consultant will work with the Agency to review City capital improvement programs and relevant plans, studies, and reports and prepare a list of potential actions and projects that might be included in a redevelopment program for review by the Agency. Seifel Associates will perform preliminary financial feasibility analysis projecting tax increment revenues and redevelopment project costs. Our team will work with Agency staff to:

- Describe the type of project activities to be accomplished, and prepare a description of how each will alleviate blight.
- Analyze the use of tax increment revenues as the principal source of funding. Create a computer model projecting tax increment revenues, based on an assumed base assessed value. The analysis will project potential tax increment revenues available for project activities, including the 20 percent housing set-aside for affordable housing and the amount of funds to be reallocated to all affected taxing entities (pass-throughs). (The County Assessor, the City or a private data source needs to provide an estimate of the projected FY 1999/00 AV and property tax levy data.)
- Consider possible use of other funding sources including federal grants, special assessment districts, and business improvement districts. The potential for other sources of revenue (sales taxes, transient occupancy taxes, etc.) will also be explored.
- Work with staff to prepare assessed value growth assumptions, including projections of new construction, increases in assessed value due to reassessment and the annual 2% inflationary

increase on property that remains in the same ownership. The analysis will be conducted using historical property tax data and available development data. Tax increment projections will be based on growth projections and development opportunities.

- Prepare an illustrative budget for proposed project activities based on the financial feasibility analysis.

5. Feasibility Recommendations

Seifel Associates and John B. Dykstra & Associates will present the preliminary findings on redevelopment project feasibility to the City. Major issues to be covered include blight findings and potential financial benefit. Recommendations will also be presented on proposed boundaries for a project area, forming of a Project Area Committee, and promoting public input on the redevelopment planning process.

If appropriate, the consultant team will participate in a public meeting for government officials, interested citizens, business persons, or others designated by City staff to explain the purpose of the Feasibility Analysis and gain information on community attitudes and needs.

The consultant team will then work with staff to scope the remaining work effort. This will include the preparation of a public involvement plan with specific activities, an appropriate contact list, and timelines for implementation. Agency staff will make an informed decision regarding the formation of a Project Area Committee and a schedule of activities will be developed in consultation with the redevelopment attorney.

Wagstaff and Associates will present recommendations regarding the EIR process for those areas determined in the feasibility study to be suitable for redevelopment.

6. Role of the City Staff

The Consultants recognize that City staff time is very valuable. As a result every effort has been made to avoid any significant reliance on City staff for work associated with the preparation of the feasibility analysis. However, there is a need for cooperation in the following areas:

- Provision of all available reports, documents, and plans that may be relevant to the feasibility analysis
- Provision of the best available maps and aerial photographs
- Provision of historical and current assessed values and retail sales tax information
- Provision of available crime statistics
- Provision of information on soils and groundwater contamination
- Participation in scoping session, field survey and conference calls.

B. PREPARATION OF PLAN ADOPTION DOCUMENTS

We will prepare each of the following documents in draft and final form:

1. Schedule of Actions

This scope of services is designed to facilitate redevelopment plan adoption process in accordance with the provisions of the California Community Redevelopment Law (CRL). If any of the mandatory steps in the plan formulation, review, and/or adoption process were to be overlooked, or not completed in compliance with the applicable state law, the legality of the plan could be jeopardized making it susceptible to legal challenge(s).

Since such an oversight could delay implementation of the Redevelopment Plan, and the timely allocation of tax increment revenues to the City, it is essential that we coordinate each step of the plan adoption process with the City's redevelopment attorney. We understand the City's full-time attorney will utilize David Beatty of McDonough, Holland, and Allen (MHA) as Agency Counsel. We recommend that MHA prepare the detailed schedule of actions, all required resolutions, ordinances and legal documents required for plan adoption analysis. (We will produce summary schedules of actions.) We will work closely with MHA and assure coordination of our efforts. In recognition of these considerations, the following scope of services describes the work to be performed and documents to be provided to the City.

2. Legal Documents

Preliminary Plan: The Preliminary Plan will be prepared by MHA. The Agency will obtain the standard legal language for the Preliminary Plan from MHA in electronic form. Seifel Associates will work with MHA to modify the standard legal text to incorporate relevant redevelopment goals and objectives. Working with Agency staff, Seifel Associates will ensure that the language is sensitive to community concerns regarding the Project.

Baumbach & Piazza will prepare a legal description of the Project Area boundary that clearly identifies the properties within the Redevelopment Area in accordance with State Board of Equalization guidelines. The firm will assemble information from the City of Lodi and other baseline data to produce a computer-generated boundary map. Using a reproducible copy of base maps supplied by Baumbach & Piazza, we will prepare base maps of the area suitable for the recordation of blight and urbanized data.

Owner Participation and Preference Rules: The Agency Counsel typically prepares Owner participation and preference rules. It is our understanding that MHA and the Agency would formulate owner participation and preference rules, and provide our team with copies, so that relevant information can be incorporated as needed, into redevelopment documents.

Redevelopment Plan: Seifel Associates will follow essentially the same process in preparing the Redevelopment Plan that will be used in preparing the Preliminary Plan. As with the Preliminary Plan, MHA will prepare the draft Redevelopment Plan. The Agency will obtain the standard legal language for the Redevelopment Plan from MHA in electronic form. Seifel Associates will work with MHA to modify the standard legal text to incorporate the

redevelopment goals and objectives, proposed projects, etc., and working with staff, ensure that the wording is sensitive to community concerns regarding the Redevelopment Project.

PAC Formation Election Procedures and Bylaws: Seifel Associates will work with MHA and the Agency to formulate election procedures and bylaws. MHA will prepare all legal documents for PAC formation.

3. Preliminary Report

Seifel Associates and John B. Dykstra & Associates will prepare the Preliminary Report, as required by CRL, in conjunction with the Agency, MHA will review the report for adequacy. Seifel Associates will use the findings, analysis and conclusions resulting from the research from the Redevelopment Project feasibility analysis as the background and framework for the Preliminary Report. The Preliminary Report will be organized as follows:

- I. INTRODUCTION**
Provides background information, legal requirements and summarize the legally defensible reasons for selecting the Project Area boundaries.
- II. EXISTING CONDITIONS**
Documents urbanization and existing conditions contributing to blight in the Project Area, based on blight definitions contained in CRL Section 33031.
- III. REDEVELOPMENT PROGRAM DESCRIPTION**
Describes Redevelopment Project activities to alleviate blighting conditions in the Project Area and project costs.
- IV. PROPOSED METHODS OF FINANCING AND FEASIBILITY**
Analyzes potential financial resources and/or mechanisms available to the Agency; provides tax increment projections and evaluates tax increment as the principal project funding mechanism; assesses feasibility of the Redevelopment Project and; explains why blight cannot be eliminated without assistance from redevelopment.

Report on Urbanization

John B. Dykstra & Associates will prepare a Report on Urbanization for the Project Area in a form suitable for incorporation into the redevelopment plan adoption documents (Preliminary Report and the Report to the City Council). The report will be prepared in accordance with Section 33344.5(c) of the CRL. The Report on Urbanization will include text, a table (with area and percentage calculation), and a map that clearly identifies, as appropriate, (1) areas that have been developed for urban uses, (2) areas of substandard lots that inhibit proper development, (3) areas that are an integral part of an area developed for urban uses, and (4) unurbanized areas included for planning purposes, and (5) areas in agricultural use.

Map Preparation

Using a suitable base map (or maps) supplied by the City and Baumbach & Piazza, Seifel Associates and John B. Dykstra & Associates will prepare the following maps:

- A Redevelopment Project Boundary Map
- An Urbanization Map
- Not more than 9 maps illustrating blighting physical and economic conditions
- A Photographic Documentation Location Map

Substantial revisions to maps or maps in excess of those described above will be invoiced as extra services on a time and materials basis.

Documentation of Physical and Economic Blight

The consultant team will document blighting conditions in the proposed Project Area as required by CRL, which will include extensive photographic evidence. John B. Dykstra & Associates will prepare a comprehensive building conditions survey for the proposed Project Area.

Background Research. The consultants will review documents provided by the City (plans, environmental impact reports, studies, etc.) for relevance to the documentation of blight. The consultants will also meet with Agency staff and others knowledgeable about existing conditions in the area.

Compilation of Outside Evidence. The consultants will also review available documents prepared by others (such as building inspection or code compliance reports) for relevance. As appropriate, such documents will be compiled for incorporation into the plan adoption documents.

Field Reconnaissance Surveys. The consultants will conduct comprehensive field reconnaissance surveys to gain familiarity with the area and document conditions of physical and economic blight.

Building Conditions Survey. John B. Dykstra & Associates will conduct a comprehensive Building Conditions Survey as one means of documenting physical blight. Each major building within the proposed Project Area will be rated on a scale of 1 (worst condition) to 5 (best condition). The rating will be made visually from adjoining streets and roads. As appropriate, outside visual ratings will be supplemented by interior inspections. The Building Conditions Survey will define subareas, based upon blocks or arbitrary blocks, and summarize the ratings on a subarea and total project basis. The Survey will note other observed physical and economic blighting conditions in summaries of the subareas.

Photographic Documentation. John B. Dykstra & Associates will provide photographic documentation of physical and economic blight as appropriate throughout the proposed Project Area, and a map of the general locations of the photographs. The photographs will be provided as screen prints ready for reproduction.

Documentation of Physical Blight. John B. Dykstra & Associates will document physical blight in accordance with CRL Section 33031(a), which describes physical blight in terms of the following:

- Deficient or Deteriorated Buildings
- Factors that Inhibit Proper Use of Buildings or Lots
- Incompatible Uses
- Substandard Lots

Documentation of Economic Blight. Seifel Associates and John B. Dykstra & Associates will document economic blight in accordance with Section 33031(b) of the California Community Law, which describes economic blight in terms of the following:

- Depreciated Values/Impaired Investments
- Economic Indicators of Distressed Buildings or Lots
- Lack of Neighborhood Commercial Facilities
- Residential Overcrowding or Problem Businesses
- A High Crime Rate

Presentation of Blight Findings

The consultants will present the physical and economic blight findings in text and maps, as appropriate, in a format suitable for incorporation into the plan adoption documents. The description of physical blight will incorporate the Building Conditions Survey described above.

Project Activities and Costs

The Preliminary Report will demonstrate that the proposed project activities are directly related to the alleviation of blight as require by the CRL. We will work with the City's Department of Public Works and review capital improvement programs and all relevant plans, studies, and reports, such as the Gruen, Gruen and Associates' economic analysis conducted two years ago, and the 1995 Central City Revitalization Strategy. We will then prepare a list of potential actions and projects to include in the proposed redevelopment program. To the extent feasible, the list shall include cost estimates prepared by the City, expressed in constant 2000 dollars. In summary, we will work with Agency staff to:

- Determine project activities to be accomplished, and prepare a description of how each will alleviate blight.
- Estimate costs for each project activity, including affordable housing activities.
- Prepare a project cost table for use in the financial feasibility analysis.

Financial Analysis

Seifel Associates will analyze financial feasibility by comparing projected tax increment revenues and redevelopment project costs. We will:

- Update the computer model to project potential net tax increment revenues available for project activities, including the 20 percent set-aside for affordable housing and the amount of funds to be reallocated to all affected taxing entities (pass-through payments). We will work with the Agency to determine assumptions for development buildout and other considerations.
- Work closely with staff to refine assumptions, including development projections, increases in assessed value due to reassessment and inflation.
- Analyze the use of tax increment revenues as the principal source of funding, compared to other potential financial sources and/or mechanisms available to the City to carry out the financing portion of the Redevelopment Project.
- Evaluate the proposed method of financing redevelopment and its financial feasibility. Determine which of the activities can be funded given the projected tax increment revenue and other funding sources.

4. Report to Council

Seifel Associates will prepare the Report to the City Council in accordance with Section 33352 of Community Redevelopment Law (CRL). The Report to the City Council on the Redevelopment Plan incorporates the updated Preliminary Report (the first four chapters), additional chapters to provide analysis of the Agency's initial plans for implementation of the Project, and required procedural steps for the adoption of the Redevelopment Plan taken by the Agency.

Organization of Report to the City Council

Seifel Associates will prepare the Report to the City Council in accordance with CRL Section 33352, organized as follows:

- I. **INTRODUCTION**
Adapted from Preliminary Report as updated.
- II. **EXISTING CONDITIONS**
Adapted from Preliminary Report as updated.
- III. **REDEVELOPMENT PROGRAM DESCRIPTION**
Adapted from Preliminary Report as updated.
- IV. **PROPOSED METHODS OF FINANCING AND FEASIBILITY**
Adapted from Preliminary Report as updated.
- V. **IMPLEMENTATION PLAN (2000 to 2004)**
An Implementation Plan as described above.
- VI. **RELOCATION PLAN**
Method of relocation, if necessary, based on existing City policy.

- VII. **ANALYSIS OF PRELIMINARY PLAN**
Analysis of the Preliminary Plan and compliance with CRL.
- VIII. **PLANNING COMMISSION ACTIONS**
Report and recommendations from Planning Commission.
- IX. **SUMMARY OF PUBLIC REVIEW OF THE PROPOSED PLAN**
Description of the public participation process performed during the Redevelopment Plan adoption process, in particular, the meetings and participation of the Citizens Action Committee.
- X. **ENVIRONMENTAL REVIEW**
Summary of the environmental review process performed for the redevelopment plan adoption and consistency with the California redevelopment law.
- XI. **REPORT OF COUNTY FISCAL OFFICER**
Description of the San Joaquin County Controller's Report (Section 33328 Report).
- XII. **SUMMARY OF CONSULTATIONS WITH TAXING ENTITIES**
Summary of the Agency's consultations with affected taxing entities regarding fiscal impact.
- XIII. **NEIGHBORHOOD IMPACT REPORT**
Neighborhood impact report, based on the environmental review, specifically the proposed Redevelopment Project's impacts on low and moderate income housing and households.

Update Preliminary Report Analysis

Seifel Associates will update findings and analysis contained in the Preliminary Report based on new information, refined analyses, and any other considerations that would contribute to a legally defensible, comprehensive, and accurate Report to the City Council. The areas most likely to be updated would include, but are not limited to, blight findings, development forecasts, proposed projects, and tax increment projections.

Implementation Plan

Seifel Associates will prepare the Five Year Implementation Plan, required by the CRL, as part of the Report to the City Council. The Implementation Plan must demonstrate how the Agency's proposed goals, objectives, programs, activities, and expenditures will help to eliminate blight in the Project Area in the first five years of the Project. The Implementation Plan consists of non-housing and housing components.

Non-Housing Component

Seifel Associates will assist Agency staff in preparing the following material required for adoption of the non-housing component of the Implementation Plan:

- Summarize blighting conditions in the Project Area and develop priorities to address these conditions.
- Project available revenue for the first five years, including tax increment funds, program income, federal and state funds, and other financial resources.

- Based on the projected financial resources, refine the list of redevelopment activities to be accomplished over the first five years and describe how they will alleviate blight.

Housing Component

The Implementation Plan must also contain a housing component (Housing Production Plan) that specifically describes how the goals, objectives, projects and expenditures will implement low and moderate income housing programs. The housing section of the plan must contain:

- Estimates of deposits to the Housing Set-Aside Fund during the next five years.
- Estimates of the number of units to be assisted from the Housing Set-Aside Fund during the next five years.
- Estimates of the number of units which will be constructed, rehabilitated, price-restricted, assisted, removed or destroyed by the Agency and others over the life of the Redevelopment Plan and the next ten years.
- Proposed locations for required replacement housing, if planned project(s) will remove existing affordable housing.

C. PROJECT AREA COMMITTEE (PAC)

As needed, Seifel Associates and John B. Dykstra & Associates will provide staff with general consultation services and strategy formulation for a public participation process. With MHA, we will advise on the Project Area Committee (PAC) composition, organization, recruitment of members, and operation to meet the requirements of CRL.

a. Community Involvement

Our team will provide staff with general consultation services and strategy formulation for a public participation process to facilitate the establishment of a Project Area Committee (PAC) to reach a consensus on a redevelopment program for Lodi. We will identify and assemble stakeholders and facilitate PAC formation, meetings and workshops in the proposed Project Area neighborhoods, building on our experience in public involvement projects in the area. Community outreach will require substantial effort, given the large size of the proposed Project Area and diversity of population. This procedure will involve preparation of fliers, mailing a large number of notices, and possibly large scale meetings, with slide and exhibit presentations. Seifel Associates and John B. Dykstra & Associates will assist with the community involvement program, and prepare the strategy for the PAC meetings.

Every member of the consultant team is committed to the philosophy and implementation of a strong public involvement program. We intend to have all interested community members feel that they have been given sufficient notice of upcoming meetings, adequately informed throughout the course of the project, and have avenues for comment and involvement.

Objectives of Public Involvement and Outreach Program:

- Ensure public input through a carefully designed and implemented comprehensive public involvement program.
- Build understanding and support between the Agency and the community for the project, especially with property owners, businesses, and residents in the proposed redevelopment area.
- Promote a positive image of the Agency.
- Develop public involvement program that will accomplish the recommended plan adoption.

Identification of Stakeholders

It is critical to identify key individuals, citizen groups, and business organizations that may have an interest in the project. The public involvement specialist will work with the Agency to create a database of stakeholders groups and interested, influential individuals during the course of the project. Among the groups on the stakeholders list would be the following:

- Residents in the proposed redevelopment area
- Property owners
- Neighborhood organization
- Pertinent City staff
- Elected officials of the city, county, school district(s), and other pertinent governmental and quasi-governmental bodies in the area
- Representatives of pertinent governmental and quasi-governmental entities
- Groups representing businesses
- Environmental groups
- Civic and community groups
- Safety personnel, e.g., fire and police departments
- Utilities

An outreach strategy specific to each of these groups and individuals will be developed. Key stakeholders will be identified and interviewed individually or in focus groups for appropriate and effective methods of soliciting community input.

Project Area Committee

With MHA, we will define the election process and establish a schedule for forming a Project Area Committee that is representative of the residents' diversity, the property owners' interests, and the interests of businesses and industries in the redevelopment area. A framework for the composition, organization, recruitment of members, and operation of the PAC will be laid out to meet the requirements of the CRL.

Spanish language meeting/materials

Appropriate interpreters will be recruited for community and/or PAC meetings, where needed. Agency staff will prepare written translations, as required.

D. ENVIRONMENTAL IMPACT REPORT

Wagstaff and Associates will prepare the Environmental Impact Report. Please refer to the attached Wagstaff and Associates proposal for EIR services for details on the firm's proposed work program.

E. PROCESS COORDINATION

Seifel Associates will coordinate and manage the redevelopment plan adoption process. Typical responsibilities will include:

- Monitoring schedule regularly
- Supporting Agency staff
- Coordinating activities of all responsible parties
- Conducting and attending meetings
- Preparing minor documents
- Making presentations before public bodies including the Agency, City Council and Planning Commission
- Reviewing documents and materials prepared by others during the adoption process

In addition, we understand that we may be asked to provide additional support such as the following on a time and materials basis:

- Presenting at community and business meetings
- Conducting special studies or analyses
- Revising documents listed after a final preparation
- Other similar services

F. MEETING ATTENDANCE

As the prime contractor, Seifel Associates will take primary responsibility for overall team coordination. Consultant team coordination meetings will be scheduled every month through the duration of the project with Seifel Associates and Agency staff. The purpose of these meetings will be to evaluate progress of the project work, obtain additional information such as reports from Agency staff and review work performed to date. Twelve meetings will be held in person as needed, but conference calls may also be scheduled when appropriate.

- Community Meetings. The consultants will attend up to eight Project Area Committee meetings and two community meetings.
- Public Agency Presentations. The consultants will also prepare for and participate in four formal presentations to the Agency Board, City Council, Planning Commission, or others, including the public hearing. Formal presentations in excess of those set forth above shall be invoiced as additional services.

- **Staff Meetings.** The consultants will attend eight meetings with staff to ensure that the tasks described in this Scope of Work are efficiently performed. Most of these meetings will be held on the same day as PAC or community meetings to minimize travel time.

As an optional and additional service, Seifel Associates is willing to help staff prepare a public participation process to facilitate reaching a consensus on a redevelopment program. This could involve community workshops with various constituent groups. The community process could be designed to involve the Merchant's Association, the Chamber of Commerce, the Eastside Improvement Committee, and various neighborhood associations and community groups that have an interest in the redevelopment project.

G. WORK PRODUCTS

The consultant will provide two types of work products: administrative drafts and final reports. Administrative drafts will be prepared for use by staff, redevelopment legal counsel and other interested parties. Administrative drafts and a final report will be provided for each of the following documents:

1. Feasibility Analysis
Draft- 5 copies
Final- 5 bound copies
2. Preliminary Plan
Draft- 1 copy
Final- 1 unbound original
3. Preliminary Report
Draft- 5 copies
Final- 5 bound copies
4. Report to City Council
Draft- 1 copies
Final- 1 bound copies
5. Redevelopment Plan
Draft- 5 copy
Final- 5 unbound original
6. Final Redevelopment Plan
Draft- 1 copy
Final- 1 unbound original
7. EIR (see attached Wagstaff proposal)

We will prepare the reports on 8 1/2 by 11 paper, double spaced, printed on one side and in Microsoft Word '97 or other Agency approved format.

We understand that we need to incorporate periodic reviews by staff and legal counsel, and that the lead consultant is expected to review all work products and administer contracts and invoicing for all contracting consultants.



H. ADDITIONAL ADVISORY SERVICES

In addition to the preparation of documents required in the process, Seifel Associates will provide Agency staff with advisory services on an as needed basis, billed as additional services on a time and materials basis, which may include, but are not limited to, the following services:

- Assist in identifying proposed private developments and needed public improvements.
- Verify that all affected taxing agencies were properly identified for notification.
- Assist with affected taxing agency consultations.
- Coordinate/review other plan amendment related documents as prepared by Agency staff and/or the redevelopment attorneys.
- Attend additional public meetings and hearings for information presentation purposes.
- Meetings may include the Agency, City Council, Planning Agency, community forums, and consultations with affected taxing agencies.
- Prepare fiscal/financial analyses beyond the levels required in preparing the Redevelopment Plan, the Preliminary Report, and the Report to the Board.
- Prepare more than one draft of the documents described under Document Preparation Services, or redraft documents after Agency staff and legal counsel approval of the final draft.
- Provide other advice and assistance regarding the Plan adoption activities as necessary.
- Additional community outreach services:
 - Media Relations
Early in the project, a public involvement specialist will seek an informational meeting with key staff of the local newspaper. Throughout the project, we will keep the print and broadcast media informed on the project's progress through personal contacts, as well as writing, producing, and sending news releases. Topics in the news releases may include the background and purpose of the redevelopment project, upcoming public meetings, and explanations of how to contact the project team with questions, suggestions, and comments.
 - Optional Hotline
A hotline for information could be established and staffed.

This proposal is based on our initial understanding of the redevelopment consultants' role. This proposal assumes that the Agency handles the administrative aspects of the plan adoption process such as meeting notices, mailings, preparation of public hearings, and consultations with affected taxing entities. It also assumes that the redevelopment attorney provides a standard preliminary plan and redevelopment plan on disk and prepares the schedule of activities to assure adoption by November 2000, as well as legal notices and resolutions as required by the Agency.

Seifel Associates is happy to assist with any of these activities, but has not anticipated that any of these services be included in this proposal.



BILLING RATES AND BUDGET

BUDGET

We propose to perform the Work Program detailed out on a time and materials basis up to a proposed budget of \$222,050 based on our mutual agreement as to the work to be performed. The work would be billed for services rendered during the previous month. Please refer to the following pages for the proposed budget. Table 1 includes the total budget and the budget of each team member. Table 2 contains the Seifel Associates proposed budget broken down by staff responsibility.

1. Seifel Associates

Seifel Associates bills monthly for time and materials expended during the previous month. Professional services are billed at the following hourly rates that apply for 1999:

<u>Hourly Rate *</u>	
Elizabeth Seifel, President	\$125
Vice President/Senior Economist	\$100
Economist	\$75
Support**	\$50

* If other professional consulting services are required, Seifel Associates may establish, upon the client's approval, additional billing rates to correspond with the consultant's expertise.

** Includes mapping services provided by Valerie Reichert.

Expenses

Seifel Associates expenses are billed as follows:

- Telephone charges are billed based on a fixed amount computed at 2 percent of billed professional services, if allowable by client.
- Automobile mileage charges are 32.5 cents per mile.
- Photocopying charges are 10 cents per page, except for bulk reproduction of reports, which are charged on a direct reimbursable basis.
- All remaining expenses are billed on a direct reimbursable basis with receipts above \$20 provided as evidence upon request.

Payment Terms

Prompt payment of all invoices is expected. If payment were not received within 30 days, Seifel Associates would discontinue work on current and any future assignments. Should legal action be required to secure payment, all legal fees related to collection of funds would be the responsibility of the client. In the event that payment is not received within 60 days of invoice date, a delinquency charge of 1.5 percent per month will be levied, unless an alternative payment schedule is mutually agreed upon.

2. **John B. Dykstra**

Hourly Rate

John B. Dykstra/Principal	\$110
Planner/Administrator	\$60

3. **Wagstaff and Associates**

See attached proposal.

4. **Baumbach & Piazza, Inc.**

Hourly Rate

Principal Engineer	\$104
Sr. Draftsman/Technician w/Computers	\$75
Clerical	\$38

Expenses

Mileage	\$0.40/mile
Outside Services	Cost + 15%
Depositions	\$250/Hour + Preparation Time
Court Appearances	\$250/Hour (4 Hour Minimum) + Preparation Time

PAYMENT TERMS

By signing this letter, you are agreeing to pay the monthly invoiced amount promptly. In the event payment is not received within 60 days of receipt of invoice approval of this contract will constitute our agreement to bill you a delinquency charge of 1.5 percent per month and to establish a promissory note between us. Furthermore, if payment were not received, Seifel Associates would discontinue work on any future assignments. Should legal action be required to secure payment, all legal fees related to collection of funds would be the responsibility of the client.

PROPOSED SCHEDULE

The schedule is to be determined upon discussion with City staff. We propose to complete the feasibility analysis by December 1999 and the Report to Council by October 2000. Table 3 details the proposed schedule. We are able to begin as soon as the contract is signed, based on our anticipated workload.

PROFESSIONAL COMMITMENT

Seifel Associates is dedicated to meeting our clients' needs, on schedule and on budget. We appreciate feedback regarding our performance and make every effort to improve work products based on your input.



CONTRACT CONDITIONS

This letter will serve as an exhibit to the contract between the City of Lodi and Seifel Associates. This letter has been signed by Elizabeth Seifel and represents a proposal for consulting services to be performed for the City of Lodi.

By: Libby Seifel
Elizabeth (Libby) Seifel
President
Seifel Associates

10.22.99
Date

Accepted:

By: _____
City of Lodi Date

Approved as to form Randall A. Hays
City Attorney



Table 1
Proposed Total Budget
Redevelopment Plan Adoption Services
City of Lodi

Task Descriptions	Total Budget	Seifel Associates	JBD & Associates	Wagstaff & Associates	Baumbach & Piazzi
1. Feasibility Analysis					
Map Preparation	\$1,200	\$800	\$400		
Field Survey	\$3,200	\$2,300	\$900		
Preliminary Blight Analysis	\$6,700	\$2,800	\$3,900		
Redevelopment Program & Financial Analysis	\$3,900	\$3,900			
Report Preparation and Presentation	\$2,200	\$1,200	\$1,000		
Subtotal	\$17,200	\$11,000	\$6,200	\$0	\$0
2. Preliminary Plan					
Legal Description and Boundary Map	\$28,250	\$5,700			\$22,550
	\$28,250	\$5,700	\$0	\$0	\$22,550
3. Preliminary Report					
Report on Urbanization	\$2,000	\$0	\$2,000		
Blight Analysis	\$19,000	\$7,400	\$11,600		
Map/Graphics Preparation	\$5,300	\$3,300	\$2,000		
Project Activities and Costs	\$3,100	\$3,100			
Financial Analysis	\$6,500	\$6,500			
Report Preparation/Coordination/Review/Production	\$9,300	\$9,300			
Subtotal	\$45,200	\$29,600	\$15,600	\$0	\$0
4. Redevelopment Plan	\$5,500	\$5,500	\$0	\$0	\$0
5. Report to Council					
Update Preliminary Report analysis	\$3,700	\$3,700			
Implementation Plan	\$6,200	\$6,200			
Documentation of Adoption Process	\$1,300	\$1,300			
Consultation with Taxing Entities	\$1,700	\$1,700			
Report Preparation/Coordination/Review/Production	\$2,000	\$2,000			
Subtotal	\$14,900	\$14,900	\$0	\$0	\$0
6. Environmental Impact Report	\$71,800	\$0	\$0	\$71,800	\$0
7. Community Involvement and Meetings					
City Staff Meetings and Support (8)	\$11,400	\$8,400	\$3,000		
Hearings (3)	\$4,600	\$4,600			
PAC Meetings (8)	\$8,400	\$8,400			
PAC Formation & Procedures Advisory Services	\$4,200	\$4,200			
Subtotal	\$28,600	\$25,600	\$3,000	\$0	\$0
Total - Labor	\$211,450	\$92,300	\$24,800	\$71,800	\$22,550
8. Expenses (@ 5% of labor cost)*	\$10,600				
Total Budget	\$222,050				

* Expenses will be billed on a direct reimbursable basis, to the proposed budget.

Professional labor budget based on following professional hourly rates:

Seifel Associates	Billing Rate
President/Team Manager	\$125 /hour
Senior Economist	\$100 /hour
Economist	\$75 /hour
Data Entry/Word Processing	\$50 /hour
Graphics (Sixth St. Studio)	\$50 /hour

Table 2
Proposed Seifel Associates Budget
Redevelopment Plan Adoption Services
City of Lodi

Task Descriptions	Total Budget	Seifel Associates			
		Principal	Sr. Economist	Economist	Support
1. Feasibility Analysis					
Map Preparation	\$800	\$0	\$0	\$0	\$800
Field Survey	\$2,300	\$1,000	\$800	\$500	\$0
Preliminary Blight Analysis	\$2,800	\$300	\$1,500	\$1,000	\$0
Redevelopment Program & Financial Analysis	\$3,900	\$1,000	\$2,400	\$500	\$0
Report Preparation and Presentation	\$1,200	\$1,000	\$200	\$0	\$0
Subtotal	\$11,000	\$3,300	\$4,900	\$2,000	\$800
2. Preliminary Plan					
Legal Description and Boundary Map	\$5,700	\$1,500	\$3,200	\$0	\$1,000
Subtotal	\$5,700	\$1,500	\$3,200	\$0	\$1,000
3. Preliminary Report					
Report on Urbanization	\$0	\$0	\$0	\$0	\$0
Blight Analysis	\$7,400	\$1,000	\$4,000	\$1,600	\$800
Map/Graphics Preparation	\$3,300	\$0	\$800	\$0	\$2,500
Project Activities and Costs	\$3,100	\$500	\$1,600	\$1,000	\$0
Financial Analysis	\$6,500	\$1,500	\$3,200	\$1,000	\$800
Report Preparation/Coordination/Review/Production	\$9,300	\$1,500	\$4,000	\$2,600	\$1,200
Subtotal	\$29,600	\$4,500	\$13,600	\$6,200	\$5,300
4. Redevelopment Plan	\$5,500	\$1,500	\$3,200	\$0	\$800
5. Report to Council					
Update Preliminary Report analysis	\$3,700	\$500	\$1,600	\$1,000	\$600
Implementation Plan	\$6,200	\$800	\$3,200	\$1,600	\$600
Documentation of Adoption Process	\$1,300	\$0	\$800	\$500	\$0
Consultation with Taxing Entities	\$1,700	\$500	\$1,200	\$0	\$0
Report Preparation/Coordination/Review/Production	\$2,000	\$0	\$800	\$0	\$1,200
Subtotal	\$14,900	\$1,800	\$7,600	\$3,100	\$2,400
6. Environmental Impact Report	\$0	\$0	\$0	\$0	\$0
7. Community Involvement and Meetings					
City Staff Meetings and Support (8)	\$8,400	\$2,000	\$6,400	\$0	\$0
Hearings (3)	\$4,600	\$3,000	\$1,600	\$0	\$0
PAC Meetings (8)	\$8,400	\$2,000	\$6,400	\$0	\$0
PAC Formation & Procedures Advisory Services	\$4,200	\$1,000	\$3,200	\$0	\$0
Subtotal	\$25,600	\$8,000	\$17,600	\$0	\$0
Total Labor	\$92,300	\$20,600	\$50,100	\$11,300	\$10,300

* Expenses will be billed on a direct reimbursable basis, to the proposed budget.

Professional labor budget based on following professional hourly rates:

<u>Seifel Associates</u>	<u>Billing Rate</u>
Principal/Project Manager	\$125 /hour
Senior Economist	\$100 /hour
Economist	\$75 /hour
Data Entry/Graphics/Word Processing	\$50 /hour
Graphics (Sixth St. Studio)	\$50 /hour

Table 3
Proposed Schedule
Redevelopment Plan Adoption Services
City of Lodi

Task Descriptions	Months														
	1999				2000										
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
1. Feasibility Analysis															
Field Survey			■	■											
Preliminary Blight & Financial Analysis			■	■											
Report Presentation					■										
2. Preliminary Plan															
Legal Description and Boundary Map			■	■	■	■									
3. Preliminary Report															
Report on Urbanization							■								
Blight Analysis							■	■							
Map/Graphics Preparation							■	■							
Project Activities and Costs							■	■	■						
Financial Analysis							■	■	■						
Report Preparation/Coordination/Review/Production									■	■					
4. Redevelopment Plan										■					
5. Report to Council															
Update Preliminary Report analysis											■	■	■		
Implementation Plan											■	■	■		
Documentation of Adoption Process											■	■	■		
Consultation with Taxing Entities											■	■	■		
Report Preparation/Coordination/Review/Production													■	■	
6. Environmental Impact Report															
Draft EIR					■	■	■	■	■	■					
Final EIR											■	■	■	■	
7. Community Involvement and Meetings															
City Staff Meetings and Support (8)			▨		▨	▨	▨	▨	▨		▨		▨		
Hearings (3)						▨			▨						▨
PAC Meetings (8)						▨	▨	▨	▨	▨	▨	▨	▨	▨	▨
PAC Formation & Procedures Advisory Services						▨	▨								
Plan Adoption															***

Key
 Work Performed ■
 Meetings ▨

RESOLUTION NO. RDA99-1

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI ORGANIZING SAID AGENCY AND
NAMING OFFICERS

=====

WHEREAS, the City Council of the City of Lodi has, by Ordinance No. 1675, adopted on July 7, 1999, declared a need for a redevelopment agency to function within the City of Lodi; and

WHEREAS, in order for the Redevelopment Agency of the City of Lodi (the "Agency") to function, it is necessary for the Agency to organize and select a chair and vice-chair on November 17, 1999, in order to proceed with the business before it.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The members of the City Council of the City of Lodi organized themselves on November 17, 1999, as the members of the Redevelopment Agency of the City of Lodi.

Section 2. The Mayor and Mayor Pro Tempore of the City of Lodi, respectively, shall become the Chair and Vice-Chair of the Redevelopment Agency of the City of Lodi.

Dated: November 17, 1999

=====

I hereby certify that Resolution No. RDA99-1 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land
(Chair)

NOES: MEMBERS – None

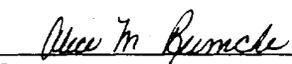
ABSENT: MEMBERS – None

ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

RESOLUTION NO. RDA99-2

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF LODI ADOPTING BYLAWS FOR THE REDEVELOPMENT AGENCY OF THE CITY OF LODI AND APPOINTING OFFICERS

WHEREAS, the City Council of the City of Lodi organized itself as the Redevelopment Agency of the City of Lodi ("the Agency"); and

WHEREAS, it is necessary for said Agency to establish bylaws for the conduct of its business; and

WHEREAS, it is necessary to appoint the officers established in the bylaws.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The "Bylaws of the Redevelopment Agency of the City of Lodi," in the form attached to this Resolution and incorporated herein by reference, are hereby adopted.

Section 2. The following positions are appointed as those officials set forth in Section 2.01 of the Bylaws:

- Executive Director: City Manager
- Secretary: City Clerk
- Finance Director: City Finance Director
- General Counsel: City Attorney

Dated: November 17, 1999

I hereby certify that Resolution No. RDA99-2 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

- AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land (Chair)
- NOES: MEMBERS – None
- ABSENT: MEMBERS – None
- ABSTAIN: MEMBERS – None


Chair

Attest:


Secretary

BYLAWS OF THE REDEVELOPMENT AGENCY
OF THE CITY OF LODI

ARTICLE I - THE AGENCY

Section 1.01. Name of Agency. The official name of the Agency shall be the "Redevelopment Agency of the City of Lodi."

Section 1.02. Seal of Agency. The seal of the Agency shall be in the form of a circle and shall bear the name of the Agency and the year of its organization.

Section 1.03. Office of Agency and Place of Meeting. The office of the Agency shall be at City Hall, 221 West Pine Street, Lodi, California. The Agency meetings shall be held in the City Council Chambers at the Carnegie Forum, 305 West Pine Street, Lodi, California, or at any place in the City of Lodi, California, which the Agency may from time to time designate by resolution.

Section 1.04. Powers. The powers of the Agency shall be vested in the members thereof then in office, who reserve unto themselves the right to delegate by resolution such powers as are appropriate and permissible by law.

Section 1.05. Members. The members of the Agency shall be the members of the City Council of the City of Lodi.

ARTICLE II - OFFICERS

Section 2.01. Officers. The officers of the Agency shall be a Chair and a Vice-Chair. Other officials acting as its staff shall be an Executive Director, a Secretary, a Finance Director and a General Counsel.

Section 2.02. Chair. The Chair of the Agency shall be the Mayor of the City of Lodi, elected as provided by statute. The Chair shall preside at all meetings of the Agency. Except as otherwise authorized by resolution of the Agency or the provisions of these Bylaws, the Chair shall sign all contracts, deeds and other instruments made by the Agency. At each meeting, the Chair shall submit recommendations and information, as the Chair may consider proper concerning the business, affairs and policies of the Agency.

Section 2.03. Vice-Chair. The Vice-Chair shall be the Mayor Pro Tempore of the City of Lodi. The Vice-Chair shall perform the duties of the Chair in the absence or incapacity of the Chair. In case of the resignation or death of the Chair, the Vice-Chair shall perform such duties as are imposed on the Chair until such time as the Agency shall elect a new Chair.

Section 2.04. Executive Director. The Executive Director shall be appointed by the Agency and shall serve at the pleasure of the Agency. The Executive Director shall have

general supervision over the administration of Agency business and affairs, subject to the direction of the Agency.

Section 2.05. Secretary. The Secretary shall be appointed by the Agency and shall serve at the pleasure of the Agency. The Secretary shall keep the records of the Agency, act as secretary at meetings of the Agency, record all votes and keep a record of the proceedings of the Agency in a journal of proceedings to be kept for such purpose, and perform all duties incident to the Secretary's office. The Secretary shall maintain a record of all official proceedings of the City Council of the City of Lodi relevant to the agency and the redevelopment program.

Section 2.06. Finance Director. The Finance Director shall be appointed by the Agency and shall serve at the pleasure of the Agency. The Finance Director shall have the care and custody of all funds of the Agency and shall deposit the same in the name of the Agency in such bank or banks as the Agency may select. The Finance Director shall sign all orders and checks for the payment of money and shall pay out and disburse such monies under the direction of the Agency. The Finance Director shall keep regular books of account, showing receipts and expenditures, and shall render to the Agency at each regular meeting, or more often when requested, an account of transactions and the financial conditions of the Agency. The Finance Director shall give such bond for faithful performance of the Finance Director's duties as the Agency may determine.

Section 2.07. General Counsel. The General Counsel shall be appointed by the Agency and shall serve at the pleasure of the Agency. The General Counsel shall be the chief legal officer of the Agency and shall be responsible for the preparation of all proposed resolutions, laws, rules, contracts, bonds and other legal papers for the Agency. The General Counsel shall give advice or opinions in writing to the Chair or other Agency officers whenever requested to do so. The General Counsel shall attend to all suits and other matters to which the Agency is a part or in which the Agency may be legally interested and do such other things pertaining to the General Counsel's office as the Agency may request.

Section 2.08. Compensation. The members of the Agency shall receive such compensation as the City Council prescribes, but said compensation shall not exceed \$30.00 per member for each meeting of the Agency attended by the member. No member shall receive compensation for attending more than four meetings of the Agency during any calendar month. In addition, members shall receive their actual and necessary expenses, including traveling expenses incurred in the discharge of their duties.

Section 2.09. Additional Duties. The officers of the Agency shall perform such other duties and functions as may from time to time be required by the Agency or the bylaws or rules and regulations of the Agency.

Section 2.10. Election or Appointment of Officers. Officers other than Chair and Vice-Chair shall be appointed at the annual meeting of the Agency.

Section 2.11. Absences and Vacancies. In the temporary absence of the Chair and Vice-Chair, the Agency members shall elect a member present as temporary Chair for the purpose of conducting meetings and performing the duties of the Chair. Should the offices of Chair or Vice-Chair become vacant, the Agency shall elect a successor from its

membership at the next regular meeting, and such election shall be for the unexpired term of said office. Should any office other than Chair or Vice-Chair become vacant, the Agency shall appoint a successor within a reasonable time or by resolution determine that such office shall remain vacant for a definite or indefinite period of time.

Section 2.12. Additional Personnel. The Agency may from time to time appoint or employ such personnel as it deems necessary to exercise its powers, duties and functions as prescribed by the California Community Redevelopment Law and all other laws of the State of California applicable thereto. The selection, duties and compensation of such personnel shall be determined by the Agency, subject to the laws of the State of California.

ARTICLE III - MEETINGS

Section 3.01. Annual Meeting. The annual meeting of the Agency shall be held on the 1st Wednesday of December at 7:00 p.m. in the City Council Chambers at the Carnegie Forum, 315 West Pine Street, Lodi, California. In the event such date shall fall on a legal holiday, the annual meeting shall be held on the next succeeding business day.

Section 3.02. Regular Meeting. The regular meetings of the Agency shall be held without official notice on the 1st Wednesday of each month at 7:00 p.m. in the City Council Chambers. In the event a day of regular meeting shall be a legal holiday, said meeting shall be held on the next succeeding business day.

Section 3.03. Special Meetings. The Chair of the Agency may, when it is deemed expedient, and shall, upon the written request of two (2) members of the Agency, call a special meeting of the Agency for the purpose of transacting the business designated in the call. At such special meeting, no business shall be considered other than as designated in the call.

Section 3.04. Posting Agendas/Notices. The Secretary or his or her authorized representative shall post an agenda for each regular Agency meeting or a notice for each special Agency meeting containing a brief description of each item of business to be transacted or discussed at the meeting, together with the time and location of the meeting. Agendas/notices shall be posted at a location readily accessible to the public at least 72 hours in advance of each regular meeting and at least 24 hours in advance of each special meeting. The Secretary shall maintain a record of such posting.

Section 3.05. Right of Public to Appear and Speak. At every regular meeting, members of the public shall have an opportunity to address the Agency on matters within the Agency's subject matter jurisdiction. Except for matters scheduled for formal public hearing, public input and comment on matters on the agenda, as well as public input and comment on matters not otherwise on the agenda, shall be made during the time set aside for public comment; provided, however, that the Agency may direct that public input and comment on matters on the agenda be heard when the matter regularly comes up on the agenda.

The Chair or presiding officer may limit the total amount of time allocated for public discussion by particular issues and/or the time allocated for each individual speaker.

Section 3.06. Non-Agenda Items. Matters brought before the Agency at a regular meeting which were not placed on the agenda of the meeting shall not be acted upon by the Agency at that meeting unless action on such matters is permissible pursuant to the Brown Act (Gov. Code §54950 et seq.). Those non-agenda items brought before the Agency which the Agency determined will require Agency consideration and action and where Agency action at that meeting is not so authorized shall either be placed on the agenda for the next regular meeting or referred to staff, as directed by the Chair or the presiding officer.

Section 3.07. Quorum. Three (3) members of the Agency shall constitute a quorum for the purpose of conducting Agency business, exercising Agency powers and for all other purposes, but a smaller number may adjourn from time to time until the quorum is obtained. Every official act of the Agency shall be adopted by a majority vote. A "majority vote" shall mean a majority of all members present when a quorum is present.

Section 3.08. Order of Business. At the regular meetings of the Agency, the following shall be the order of business; provided, however, that the Chair may, with the approval of the majority of the Agency, address items out of order, if because of the number of persons present who are interested in a particular issue, or because of the distance that persons interested in a given matter must travel or otherwise for the orderly conduct of the meeting the Agency should so decide:

- (1) Roll call;
- (2) Approval of the minutes of the previous meeting;
- (3) Public communications;
- (4) Bills and correspondence;
- (5) Acknowledgments, awards and announcements;
- (6) Business items and matters; and
- (7) Adjournment.

All resolutions shall be in writing and designated by number, reference to which shall be inscribed in the minutes and an approved copy of each resolution filed in the official book of resolutions of the Agency.

Section 3.09. Manner of Voting. The voting on formal resolutions, matters to any federal, state, county or city agency, and on such other matters as may be requested by a majority of the Agency members, shall be by roll call, and the ayes, noes and members present not voting shall be entered upon the minutes of such meeting, except on the election of officers, which may be by ballot.

Section 3.10. Parliamentary Procedure. Unless a different procedure is established by resolution of the Agency or set forth in these Bylaws, the rules of parliamentary procedure as set forth in Robert's Rules of Order Revised shall govern all meetings of the Agency.

Section 3.11. Brown Act Requirements. The provisions contained in this Article III are consistent with the provisions set forth in the Ralph M. Brown Act, Government Code §54950 et seq. In the event any provision contained herein is inconsistent with the Brown Act, as it currently exists or as it may be subsequently amended, the provisions contained in the Brown Act shall prevail.

ARTICLE IV - AMENDMENTS

Section 4.01. Amendments to Bylaws. The Bylaws of the Agency may be amended by the Agency at any regular or special meeting by majority vote, provided that no such amendment shall be adopted unless at least seven (7) days' written notice thereof has been previously given to all members of the Agency. Such notice shall identify the section or sections of the Bylaws proposed to be amended.

ARTICLE V - CONFLICTS

Section 5.01. Conflicts. Conflicts shall be determined and governed by a Conflict of Interest Code to be adopted by the Agency and approved by the City Council.

RESOLUTION NO. RDA99-3

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI ADOPTING PERSONNEL RULES AND
REGULATIONS

=====

WHEREAS, Section 33126 of the California Community Redevelopment Law (Health and Safety Code §33000 et seq.) provides that redevelopment agencies shall adopt personnel rules and regulations applicable to employees.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI does hereby approve and adopt the City of Lodi's Personnel Rules and Regulations, as the Agency's Personnel Rules and Regulations.

Dated: November 17, 1999

=====

I hereby certify that Resolution No. RDA99-3 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land
(Chair)

NOES: MEMBERS – None

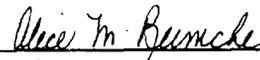
ABSENT: MEMBERS – None

ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

RESOLUTION NO. RDA99-4

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI ADOPTING PROCEDURES FOR THE
PREPARATION, PROCESSING AND REVIEW OF
ENVIRONMENTAL DOCUMENTS

=====

WHEREAS, the California Environmental Quality Act, Public Resources Code Section 21000 et seq. ("CEQA"), and the Guidelines for Implementation of the California Environmental Quality Act promulgated by the Secretary of Resources, State of California, Title 14, California Code of Regulations, Section 15000 et. seq. (the "State CEQA Guidelines"), require public agencies to adopt guidelines for the preparation and review of environmental documents.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI does hereby approve and adopt the State CEQA Guidelines (or the City's Procedures for the Preparation, Processing and Review of Environmental Documents") as the Agency's Procedures for the Preparation, Processing and Review of Environmental Documents.

Dated: November 17, 1999

=====

I hereby certify that Resolution No. RDA99-4 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

- AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land (Chair)
- NOES: MEMBERS – None
- ABSENT: MEMBERS – None
- ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

RESOLUTION NO. RDA99-5

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI DESIGNATING THE LODI
NEWS~SENTINEL AS A NEWSPAPER OF GENERAL
CIRCULATION FOR PUBLICATION OF OFFICIAL
NOTICES

=====

WHEREAS, Section 6040 et seq. Of the Government Code of the State of California requires the publication of official notices in a newspaper of general circulation within the jurisdiction of a public entity; and

WHEREAS, the Lodi News~Sentinel is a daily newspaper of general circulation within the jurisdiction of the Redevelopment Agency of the City of Lodi (the "Agency").

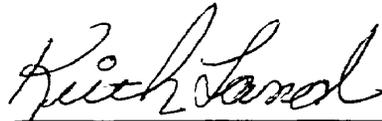
NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI does hereby resolve that the Lodi News~Sentinel is the newspaper of general circulation in which the official notices of the Agency shall be published.

Dated: November 17, 1999

=====

I hereby certify that Resolution No. RDA99-5 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

- AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land (Chair)
- NOES: MEMBERS – None
- ABSENT: MEMBERS – None
- ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

RESOLUTION NO. RDA99-6

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI AUTHORIZING THE SECRETARY OF
THE AGENCY TO FILE A STATEMENT OF
ORGANIZATION WITH THE SECRETARY OF STATE AND
THE COUNTY CLERK OF SAN JOAQUIN COUNTY

=====

WHEREAS, Government Code Section 53051 requires the filing of a statement of organization with the Secretary of State and the County Clerk of the County within which a governmental entity is located; and

WHEREAS, pursuant to Section 33200 of the California Community Redevelopment Law (Health and Safety Code §33000 et seq.), the City Council of the City of Lodi has organized itself as the Redevelopment Agency of the City of Lodi (the "Agency") by Ordinance No. 1675, adopted on July 7, 1999.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI does hereby resolve that the Secretary of the Redevelopment Agency of the City of Lodi is hereby authorized and directed to file information concerning said Agency with the Secretary of State and the County Clerk of San Joaquin County, as set forth in the "Statement of Facts," attached hereto and incorporated herein as Exhibit A.

Dated: November 17, 1999

=====

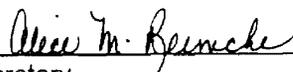
I hereby certify that Resolution No. RDA99-6 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

- AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land (Chair)
- NOES: MEMBERS – None
- ABSENT: MEMBERS – None
- ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

EXHIBIT A

**STATEMENT OF FACTS
(Government Code §53051)**

1. City of Lodi Redevelopment Agency
2. P. O. Box 3006, Lodi, CA 95241-1910
3. Agency Members:

Keith Land, Chair
221 W. Pine Street
Lodi, CA 95240

Stephen J. Mann, Vice-Chair
221 W. Pine Street
Lodi, CA 95240

Alan Nakanishi
221 W. Pine Street
Lodi, CA 95240

Susan Hitchcock
221 W. Pine Street
Lodi, CA 95240

Phillip A. Pennino
221 W. Pine Street
Lodi, CA 95240

4. (a) Keith Land - Chair
221 W. Pine Street
Lodi, CA 95240
- (b) Alice M. Reimche – Secretary
221 W. Pine Street
Lodi, CA 95240

RESOLUTION NO. RDA99-7

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF
LODI ADOPTING CONFLICT OF INTEREST CODES APPLICABLE TO
AGENCY OFFICERS AND EMPLOYEES AND TO THE MEMBERS OF
THE AGENCY PURSUANT TO THE POLITICAL REFORM ACT OF 1974

=====

THE REDEVELOPMENT AGENCY OF THE CITY OF LODI DOES HEREBY
RESOLVE AS FOLLOWS:

Section 1. Adoption of Conflict of Interest Code. In compliance with §87300 of the Government Code, the Redevelopment Agency of the City of Lodi (the "Agency") hereby adopts the "Conflict of Interest Code of the Officers and Employees of the Redevelopment Agency of the City of Lodi," in the form attached to this Resolution and incorporated herein by reference.

Section 2. Application of Code. This Conflict of Interest Code shall be applicable to members of the Agency.

Section 3. Disclosure. Agency members, in their capacity as City Council of the City of Lodi, are already required to disclose investments, interest in real property and income under §87200 et seq. Of the Government Code within the jurisdiction of the Agency. Therefore, no other or additional disclosure requirements are imposed by this Conflict of Interest Code.

Section 4. Circumstances Requiring Disqualification. No Agency member shall make, participate in making or use his or her official positions to influence the making of any governmental decision which will foreseeably have a material financial effect, distinguishable from its effect on the public generally, on a financial interest as defined in §87103 of the Government Code, unless his or her participation is legally required for the decision to be made.

Section 5. Send to Code-Reviewing Body. The Agency Secretary is hereby authorized and directed to forward a certified copy of this Resolution to the City Council for review and filing.

Dated: November 17, 1999

=====

I hereby certify that Resolution No. RDA99-7 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land
(Chair)

NOES: MEMBERS – None

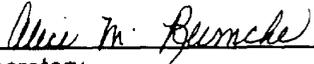
ABSENT: MEMBERS – None

ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

CONFLICT OF INTEREST CODE OF THE OFFICERS AND
EMPLOYEES OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI

Section 100. Purpose. The Political Reform Act, Government Code Section 81000 et seq., requires every state or local government agency to adopt and promulgate a Conflict of Interest Code.

Section 200. Designated Positions. The positions listed on Exhibit A, attached hereto, are designated positions. Officers and employees holding these positions are designated employees and are deemed to make, or participate in the making of, decisions which may have a foreseeable material financial effect on a financial interest of the designated employee.

Section 300. Existing Code. Designated employees, in their capacities as officials and employees of the City of Lodi, are already designated employees pursuant to a Conflict of Interest Code of the City of Lodi adopted under the Political Reform Act of 1974 for the jurisdiction of the Agency and, pursuant to that Code, are required to file disclosure statements and are prohibited from making or participating in the making of any governmental decision which may have a foreseeable material financial effect upon a financial interest of the designated employee.

Section 400. Adoption by Reference. The terms and provisions of the Conflict of Interest Code of the City of Lodi and any amendments to it duly adopted, along with Exhibit A attached hereto, are hereby incorporated by reference and constitute the Conflict of Interest Code of the Officers and Employees of the Redevelopment Agency of the City of Lodi.

Section 500. Compliance. Compliance with all of the terms and conditions of the Conflict of Interest Code of the City of Lodi shall be deemed to be in compliance with this Conflict of Interest Code.

EXHIBIT A

Persons holding the following positions are designated employees of the Agency.

Executive Director	(City Manager)
Secretary	(City Clerk)
Finance Director	(City Finance Director)
General Counsel	(City Attorney)
Staff Planner	(Community Development Director)

RESOLUTION NO. RDA99-8

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE
CITY OF LODI AUTHORIZING THE EXECUTION OF A
COOPERATION AGREEMENT WITH THE CITY OF LODI

WHEREAS, the City Council of the City of Lodi, acting pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code §33000 et seq.), has activated the Redevelopment Agency of the City of Lodi (the "Agency") and has declared itself to constitute the Agency by Ordinance No. 1675, adopted on July 7, 1999; and

WHEREAS, pursuant to the Community Redevelopment Law, the Agency is performing a public function of the City and may have access to services and facilities of the City; and

WHEREAS, the City and the Agency desire to enter into an agreement in order to:

(1) Set forth activities, services and facilities which the City will render for and make available to the Agency in furtherance of the activities and functions of the Agency under the Community Redevelopment Law; and

(2) Provide that the Agency will reimburse the City for actions undertaken and costs and expenses incurred by it, for and on behalf of the Agency.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI DOES HEREBY RESOLVE that the "Cooperation Agreement" between the City of Lodi and the Redevelopment Agency of the City of Lodi, in the form attached to this Resolution and incorporated herein by reference, is hereby approved, and the Chair and Secretary are hereby directed and authorized to execute said Cooperation Agreement on behalf of the Agency.

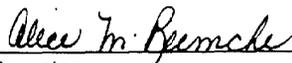
Dated: November 17, 1999

I hereby certify that Resolution No. RDA99-8 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

- AYES: MEMBERS – Hitchcock, Mann, Pennino and Land (Chair)
- NOES: MEMBERS – Nakanishi
- ABSENT: MEMBERS – None
- ABSTAIN: MEMBERS – None


Chair

Attest:


Secretary

COOPERATION AGREEMENT

THIS AGREEMENT is entered into as of the 17th day of November, 1999, by and between the CITY OF LODI (herein the "City") and the REDEVELOPMENT AGENCY OF THE CITY OF LODI (herein the "Agency").

Recitals

A. The City Council of the City of Lodi, acting pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code §33000 et seq.), has activated the Agency and has declared itself to constitute the Agency, by Ordinance No. 1675, adopted on July 7, 1999.

B. Pursuant to the Community Redevelopment Law, the Agency is performing a public function of the City and may have access to services and facilities of the City.

C. The City and the Agency desire to enter into this Agreement:

(1) To set forth activities, services and facilities which the City will render for and make available to the Agency in furtherance of the activities and functions of the Agency under the Community Redevelopment Law; and

(2) To provide that the Agency will reimburse the City for actions undertaken and costs and expenses incurred by it for and on behalf of the Agency.

Agreements

1. The City agrees to provide for the Agency such staff assistance, supplies, technical services and other services and facilities of the City as the Agency may require in carrying out its functions under the Community Redevelopment Law. Such assistance and services may include the services of officers and employees and special consultants.

2. The City may, but is not required to, advance necessary funds to the Agency or to expend funds on behalf of the Agency for the preparation and implementation of a redevelopment plan, including, but not limited to, the costs of surveys, planning, studies and environmental assessments for the adoption of a redevelopment plan, the costs of acquisition of the property within the project area, demolition and clearance of properties acquired, building and site preparation, public improvements and relocation assistance to displaced residential and nonresidential occupants as required by law.

3. The City will keep records of activities and services undertaken pursuant to this Agreement and the costs thereof in order that an accurate record of the Agency's liability to the City can be ascertained. The City shall periodically, but not less than annually, submit to the Agency a statement of the costs incurred by the City in rendering activities and services of the City to the Agency pursuant to this Agreement. Such statement of costs may include a proration of the City's administrative and salary expense attributable to services of City officials, employees and departments rendered for the Agency.

4. The Agency agrees to reimburse the City for all costs incurred for services by the City pursuant to this Agreement from and to the extent that funds are available to the Agency for such purpose pursuant to §33670 of the Health and Safety Code or from other sources; provided, however, that the Agency shall have the sole and exclusive right to pledge any such sources of funds to the repayment of other indebtedness incurred by the Agency in carrying out the redevelopment project. The costs of the City under this Agreement will be shown on statements submitted to the Agency pursuant to Section 3 above. Although the parties recognize that payment may not occur for a few years and that repayment may also occur over a period of time, it is the express intent of the parties that the City shall be entitled to repayment of the expenses incurred by the City under this Agreement, consistent with the Agency's financial ability, in order to make the City whole as soon as practically possible.

5. The City agrees to include the Agency within the terms of the City's insurance policy. The Agency shall pay to the City its pro rata share of the costs of insurance applicable to its activities resulting from the Agency's inclusion in the City's policy.

6. The obligations of the Agency under this Agreement shall constitute an indebtedness of the Agency within the meaning of §33670 et seq. of the Community Redevelopment Law, to be repaid to the City by the Agency with interest at five point four six zero percent (5.460%) per annum.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST:

CITY OF LODI ("CITY")

City Clerk

By: _____
Mayor

ATTEST:

REDEVELOPMENT AGENCY OF
THE CITY OF LODI ("AGENCY")

Secretary

By: _____
Chair

RESOLUTION NO. RDA99-9

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE
CITY OF LODI AUTHORIZING THE EXECUTIVE DIRECTOR TO
EXECUTE PROFESSIONAL SERVICES AGREEMENT WITH
SEIFEL ASSOCIATES FOR REDEVELOPMENT PLAN AND
ENVIRONMENTAL DOCUMENTS

=====

BE IT RESOLVED, that the Redevelopment Agency of the City of Lodi hereby authorizes the Executive Director to execute Professional Services Agreement with Seifel Associates for Redevelopment Plan and Environmental Documents.

Dated: November 17, 1999

=====

I hereby certify that Resolution No. RDA99-9 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999 by the following vote:

AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land
(Chair)

NOES: MEMBERS – None

ABSENT: MEMBERS – None

ABSTAIN: MEMBERS – None



Chair

Attest:



Secretary

CITY COUNCIL

KEITH LAND, Mayor

STEPHEN J. MANN

Mayor Pro Tempore

SUSAN HITCHCOCK

ALAN S. NAKANISHI

PHILLIP A. PENNINO

CITY OF LODI

CITY HALL, 221 WEST PINE STREET

P.O. BOX 3006

LODI, CALIFORNIA 95241-1910

(209) 333-6702

FAX (209) 333-6807

H. DIXON FLYNN

City Manager

ALICE M. REIMCHE

City Clerk

RANDALL A. HAYS

City Attorney

November 18, 1999

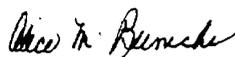
Lodi News Sentinel
Attention: Marty Weybret
P.O. Box 1360
Lodi, CA 95241

Dear Mr. Weybret:

Please find enclosed a certified copy of Resolution No. RDA99-5 entitled, "A Resolution Of The Redevelopment Agency Of The City Of Lodi Designating The Lodi News Sentinel As A Newspaper Of General Circulation For Publication Of Official Notices", which was adopted by the City of Lodi Redevelopment Agency at its meeting of November 17, 1999.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,


Alice M. Reimche
City Clerk

AMR/jmp

Attachment

RESOLUTION NO. RDA99-5

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF LODI DESIGNATING THE LODI
NEWS~SENTINEL AS A NEWSPAPER OF GENERAL
CIRCULATION FOR PUBLICATION OF OFFICIAL
NOTICES

WHEREAS, Section 6040 et seq. Of the Government Code of the State of California requires the publication of official notices in a newspaper of general circulation within the jurisdiction of a public entity; and

WHEREAS, the Lodi News~Sentinel is a daily newspaper of general circulation within the jurisdiction of the Redevelopment Agency of the City of Lodi (the "Agency").

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI does hereby resolve that the Lodi News~Sentinel is the newspaper of general circulation in which the official notices of the Agency shall be published.

Dated: November 17, 1999

I hereby certify that Resolution No. RDA99-5 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land
(Chair)

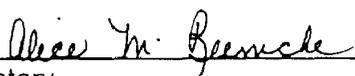
NOES: MEMBERS – None

ABSENT: MEMBERS – None

ABSTAIN: MEMBERS – None

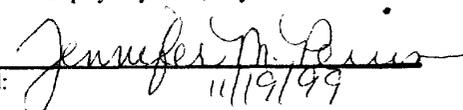

Chair

Attest:


Secretary

The foregoing document is certified to be a correct copy of the original on file in the City Clerk's Office.

Jennifer M. Perrin
Deputy City Clerk, City of Lodi

By: 
Dated: 11/19/99

CITY COUNCIL

KEITH LAND, Mayor

STEPHEN J. MANN

Mayor Pro Tempore

SUSAN HITCHCOCK

ALAN S. NAKANISHI

PHILLIP A. PENNINO

CITY OF LODI

CITY HALL, 221 WEST PINE STREET

P.O. BOX 3006

LODI, CALIFORNIA 95241-1910

(209) 333-6702

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H. DIXON FLYNN

City Manager

ALICE M. REIMCHE

City Clerk

RANDALL A. HAYS

City Attorney

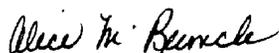
November 18, 1999

San Joaquin County Clerk
24 S. Hunter, Room 304
Stockton, CA 95202

Please find enclosed a certified copy of Resolution No. RDA99-6 entitled, "A Resolution Of The Redevelopment Agency Of The City Of Lodi Authorizing The Secretary Of The Agency To File A Statement Of Organization With The Secretary Of State And The County Clerk Of San Joaquin", which was adopted by the City of Lodi Redevelopment Agency at its meeting of November 17, 1999.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Alice M. Reimche
City Clerk

AMR/jmp

Attachment

CITY COUNCIL

KEITH LAND, Mayor
STEPHEN J. MANN
Mayor Pro Tempore
SUSAN HITCHCOCK
ALAN S. NAKANISHI
PHILLIP A. PENNINO

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6702
FAX (209) 333-6807

H. DIXON FLYNN
City Manager
ALICE M. REIMCHE
City Clerk
RANDALL A. HAYS
City Attorney

November 18, 1999

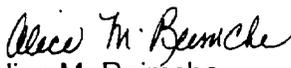
Secretary of the State
Attention: Bill Jones
1500 11th Street, 6th Floor
Sacramento, CA 95814

Dear Mr. Jones:

Please find enclosed a certified copy of Resolution No. RDA99-6 entitled, "A Resolution Of The Redevelopment Agency Of The City Of Lodi Authorizing The Secretary Of The Agency To File A Statement Of Organization With The Secretary Of State And The County Clerk Of San Joaquin", which was adopted by the City of Lodi Redevelopment Agency at its meeting of November 17, 1999.

Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,


Alice M. Reimche
City Clerk

AMR/jmp

Attachment

RESOLUTION NO. RDA99-6

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF LODI AUTHORIZING THE SECRETARY OF THE AGENCY TO FILE A STATEMENT OF ORGANIZATION WITH THE SECRETARY OF STATE AND THE COUNTY CLERK OF SAN JOAQUIN COUNTY

WHEREAS, Government Code Section 53051 requires the filing of a statement of organization with the Secretary of State and the County Clerk of the County within which a governmental entity is located; and

WHEREAS, pursuant to Section 33200 of the California Community Redevelopment Law (Health and Safety Code §33000 et seq.), the City Council of the City of Lodi has organized itself as the Redevelopment Agency of the City of Lodi (the "Agency") by Ordinance No. 1675, adopted on July 7, 1999.

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF LODI does hereby resolve that the Secretary of the Redevelopment Agency of the City of Lodi is hereby authorized and directed to file information concerning said Agency with the Secretary of State and the County Clerk of San Joaquin County, as set forth in the "Statement of Facts," attached hereto and incorporated herein as Exhibit A.

Dated: November 17, 1999

I hereby certify that Resolution No. RDA99-6 was passed and adopted by the Members of the Redevelopment Agency in a regular meeting held November 17, 1999, by the following vote:

- AYES: MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land (Chair)
- NOES: MEMBERS – None
- ABSENT: MEMBERS – None
- ABSTAIN: MEMBERS – None

[Handwritten Signature]
Chair

Attest:

[Handwritten Signature]
Secretary

The foregoing document is certified to be a correct copy of the original on file in the City Clerk's Office.

Jennifer M. Parrin
Deputy City Clerk, City of Lodi

By: *[Handwritten Signature]*
Dated: 11/19/99

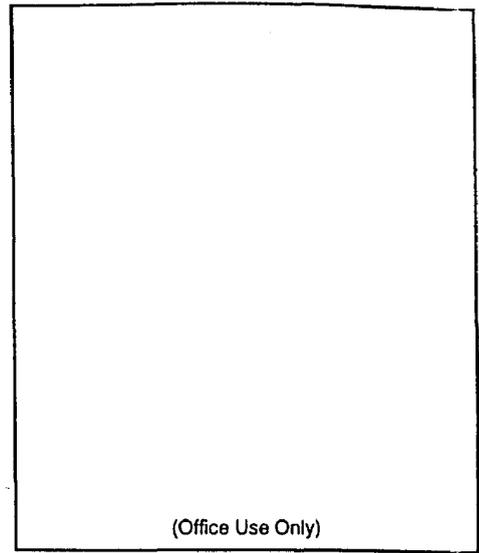
EXHIBIT A

**STATEMENT OF FACTS
(Government Code §53051)**

1. City of Lodi Redevelopment Agency
2. P. O. Box 3006, Lodi, CA 95241-1910
3. Agency Members:
 - Keith Land, Chair
221 W. Pine Street
Lodi, CA 95240
 - Stephen J. Mann, Vice-Chair
221 W. Pine Street
Lodi, CA 95240
 - Alan Nakanishi
221 W. Pine Street
Lodi, CA 95240
 - Susan Hitchcock
221 W. Pine Street
Lodi, CA 95240
 - Phillip A. Pennino
221 W. Pine Street
Lodi, CA 95240
4.
 - (a) Keith Land - Chair
221 W. Pine Street
Lodi, CA 95240
 - (b) Alice M. Reimche – Secretary
221 W. Pine Street
Lodi, CA 95240



State of California
 Bill Jones
 Secretary of State



**STATEMENT OF FACTS
 ROSTER OF PUBLIC AGENCIES FILING**
 (Government Code Section 53051)

Instructions:

1. Complete and mail to: Secretary of State,
 P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
2. A street address must be given as the official mailing address or as
 the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

(Office Use Only)

New Filing Update

Legal name of Public Agency: Redevelopment Agency of the City of Lodi

Nature of Update: _____

County: San Joaquin

Official Mailing Address: P.O. Box 3006, Lodi, CA 95241-1910

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Stephen J. Mann Address: P.O. Box 3006, Lodi, CA 95241-1910

**Change in Chair due to Council reorganization.*

Secretary or Clerk (Indicate Title): Secretary

Name: Alice M. Reimche Address: P.O. Box 3006, Lodi, CA 95241-1910

Members:

Name: Susan Hitchcock Address: P.O. Box 3006, Lodi, CA 95241-1910

Name: Keith Land Address: P.O. Box 3006, Lodi, CA 95241-1910

Name: Alan S. Nakanishi Address: P.O. Box 3006, Lodi, CA 95241-1910

Name: Phillip A. Pennino Address: P.O. Box 3006, Lodi, CA 95241-1910

Name: _____ Address: _____

Date: December 29, 1999

Alice M. Reimche
 Signature

Alice M. Reimche, City Clerk / Secretary
 Typed Name and Title

CITY COUNCIL

KEITH LAND, Mayor
STEPHEN J. MANN
Mayor Pro Tempore
SUSAN HITCHCOCK
ALAN S. NAKANISHI
PHILLIP A. PENNINO

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6702
FAX (209) 333-6807

H. DIXON FLYNN
City Manager
ALICE M. REIMCHE
City Clerk
RANDALL A. HAYS
City Attorney

November 18, 1999

Keith Land
Member
Redevelopment Agency

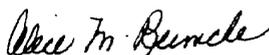
Dear Keith:

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Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,


Alice M. Reimche
City Clerk

AMR/jmp

Attachment

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Mayor Pro Tempore

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November 18, 1999

Steve Mann
Member
Redevelopment Agency

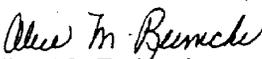
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City Attorney

November 18, 1999

Susan Hitchcock
Member
Redevelopment Agency

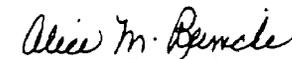
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November 18, 1999

Alan Nakanishi
Member
Redevelopment Agency

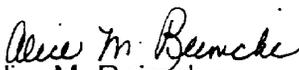
Dear Alan:

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November 18, 1999

Phil Pennino
Member
Redevelopment Agency

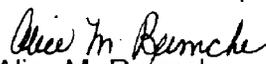
Dear Phil:

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H. DIXON FLYNN

City Manager

ALICE M. REIMCHE

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RANDALL A. HAYS

City Attorney

November 18, 1999

Dixon Flynn
Executive Director
Redevelopment Agency

Dear Dixon:

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Alice Reimche
Secretary
Redevelopment Agency

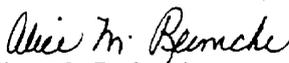
Dear Alice:

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November 18, 1999

Vicky McAthie
Finance Director
Redevelopment Agency

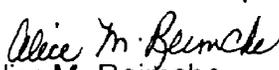
Dear Vicky:

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H. DIXON FLYNN
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City Attorney

November 18, 1999

Randy Hays
General Counsel
Redevelopment Agency

Dear Randy:

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Rad Bartlam
Staff Planner
Redevelopment Agency

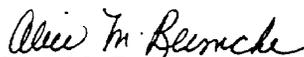
Dear Rad:

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<http://redevelopment.com>

(Read about Redevelopment on the Internet)

<http://taxincrementfinancing.com>

(Read about Tax Increment Financing on the Internet)

The publisher's corner

Redevelopment shortchanges schools

By Jerry Andrews

There is no question that economic times are excellent. Unemployment is very low. Skilled labor is in short supply. With new construction in many areas, more cities are seeing property tax and sales tax revenues raising the budgets. A recent article in the *Los Angeles Times* reported that the City of Cerritos has a \$150 million cash reserve. The problem with the report was that no distinction was made between the resources in the General Fund and the Redevelopment Agency funds. For public relation purposes, it is convenient not to make that distinction, but the facts are otherwise.

As you know Cerritos got its start from the dairy farms. When the 605 Freeway was first opened I remember looking down on cows on the east side of the freeway in the South Street area. Practically the whole city was put into a Redevelopment Project Area when the property tax base was cow pastures. Thus, almost all of the city's portion of the property tax increase goes to the Redevelopment Agency, not to the General Fund. Remember, it is the cities' General Fund that pays for the fire and police services, and the multitude of other public services cities must provide. The Redevelopment Agency, on the other hand, uses its "income" as incentive to lure new businesses to town by one sort of subsidy or another—land value writedown, off-site improvements, direct building subsidy, reduced parking requirements, etc.

It should be noted that many of these new businesses are in direct competition with businesses already in town, perhaps some of long standing. The old or existing business gets nothing except a new competitor that can sell for less or make more profit because of the subsidy from the Redevelopment Agency.

The usual argument to counter this giveaway is that the new subsidized business brings in new sales taxes for the General Fund. This is true on its

face, but not true in practice. While it is illegal to directly rebate sales taxes to stores now, a cute way around this law is to say "an amount equal to the new sales taxes generated." Many Redevelopment deals made today give to the carpetbagger of choice in lieu rebates of an amount equal to the newly generated sales taxes.

This was the deal when Stonewood enclosed their mall and is now in most redevelopment deals. So these wonderful new revitalization projects not only give away the property taxes to rich, usually out-of-town developers as incentive subsidies, but also give away the new sales tax equivalent that would have gone to the General Fund that supports the city services.

It should also be pointed out that this diversion of taxes in Redevelopment Project Areas also diverts money away from K-12 schools. School budgets are divided into two main categories--operating expenses and capital expenses.

The operating expenses are made up of teacher salaries, light maintenance and general overhead. The amount of money diverted from the property taxes for Redevelopment projects is backfilled (made up) by the state. One might think this money is free, but obviously it is not. It's generated from your state taxes. So you are paying for your schools twice—once on your property tax bill (which is then diverted) and once on your income tax bill.

The capital side of the school budget is for new buildings and major rehabilitation. This money is not made up by the state which is why our schools have fallen into disrepair and more bond measures are required. As contrasted to Redevelopment bonding which requires only a majority vote of the Redevelopment Agency (usually the councilmembers), the two-thirds vote necessary for school bonds is very hard to get. This leaves the school buildings on the short side while the fat cat developers walk off with the golden eggs.

The publisher's corner

Redevelopment is a 'shell game'

By Jerry Andrews

These past weeks I have been reprinting a book called *Redevelopment: The Unknown Government*. The author, Chris Norby, has spent many years on the Fullerton city council and knows all too well that one person alone can not stop the giveaway of Redevelopment. I hope reading through these chapters helped explain how Redevelopment is really a shell game. The author gave me 100 copies of the book to distribute. If you live or work close by and would like one, come to the office (9047 - H Florence Ave.) for a copy. If you live out of town, write or fax (562-861-7635) and we will send a copy free as long as the supply lasts.

In the Redevelopment game, developers have to have a track record of successful projects before they line up for their handout. The contest to see which city can give away the most to the richest is being defined by the current sports stadium craze.

This is clearly the richest game in town. It was not enough just to have the stadium provided. The team owners then wanted the income from the "boxes." When there were not enough boxes or they were not deluxe enough, seats had to be torn out so more boxes could be added. Then the stadiums were "too old," and new ones were needed. Now the latest "give me" includes enough land so the team owners can have a shopping mall as part of their new stadium. And of course it all has to be subsidized because they say the player salaries are so high.

All this is being paid for with your tax dollars, a diversion of property tax increment and matching sales tax dollars taken away from the money

necessary to run a city—police and fire protection services, schools and libraries.

In the past, the giveaways were simply a land sale for One Dollar. That was so easy, the developers then asked for help on the building costs through a sales tax rebate. When these excesses were somewhat curbed by law, they just asked for even more participation by the cities for site funding. This need for cash is when the bonding got out of hand. Remember it just takes a simple majority of three people of a five person agency (usually the city council) to vote your grandchildren into debt that has little chance of being paid back. And the more debt a city takes on, the more likely it will be to refinance to push the payments out further—a house of cards waiting to come down.

For example, according to the state controller's report, the Redevelopment agency in the city of Brea has only a \$14 million annual income, yet the agency has \$618 million in debt. Does anyone honestly believe this debt is ever going to be paid off without state government intervention? Brea started by subsidizing the Brea Mall which decimated their downtown. When the Mall got into trouble it had to be helped again. Now they want to spend \$100 million to revitalize their decimated downtown. This credit card Redevelopment will surely spiral into bankruptcy.

The last bonds in the state that do not have to be submitted to the voters are Redevelopment bonds. One way to stop this nonsense is to make Redevelopment bonds subject to voter approval. Another good cause for the voter initiative process.

CRA Plan to Redevelop Valley Area in Jeopardy

■ **Renewal:** A proposal to launch the agency's largest project has failed to win solid support from citizens panel. Lack of detailed information is among problems cited.

By PATRICK MCGREEVY
TIMES STAFF WRITER

A plan to create what would be the largest redevelopment area in Los Angeles has bogged down, sharply dividing a citizens panel and leading to suggestions that the proposal be dropped.

Two years after the City Council took the first step to create a redevelopment area on 6,835 acres in the San Fernando Valley, the group of residents and merchants chosen to offer advice appears deadlocked on its future.

Jim Leahy, vice chairman of the Project Area Committee created by state law to advise the city, said he will meet with City Councilman Alex Padilla this week to urge that he pull the plug on the entire project.

"I'm going to tell him I think we should stop it," said Leahy, executive director of the Volunteer Center, a social service agency in Panorama City.

Leahy said that he does not believe the plan has the community's support and that there are serious concerns about whether the entire area is blighted. He also believes the Community Redevelopment Agency has not shown in other parts of the city that it can cure urban decay.

Padilla said he will await the recommendation of the full committee before deciding what he will recommend to the City Council about the plan's future, noting that there are many who support the project area's creation.

The CRA has proposed spending \$490 million during the next four decades to revitalize a huge swath of the Valley that it claims is blighted, including parts of Pa-coima, Sylmar, Sun Valley, Pano-

CRA: Panel May Call for Ending Ambitious Valley Renewal Plan

rama City, Arleta, Lake View Terrace and Mission Hills.

The idea is to take the money from property taxes generated from increasing property values in the area to subsidize development of the area's fading commercial and industrial strips and housing stock.

Standard buildings would be razed for new office and commercial buildings. At least 20% of the money would be spent to build and rehabilitate housing.

"The northeast Valley is an area that would very much benefit from redevelopment activities," said Keith Richman, a CRA board member and physician whose medical office is in Sun Valley.

Caron Caines, a lawyer who chairs the advisory panel, said redevelopment would help provide the many low-income residents of the area with better housing and jobs.

State Sen. Richard Alarcon (D-Sylmar), who proposed the massive

project when he was a councilman in 1997, faulted a faction on the committee, led by Leahy, for delays in moving the plan forward.

"It has clearly taken far too long to approve," Alarcon said. "It has been bogged down for at least a year now."

The committee was elected by residents and businesspeople in the proposed project area under guidelines set up by state law to provide public input. For months, the committee has had the bare minimum of a quorum to act, and Alarcon said Leahy and other opponents have been able to block the adoption of rules for operation of a project area.

With the recent departure of one member, only 11 of the 23 seats on the panel are filled, fewer than the legal level required for the panel to act on the plan.

Elections are planned for mid-December to fill the remaining seats, which means the committee will not be able to act on the plan

until January.

But Leahy and other members of the committee say delays in the plan are largely the fault of the CRA itself, which admits that a required report on the environmental impacts of the massive plan is more than a year behind schedule.

The consultant drafting the study has been swamped with work on other project area proposals elsewhere in the city, said Bob Fazio, a CRA planner on the project.

The report may be released this week, but it remains to be seen whether the election in December will result in a committee majority that would vote to forward the plan to the City Council.

Leahy is not alone in expressing deep concerns about the proposal.

Objections raised by committee members include:

- The area proposed is too large, lacking focus on truly blighted neighborhoods.

- The proposal would give the

agency too much power to condemn properties for private developers.

- The agency has not put forward a specific enough plan, with details of individual commercial, industrial and housing projects, to show how it would spend the \$490 million.

Some have suggested that the creation of such a vast project area is an attempt to create a cash cow for the CRA, an agency facing serious budget problems that have seen it cut its staff from 350 to 190 workers in the last five years.

The proposed project would be the largest redevelopment program in the city. It is three times the size of the Bunker Hill, Central Business District and Hollywood project areas combined.

"We may be taking a very large geographic area and putting it in redevelopment simply to get tax income even though only a small portion can be redeveloped," said Fred Weinhart, who represents the Sylmar Chamber of Commerce on

the committee.

Weinhart said the project area would have to be scaled back and better focused to win his support.

Padilla said he is open to what ever the committee recommends.

"It may sound like it is [too big because it incorporates various parts of the district, but I also know I have needs throughout my district," Padilla said.

The infighting and lack of full participation on the Project Area Committee have sparked deep concern among supporters of the redevelopment program.

Fazio said he recently briefed Padilla about the option of disbanding the panel and setting up a new advisory group that better reflect other views, but Padilla said he does not support that option.

Advisory panel member Luke Walker said he wants to see a workable project approved, but that he wants more details about what the plan would do.

Walker said he was taken aback at an unofficial meeting of the panel last week when someone asked the crowd of about 100 residents in the audience to raise their hands if they wanted the project canceled.

"It was very interesting that every member of the public except one said they didn't want it," said Walker, who owns a Sylmar cafe.

Padilla said he believes there is community support, and said he wants a plan approved quickly, but is dissatisfied with the small number of people involved in the committee.

"We need to bring this CRA plan to closure, but the community involvement needs to be greater," Padilla said.

Weinhart said he could vote for a plan that is detailed and answers all of his questions.

"But if I were forced to a vote today, I'd vote against it because I don't know what it is," Weinhart said.

The publisher's corner

Unfair scam of Redevelopment

By Jerry Andrews

The stock market breaking 11,000 should make people a little uncomfortable. Most of that rise is driven by the electronic (Internet) stocks; capitalization with no basis except glamour. Most of those companies have never made a profit and will not for years. Their founders and venture capital investors have enormous paper profits. The lucky ones will have pared down their holdings.

But the red flags are up other places, too. Many cities have a large bond debt—Redevelopment bond debt—fueled by new store openings of eastern companies moving west and by local start-ups. Most new development today is being done on land in Redevelopment areas because the agency can give the “new” tenant incentives, i.e., money. Not directly, you understand, but things like selling the land at the lowest possible price and building “off-sites” such as larger water mains or street work—widening, turn bays, new driveways, signals, etc. This can add up to hundreds of thousands of dollars.

An interesting fact is that cities don't do this for existing businesses, only to attract “new” business to the area. Historically, if an existing business wants to enlarge, they get little if any help with water mains and road work. I believe the basis for this discrimination is that Redevelopment agencies want the existing property owners to sell so that a new, higher, tax basis on the land can be established with more property tax revenue flowing to the Redevelopment coffers to be given as new incentives to lure in more new businesses. This is, in fact, a classic Ponzi scheme. New money coming in is used to pay off the old investors, in this case the bonds that were sold to finance the giveaways. This actually works as long as there are new players, new businesses for more taxes. But when the businesses stop coming or go broke, there is not enough money to pay the bond debt.

This has happened in Long Beach with the revolving door of merchants in the Pine Avenue project. So many businesses have failed and moved out, the Westside Project Area had to be cannibalized to support Pine

Avenue bonds. And that was after Long Beach had borrowed all the money it could from the Harbor Commission, money which will never be paid back. Further compounding the problem on Pine Avenue, it is backed up against the Queensway Bay project that was financed by a \$40 million HUD loan which will be paid off from a mortgage on the new 605 Towne Center shopping center. Just another shell game.

An indication of the red flags starting to go up on Redevelopment debt is a little-noticed bill wending its way through the state Assembly, AB 774 “Redevelopment,” for Pico Rivera which amply portrays what is wrong. Essentially this is what happened. The Northrup facility is located in the Pico Rivera Redevelopment project area. The tax base value was high which enabled the Agency to borrow more money than possibly was prudent with the uncertainty of government contracts. When President Clinton cancelled the B-2 bomber program, the Northrup plant was shuttered. The tax increment was substantially reduced with a “severe negative impact upon outstanding indebtedness.” Guess what. They don't have money to service their Redevelopment bonds.

So, they went to the Assembly for special legislation to change the rules so that all the property taxes collected in the Redevelopment area, not just the increase since the start of the Agency (the increment), would go to service the bond debt. One might say, “What's wrong with that?” What's wrong is that base tax amount which would have gone to the General Fund to pay for police, fire and other services will not be there. This could also be called robbing Peter to pay Paul and points to why Redevelopment is a fraud. It steals from one group of taxpayers to give to another. While times are good and the general economy is rising, a Ponzi scheme works. The flaw is that when the money stops coming in, down it goes.

But the connection is that eventually, this stock market is going to have a correction. If it is deep enough to cause businesses to fail, we can expect more bailouts like Pico Rivera, and all of us pay. Even the rich developers who own the subsidized shopping centers will feel some effect of their extortion—and the bureaucrats will again escape accountability.

Council Orders Audit of Redevelopment Agency

■ **City Hall:** Action shows deep skepticism about CRA's financial troubles. A balanced budget is also adopted.

By PATRICK MCGREEVY
TIMES STAFF WRITER

Asserting greater control over a troubled agency, the Los Angeles City Council on Friday ordered a complete audit of the Community Redevelopment Agency.

The move signaled continuing deep skepticism of the financially strapped agency's ability and commitment to go forward with all of its 31 redevelopment projects across the city.

The council also adopted a \$340-million balanced budget for the agency, a move that had been delayed four months because of management confusion. The council conditioned its approval of the budget on the hiring of an independent auditor. CRA executives had opposed an outside audit overseen by the council.

"The audit will help present in much clearer terms those things that are out of whack and inconsis-

tent with effective redevelopment," said Councilman Mark Ridley-Thomas.

The agency's new administrator, Jerry Scharlin, projected a "likely sharp downturn in revenues for future years," but said this year's budget represents a "substantial" work program, including \$5 million in bonds for the North Hollywood project area, where a major film studio and office complex are pending.

The CRA has had to trim its work force from 350 to 190 employees in the last five years, and has seen four top executives, including Scharlin's predecessor, leave in the last six months. The agency also faces continuing money problems.

The audit and a series of other actions Friday represent the boldest moves yet by the City Council to become involved in agency operations, stopping just short of the long-standing proposal for the

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CRA

Continued from B1

council to take over decision-making from the agency's mayor-appointed board.

Councilman Nick Pacheco said that the budget paints a "bleak picture" and that the audit is essential so the council has information on which to base tough decisions about future budgets.

"Right now, the agency can use a fresh look and a fresh perspective, given the potential problems," Pacheco said.

Scharlin had initially objected to the audit on the grounds that it is the role of the semi-independent agency, not the council, to undertake a comprehensive review of its finances and that the agency has hired consultants to help it reorganize.

"I disagree in principle with [the] recommendations, which strike at the very core of the agency's governance," Scharlin wrote in a letter to council members Wednesday.

But Friday, Scharlin said he had decided not to press his objections, in the spirit of compromise that could result in the City Council helping the agency solve its financial problems.

Although the \$340-million budget adopted Friday is balanced, the agency has asked the council to provide up to \$9 million annually in general fund money to the agency to keep work going.

"We'll work with them" on the audit, Scharlin said after the meeting. "The important thing is that the [agency's] work gets done."

A priority for Scharlin has been making sure the agency can pay off the bonds used to redevelop Bunker Hill downtown—due to mature in 2018—despite a steep drop in tax revenue to the agency.

CRA Works on Plan to Avert Bond Default

By PATRICK MCGREEVY
TIMES STAFF WRITER

The Los Angeles Community Redevelopment Agency approved a \$340-million budget Friday, but financial woes in the Bunker Hill area will likely mean less money for other city renewal projects.

Agency officials are concerned that the agency may not be able to pay off Bunker Hill bonds when they mature in 2018, prompting a default that would force an insurance firm to pay bond investors. CRA board members ordered acting administrator Jerry Scharlin to develop a plan within 60 days to avoid that scenario.

"I think there are potential steps we can take to mitigate against any chance of default," said board member Keith Richman. "There is a certain amount of money we need to add to the reserve fund over the next three years in order to cover ourselves to prevent a default in 20 years."

Richman and other officials warned that the plan will probably require money to be taken away from redevelopment work downtown and in other areas, including Watts, that depend on the Central City for revenue.

Those warnings have sparked concerns that the CRA may need to scale back its projects. A report released this week said 20 of the agency's 31 project areas require subsidies.

"Bunker Hill has provided financial re-
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sources for other project areas that are not financially self-sufficient, so this very well may affect money for other project areas," Richman said.

The prospect of cuts in funding to redevelopment in Watts and other areas of South and South-Central Los Angeles have alarmed Councilman Rudy Svorinich Jr. and Mark Ridley-Thomas, who represent the areas.

"There will be a huge fight if they try to balance the CRA budget on the backs of the projects in South Los Angeles," Ridley-Thomas said. "That is, in my view, unreasonable."

An aide said Svorinich is also concerned for the Watts area of his district, which does not generate enough property tax revenue to pay for its work program. It receives half of its budget, more than \$1 million annually, from Bunker Hill.

Scharlin said he is committed to making sure the agency continues to serve the areas most in need, and hopes that City Hall will be prepared to financially help maintain those work programs.

The 1999-2000 budget approved Friday diverts \$7 million in property tax revenue from Bunker Hill to redevelopment work in seven project areas, including Watts, Little Tokyo, Broadway / Manchester, Normandie, Reseda / Canoga Park, Western / Stauson and Wilshire / Koreatown.

After diverting funds to other projects and making debt service payments, the Bunker Hill project area has \$6.3 million for new projects.

The potential shortfall in funds to pay off Bunker Hill bonds was identified in a report to the board Friday by Scharlin, who added that the problem is manageable but requires immediate attention.

"If Bunker Hill property values do not recover from assessment appeals, there may not be sufficient funds to fully retire the \$80 million of bonds maturing in [fiscal year] 2018," Scharlin said.

Scharlin warned that if property values do not recover at more than 2% a year, an insurance company may have to pay off \$61 million of the \$80 million in bonds. Such a default could lower the agency's credit rating and increase costs for future bond issues.

Although residential property values are rising in Los Angeles County, commercial real estate values downtown are in a slump. In Bunker Hill, real estate values dropped from \$3 billion in 1992 to \$1.6 billion this year, as land owners won property tax reductions.

This has translated to decreased tax revenues available for redevelopment projects. At its peak, Bunker Hill generated \$34 million in tax revenue, but has slipped to \$18.5 million.

Property values will have to increase at the rate of 3.5% to 4% annually by 2018 for the agency to cover its costs on the bonds.

To ensure that debts can be paid, Scharlin and his staff said the agency will probably have to divert more of Bunker Hill's annual revenue to a reserve fund—taking away money that would otherwise be spent on redevelopment projects citywide.

Since its creation in 1959, the Bunker Hill project area has seen the construction of 14.2 million square feet of office towers, stores and housing, generating large amounts of property tax revenue for the CRA. The project had long been considered a cash cow for other areas that have not seen increases in property value sufficient to finance their redevelopment programs.

Property rights in danger

Efforts by the city of Anaheim to redevelop a complex of privately owned, low-income apartments point to the serious problems that can occur whenever government officials have the power to condemn private property and transfer it to another owner.

The city's target, the Jeffrey-Lynne apartments, is a 728-unit project just west of Disneyland that has about 70 different owners, most of whom own one or two of the project's 108 buildings. Without any serious discussion with the owners, the city last summer selected a developer to create a plan for a revitalized, lower-density housing project on the site. The city said it needs to take the lead on renovations to reduce the crime and gang problems that have plagued the complex.

But many of the owners view the crime issue as a pretext for the government to acquire a choice tract of property and convert it to uses more consistent with what city planners envision for the Disneyland sphere of influence. Chris Sutton, a Pasadena attorney who represents most of the Jeffrey-Lynne owners, said Anaheim officials "want to deprive them of the fruits of their labor now that the area is improving in value."

During a Saturday meeting of the Jeffrey-Lynne Owners Association and city officials, which an editorial staff member attended, Anaheim redevelopment/housing development manager Brent Schultz offered few specifics about the project and admitted that

Anaheim doesn't have enough funds to renovate more than a few buildings in the complex. But he made this much clear: The city, along with its hand-picked developers, is moving forward with the project, and condemnation remains an option for the city to use against owners who don't go along.

Owners argued that, thanks to cooperation with Anaheim police and some code restrictions approved by City Council, crime problems in the neighborhood are declining. They also said that their organization has offered two alternatives to a city-funded takeover: a) a proposal to impose covenants and a fee-collection system on all owners so they can hire private security guards and better screen prospective tenants; b) an effort to privately market the property and sell it without city involvement.

Although Mr. Schultz told us his agency might back off if the owners develop an alternative plan, the owners we talked to found that suggestion laughable. Anaheim development officials are committed to a project with The Related Cos. and the Southern California Housing Development Corp., they said, and have earmarked around \$5 million for the project.

"Are these personal economic decisions or collective political decisions? That's the question," Mr. Sutton told us.

He's correct. When government planners can make broad decisions about private property, as Anaheim officials are now doing at Jeffrey-Lynne, then one of America's most fundamental rights is in peril.

F EDITORIALS

Whose property is it, anyway?

Two recent events in Orange County depict the unfairness of the current system whereby the government controls private land-use decisions.

In the first, a Costa Mesa homeowner received the proper approval from the authorities to build an addition to her one-story house. Tracy Stevenson followed the complex approval process, gained a building permit for the project, then started construction.

But then neighbors complained about the size of the home. And city officials discovered a "mistake" in the approval and this week voted to revoke the previously granted permit. The city's change of heart may cost Ms. Stevenson upwards of \$20,000, by her estimate, even though it wasn't her fault and even though construction is well under way.

The city's response: We're so sorry we goofed, but you have to change the project anyway!

In nearby Huntington Beach, the City Council is moving forward to reclaim its power of eminent domain — the ability to take private property for "public" uses — for residential properties in a specific redevelopment area. The city needs that power so that it can turn over privately owned property to two out-of-town developers who want to redevelop the site. The city's goal has little to do with removing "blight" and much to do with creating new retail businesses and restaurants that provide sought-after tax revenues.

In both cases, the government violates property rights by whim, guided by what is politically expedient rather than by any firm principle. This is justified in the name of "democracy," but has little to do with the democrat-

ic impulse.

The reason that America's founders put such a premium on property rights is that private ownership is the strongest hedge against intrusions on liberty. On your own land, you can say, do and worship as you please, out of the way of would-be government tyrants.

And, the freedom to criticize the government withers in direct proportion to the amount of power government has over our property. That's why builders and developers, who depend on governments to approve the projects that are the foundation of their livelihood, often are loath to criticize any city's action, out of fear of retribution.

At the least, when the government grants a permit, that permit should have the force of law. Officials shouldn't have the right to easily revoke it after the city council gets political heat. In the Stevenson case, the mistake probably equals a "taking"; so, the city should pay the costs associated with its error.

Although the Fifth Amendment allows the government to take private property for public uses, such as roads, provided that just compensation is paid, it's time for the courts to rein in the way governments get around those dictates. For instance, officials define "public use" in the broadest way, even meaning the transfer of property from one private owner to another. Often, they offer a portion of the property's real value, forcing owners to wage costly court battles for reasonable compensation.

It's time for the public, the legislatures and the courts to rediscover the value of property rights so that unfair occurrences, such as those in Costa Mesa and Huntington Beach, become fewer and further between.

THE ORANGE GROVE

The tax squeeze

Government uses force and fear in its grabs for land



ALLAN PILGER

Mr. Pilger owns an insurance marketing business in Mission Viejo. He is a member of Citizens United for Redevelopment Education and the Mission Viejo Committee for Integrity in Government.

'NFL, go to Houston,' my sign declared as a group of fellow activists and I spent an August noon hour in Los Angeles picketing the public funding of the proposed Coliseum stadium renovation. It was part of a bid for a National Football League expansion team.

To me the issue was leverage, local government upsetting the free market by getting involved in land deals for stadiums, retail-commercial centers and housing projects, giving away millions of tax dol-

lars in corporate welfare to wealthy owners.

The NFL pitted Houston against Los Angeles to up the ante with a combination of public money (a state subsidy for L.A.) and contributions from competing billionaire owners. Funds would go for a stadium and franchise fee to be shared by NFL owners.

Like land developers, the NFL bargains from a position of strength. Cities and counties ignore a fundamental of negotiations - never bargain from a position of weakness, with no alternatives.

We have zillions of things to do and places to go. We'd like an NFL team, but we have better uses for our taxes than pro football subsidies. Metro newspapers are tracking how celebrated NFL stadium pacts in San Francisco and Oakland and a baseball stadium deal in San Diego are souring, as is the city of Los Angeles' debt-ridden effort to eradicate blight by juggling 31 neighborhood redevelopment projects.

The Anaheim City Council invested \$30 million in a stadium package with the Disney conglomerate in 1996. As of this writing, taxpayers' fortunes are hitched to an Angels team that has a disheartened owner ready to bolt, no general manager, no field manager and no pitching staff.

Stadium deals help illustrate how submissive cities and counties also are creating huge deficits in deals with retail developers who pit city against city in pursuit of potential sales taxes.

Government openly promotes weak posturing in explaining tax giveaways. San Franciscans had been warned the beloved 49ers could be moved to Los Angeles, of all places. The Mission Viejo City Council repeatedly warns valuable retail properties would become abandoned without public money for development, even though such an extreme would punish both taxpayers and property owners.

Alarms finally are being heard on an accumulated \$41 billion in statewide redevelopment debt for the diversion of property taxes from public to private use without voter approval. Now cities also give away large portions of the very sales taxes they covet to attract "big box" retailers such as auto dealers and super discount centers.

Opposition to Wal-Mart projects has organized nationally. (There is a consensus California Legislature must change the method of financing local government. A Speakers Commission hearing on this topic will be held Nov. 16 or 17 in Los Angeles. For information, go to speaker.metroforum.org/meeting.html.)

But there's an even darker side to the leverage factor. Government uses eminent domain to seize private property, not for public use, but for sale to developers. The prospective seller may not want to move or like the "fair market

value" offer, but with the government involved his only remedy is costly - hire appraisers and attorneys and go to court.

"Often the 'fair market value' really is the price the developer needs to put the deal together for his project," said Jean Heintz, chairperson of Citizens United for Redevelopment Education. "It is common that the dictated price is half what the seller's appraiser and real estate agent determine," she said.

Assembly bills to address eminent domain abuse are expected in January. Government involvement in land development also disrupts the free flow of public information and debate, since government bodies can negotiate property matters in secret.

Public notification requirements are skimpy or vague. Lakeland Village-Wildomar residents say they were blindsided by a Riverside County plan to redevelop their shoreline neighborhoods on the south (and deepest) end of Lake Elsinore into a luxury community of homes and resorts.

Polished government-developer "partnerships" are formidable public-relations opponents to property owners facing eviction or activists opposing the evolution of public funds into corporate welfare. Metro newspapers generally are on board now with the big picture. But activists like Jean Heintz and individual city and county officials fighting these abuses agree community newspapers need to do a better job of notifying readers of impending specific projects and reporting their effect on taxpayers and property owners, not just from government's perspective.

Activists have powerful alternatives. They can connect directly with the public by passing out fliers, picketing and holding rallies. These rights have limits, so it is advisable to initially contact the First Amendment Coalition (916-974-8888).

The publisher's corner

The 'now generation' of shopping malls

By Jerry Andrews

A recent book, "The Malling of America," described what happened to the older established shopping areas as cities encouraged the building of malls. Rezoning was usually required, allowing retail in what may have been agricultural or even projected residential areas, changing the relationship of where stores were to where people lived and where they worked.

Because it was cheaper to build on empty land than tear down existing buildings, these new developments were nearly always "outside" the established shopping districts. This was seen in our own shopping center, Stonewood Mall, and certainly in the Lakewood Shopping Center, one of the very first malls in America. Developers came from all over the country to Lakewood to see how to do it. And then they did it with almost unflinching success.

Malls are friendly to the automobile, mainly because of the vast parking available. After WW II the nation was hungry for cars and the freedom to travel. Driving a couple extra miles for a little recreational shopping was fun.

What followed was an evolution in mall design and most of the original ones have had to be updated in various ways—enclosing them, air conditioning, more color, a more *avant garde* look. Then, however, the malls were blind-sided—not of their own doing. The petroleum crisis of the 1970s and '80s made people more aware of how far they were driving and what might be termed non-essential trips.

The "gas" shortage had another unexpected side effect. Since most of our electricity is generated with oil, when the price of oil went from \$5 a barrel to \$20 a barrel, the resultant price increase was devastating to air conditioning costs for these huge enclosed malls. Rents had to go up accordingly. Profits got squeezed and some stores failed.

The registry of the grande dames of department stores is a graveyard of the rich and famous—Bullocks, Buffum's and Broadway to name a few. The demise of the old guard of retail was also helped along by discount merchandising. With stores so big and profit margins so thin, the frills went away. The carpeting was replaced by linoleum at best and possibly even bare concrete, "swampers" replaced air conditioning, many had to totally restructure to survive. A whole new lineup of "category killers" started from scratch. PETSMART, Home Depot, Party City, Old Navy, Staples and Crown Books even had a meteoric existence.

This change in stores has had an impact on shopping centers as well. The latest victim is Sherman Oaks Galleria—the place that produced the Valley Girl culture. But the Valley is overmalled and there is not enough consumer spending to make them all work. Cruising teenagers do not spend enough to pay the rent. Long Beach's downtown mall is dead in the water, Hawthorne is obsolete and empty, Pasadena's is empty in favor of their Old Town revitalization. Seemingly, major geographic areas can handle one really big old-fashioned enclosed mall; South Coast Plaza, for example. But experience shows there will be a further shakeout.

The new "off-price centers" are coming on-stream. Scottsdale Pavillion started on an Indian reservation outside of Phoenix. The next one, Anaheim Plaza, was in Orange County and now we have Long Beach Town Centre at Carson Street and the 605 Freeway. They will set the standard for the next generation of malls. Open space between individual store buildings (you need a car to get around there), futuristic architecture, many different colors, lots of neon, eye-catching signs. It has success written all over it.

It also says some of the older non-performing centers will be rebuilt to office and business parks. At least they will have enough parking.

The publisher's corner

'Credit card' called redevelopment

By Jerry Andrews

Many of us at one time or another have fought the battle of living off our credit cards. Instead of being a source of emergency money it becomes a way of life. We live beyond our means until the interest eats us up and bankruptcy follows. Translate that scenario to a larger scale whereby your city lives on a huge credit card. It does; it is called Redevelopment bonds.

On a personal level, the individual's self-control is the restraint from disaster. On a city level, the vote of the people is normally the restraining control. In this state any kind of expenditure you can think of has to pass the muster of an election except one—Redevelopment bonds. Your local city council can vote your property into bankruptcy. The last general obligation bonds left in the state which require a vote of only three people are Redevelopment bonds.

These bonds are supposed to be paid off with new property tax money generated by the new buildings and increased land values. However, it turns out that's not what actually happens. In a two year study conducted by the Public Policy Institute of California of 38 project areas in San Bernardino, Los Angeles and San Mateo counties, only four grew fast enough to be called self-financed. The other 34 were operating in the red. Eventually some of these cities will default on their Redevelopment bonds and some kind of refinancing will have to happen at state level. We are seeing the beginning of trouble with San Jacinto (a small town near Hemet) where bond holders are suing to be made whole again over \$300,000 in arrears on \$26 million in redevelopment bonds. San Jacinto has no chance of ever repaying that much bond debt. The bondholders are suing past and present city managers, finance directors, and attorneys, plus First Interstate Bank of California and Wells Fargo Bank.

Long Beach has been to the brink several times, but each time another loan from the Harbor Commission bails them out until the next time. The town that has gone critical is Cerritos. In their report to the State Controller's office for the fiscal year ending 1996, their Redevelopment debt was \$358 million. The annual tax increment generated to service that debt is shown

as just \$15 million whereas the interest needed is over \$21 million. That shortfall has to be made up from general revenues, i.e., the General Fund which takes from the police, fire and other city necessities.

In 1998 the situation is even worse. While the city has promised to subsidize no new projects, they are looking to the legislature for relief in the form of extending the maximum term Redevelopment bonds can be paid back so they can refinance. They pressured Assemblywoman Napolitano into carrying a new bill, AB 1342, that will add twenty years onto the maximum time allowed by the Community Redevelopment Law Reform Act of 1993 (AB 1290, Isenberg).

Quoting from the Senate Housing & Land Use Committee legislative analyst's report on AB 1342, "In 1995-96, the 940-acre Los Cerritos Project Area produced \$4.3 million in property tax increment revenue. Because of the way that local officials applied current law, the Los Cerritos Project Area cannot receive any more property tax increment revenues after January 1, 2010 which is 40 years after redevelopment started. Under AB 1342, local officials can continue to draw property tax increment revenues until January 1, 2034, for a total of 64 years. Further, AB 1342 extends the time limit for 10 more years if the money goes to school construction, hazardous substance clean-up, or local public buildings; that's 74 years. Before the Isenberg reforms, one critic said that redevelopment was the closest thing to perpetual motion ever enacted by the Legislature. How long is long enough?"

Redevelopment and its accompanying bonding is just a credit card for city councils to spend your tax money to subsidize already rich developers. The bonding time is so long now that the property will be run down again before the bonds are paid off. The current council gets all the credit for the expenditure and distant future councils have to take the responsibility for repayment.

We need to take the Redevelopment credit card away from city councils and let the people vote on the bonds. Only when Redevelopment bonds are voted on by the people will this fiscal irresponsibility stop.

The publisher's corner

Redevelopment corrupts democratic process

By Jerry Andrews

One of the things President Reagan was famous for was his calling communism an "evil empire."

Communism fails on two counts. One, it is the most oppressive political system devised. More so than any tyrannical dictator because communism has a belief system keeping the people in line. Kings tend to be benevolent because of the possibility of a populist uprising. Not so in communism where support is from the people. This was amply demonstrated with the Bolshevik Revolution in Russia and China's great leap forward with Chairman Mao. Killing non-believers is certainly an effective way to maintain control of those who don't accept the party line.

The second reason communism fails is that it is not economically sound. That is because the people will not work as hard for others as they will for themselves, although in self-contained systems prisoners can always be made to work. But when communism has to be competitive in a free market world economy, it will fail every time because the oppressed have no incentive to work beyond a subsistence level.

A parallel can be drawn between communism and Redevelopment as we know it under state law. Redevelopment is oppressive to the people and is not economically sound. What happens under Redevelopment is that eminent domain, the giant club of government, is used to take private property from one person and give it to another private party. This is the antithesis of what America is all about. It is done under the guise of revitalizing an area for the good of the people when in fact, it only relocates the blight to a different area.

The people who have had their land taken from them usually cannot get their business restarted and are forced into retirement. The emotional toll of having your property or business, all you have worked for, forcibly taken away from you by your "representative government" and given at a greatly reduced price to another supposedly equal individual is a destroyer of incentive and people, just like communism is.

The second reason why Redevelopment does not work in the long run is that it is not economically sound. It uses future property tax income to pay off the bonds that were used to buy the land being given to another private party or privately held entity. This money is public money that should go to schools, police and firemen, and other essential services.

This scheme of special interests creates an economic house of cards. The *Los Angeles Times* has reported that the Los Angeles City Redevelopment Agency has finally run out of gas. Their Bunker Hill Project has reached their \$750 million tax increment cap, so they cannot start any new projects to get more tax increment money to pay off old bonds. This is the classic Ponzi scheme of having to get new money to pay off old money. Of Los Angeles' 31 project areas, only 11 create a profit which will not cover the money-losing remaining 20. L.A.'s total Redevelopment indebtedness is \$1.5 billion.

Long Beach's Redevelopment has one real money maker in the West Side Industrial Project Area, enabling them to siphon off tens of millions of dollars over the years, most of it funneled through the Harbor Commission, to prop up their unprofitable subsidized projects. The 1997 State Controller's Report stated Long Beach's total indebtedness was \$522 million with only \$8 million in available revenues to service the debt. 1.6 percent is not enough.

The City of Cerritos likes to brag that they have \$150 million in the bank. The problem is that by 1997 they had \$367 million in Redevelopment debt with revenue of \$21 million. A much better ratio, but that level of bond indebtedness is not likely to be paid off and the state will ultimately have to come in and bail out these cities. So we will all get to pay again on a state level, because as an economic model, Redevelopment is not sound and is doomed to fail.

While Redevelopment may not be called an evil empire, it is evil in the way it destroys people, bankrupts cities and corrupts our democratic process. This is the same pattern as communism.

The publisher's corner

Redevelopment 'backfires' in South Gate

By Jerry Andrews

This holiday season turned out to be a real thanksgiving for the beneficiaries of the LeBoff Family Trust. Now who is the LeBoff family? When you drive west on Firestone Blvd. into South Gate on the north side of the street (at Garfield) you will see Llovio Ford. All of the front part of that car agency (3.22 acres) belonged to the LeBoffs, who had no desire to sell to anyone. But the South Gate Redevelopment Agency had other ideas plus a very large club called eminent domain.

Llovio Ford was previously located further west but needed to relocate. So instead of encouraging some sort of ground lease arrangement between the LeBoffs and Llovio, the South Gate Redevelopment Agency stepped in and condemned the land in November of 1996. They decided the property was worth \$2,150,000. LeBoffs appraisal showed a value of \$4,200,000. Additionally, LeBoffs knew that the Disposition and Development Agreement (DDA) between the City and Llovio Ford called for payment by Llovio of between \$2,150,000 and \$2,500,000 for the property, a virtual admission the property was worth more than they were being paid. So now the lines were drawn and it went to court.

Even though the DDA gave the opportunity to charge \$2,500,000 for the land, at the trial South Gate held firm that all the City would pay LeBoffs was \$2,150,000. While it is customary for a City to low-ball any offer, the

difference between \$2,150,000 and a bona fide appraisal of \$4,200,000 was ridiculous, and the Judge did not overlook the disparity.

Reading the trial documents shows just how much the City of South Gate miscalculated with their high-handed ways. The Judge increased the condemnation award above the appraisal to \$4,900,000, added on a precondemnation damages award of \$385,931 plus statutory interest from November 1996 of \$585,093 and, the frosting on the cake for LeBoffs, recovery of litigation expenses. The various parts and pieces will add up to more than \$6.5 million. With the added costs, it will be decades before this Redevelopment project shows a profit.

The \$5 million South Gate loaned to Llovio Ford to buy the land and build the agency was from a U.S. Government HUD Section 108 loan to be repaid over 20 years by Llovio Ford with the first 10 years interest free. The City will pay that interest, some \$2,322,906. The irony is that the HUD loan is guaranteed by Block Grant Funds, more government money—money that was supposed to be used to help low income.

For Llovio Ford the City took care of a large part of the demolition, the down payment, a ridiculously low purchase price, street, infrastructure and all other offsite improvements, 10 years of the HUD loan interest and built a parking lot. Another example of the type of abuse that is common in Redevelopment. At least the court was not fooled.

Redevelopment: The Unknown Government

What It Is. What Can Be Done.

A Report to the People of California

August, 1998

SECOND EDITION

REDEVELOPMENT: THE UNKNOWN GOVERNMENT

is published by Municipal Officials for Redevelopment Reform (MORR),
through a grant from Fieldstead & Co., Irvine, California.

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Preface to the Second Edition

When first published in October, 1996, *Redevelopment: The Unknown Government* was intended to be a concise, user-friendly guide for both concerned citizens and elected officials. The tremendous response has surpassed our most hopeful expectations. Requests have come from every corner of California, quickly exhausting our initial printing of 3,000, and our reprinting of 5,000 copies in May, 1997.

From the State Capitol to city halls, from news reporters to civic leaders, *Redevelopment: The Unknown Government* has become an influential resource for fiscal reform.

Of course, the redevelopment establishment is not pleased. The California Redevelopment Association's monthly newsletter created the caustic acronym "RUG" in referring to *Redevelopment: The Unknown Government*, but they cannot ignore its influence. Their only factual criticism has been the claim that we exaggerated redevelopment debt by including outstanding interest with principal. Only principal should be considered, they say, when looking at redevelopment debt. Our text and graphs, however, make it clear that our figures include both principal and interest, with numbers lifted directly from the State Controller's Office.

The CRA's comments have, however, caused us look at debt in a new way. While long-term interest payments will consume an ever-greater share of property taxes, the principal alone could be paid off from existing agency assets. Avoiding future interest, debts of all agencies could be paid off now, thus freeing up property taxes for real public needs.

The Second Edition's major change is a new chapter--Chapter 11--which proposes to pay off redevelopment debt by liquidating assets, and freeing \$1.5 billion in annual tax increment for public schools and local government. Property taxes now subsidizing commercial development would fund our children's education and public safety.

In addition, graphs have been updated and the latest redevelopment bills in the legislature have been added. New Tables VIII, and IX have been added to show the impact of using redevelopment money for public education. A more concise bibliography has also been added.

Through its publications and conferences, Municipal Officials for Redevelopment Reform (MORR) has helped enable citizens to challenge redevelopment power, and emboldened public officials to look beyond narrow special interests to see a broader public constituency. Our next semi-annual conference will be October 10, 1998, at the San Francisco Airport Westin Hotel. Call 714-871-9756 for details.

Many thanks to State Controller Kathleen Connell, who provided much of the information in this book through her office's annually published reports. Thanks to Michael Dardia of the Public Policy Institute, whose *Subsidizing Redevelopment in California* (1998) is an exhaustive analysis of the true cost of redevelopment. Special thanks to Sacramento *Bee* columnist Dan Walters and Riverside *Press-Enterprise* investigative reporter Dave Danelski, for making redevelopment more understandable to the general public.

Thanks, too, to the many friends and supporters whose insights, dedication and encouragement have made this book possible.

Redevelopment thrives on public ignorance. Both lay people and elected officials are often intimidated by the complexity of redevelopment law, its specialized jargon and mind-numbing financial figures. Redevelopment is, however, easy to understand, if presented in an organized way and using plain English. From understanding comes knowledge. From knowledge comes power--the power to change.

Chris Norby
Fullerton, CA
July, 1998

REDEVELOPMENT: THE UNKNOWN GOVERNMENT

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1 — The Unknown Government

There is an unknown layer of government in California, which few understand.

This unknown government currently consumes 8% of all property taxes statewide, \$1.5 billion in 1997. It has a total indebtedness of over \$41 billion.

It is supported by a powerful Sacramento lobby, backed by an army of lawyers, consultants, bond brokers and land developers.

Unlike new counties, cities and school districts, it can be created without a vote of the citizens affected.

Unlike other levels of government, it can incur bonded indebtedness without voter approval.

Unlike other government entities, it may use the power of eminent domain to benefit private interests.

This unknown government provides no public services. It does not educate our children, maintain our streets, protect us from crime, nor stock our libraries

It claims to eliminate blight and promote economic development, yet there is no evidence it has done so in the half century since it was created.

Indeed, it has become a rapidly growing drain on California's public resources, amassing enormous power with little public awareness or oversight.

This unknown government is Redevelopment.

It is time Californians knew more about it.

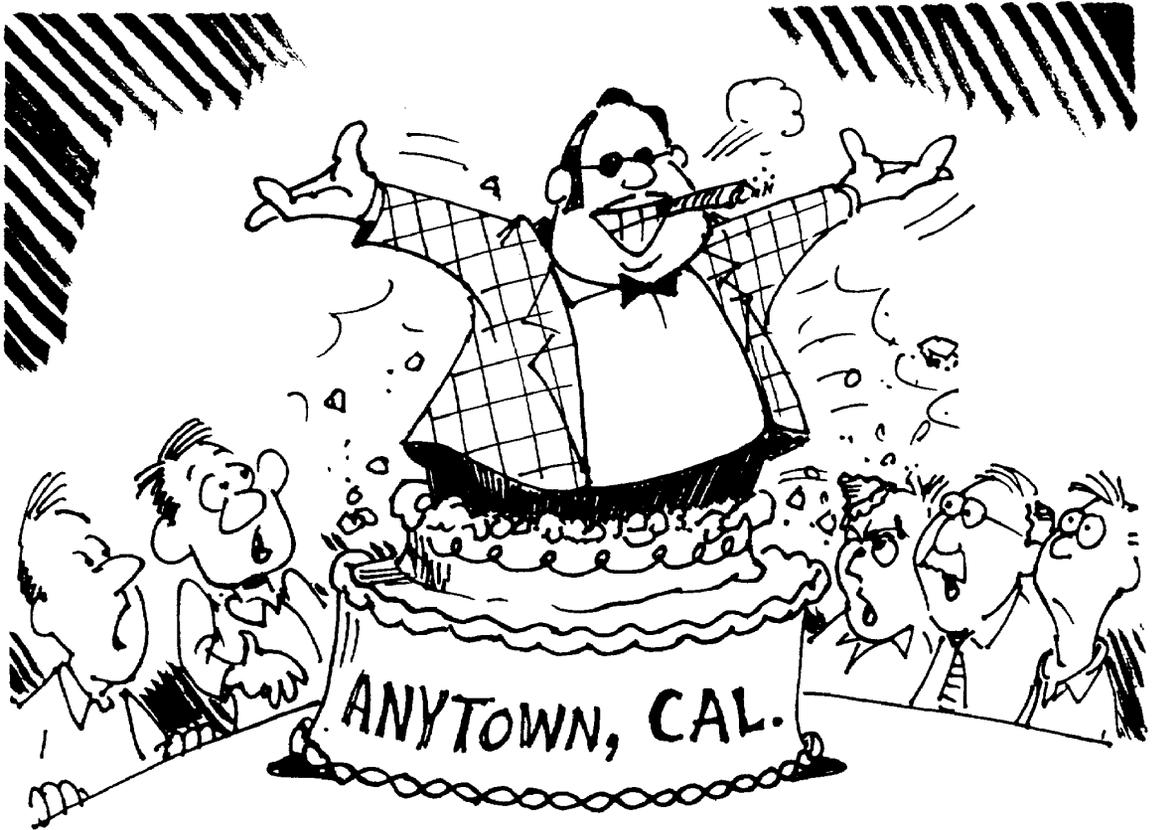
State law allows a city council to create a redevelopment agency to administer one or more "project areas" within its boundaries. An area may be small, or it can encompass the entire city.

These project areas are governed by a redevelopment agency with its own staff and governing board, appointed by the city council.

Thus, an agency and city may appear to be one entity. Often city councils appoint themselves as agency members, with council meetings doubling as redevelopment meetings. Legally, however, a redevelopment agency is an entirely separate government authority, with its own revenue, budget, staff and expanded powers to issue debt and condemn private property.

Out of California's 471 cities, 359 have created redevelopment agencies. No vote of the residents affected was required. No review by the Local Agency Formation Commission (LAFCO) was done.

Californians often confuse redevelopment with federal "urban renewal" projects typical of large eastern cities of the 1940's-60's. Sadly, the methods and results are often similar. Yet redevelopment is a state-authorized layer of government without federal funds, rules or requirements. It is entirely within the power of the California legislature and voters to control, reform, amend or abolish.



"I'm from Redevelopment and I'm here to help you."

2 — Blight Makes Right

All a city need do to justify creation or expansion of a redevelopment area is to declare it “blighted”.

This is easily done. State law is so vague that most anything has been designated as “blight”. Parkland, new residential areas, professional baseball stadiums, oil fields, shopping centers, orange groves, open desert and dry riverbeds have all been designated as “blight” for redevelopment purposes.

To make a finding of blight, a consultant is hired to conduct a study. New redevelopment areas are largely driven by city staff, who choose the consultant with the approval of the city council. Consultants know their job is not to determine *if* there is blight, but to *declare* blighted whatever community conditions may be.

Blight has been discovered in some of California’s most affluent cities. Indian Wells, a guard-gated community with an average \$210,000 household income, has *two* separate redevelopment areas.

Understandably, many homeowners fear an official designation of blight will hurt property values. Small property owners fear redevelopment’s use of eminent domain. Building permits can also be denied if an applicant does not conform precisely to the redevelopment plan. So, local citizen groups often challenge the blight findings in court. Others are challenged by counties and school districts which stand to lose major property tax revenue if a new redevelopment area is created.

Recent state legislation has tightened definitions of blight, particularly those involving open and agricultural land. Yet, enforcement is lax, legal challenges costly and

most agencies were already created long before recent reform attempts.

Once the consultant’s blight findings are ratified, a city may create or expand a redevelopment area. Voter approval is never asked. Citizens can force a vote by gathering 10% of the signatures of all registered voters within 30 days of the council action. Where this has occurred, redevelopment nearly always loses by wide margins (rejected in Montebello by 82%, La Puente by 67%, Los Alamitos by 55%, Half Moon Bay by 76%, for example).

The requirements to force a vote are difficult to meet, however. In the vast majority of cases, a popular vote is never held. Rather, the consultant’s findings of blight are quickly certified. A law firm is then retained to draw up the paperwork and defend against legal challenges.

A growing number of law firms specialize in redevelopment. Like the consultants, they are members of the California Redevelopment Association, a Sacramento-based lobby. They are listed in the CRA’s directory and advertise in its newsletter. Their livelihood depends on the aggressive use of redevelopment and increasingly imaginative definitions of blight.

To eliminate alleged blight, a redevelopment agency, once created, has four extraordinary powers held by no other government authority:

- 1.) **Tax Increment:** A redevelopment agency has the exclusive use of all increases in property tax revenues (“tax increment”) generated in its designated project areas.

2.) **Bonded Debt:** An agency has the power to sell bonds secured against future tax increment, and may do so without voter approval.

3.) **Business Subsidies:** An agency has the power to give public money directly to developers and other private businesses in the form of cash grants, tax rebates, free land or public improvements.

4.) **Eminent Domain:** An agency has expanded powers to condemn private property, not just for public use, but to transfer to other private owners.

These four powers represent an enormous expansion of government intrusion into our traditional system of private property and free enterprise. Let us carefully consider the costs of this power and if it has done anything to eliminate real blight.



"It's easy . . . blight is whatever we say it is!"

3 — Tax Increment Diversion

Once a redevelopment project area is created, all property tax increment within it goes directly to the agency. This means all increases in property tax revenues are diverted to the redevelopment agency and away from the cities, counties and school districts that would normally receive them.

While inflation naturally forces up expenses for public services such as education and police, their property tax revenues within a redevelopment area are thus frozen. All new revenues beyond the base year can be spent only for redevelopment purposes.

In 1997, this revenue diversion was just over \$1.5 billion statewide. This means 8% of all property taxes was diverted from public services to redevelopment schemes. Even with modest inflation, the percent taken has roughly doubled every 15 years. At current trends, redevelopment agencies will consume 64% of all statewide property taxes by 2040! (Table I).

If redevelopment were a temporary measure, as advocates once claimed, this diversion might be sustainable. Once an agency is disbanded, all the new property tax revenues would be restored to local governments. Legally, agencies are supposed to sunset after 40 years, but the law contains many exceptions and is easily circumvented. Of 359 redevelopment agencies

created by cities statewide, only four have ever been disbanded.

Finally, hard-pressed counties are well aware of the cost of this diversion, and often go to court to challenge new redevelopment areas. In 1994, the Los Angeles County Grand Jury released its exhaustive report on redevelopment, calling for more public accountability and citing its negative effects on county services. The Los Angeles County Fire Dept. stated that it lost \$16 million to redevelopment diversions in 1994 alone.

School districts have also responded with lawsuits, sometimes forcing “pass-through” agreements to restore part of their lost revenue. They have levied new builder fees on residential development, thus passing the burden of redevelopment on to new renters and homeowners.

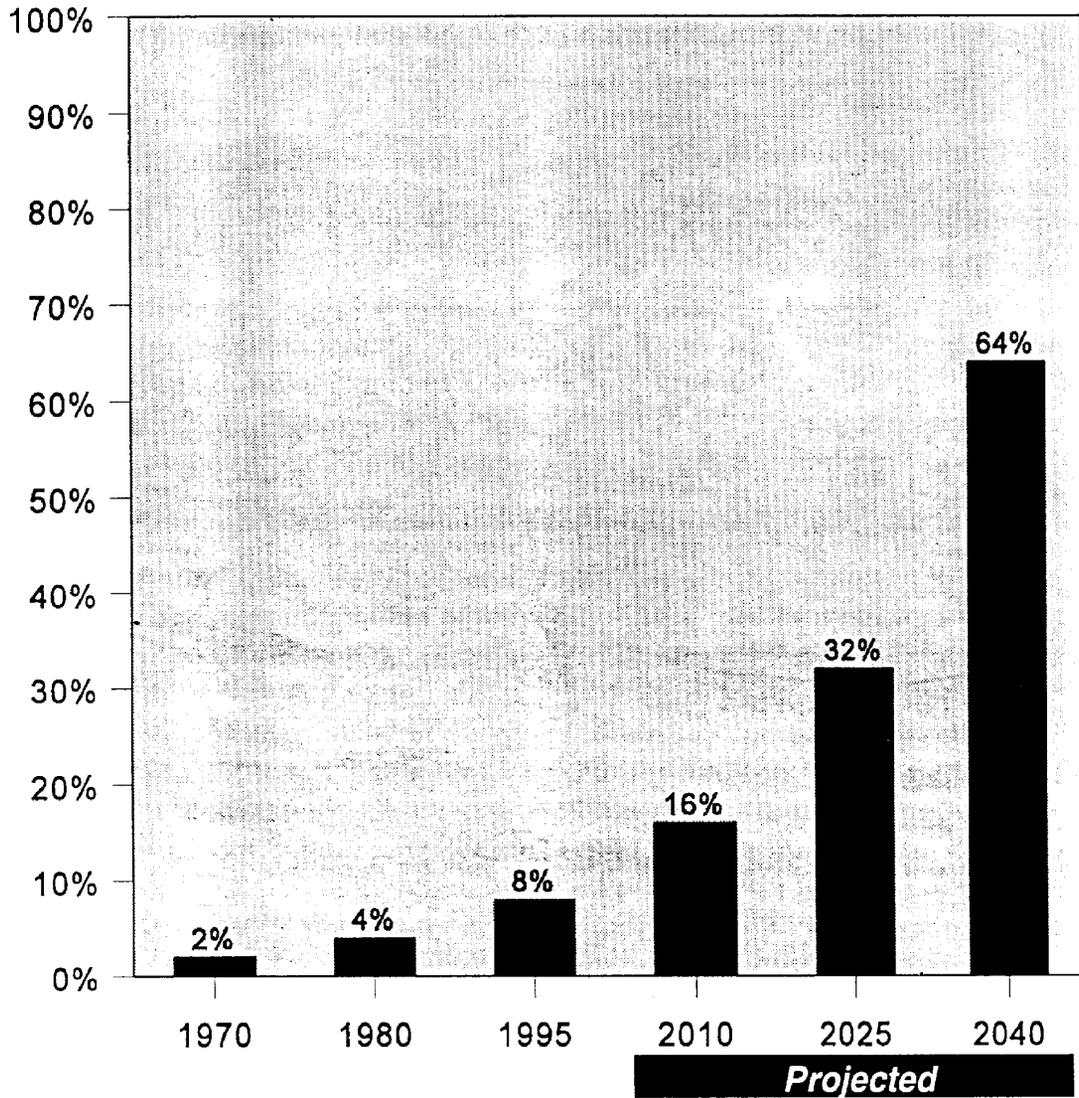
Cities themselves are impacted by redevelopment diversions. That part of the tax increment that would have gone to the cities’ general fund (averaging 11%) is lost, and can now be used only by redevelopment agencies. Thus, there is now money to build auto malls and hotels, but less for police, fire fighters and librarians. Cities cannot use redevelopment money to pay for operations, public safety or maintenance, which are by far the largest share of municipal budgets.



"Eat hearty, boys . . . plenty more where this came from!"

TABLE I

**Property Tax Increment as a Percentage
of Total Property Tax Revenues Statewide
(Percent of Property Taxes Diverted to Redevelopment)**



SOURCE: State Controller's Office.



"A little diversion won't hurt, will it?"



©1998 DTCu

"It's easy... when you don't have to ask the voters!"

4 — Debt: Play Now, Pay Later

It is troubling enough that redevelopment agencies divert property taxes from real public needs. But that is only part of the story.

By law, for a redevelopment agency to begin receiving property taxes, it must first incur debt. In fact, property tax increment revenues may only be used to pay off outstanding debt. Pay-as-you-go is not part of redevelopment law or philosophy.

Debt is not just a temptation. It is a requirement.

That is why redevelopment hearings inevitably feature three groups of outside “experts”: the blight consultants, the lawyers, and the bond brokers who help the agency incur debt so it can start receiving the tax increment.

The bond brokers and debt consultants are easily located. They are listed in the California Redevelopment Association Directory. From city to city they phone, fax, travel and make presentations to sell additional debt. Naturally, redevelopment staffs are supportive. More debt means job security and larger payrolls.

Currently, total redevelopment indebtedness in California tops \$41 billion, a figure that is doubling every five years (Table II).

Debt levels vary widely among agencies, but all must have debt to receive the tax increment. Table III shows those cities with the highest total redevelopment indebtedness. Debt levels have no relation with actual blight, as many affluent suburban towns have higher indebtedness than older urban-core cities.

Table IV shows outstanding indebtedness per-capita.

This is the amount of per-capita property taxes that must be paid to cover the principal and interest of existing debt. This amount must

be diverted from the cities, counties and school districts before these redevelopment agencies can shut down and restore the property taxes to those entities.

One would expect that if redevelopment agencies had been successful in eliminating “blight”, they would now be scaling back their activities and reducing debt. In fact, redevelopment indebtedness is growing rapidly, draining investment money that could have gone to buy other government bonds or into the private sector.

There are two reasons redevelopment debt is so attractive: First, redevelopment agencies may sell bonded debt without voter approval. Unlike the state, counties and school districts, the debts need not be justified to, or approved by, the taxpayers. A quick majority vote by the agency is all that is needed.

Second, bond brokers love to sell redevelopment debt. The commissions are high and the buyers plentiful. Since the debt is secured against future property tax revenue, they are seen as secure and lucrative. If an agency over-extends, then surely the city’s general fund will cover the debts.

Most agencies project that ever-rising property tax increments will cover future debt service. During the 1990’s, however, much of California’s commercial and residential real estate declined in value. Property owners sought and received lower assessments, creating a crisis for those agencies banking on ever-rising property taxes. Some cities raided their general funds to service redevelopment debt.

Legally, it is unclear whether the state or individual cities are liable to bail out actually

bankrupt agencies, but the expanding bubble of redevelopment debt must be a concern to all.

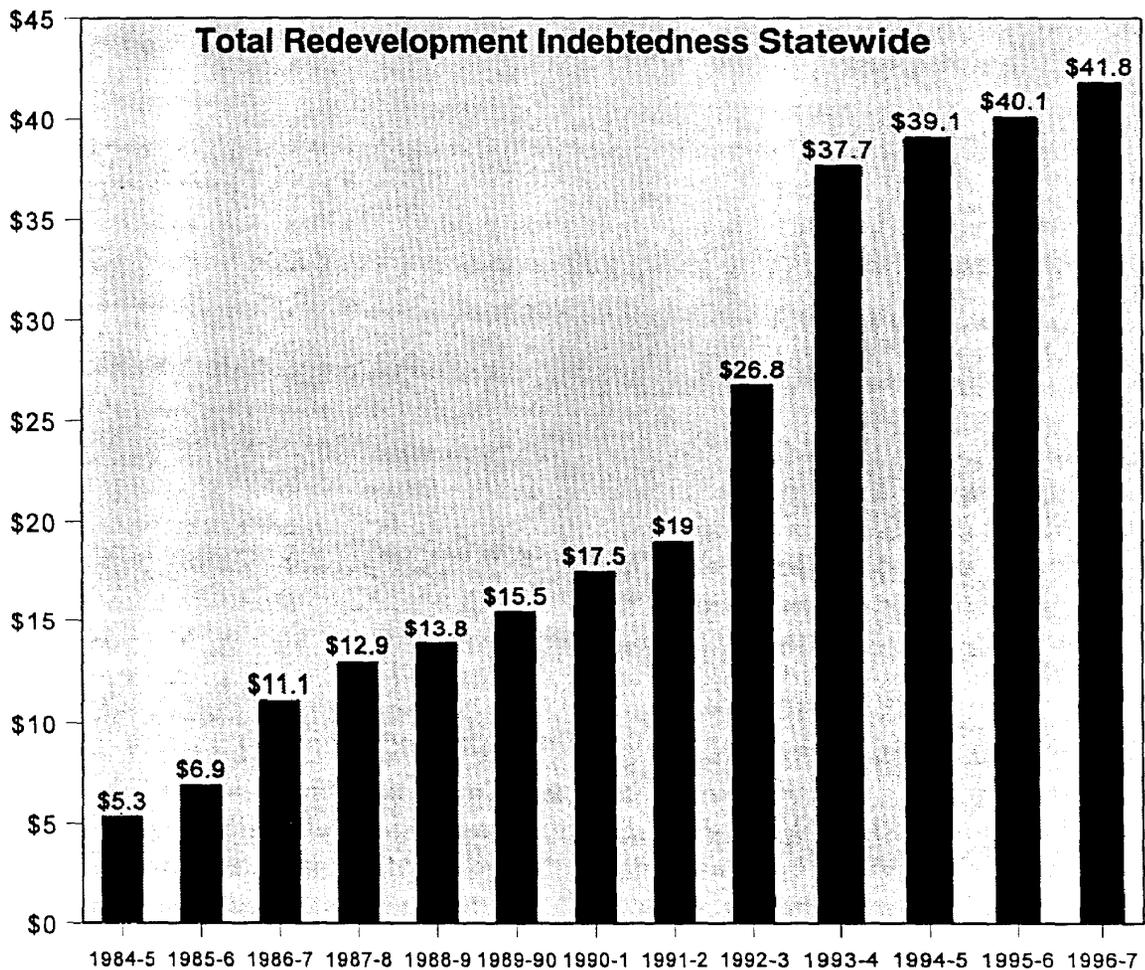
Redevelopment agencies typically issue new bonds to pay off existing ones, thus rolling over and compounding interest payments. This cannot go on indefinitely. Eventually, all existing debt must be paid with real tax dollars. Every dollar that must pay for this debt is a

dollar that will not be spent on police, education and other pressing public needs.

The only way to avoid these ballooning interest payments is to stop issuing new debt and pay off existing principal as soon as possible. Chapter 11 explains exactly how this could be done.

Figures in
Billions

TABLE II



SOURCE: State Controller's Office. Figures rounded off to the nearest \$100 million.

TABLE III
Top 10 Cities by Total Redevelopment Indebtedness
(Includes principal and interest of all outstanding debt)

	City/Agency	Redevelopment Indebtedness
1	San Jose	\$2,205,140,180.
2	Los Angeles	\$2,010,052,149.
3	Fontana	\$1,509,941,789.
4	Lancaster	\$1,176,635,953.
5	Industry	\$952,810,685.
6	West Covina	\$805,019,621.
7	Chico	\$795,797,760.
8	Burbank	\$749,356,165.
9	Brea	\$661,976,870.
10	Huntington Park	\$653,090,326.

TABLE IV
Top 10 Per-Capita Redevelopment Indebtedness by City
(Includes outstanding principal and interest)

Per-Capita Redevelopment Indebtedness	City/Agency	Population	TOTAL Redevelopment Indebtedness
\$1,401,192.	Industry	680	\$952,810,685.
303,832.	Irwindale	1,080	328,144,953.
47,384.	Brisbane	3,130	146,889,850.
37,382.	Indian Wells	3,100	115,886,139.
19,132.	Brea	34,600	661,976,870.
16,412.	Chico	48,450	795,797,760.
16,085.	Emeryville	6,500	104,552,578.
15,688.	Commerce	12,000	188,263,953.
14,589.	Fontana	103,500	1,509,941,789.
14,368.	Sand City	200	2,873,567.

SOURCE: California State Controller's Office; Fiscal Year 1993-94.

5 — Corporate Welfare

The consultant has found the blight. The lawyers have drawn up the papers and defended the agency from suits. The bond brokers have created the debt, to be paid by the tax increment that will surely flow.

Now should be the time to begin eliminating “blight”, as required by state law.

In reality, very little is ever heard again about blight. Redevelopment agencies are driven primarily by creating new revenue. Since most cities with redevelopment have little or no real blight anyway, creating new government revenues becomes their prime goal. They do so in two ways:

Debt: As we have seen, an agency incurs debt to be paid by future property tax diversions. In this way, it can perpetuate its own activities indefinitely by continuing to borrow.

Sales Tax: By promoting commercial development, a redevelopment agency can claim to be stimulating new sales taxes that benefit the city’s general fund. In this way, it tries to justify itself to the citizenry and council members who usually double as agency directors.

By state law, a city’s sales tax share is 1% of all taxable purchases. Sales taxes are site-based. If you live in Sacramento and buy a car in Folsom, all of the sales tax share from the car will go to Folsom, none to Sacramento.

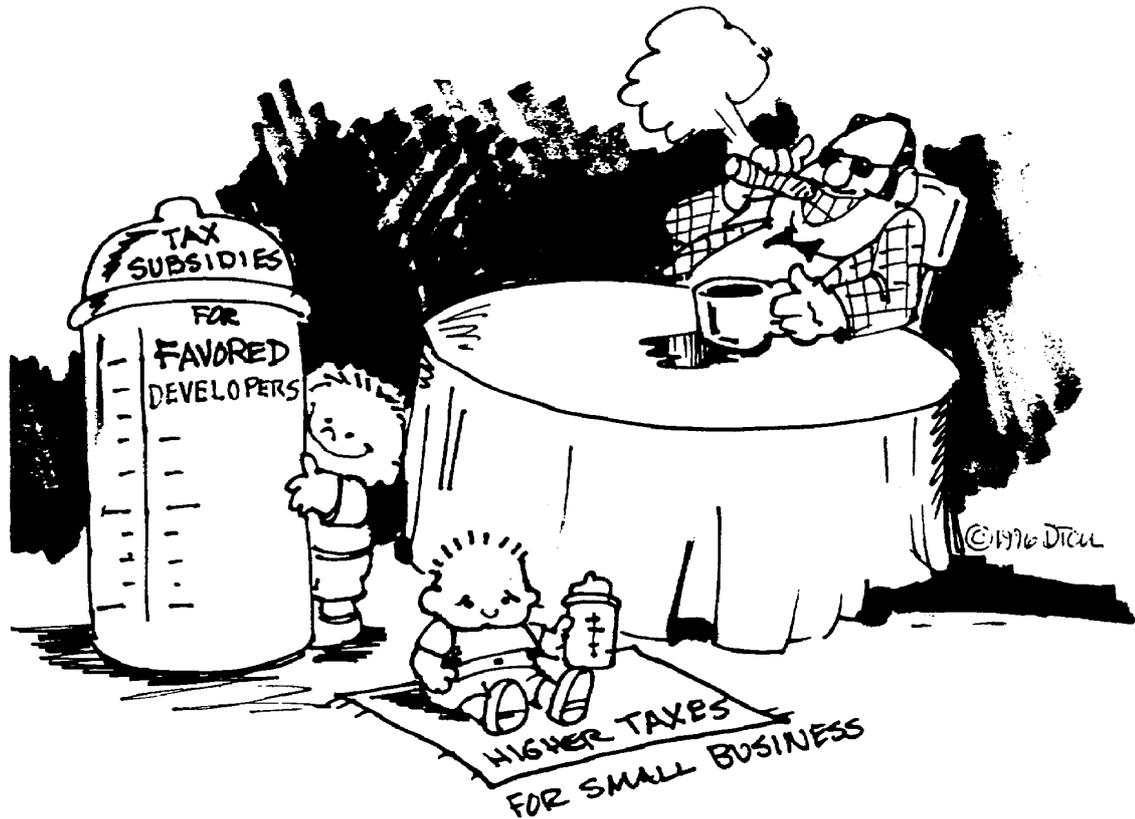
Cities have long been motivated to attract sales tax generators. City officials and chambers of commerce have touted their location, city services, and access to markets. New department stores and auto dealers have long been greeted with ribbon cuttings and proud announcements in the local paper.

Redevelopment has escalated this to a new level.

With redevelopment, cities have the power to directly subsidize commercial development through cash grants, tax rebates, or free land. Spelled out in a “Disposition and Development Agreement” (DDA) a developer receives lucrative public funding for projects the agency favors. Some receive cash up front from the sale of bonds they will never have to repay. Others receive raw acreage or land already cleared of inconvenient small businesses and homes. They purchase the land at substantial discount from the agency. Sometimes it is free.

Redevelopment subsidies are not distributed evenly. Favored developers, giant discount stores, hotels and auto dealers receive most of the money. Small business owners, already burdened by regulations and taxes, now must face giant new competitors funded by their own government.

Redevelopment has accelerated the centralization of economic power among ever-fewer corporate chains at the expense of locally-based independent businesses. Certainly large retailers such as Costco, Home Depot, and Walmart provide valuable service and have every right to compete. But are they entitled to government subsidies?



"Some are more equal than others!"

This costly distortion of the free enterprise system is justified as the only way to boost local sales taxes (ending "blight" has, by now, been long forgotten). Yet, if new developments are justified by market demand, they will be built anyway. If not, they will fail, regardless of the subsidies. Redevelopment has resulted in a vast over building of vacant commercial space stimulated more by tax subsidies than by actual consumer demand. As cities become more predatory, financial "incentives" are needed not just to attract new businesses, but to keep long-time retailers from moving away to neighboring cities. Large retailers routinely play one city off against another for the greatest pay-off. Wasteful bidding wars among cities escalate.

Particularly avaricious are professional sports franchises. Teams ranging from the San Francisco '49ers to the Lake Elsinore Storm have demanded new publicly-financed stadiums. Anaheim, Los Angeles, Inglewood, Oakland and San Diego have also committed vast sums of redevelopment money for new facilities demanded by franchise owners.

In *Major League Losers* (Basic Books, 1997), economist Marc Rosentraub shows that the tax dollars lavished on professional sports teams and stadiums never produce the payoff promised by their promoters, but are a net drain on municipal budgets and local economies.

Redevelopment has become a massive wealth-transfer machine. Cash and land go to powerful developers and corporate retailers while small business owners and taxpayers must pay the bill.

6 — Predatory Redevelopment: Sales Tax Shell Game

A drive north on the Santa Ana Freeway from Diseyland toward L.A. reveals the chaos redevelopment has wreaked. There is the Buena Park Auto Square, built around dealerships lured from nearby Fullerton. Just north is the old Gateway Chevrolet site. Where did it go? Just across the county line to La Mirada, which lured it from Buena Park with its own publicly-financed auto mall (on land conveniently designated as “blight”).

Still further north is another auto mall in Santa Fe Springs, with numerous long-vacant parcels waiting for the dealerships that will never come. To the west is Cerritos, who’s giant redevelopment-funded “Auto Square” became a pioneer in auto dealer piracy, draining off dealerships — and sales tax revenue — from its neighbors. Nearby Lakewood lost so many car dealers that its city manager labeled Cerritos the “Darth Vader of cities”.

Drive any stretch of freeway in San Diego, Los Angeles, Santa Clara or other urban counties and you’ll see redevelopment-funded auto malls, with their hopeful reader boards and carefully graded — and vacant — dealer sites. They’re the product of a bitter fiscal free-for-all, as cities coax each other’s dealerships away with ever-sweeter giveaways.

Car dealers, of course, are loving it. They no longer have to make a profit from mere customers. They can now play one city off against another for cheap land, tax rebates and free public improvements. You can’t blame them. But you can blame the laws that encourage this shell game.

The same pattern is repeated with department stores, discount chains, home

improvement centers and even sports franchises (the Los Angeles Redevelopment Agency has committed a \$60 million bond to lure the Lakers and Kings from Inglewood). Corporate decisions once based on market forces are now determined by which city’s redevelopment agency will cut the best deal.

The California Redevelopment Association encourages developers to expect public hand-outs. On June 11, 1998, the CRA and the International Council of Shopping Centers co-hosted a conference bringing city officials and developers together to promote “public-private partnerships,” i.e., public subsidy of private development. The Long Beach confab ended with a “Meet the Cities Deal-Making Reception” where developers could feel out public officials for generous hand-outs.

Some cities are winners. Some are losers. Some are just able to stay even. Per-capita sales tax revenues vary widely among cities. Even for the winners, however, there are pitfalls. A major new retailer will, after all, draw many customers away from existing businesses within the same city. Later, it may hold the city hostage, threatening to move away unless even more subsidies are provided.

Is this good public policy? Is it good economics?

The problem is not limited to California. It is part of a troubling national trend by which states outbid each other to attract new industry. The “economic incentives” often bear little relation to the benefits realized. When considering plant location, foreign companies now routinely play one state against another for the biggest subsidy package. A Ford

Foundation-sponsored conference on "The Economic War Among the States" was held in Washington, D.C., on May 21-22, 1996, on this problem, with an economic truce being proposed among the states. Such leadership is needed here to halt California's own redevelopment revenue wars.

It is ironic that, just as we encourage former Soviet-bloc countries to privatize their anemic state-run industries, we increasingly entangle our local and state governments in subsidizing private business, all in the name of "economic development" policies that have repeatedly failed elsewhere.



"What'll ya bid for this auto dealership?"

7 — The Myth of Economic Development

“Economic Development” is a common cliché among city governments and redevelopment agencies.

It refers to a belief that tax subsidies to selected private businesses can stimulate the local economy. It assumes that the free enterprise system alone is inadequate. It presumes that government planners can allocate resources more efficiently than can the free market.

The legal purpose for redevelopment remains the elimination of blight. All economic development activities must pay lip service toward that goal. Behind this facade, redevelopment has subsidized giant retailers, luxury hotels, golf courses, stadiums and even gambling casinos.

Has redevelopment succeeded in reducing true blight? By what objective standard can this be measured?

Any definition of blight must include depressed local economies and pockets of poverty. If redevelopment is working, then surely poverty is being reduced and the general standard of living improving.

Is there any evidence this is happening? Are residents of cities with redevelopment better off compared to residents of cities without redevelopment?

They aren't.

Are the 359 cities that have created redevelopment agencies any better off than those 102 cities that have not? If redevelopment is eliminating blight, then certainly comparisons between such cities could prove it.

They can't.

If redevelopment was improving local economies, then such a comparison would show greater personal income growth in cities that do have redevelopment relative to those cities that do not.

It doesn't.

Table V is a comparison of combined average income growth among all cities with redevelopment and those without it, between the years 1979-89. As can be seen, there is no correlation between redevelopment activity and personal income growth.

Table VI directly compares five pairs of cities of similar size, region and economic level. Again, there is no correlation between growth rates and redevelopment activity.

Both Tables V and VI demonstrate that cities without redevelopment either match or actually exceed those cities that do, in terms of personal income growth.

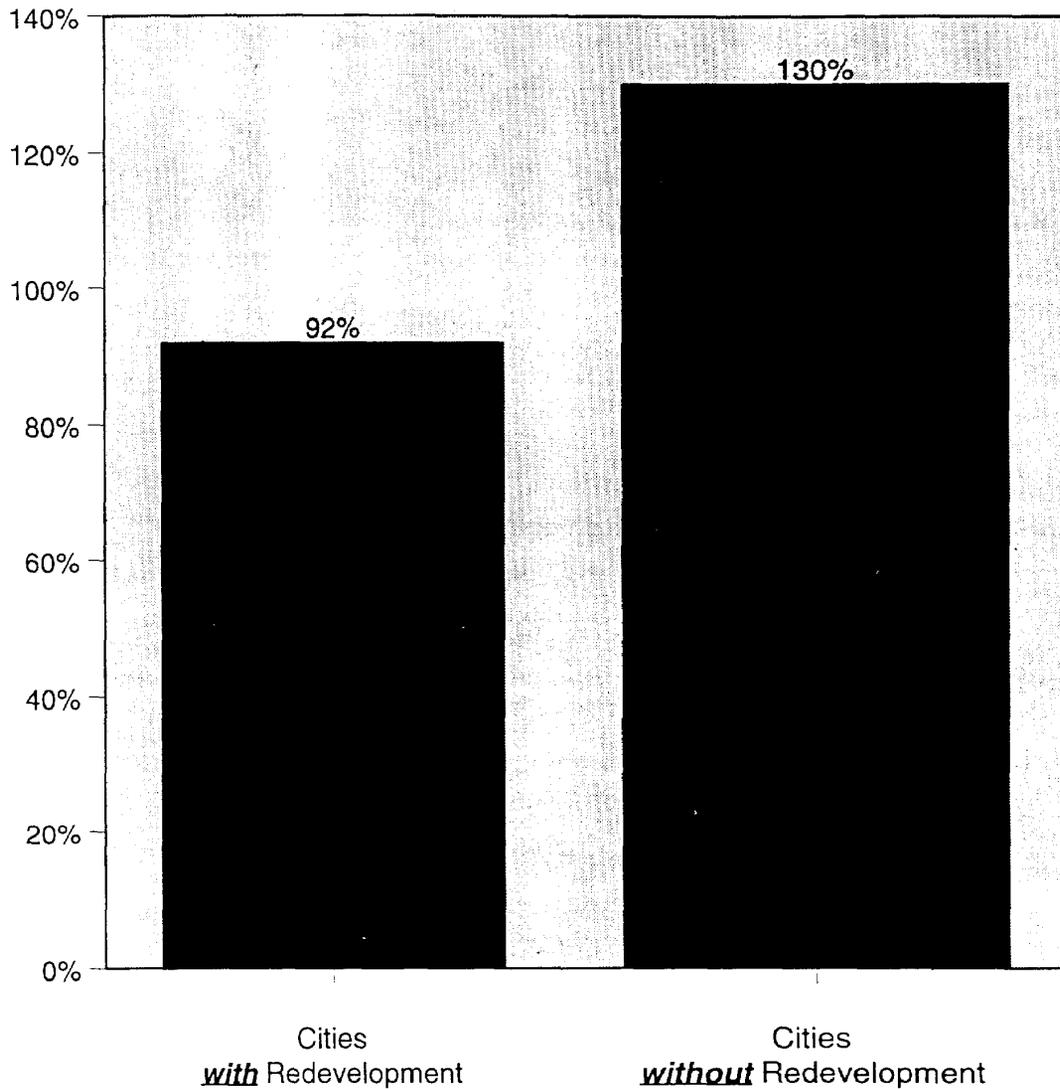
There is no evidence to show that all the billions spent on redevelopment has done anything to improve the lives of people in those cities. There is no evidence that redevelopment is a positive factor in the elimination of blight.



"Isn't economic development great?"

TABLE V

**Per-Capita Income Growth
Redevelopment vs. Non-Redevelopment Cities**



This survey reflects the 313 cities with redevelopment agencies, and the 101 cities without redevelopment agencies, from 1979-89. Cities incorporated after 1979 are not included.

SOURCE: United States Census Bureau, State Controller.

TABLE VI
Personal Income Growth Comparison Between
Cities With and Without Redevelopment

*A Region-by-Region Per-Capita Income Growth Survey
Among Cities of Comparable Size and Socio-Economic Levels, 1979-1989*

LOS ANGELES BASIN:

Status	City	1979	1989	Growth
NO Redevelopment	Gardena	\$7,911	\$14,601	85%
HAS Redevelopment	Hawthorne	\$8,097	\$14,842	83%
NO Redevelopment	Artesia	\$6,520	\$12,724	95%
HAS Redevelopment	Inglewood	\$6,962	\$11,899	71%

BAY AREA:

Status	City	1979	1989	Growth
NO Redevelopment	Benicia	\$9,312	\$20,663	122%
HAS Redevelopment	Alameda	\$9,288	\$19,833	114%

CENTRAL VALLEY:

Status	City	1979	1989	Growth
NO Redevelopment	Lodi	\$7,691	\$14,638	90%
HAS Redevelopment	Chico	\$6,065	\$10,584	74%

SMALL CITIES:

Status	City	1979	1989	Growth
NO Redevelopment	Etna	\$4,812	\$9,333	94%
HAS Redevelopment	Industry	\$4,539	\$7,853	73%

SOURCE: U.S. Census Bureau, State Controller's Office

8 — Eminent Domain for Private Gain

“Nor shall private property be taken for public use without just compensation”. Thus the Bill of Rights specifies the only purpose for eminent domain: “public use”.

Since then, government has used eminent domain to acquire land for public use. Roads, schools, parks, military bases, and police stations were essential public facilities that took priority over individual property rights. Private real estate transactions, on the other hand, were always voluntary agreements between individuals.

Redevelopment has changed all that.

Under redevelopment, “public use” now includes privately owned shopping centers, auto malls and movie theaters. “Public use” is now anything a favored developer wants to do with another individual’s land. Eminent domain is used to effect what once were purely private transactions.

Its use nearly always favors large developers at the expense of small property owners. In a typical redevelopment project, a developer is given an “exclusive negotiating agreement”, or the sole right to develop property still owned by others.

Once such an agreement is made, small property owners are pressured to sell to the redevelopment agency, which acquires the land on behalf the developer. If refused, the agency holds a public hearing to determine “public need and necessity” to impose eminent domain. By law, this must be an impartial hearing. In reality, the agency has already committed itself to acquire the property for the developer, so there is little doubt of the outcome.

Whole areas of cities have been acquired, demolished and handed over to developers to recreate in their own image. Historic buildings, local businesses and unique neighborhoods are replaced by generic developments devoid of the special flavor that once gave communities their identity.

Typical is the experience of Anaheim. Having demolished its historic central business district in the mid-1970’s, the redevelopment agency recently hired consultants to help restore the identity of a downtown that no longer exists. “The complete eradication of the traditional business district has left nothing for the community to relate to as their downtown”, admits an internal city memo.

Small business owners are compensated and relocated, but often in distant areas far from their established customer base. Cut off from the community that nurtured them, they often cannot survive.

Small property owners have little chance to participate in redevelopment projects. Consultants and redevelopment planners prefer to work with one huge parcel under a single ownership. Entrepreneurs and homeowners just get in the way.

Indeed, one of the definitions of blight is that of “irregularly shaped lots with multiple ownerships”, to be solved by “consolidating parcels” for an outside developer to control. The variety of land owners and uses that gives cities their individuality becomes an excuse for expropriation.

Legislative attempts to protect small property owners have all been derailed by pro-redevelopment forces in Sacramento. Eminent domain is defended as a tool of “last

resort”. Yet eminent domain lies at the heart of the coercion that makes redevelopment possible — and destructive.



“What’s mine is mine . . . and what’s yours is mine!”

9 — The Redevelopment Establishment

Redevelopment is an entrenched special interest. It thrives on contributions from its beneficiaries and from lack of awareness of the general public. Its advocate is the California Redevelopment Association, a Sacramento-based lobby that seeks to protect and expand redevelopment power.

The CRA claims to represent the interests of cities. It is, in fact, a self-perpetuating money machine that reacts against any reforms that would diminish its power. The CRA's annual budget now tops \$1.6 million. Its Executive Director draws \$156,200 annually in total compensation. Its contract lobbyist will be paid \$122,800 this year, though the CRA is only one of his several clients.

The public has no voice in CRA operations or policies. The CRA is governed by its seven officers and a 12-member board. All are redevelopment agency administrators. None are elected officials. The CRA is operated by redevelopment insiders to serve their interests. Good public policy is the last of its concerns.

The real beneficiaries of redevelopment are not local communities, which must bid against each other for corporate retailers. They are not individual citizens, who have seen their property rights eroded as public debts mount.

The real beneficiaries are those employed by redevelopment agencies. Redevelopment staff controls agency agendas and recommends agency actions. Agency members--usually elected city councils--often rely more on their staff than on their own judgement. Though

simple to understand, redevelopment is often presented as too complex for ordinary elected officials--and citizens--to comprehend.

The real beneficiaries, too, are the consultants, lawyers, bond brokers and developers who create, finance, advise, build and otherwise make vast sums from redevelopment projects.

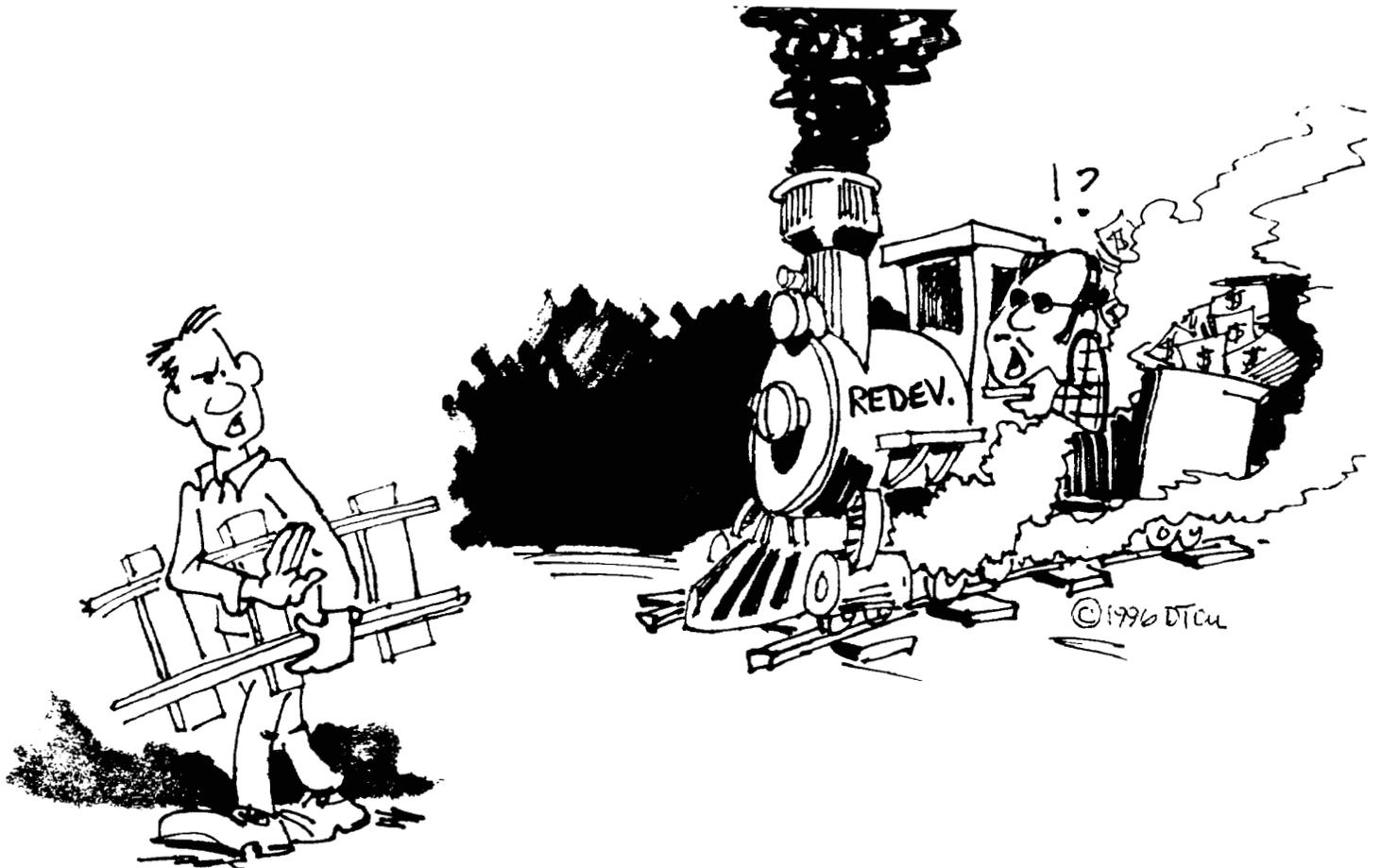
They are easy to find. The California Redevelopment Association's 1996 Directory lists as members 25 commercial development companies, 26 bond brokers, 37 law offices and 101 separate consulting firms. Together, they form redevelopment's core constituency and its only profit-center.

Among these companies are California's biggest developers, priciest law firms and some of Wall Street's most powerful brokerage houses. They are relied on by public officials for "expertise" which is always geared to expanding redevelopment power. They are the donors to the CRA's political action committee, which supports compliant state and local lawmakers. Thus, the tax increment is recycled into political contributions.

What also allows redevelopment to thrive is the lack of public understanding of what it is and how it operates. By law, redevelopment agencies are an arm of state government, and thus are not subject to the same public overview as are those of the counties, school districts and cities. This isolation has spawned activities that would never be tolerated by any other government agency.



"Follow me, boys . . . another town needs saving!"



"Your gravy train ends here!"

10 — What You Can Do

Clearly, redevelopment is out of control.

Under the thin guise of eliminating blight, it consumes a growing share of property taxes, incurs ever burgeoning debt, spawns sales tax wars among cities and tramples on property rights. Originally created as a temporary measure following World War II, it threatens to become a permanent cancer on California's political and economic life. Ending redevelopment abuses can be approached on four levels:

LOCAL ACTIVISM: If your city has redevelopment, learn more about it and help educate your fellow citizens. Monitor agency agendas, challenge new debt issuances and expansion of project areas. Support local small businesses threatened with eminent domain and facing giant tax-subsidized competitors.

If your city has no redevelopment, use the examples of abuse to keep it out of your city. Wherever you live, support officeholders and candidates who understand redevelopment and can make their own judgements independent of those who profit by it.

LEGAL CHALLENGE: County and school officials must be more aggressive in appealing redevelopment tax diversions. Grand Juries must broaden their probes into redevelopment. As the California State Supreme Court becomes more protective of property rights, eminent domain abuses can be more successfully challenged. A growing number of public interest lawyers are willing to defend small property owners against redevelopment agencies.

STATE LEGISLATION: Redevelopment is a layer of government created by the state, and has no powers other than those granted by the state. Led by Senator Quentin Kopp (I-San Francisco), numerous redevelopment reform bills have been introduced into the legislature. The following reforms must continue to be addressed:

Eminent Domain: Controls must be placed on the widespread abuse of eminent domain.

Sales Tax Disbursement: Some type of per-capita sales tax disbursement would end predatory redevelopment and return cities to an equal footing. Assured of a stable revenue flow based on its population size, cities could concentrate on providing basic services, rather than subsidizing new businesses.

Debt Control: Make redevelopment debt subject to voter approval. This would limit debt issuance and make agencies more publicly accountable.

Mandatory Sunsets: The 40-year sunset law must be given teeth and enforced. If redevelopment agencies truly have eliminated blight, then there should be no further need for them.

Comprehensive Fiscal Reform: A rational and stable method of funding local government must be found, shifting cities back to greater reliance on property taxes and less on sales taxes.

Unfortunately too many legislators and their staffs still do not fully understand redevelopment and see little political gain in challenging it. Its opponents are many, but still scattered and unorganized, while its beneficiaries are vocal and well-funded.

A flurry of redevelopment bills were introduced into the California State Legislature during the 1997-8 session, including three important curbs on redevelopment abuse:

AB 939, authored by Assemblyman Tom McClintock (R-Northridge), this would place mandatory sunsets on agency operations. Redevelopment agencies would be allowed to finish all existing projects, but not commence new ones not already started. Upon completing existing projects, agencies would stay active only to pay off all existing debt, then shut down. All property taxes diverted would then be restored to the cities, counties and school districts. Hundreds of supporting letters from citizen activists poured in, but the CRA orchestrated strong opposition from redevelopment agencies and developers. The bill died in the Assembly Local Government Committee, but only after a lively hearing that observers noted was one of the longest and frankest exchanges on redevelopment abuses the Capitol had ever witnessed.

AB 1677, also by McClintock, this bill would require voter approval of all new redevelopment bonds. This would close the legal loophole which exempts agency debt from voter approval, which does apply to city, school and state bonds. Opposition to this bill was came from the CRA, the League of California Cities and from major bond brokerage firms that stood to lose huge commissions from bond sales. The bill also died in the Assembly Local Government Committee.

AB 1835, authored by Assemblyman Tom Torlakson (D-Martinez), this bill would ban using public money to lure an existing business to move from one city to another. The bill struck at the heart of sales tax piracy, intending to end the corporate extortion that pits

one city against another for major retailers. Under CRA pressure, the bill was watered down and contained a number of loopholes, but was still strongly supported by MORR as an important first step. AB 1835 passed the Assembly, 48-23, but failed narrowly in the Senate Local Government Committee. Opposition was intense from lobbyists representing developers and retailers who stood to lose millions in public subsidies.

Many legislators still need to be educated about redevelopment by their constituents through letters, phone calls, faxes and testimony before key committees. As new term limits take effect, legislators will hopefully focus more on doing the right thing, and long-term relationships with lobbyists will be less important.

Equally important will be the impact of education advocates, once they realize how redevelopment revenues can be redirected into California's public schools. The combined political clout of the California Teachers Association and the California School Boards Association dwarfs that of the redevelopment establishment.

STATEWIDE INITIATIVE: A ballot measure requiring voter approval of redevelopment debt looks likely by the June, 2000, primary. Proposed by the Paul Gann's Citizen Committee, it would require the same voter approval for redevelopment bonds that exist for school bonds.

The ultimate goal of any initiative must be to disband the redevelopment agencies and return the property taxes to schools, counties and cities.

Opposition to redevelopment is growing and cuts across partisan lines. It includes pro-property rights Republicans and anti-corporate welfare Democrats. It includes conservatives

opposed to growing public debt, and liberals opposed to the destruction of poor neighborhoods. It includes free market libertarians and civil rights activists fighting the displacement of minority communities. It

includes environmentalists concerned about suburban sprawl and preservationists lamenting the demolishing of historic downtowns.





11 — Reclaiming Redevelopment Revenue

Public money should be spent to serve and protect the public, not enrich private interests. The \$1.5 billion in property taxes currently diverted by redevelopment agencies can be reclaimed to meet real human needs. And there is no greater need than that of our school children.

State government has full powers over all 359 redevelopment agencies in California. Though administered locally, these agencies are legally and collectively an arm of state government, and can be reformed directly by the legislature or statewide initiative.

Building shopping malls, auto dealerships and pro sports stadiums is a proper function of the free market. If there is a market for them, they will all be built, with or without government subsidy. Public education and public safety, however, are a state responsibility

We, the voters of California, have the power to redirect redevelopment funds back into serving the public, either through our legislative or ballot initiative. We should do so.

Redevelopment debt could be paid off by liquidating agency assets, thus freeing up the property taxes to improve local schools and services.

RETIRE DEBT: While long-term indebtedness exceeds \$41 billion (Table II) the actual principal on outstanding tax allocation bonds is only \$8.5 billion, and could be paid off completely by liquidating existing agency assets (including cash, investments and real estate). Thus, the debt could be retired now, avoiding exorbitant future interest payments.

PROPERTY TAX RESTORATION: With all redevelopment obligations met, the property taxes (\$1.5 billion annually) could be returned to public education and local government. Currently Public Schools receive 57% of all property taxes statewide, Counties receive 21%, Cities receive 12% and Special Districts receive 10% (before redevelopment takes its share). Without redevelopment, the restored tax revenues would then be shared accordingly:

TABLE VII
Annual Revenue Gains by Public Entity
With Restored Property Taxes

K-12 Public Schools:	57% = \$855 million
Counties:	21% = \$315 million
Cities:	12% = \$180 million
Special Districts:	10% = \$150 million
	<hr/>
	\$1.5 billion

TABLE VIII
Current Per-Student Expenditures
(1996-97)

1.	New Jersey	\$9,455
2.	Alaska	8,900
3.	New York	8,658
4.	Connecticut	8,376
5.	Rhode Island	7,665
6.	Delaware	7,086
7.	Massachusetts	7,069
8.	Pennsylvania	6,967
9.	Michigan	6,654
10.	Maryland	6,547
11.	Wisconsin	6,521
12.	Vermont	6,503
13.	West Virginia	6,406
14.	Maine	6,385
15.	Minnesota	6,041
16.	Wyoming	6,036
17.	New Hampshire	6,014
18.	Oregon	5,988
19.	Virginia	5,920
20.	Indiana	5,886
21.	Washington	5,805
22.	Hawaii	5,720
23.	Iowa	5,720
24.	Georgia	5,585
25.	Texas	5,551
26.	Ohio	5,527
27.	Kansas	5,493
28.	Florida	5,427
29.	Illinois	5,423
30.	Montana	5,380
31.	Kentucky	5,346
32.	CALIFORNIA	5,284
33.	Alabama	5,255
34.	Nebraska	5,250
35.	Colorado	5,147
36.	South Carolina	5,105
37.	North Carolina	5,028
38.	Nevada	4,998
39.	Missouri	4,949
40.	New Mexico	4,927
41.	Tennessee	4,898
42.	South Dakota	4,860
43.	North Dakota	4,867
44.	Louisiana	4,527
45.	Idaho	4,500
46.	Mississippi	4,269
47.	Oklahoma	4,187
48.	Arkansas	4,172
49.	Arizona	4,048
50.	Utah	3,837

TABLE IX
Per-Student Expenditures,
with Restored Property Taxes

1.	New Jersey	\$9,455
2.	Alaska	8,900
3.	New York	8,658
4.	Connecticut	8,376
5.	Rhode Island	7,665
6.	Delaware	7,086
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50.	Utah	3,837

SOURCE: California Teachers' Association

Divided among our 5.6 million public school kids, this \$855 million boost would lift per-student spending by \$153 per year. California's annual per-pupil spending would jump from \$5,284 to \$5,437; from 32nd to 28th nationally (Tables VIII & IX) pushing us past Kentucky, Montana, Illinois and Florida. Funding would flow to buy new textbooks, hire more teachers and expand after school programs.

With an added \$495 million, cities and counties could hire 7,000 more police and sheriff's officers, buy 20 million more library books, improve paramedic service or expand youth programs. Special districts could upgrade our aging water and sewer systems.

This restoration of revenues for local needs could be done on a per-capita basis, so as not to lock in current county-by-county disparities in property tax allocation. Added, too would be additional property taxes from long-held agency properties now sold and returned to the tax rolls.

The original rationale of redevelopment was to eliminate blight. It was a temporary fix for a temporary problem. Redevelopment agencies were never supposed to hoard an ever-

growing slice of property taxes indefinitely. Let them share it now.

More importantly, how better will blight really be eliminated? By building more commercial development? By encouraging California consumers to buy ever more merchandise? Or by better educating our children? What good are new NFL stadiums in San Francisco, Los Angeles or San Diego, if our kids can't read, write, add or subtract?

There is growing bi-partisan consensus for reform in how local government is funded in California. A more rational apportionment of sales and property taxes would end current inter-governmental competition, and stabilize the current creaky system. It would compel commercial development to pay its own way thus reducing fees on new housing. Reclaiming property taxes long diverted to redevelopment is an essential part of this reform.

When redevelopment is fully understood, change will come quickly. When it is no longer *The Unknown Government*, policies promoting fiscal responsibility and free enterprise and fair play for all Californians will finally be restored.

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