

City Council, Special Meeting
 Civic Center Council Chambers
 777 Cypress Avenue
 Redding, California
 December 15, 2009 4:00 p.m.

The meeting was called to order by Mayor Jones with the following Council Members present: Bosetti, Dickerson, McArthur, and Stegall.

Also present were City Attorney Duvernay, City Manager Starman, Assistant City Manager Tippin, Deputy City Clerk Mize, and Executive Assistant Grimm.

LAW ENFORCEMENT UPDATE

[P-150-150]

City Manager Starman provided an update on the current status of the bank robbery in Burney that occurred earlier today.

PURCHASE AND SALE AGREEMENT - to acquire the office building located at 760 Cypress Avenue

[C-070-010]

Mayor Jones stated that he had received a large number of telephone calls relating to the time of this special council meeting and opined that the public needs more access to the discussion related to the purchase of the office building on Cypress Avenue.

A MOTION WAS MADE by Mayor Jones to cancel today's meeting and add this topic to the January 5th Council meeting agenda.

The motion failed due to the lack of a second.

City Manager Starman reported that six-to-eight weeks ago, the agent for the Civic Plaza office building approached the City regarding off-site parking for a potential tenant for the building, which has been virtually unoccupied since completion. Subsequently, the lender (Interwest Mortgage Investment Company, a subsidiary of Sterling Savings Bank) proceeded with foreclosure and offered the property for sale at a minimum bid of \$4.2 million; no bidders expressed interest and the bank took possession. Mr. Starman relayed that Sterling Savings Bank is currently experiencing fiscal stress and is being closely monitored by the FDIC, with rigorous requirements to increase its capital ratio by December 15, 2009; further stating that the bank is very motivated to complete a sale as quickly as possible.

Mr. Starman recalled that the City Council met in executive sessions on November 17, 2009, to discuss the solicitation for off-site parking and on December 1, 2009, to discuss interest in a possible purchase of the office building. Based on Council direction, negotiations with Sterling Savings Bank commenced, with an offer and two counter-offers being discussed. On Monday, December 14, 2009, the bank accepted an offer from the City of \$2.6 million for the 40,500 square foot main building, with no tenant improvements. Mr. Starman advised that the combination of location and low purchase price made the building a very attractive, long-term investment for the City.

Mr. Starman related that Redding Electric Utility (REU) could relocate and consolidate most of its employees in the office building, which would enable other departments to use space in City Hall and allow for future growth as the recession fades and growth returns to the Redding community. Due to the urgent nature of the bank's negotiating position, REU reserves could be used to purchase the building in a cash transaction. Mr. Starman advised that the City could consider refinancing the building acquisition and tenant improvements at a later date in order to replenish the Electric Utility Fund reserve, and outlined some possible scenarios resulting from the acquisition.

Council Member Dickerson relayed that there had been some discussion in the community about the cancellation of the regular council meeting due to lack of a quorum and suggested that historical notice language be changed on future notices.

Council Member Stegall asked if Sterling Savings Bank's fiscal difficulties could cause any concerns for the City, to which Mr. Starman responded that once a purchase transaction was complete, the City would have no further involvement with the bank.

Gary Cadd, William Miller, Larne Rocha, Carl Arness, Ed Marek, Donna-Rae Standley, Erin Shama, Elizabeth Brummer, Dennis Mihalka, Mary Stephens, and Joyce Hankin opposed the purchase of the Civic Plaza office building citing various reasons, including poor economic conditions and improper use of Electric Utility funds.

Council Member Dickerson opposed the purchase of the Civic Plaza building due to uncertain and difficult economic circumstances and stated that Electric Utility reserve funds were previously identified as necessary to guard against possible rate increases resulting from low hydro years and high prices for purchasing power when electric utility customer demand exceeds the power plant's generation capacity. Mr. Dickerson stated his discomfort with the proposed indebtedness.

City Manager Starman reiterated that the office building across from City Hall is an exceptional opportunity and excellent value that would serve the City well and emphasized that utility "enterprise" funds are discrete funds, that General Fund monies are not commingled, and public safety or police facility funding would not be affected by this capital purchase by REU. Mr. Starman recommended that the City Council authorize the Mayor and/or the City Manager to execute a Purchase and Sale Agreement to acquire the office building located at 760 Cypress Avenue (Civic Plaza) and adopt the related budget resolution.

Mayor Jones agreed that the purchase of the Civic Plaza office building was a sound investment and exceptional opportunity, but stated opposition based on citizen input and priority of the police department's need for relocation.

A MOTION WAS MADE by Council Member McArthur, seconded by Council Member Stegall, to authorize the Mayor and/or the City Manager to execute a Purchase and Sale Agreement to acquire the office building located at 760 Cypress Avenue (Civic Plaza) and adopt the related budget resolution. The Vote:

AYES: Council Members - McArthur and Bosetti
 NOES: Council Members - Dickerson, Jones, and Stegall
 ABSTAIN: Council Members - None
 ABSENT: Council Members - None

Council Member Stegall expressed agreement with the stated objections, but regretted letting such an excellent opportunity go uncaptured.

RESOLUTION - Official intent to reimburse certain expenditures from proceeds of indebtedness

[E-090-020-000]

City Manager Starman stated that this resolution was contingent upon the purchase of the office building located at 760 Cypress Avenue, and since the previous item was not approved, this resolution was superfluous.

ADJOURNMENT

There being no further business, at the hour of 5:29 p.m., Mayor Jones declared the meeting adjourned.

APPROVED:

 Mayor

ATTEST:

 Deputy City Clerk