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CITY COUNCIL MEETING

JULY 6, 1983

LETTER REC'D
FROM ATTORNEY
BRENTON BLEIER
RE PROPOSED
REDEVELOPMENT
AGENCY IN
LODI

Following receipt of a letter from Attorney Brenton Bleier regarding a proposed Redevelopment Agency in the City of Lodi, on motion of Mayor Pro Tempore Snider, Murphy second, the matter was referred to staff for review and recommendation.

CITY COUNCIL

EVELYN M. OLSON, Mayor
JOHN R. (Randy) SNIDER
Mayor Pro Tempore
ROBERT G. MURPHY
JAMES W. PINKERTON, Jr.
FRED M. REID

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
POST OFFICE BOX 320
LODI, CALIFORNIA 95241
(209) 334-5634

F u 7/6
HENRY A. CLAVES, Jr.
City Manager

ALICE M. REIMCHE
City Clerk

RONALD M. STEIN
City Attorney

July 11, 1983

Mr. Brenton A. Bleier
Attorney At Law
404 West Pine Street
Suite Two
Lodi, CA 95240

Dear Mr. Bleier:

Your June 24, 1983 letter regarding a proposed Redevelopment Agency of the City of Lodi pursuant to the Community Redevelopment Law of the State of California was presented to the Lodi City Council at its regular meeting of July 6, 1983.

Council referred the matter to Staff for review and recommendation. I am sure you will be hearing, shortly, from a representative of Staff concerning this matter.

Should you have any questions, please do not hesitate to call this office.

Very truly yours,

Alice M. Reimche
Alice M. Reimche
City Clerk

AMR:jj

LAW OFFICES OF
BRENTON A. BLEIER
404 WEST PINE STREET, SUITE TWO
LODI, CALIFORNIA 95240
(209) 333-2146

June 24, 1983

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ALICE M. REIMCHE
CITY CLERK
CITY OF LODI

The Honorable City Council
City Clerk, City of Lodi
221 W. Pine Street
Lodi, California 95240

Re: A Proposed Redevelopment Agency
of the City of Lodi

Honorable Members in Session:

Introduction

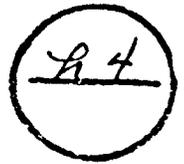
The purpose of this letter is to formally propose to you that the City of Lodi establish a Redevelopment Agency of the City of Lodi pursuant to the Community Redevelopment Law of the State of California (Sections 33000 et seq. of the California Health and Safety Code). In this letter, I will address what a redevelopment agency is, what it can do for Lodi and what you as a Council need to do to begin the process.

I. WHAT A REDEVELOPMENT AGENCY IS

A redevelopment agency is a separate and distinct legal entity created by the city council of a city pursuant to a set of statutes known collectively as the Community Redevelopment Law. While it is possible that the Agency could have a separate governing board, it is permissible, and I would recommend, that you establish yourselves as the governing board of the Redevelopment Agency. The Agency would not need any staff apart from the present City staff, at least in its early years.

The Redevelopment Agency defines an area within the boundaries of the City which is in need of capital assistance beyond that available from the general fund. In Lodi's case, I would suggest an area including approximately one-third of the assessed valuation of the City and including the downtown area, the East Side residential areas, the major commercial areas and areas of present and future industrial development.

A "redevelopment plan" is established for such an area and such an area is generally known as a "redevelopment project area" or simply "redevelopment area". The plan will basically set forth your priorities for implementing improvements within the area based upon the availability of funds to the Agency. It need not be, and in fact should not be, an extremely detailed document. It should deal with general plans and priorities to



allow maximum flexibility to later Agency and Council members. The plan will have a term of thirty to fifty years and may be extended from time to time.

The most important feature of the Agency however is its source of income. Upon the establishment of a redevelopment area, the County Assessor will survey the total assessments levied within the area upon the date of the initiation of the plan. Thereafter, the County Tax Collector is instructed by law to rebate to the City one hundred percent (100%) of all tax collections on assessments within that area above the level of the assessments upon the date of the plan.

These payments are called variously "tax increments" or "tax allocation payments". It is these payments that form the source of income for the Agency with which it can undertake its projects.

As you know, assessments increase in California from three causes:

- (1) A two percent (2%) per year increase in assessments allowed under Proposition 13;
- (2) Adjustments to fair market value as a result of sales or transfers of real property; and
- (3) Increases in valuation due to improvements to real property such as new construction and development.

From a pragmatic standpoint, because the Redevelopment Agency's income is therefore geared to growth of the assessments base, it is most important that the project area be defined to include areas of prospective growth. I have prepared and attached as Exhibit "A" a pro forma analysis of the levels of payments which could be achieved by a Redevelopment Agency in Lodi which included approximately one-third of the assessed valuation of the City within its boundaries. As you can see, while the payments in the early years are small, they grow geometrically because of the growth of the base upon which they are calculated and rapidly become an extremely substantial base of support for capital improvements in our City.

I am often asked by city officials what disadvantages or "strings" are attached to such money. The only major disadvantage of the legislative scheme is a requirement, which can be substantially mitigated by certain factual findings by the Council, that



a portion of the money derived be devoted to "low and moderate income housing". Of course, it is clear that much government expenditure in this area has been a very negative influence upon many communities. However, in Lodi's case, as outlined in the next section of this letter, I believe these expenditures can be properly handled and actually help maintain the quality of life in Lodi.

Having discussed what an agency is, and what its source of funding would be, I would now turn to what it can do for Lodi.

II. WHAT CAN A REDEVELOPMENT AGENCY DO FOR LODI

The basic purpose of a redevelopment agency is to revitalize a city through capital expenditures. It cannot use its funds for operational expenses or the hiring of city employees. But, with careful planning and wise administration, it can use its funds for virtually any form of capital improvement within a redevelopment area. I will discuss in some detail below three high priority areas, in my view, where such funds could be well utilized in Lodi.

A. Revitalization of the Downtown

Almost all Lodians see clearly the need to revitalize our downtown commercial area. City after city across this country has, at its own peril, let its downtown core rot and deteriorate. We must not let this happen in Lodi! However, it is also clear that the cost involved with even minor cosmetic improvements of the public areas is staggering.

As we all know, some members of the commercial community have been discussing an assessment district approach to downtown improvements for some time. This approach has not worked on a large scale in other cities for two reasons:

- (1) It simply cannot generate enough funds to do more than minor cosmetic improvements which fail to deal with the heart of downtown merchants' problems; and
- (2) Any money that is raised becomes simply an additional taxation burden on the very merchants who are already at a competitive disadvantage as against merchants in outlying shopping centers.

In short, the downtown must become a competitive "shopping center" in order to compete with newer shopping centers. The

history of merchandizing in this country for the last twenty years indicates that to be successful such a true "shopping center" in the downtown must be anchored by a major retailer.

Unfortunately, however, such retailers are usually tempted into outlying shopping center locations because of the availability of low cost parking and other amenities. We in Lodi have seen major retailers such as Mervyns and K-Mart choose the fringes of our City rather than its heart for their locations.

Accordingly, if a major retailer is to be enticed to locate in downtown Lodi, the City must make the downtown at least equally attractive to such a merchant. In view of competition with other cities, to attract a major multi-line retailer to downtown Lodi, the City must be prepared to assemble the parcel and probably provide to the retailer, at minimal cost, a level of subterranean public parking below his store. This could cost up to a million dollars!

Such a course of action would clearly revolutionize downtown Lodi. Literally, overnight, downtown Lodi would be "the place to be" for merchandizing in our City.

Of course, it is clear that such a dramatic approach has funding as its primary ingredient. Only a redevelopment agency can provide the City with a level of funding necessary to pursue such a strategy.

B. Revitalize Hutchins Street Square

The community center concept has fired the imagination of many of Lodi's citizens. Hundreds of people have devoted countless thousands of hours attempting to raise sufficient money to acquire the Hutchins Street Square site and develop it as a true community center for Lodi. Unfortunately, hard reality indicates that it will be well-nigh impossible to privately raise the sums needed to accomplish this considerable task.

On the other hand, a Redevelopment Agency would allow your Council to establish matching funds to insure broad-based citizen participation in the renovation and at the same time offer a reasonable expectation that it could be accomplished.

C. Revitalizing the East Side

For a variety of reasons, including growth in the supply of new residential housing on the west and south sides of Lodi which



was disproportionate to the growth of stable homeownership in Lodi, the resale market for housing on the East Side has been significantly undermined. This has led to a tragic deterioration of Lodi's East Side and the concomitant development of a crime-infested, near-ghetto atmosphere in some areas. This is a particularly difficult situation for the many long-time elderly residents of Lodi who have made their homes on Lodi's East Side for dozens of years.

Some would argue that these trends are not properly the focus of governmental intervention and should be left to market forces. While I generally agree with this concept, in this instance the plight of our elderly citizens in their desire to maintain their homes is primarily attributable to government: (1) to the federal government's inflation of the currency thereby depriving them of their savings, and (2) to local and state government's preoccupation with excessive development thereby depriving them of a viable resale market for their homes.

This means that our young families gravitate to small, cramped new housing rather than larger, well-built older homes in the East Side areas where the values have been undermined. This, thus, becomes a vicious, self-fulfilling prophesy of decay.

Since government caused these problems, I believe that government has an obligation to help remedy them! To stop this process and reverse the decline of our neighborhoods, we need to aid our elderly citizens to maintain and upgrade these older residences as part of a larger strategy to rebuild the value of these properties. Many communities have done this through deferred, low-interest loans and grants to elderly homeowners for rehabilitation of their homes.

Additionally, I believe that we should consider "reverse equity loans" which would allow the elderly homeowner to withdraw the equity from his home over an extended period of time so as to allow him to stay in the home longer. All of these loans would be repaid upon sale or transfer and could constitute a long term revolving fund for improvement of the housing stock owned by our elderly citizens.

It should be stressed that such programs should apply only to our elderly, fixed-income citizens and not to other "fair share" groups identified by the recently-proposed Housing Element. This is because the elderly constitute a stabilizing influence on our East Side neighborhoods whereas these other "fair share" groupings would constitute a further destabilizing

influence. Future generations of Lodians will thank us for preserving a strong and vital East Side.

All of these plans however require funding and there is no reasonable expectation that the general fund of the City would ever be able to support such activities. If we are to undertake these dramatic initiatives to stabilize the East Side, we must have a Redevelopment Agency to provide the funding.

D. Other Uses

I have also enclosed as Exhibit "B" to this letter, an article from the News-Sentinel of Thursday, May 26, 1983, describing the uses to which the City of Galt intends to put their redevelopment money in the area of economic development. With some legal limitations, this money can also be used in the directions indicated by the article.

Further, it should be noted that, with certain findings by the Council, Redevelopment Agency money can be used for new public buildings, parks and facilities within the redevelopment area. In short, there are a myriad of potential uses to which such funds can be placed.

The most important concept related to a Redevelopment Agency is that not a single dollar of additional taxation will be paid by citizens of Lodi by use of this source of funding!

III. WHAT MUST BE DONE TO ESTABLISH AN AGENCY

In establishing a redevelopment agency or area, many communities have retained outside consultants to provide the necessary planning and legal expertise to accomplish the task. While you may wish to consider the retention of such a consultant to actually draft the plan, I have discussed the matter with your City Attorney and I am confident that he has the necessary skill and expertise to handle all of the necessary legal work related to the establishment of your Agency. In this regard, I would be pleased to work with Mr. Stein, if he should request it, in any manner or capacity that he desires, in the legal work necessary to establish the Agency and plan without fee or charge.

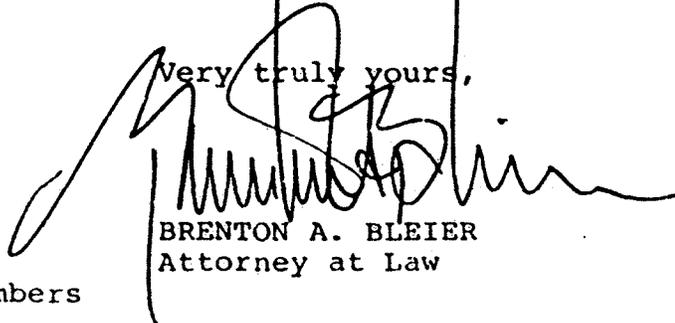
You may expect that a consultant would charge Ten to Fifteen Thousand Dollars (\$10,000.00 to \$15,000.00) to assist you in the preparation of the plan itself. However, in my view, this would be money well spent.

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The Honorable City Council
Page Seven

If you wish to proceed with the matter, I would encourage you to direct your City Manager and City Attorney to report back to you at an appropriate time with an Action Plan to establish such an Agency and begin this process for the sake of the future of Lodi.

Very truly yours,



BRENTON A. BLEIER
Attorney at Law

Enclosures

cc: Individual Council Members
City Manager Graves
City Attorney Stein

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EXHIBIT "A"

Pro Forma Tax Increments Available
to City of Lodi under Proposed Re-
development Area.

Presumes: One Third of Lodi's Assessed Valuation within
Boundaries of Area, say, \$55,000,000

<u>Year</u>	<u>Annual Increase in Assessed Valuation</u>	<u>Cummulative Increase in Assessed Valuation</u>	<u>Tax Increments</u>
1.	\$5,500,000	\$5,500,000	\$ 63,250
2.	6,050,000	11,550,000	132,825
3.	6,655,000	18,205,000	209,358
4.	7,320,500	25,525,500	293,543
5.	8,052,500	33,578,000	386,147
6.	8,857,800	42,435,800	488,012
7.	9,743,600	52,179,400	600,063
8.	10,717,900	62,897,300	723,319
9.	11,789,700	74,687,000	858,900
10.	12,968,700	87,655,700	1,008,041
		10 year total	\$ <u>4,763,458</u>

Galt officials are optimistic about future industrial growth

By MARK CURSI

News-Sentinel staff writer

Galt — a hotbed of industrial growth.

That statement may appear to be an incorrect way to describe the quiet agricultural community known more for its dairy farms than heavy industry, but Galt city officials are boldly betting their jobs on a rosy economic future.

The reason for their optimism is the recent establishment of a city redevelopment agency aimed at bringing in new industry, more jobs and widespread physical improvements to Galt's aging central section.

The major economic facelift is expected to run its course "well within 10 years," according to Galt City Manager Joe Tanner.

although the agency could remain in action for up to 30 years

The City Council unanimously approved Tanner's idea at its regular public meeting last week and in so doing agreed to serve as members of board of directors for the project.

The council agreed to oversee the project, Tanner explained, to lend "credibility" to his plan. "That means the board answers to the public," he said.

Tanner, who began work on the project almost two years ago, footnoted his statement by stressing that the newly-formed agency is a "separate and distinct body" and is not connected in any way with the city.

The program is complicated but, as Tanner described it, "fail-safe." Specifically, the redevelopment agency will provide extra incentives for industries to establish factories in the city of roughly 5,000 which is suffering from an "intolerable" unemployment rate of 18.3 percent, according to Tanner.

The incentives come from the agency's law-guaranteed ability to arrange tax-free loans for those industries interested in settling in Galt.

The loans will go to constructing new plants, which would in turn generate more tax dollars in proportion to the increased property value.

But rather than distributing all of the new tax money to the usual local and state levels, a

large portion will be funneled directly back into the redevelopment agency for use in improving "blighted" areas.

The city's first priority calls for major industrial development in the north area of the city limits bordered by Pringle Road on the south, MacFarland Road on the west, Live Oak Road the north and Highway 99 on the east.

Tanner said that the tax money generated from this proposed industrial area would be put to work in the central section of the city where sidewalks and curbs are needed as well as new sewer and water lines.

The city staff has estimated the total cost of upgrading the central section of Galt at more than \$7 million spread

over a seven year period.

Plans are also in the works for increased homebuilding in unused sections of land east and south of the central area using the same financing method.

Does the ambitious plan mean that Galt city officials have decided to let loose the reins on growth and go for broke?

"We're not going around saying, 'Come on all of you people, move to Galt,'" Tanner replied. "We are saying, 'Come on industry, move to Galt.' We want to put our unemployed people to work before we bring in others."

The city manager said that three different companies have expressed interest in establishing facilities in Galt because of the new agency

The three companies could create 110 to 120 new jobs.

Tanner would not name the companies involved in the prospective deal because the city of Galt is now in competition with other cities for the lucrative tax dollars the firms' presence could bring. One public slip-up could cost the city a major employer

Tanner admitted that the types of industry brought into the town is "always a touchy subject."

He said the city "would strive to bring in clean industry" but did not specifically point to any particular industry

The growing competition among cities for new industry is an amazing phenomenon. Tanner guards the city's pitch

to companies looking for a place to settle like a football coach protects his gameplan.

Tanner won't publicly reveal what benefits the city might possibly offer a company to settle in Galt for fear another city will come up with an even more enticing offer.

"We're simply turning upside down for them," he said of the city's efforts to lure the companies. "You can't put out the red carpet for them anymore — that's not enough. We have to show them it's cheaper to operate in Galt than anywhere else."

For Tanner, the plan represents his chance to demonstrate how Galt can carry out a unique brand of creative financing in increasingly tough economic times for California cities.

"The old ways of doing city business are over," he said in reference to Proposition 13 and a now-stingy federal government. "Things have changed more in the past five years than in the past 200 years. Governmental finance has been turned completely around."

Before the agency actually goes into action, the Galt City Council must conduct a second reading of the ordinances which were passed in establishing the new entity.

The Galt Redevelopment Project will officially be in operation within 60 days.



PARTY PAPER ETC.