

City Council, Special Meeting
 Civic Center Council Chambers
 777 Cypress Avenue
 Redding, California
 January 7, 2010 3:00 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 Manager Starman, Assistant City Manager Tippin, City Attorney Duvernay, Assistant to the City Manager Clark, Deputy City Clerk Mize, and Executive Assistant Grimm.

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PUBLIC WORKSHOP - To discuss the "Radical 10 in 2K10" Initiative and provide additional direction to staff

[A-050-060]

City Manager Starman announced that the format of this meeting would be a workshop, less formal than a regular Council meeting, to discuss ideas submitted by the "Radical 10" committee for Council's consideration. He provided background on the formation of the committee and suggested that Council first consider three ideas that would not have a direct impact on the City's budget. Mr. Starman indicated the intent of the workshop was to gather information, ask questions, and provide additional direction; that no definitive action was required at the meeting; and that the format was open to ideas not listed in the Report to City Council (staff report) dated January 7, 2010.

Mr. Starman reviewed the aggressive, proactive steps the City has taken over the last 18 months to cut operating costs and ease financial hardships in the community in a difficult economic climate.

Kent Dagg, Committee Chair and Shasta Builder's Exchange CEO, made opening comments and reiterated that the ideas should be used as a springboard to stimulate discussion regarding ways to offset the recession's impact on the community.

Frank Strazzarino, Greater Redding Chamber of Commerce CEO, outlined the "Shop Redding" advertising campaign that encourages residents to buy from local businesses to help grow sales tax revenue. Extending that philosophy, he suggested that anyone buying a new car or truck from a local dealership between early February and the end of June be entered into a drawing for a \$10,000 refund, with the winner being announced at the Freedom Festival on July 4th. Mr. Strazzarino stated that the "Shop Redding" program will be ongoing and a way of life for the Chamber and community. Responding to Mayor Jones, Mr. Strazzarino expounded on the City's local purchase preference policy of one percent, while other cities offer a higher percentage to local suppliers, including the County of Shasta. He favored an increase to the local purchase preference percentage.

Mary Machado, Shasta Voices Executive Director, thanked Council and staff for progressive projects to stimulate local jobs, i.e., Stillwater Business Park, the Oasis Road Interchange project. She presented an idea to create a local private sector venture capital program, as detailed in the packet submitted to Council via email on December 30, 2009, and incorporated herein by reference. Ms. Machado outlined the overall program to create and accumulate venture capital from local individuals, private companies, and/or corporations willing to participate, to set up a venture capital fund and make monies available to loan to only local businesses. Ms. Machado further suggested that the Shasta County Economic Development Corporation (EDC) would be the appropriate body to administrate this program. Ms. Machado requested that the City Council send a letter to the EDC encouraging them to take the lead in developing a local program. Council Member Dickerson reminded everyone that he is the liaison to the EDC, expressed support for a letter of encouragement, and offered to work with Ms. Machado to carry it forward. Upon Council consensus, City Manager Starman was directed to prepare a letter.

Marie Whitacre, Shasta Association of Realtors Government Affairs Director, addressed the Business Incubator Program that involves vacant commercial and industrial properties throughout the City. Ms. Whitacre described a marketing concept to offer an incentive to

businesses creating new local jobs whereby property sellers and agents negotiate free rent for a period of time. She suggested a roundtable meeting with all local commercial and industrial property realtors to dialogue about implementation of this program, which would be coordinated by the Association. Ms. Whitacre requested Council's endorsement of a business incubator program. Upon Council consensus supporting the concept and Council Member Dickerson's suggestion, City Manager Starman appointed Pat Keener, the City's Economic Development liaison, as a staff resource person to support the Association's efforts on this program.

City Manager Starman advised that he would introduce each of the remaining agenda items and invited comments from committee and community members immediately following each topic.

First Lot Free in Stillwater Business Park

City Manager Starman referred to Exhibit C in the staff report and recalled that Phase 1 of the Stillwater Business Park is virtually complete with eleven lots being actively marketed for development. He summarized a suggestion to offer the first lot free-of-charge to any manufacturing company (new to Redding or an expansion of an existing company) that would contract to create and maintain new jobs for local residents. He described companion agreements that would meet legal requirements and provide accountability by tying forgiveness of a "silent second" note on the property to job creation with criteria that includes salaries of 110 percent of median income. Additional conditions to employ local contractors, use local material suppliers, and a commitment to break ground in 2010 and complete work by the end of 2011 would also be required. Additional long-standing economic development incentives within City authority could also be considered. Potential advantages and disadvantages are detailed in the staff report.

Les Melburg, Nichols Melburg & Rossetto Principal, relayed that his networking to research the viability of this idea resulted in an un-named east coast manufacturer expressing interest, visiting the business park, and meeting with the City Manager. Mr. Melburg commented that without the incentive, the company owner stated zero interest in coming to Redding to build a manufacturing plant. He maintained that 200 jobs would be created at build-out of this facility if terms could be agreed upon for a lot valued at approximately \$1.6 million. Mr. Melburg further suggested that having a reputable, established company in the park could entice other businesses and stimulate sales of other lots.

Council Member McArthur supported the idea and questioned how many generated jobs it would take to break even on giving a lot away, to which Mr. Starman responded that abstract questions are difficult to answer, but emphasized that any incentive would be commensurate with the number and quality of jobs provided.

Council Member Stegall expressed interest in this idea, stating that it had been previously considered and added that a length of time for the company to stay in Redding should be part of the offer. She favored an environmentally friendly company as well.

Council Member Dickerson supported the concept and maintained that each/any offer would have to be negotiated individually to the satisfaction of the Council, approved of marketing a "free lot", and requested John Troughton's opinion on the idea.

Council Member Bosetti favored further consideration of this idea and requested quantification of various scenarios to help determine how long it would take to "pay back" the City for the short-term yield of populating the business park by 2011.

John Troughton, Cushman & Wakefield Inc. Senior Director, relayed that various incentive structures exist throughout California and the nation and some parks have given away all the lots to the "right" manufacturing companies. In California, it is common for the first lot to be free or heavily discounted because it is often difficult to get a park started. Mr. Troughton supported the idea, but stressed the importance of detailed negotiations with optimal land use in mind. He asserted that care should be exercised to select a company that will be "poster child" for Redding to optimize the benefit to park development.

Mayor Jones opposed giving land away, questioned the real benefit of this idea, and requested data to support claims of the benefits of doing so. He noted that the idea was not considered when making all the other decisions related to SBP, nor part of original planning considerations. He stated that a \$10 million bond issue has been spent to complete Phase 1 and maintained that the private sector needs to come forward and invest in SBP.

Mr. Troughton addressed several specifics and explained the two marketing paths that his firm is taking to promote development in Stillwater Business Park (SBP). He stated that corporation owners, private equity firms, and real estate brokers would all be contacted afresh if Council decided to offer the first lot “free”.

City Manager Starman responded to Mayor Jones, confirming that indebtedness to the City for the value of the land would be secured by a second deed of trust, acknowledging the risk of being in a second position, and that options would be available if a company defaulted on terms of an agreement.

Doug Bennett and Rod MacLund commented on poor economic conditions and local business difficulties and essentially opposed this idea.

Mike Quinn and Ron Largent supported the idea, citing the need for Redding to be business friendly and affirmed the benefits of having a manufacturing company populate the Stillwater Business Park and provide jobs in a high unemployment environment.

Carl Arness supported the use of incentives and conditions, stating that the City Council should decide what those would be.

Responding to Council Member McArthur’s comments regarding vacated “big-box” stores in Richmond, Mr. Starman and Mr. Troughton explained that long-term development is important in the commercial world, which is different than retail space; that the emphasis of this idea is to stimulate a manufacturing company to build a facility in the SBP, which would have value even if they left the area in the future; and that modifications to mitigate “big-box blight” occurs when negotiating development agreements.

Mayor Jones did not support the idea because it was not considered when making all the other decisions related to SBP,.

A MOTION WAS MADE by Council Member Stegall, seconded by Council Member McArthur, directing staff to investigate this idea with the understanding that it be brought back as information for further discussion and decision. The Vote:

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

Clean up the Town for Free! Redding California Conservation Corps

City Manager Starman referred to Exhibit E in the staff report, explaining that monies originally thought to be available from the Smart Business Resource Center (SMART) to fund this idea will not be available. He stated that the program would be similar to traditional California Conservation Corps (CCC) work done by local workers, with the distinction of being a unit of youths aged 18-24 who would be exclusively committed to Redding projects such as trail creation and maintenance of wildland fire prevention. Mr. Starman noted that approximately \$125, 000 is currently available in grant money and that SMART would be working to obtain grant funding from AmeriCorps and Prop 84 funding to augment that amount. Potential advantages and disadvantages are detailed in the staff report, with no negative fiscal impact to the City as envisioned.

Assistant to the City Manager Clark added that Scott Woolsey, CCC Shasta Cascade Operations Director, had met with state officials about AmeriCorps grant funding, which will not be determined until June 2010 with actual funding, if available, in September 2010. He further stated that Prop 84 money is available and need only be appropriated for application to this program. Mr. Clark relayed that SMART would be willing to pre-screen applicants and assist with initial preparation for employment of the team members.

Council Member McArthur asked who had liability, to which Mr. Clark answered that the CCC would meet contractual requirements, as with other projects they have coordinated with the City.

Council Member Stegall asked which city staff person would be responsible for the project and how much time would be spent administering it, and clarified that no General Funds would be used, to which Mr. Starman answered that only grant proceeds would be used.

Council Member Dickerson asked if this idea would generate new jobs or employ existing CCC employees, to which Mr. Starman answered that 15 new employees would be hired to perform work specific to Redding and would be identified by badges/uniforms that are different than other CCC teams.

Council Member Stegall asked if displaced Crystal Creek program participants could be targeted for placement on the CCC youth corps, to which Mr. Dickerson responded that Crystal Creek youth were officially detained, were not all city residents, and may not be fit for an un-incarcerated type of work situation.

Debbie DeCoito, SMART Director, stated that original discussion of this idea included targeting “at-risk” youth and agreed-upon recruiting criteria would provide opportunities for disadvantaged youth to meet requirements and obtain employment and job skills through this program.

A MOTION WAS MADE by Council Member Stegall, seconded by Council Member McArthur, requesting staff to follow-up on this idea and bring back more specific information for a Council decision. The Vote: Unanimous Ayes

Partner Up! City of Redding Surplus Property as Potential Partnership Sites

City Manager Starman referred to Exhibit D in the staff report and outlined the idea for the City to partner with private entities to develop City-owned properties that are currently designated as surplus and/or properties that may be so designated in the future; he noted that a partial list was included in the staff report. Mr. Starman explained that the idea was that the City make land available for development with no “up-front” costs, similar to the proposed “silent second” deed of trust arrangement as discussed under the Stillwater Business Park free lot idea, with fair market value being paid to the City upon completion and sale of the project. A “brain-storming” session with local interested parties was suggested. Potential advantages and disadvantages are detailed in the staff report.

Council Member Dickerson commented that developers should be required to hire only local labor and use local suppliers; that the program should be limited to the local private sector only; and expressed strong concern about the wisdom of stimulating development of vacant land that could compete with existing vacant commercial space and residential projects and make it more difficult for existing property owners to rent or sell.

Mr. Starman relayed that the committee had discussed this point and that he felt Mr. Dickerson had a legitimate concern.

Kent Dagg relayed that the idea behind the idea was to provide funds to the City, put contractors to work and move forward on surplus property development. He acknowledged that new development, whether commercial or residential, would compete with existing property inventory, but also opined that City-owned “in-fill” lots could be developed to supply an unmet need in the current market for “starter homes.”

Mr. Dickerson maintained that he did not oppose the idea with the understanding that the development community understand the ramifications of such action so that future conditions be fully considered before pursuing a short-term solution that could create a long-term problem and suggested that the scope of the idea be limited to possible development of in-fill lots. He requested a compilation of existing property owner sentiment regarding a partnership like this, to be submitted for Council’s consideration before taking action.

Council Member Bosetti opposed being in second position on any project and suggested consideration of other first position financing options that still offer incentive and flexibility to potential developers.

Council Member Stegall asked if collateral could be required of the developer, to which Mr. Starman responded that various measures can be taken to enhance security for the City, but that in so doing, projects become proportionally less desirable to developers.

Mayor Jones expressed general support for the idea and questioned Mr. Dagg if limiting the availability of parcels to local developers might be unnecessary, but stating that employment of local workers and suppliers is crucial to the City's interest in this idea. Mr. Dagg responded that out-of-town developers do bring jobs to the area and that the Shasta Builders Exchange actively negotiates with out-of-town developers for use of local labor and supplies as a standard policy.

Mr. Dickerson asked about legal restrictions relating to transferring public property to non-residents, to which City Attorney Duvernay responded that care must be used and further analysis is needed in the areas of local preference provisions, required findings, and prevailing wage criteria/requirements.

Council Member McArthur expressed a general policy against buying high and selling low, but was willing to consider this idea if it generated enough local jobs and revenue to offset selling property at depressed market values. She asked for further analysis and data related to a tipping point, and she supported the development of in-fill lots to provide housing for low income buyers.

Mr. Dagg opined that some lots have been owned by the City for many years, increasing in value over a long period of time, and will, therefore, generate a profit even in a down real estate market. He agreed with Council Member McArthur that Council should consider development of each lot on an individual basis.

Jerry Wagar, Ochoa and Shehan Builders President, acknowledged that Mr. Dickerson's observation of perceived unfair treatment is a valid concern. He commented on the topic from alternating viewpoints of builder and committee member, stating that preferential treatment creates disparity within the industry, but if up-front costs could be creatively spread over time, the incentive remains to spur development interest. Mr. Wagar also stated that commercial properties always have value and that profitability-driven reactions to demographic changes in a community can result in vacancies; concluding that reasons other than overbuilding or excessive availability could be a component in the amount of current commercial vacancies in the City. On a final note and based on his experience working for a large company that had actually considered Redding for a distribution facility that would have generated 300-500 median wage jobs, Mr. Wagar opined that any manufacturing firm considering Stillwater Business Park will expect some kind of concession from the City.

A MOTION WAS MADE by Mayor Jones, seconded by Council Member Bosetti, directing staff to develop guidelines for development of City-owned properties that are designated as surplus and adding a local labor and material supplier preference, if allowable by law.

Council Member Dickerson reiterated his interest in focusing development incentives on in-fill properties within the City limits and suggested a program subset of commercial properties to be assessed on a case-by-case basis.

Council Members McArthur and Stegall agreed that emphasis should be placed on in-fill properties and Ms. Stegall suggested a revised approach to advertize larger/commercial properties and invite interested parties to meet individually rather than in a townhall/workshop setting.

Council Member Bosetti stated interest in focusing on in-fill properties and supported creation of a detailed inventory list of all viable surplus properties to be made available to all development community members so they can approach the City individually if interested.

THE PREVIOUS MOTION WAS AMENDED by Mayor Jones, seconded by Council Member Bosetti, directing staff to develop guidelines for development of City-owned properties that are designated as surplus and adding a local labor and material supplier preference, if allowable by law, to include a focus on City-owned in-fill properties and directing staff to compile an inventory list of viable City-owned surplus properties.

The Vote: Unanimous Ayes

Mayor Jones called for a five-minute recess.

Repair Your House Now!

City Manager Starman referred to Exhibit B in the staff report and summarized the City's existing Homeowner Rehabilitation Loan Program that primarily uses "HOME grant" funds provided annually from the U.S. Department of Housing and Urban Development. This idea proposes an expansion of qualifying criteria for low-interest loans for home rehabilitation, including renovations on foreclosed homes. Potential advantages and disadvantages are detailed in the staff report.

Jerry Wagar recalled the concept behind the original idea was to ride the wave of work being generated by federal stimulus monies and described a cooperative program between Redding Electric Utility and the Shasta Builder's Exchange to certify out-of-work contractors to do electrical audits for work funded by American Recovery and Reinvestment Act monies.

Council Member Dickerson opined that a larger number of moderate-income homeowners would potentially be able to take advantage of a subsidized loan program for home repairs that would not otherwise be affordable for them, and would thus generate work for local contractors that would not otherwise happen.

Mayor Jones asked if there was money remaining unused by low and very-low income homeowners, to which Assistant City Manager Tippin replied that monies from the housing set-aside are used to fund a number of programs and no additional funds would be available, but focus and access would be different and funding can be shifted so that homeowners that cannot do home repairs now, might be able to with money made available through an expanded low-cost loan program. Mr. Tippin also responded that most of the historic use of conditional funds has been for large projects completed by private sector development that benefits low-income people and this idea seeks to target more homeowners.

Council Member Stegall asked if a residency period stipulation could be added to the terms of program loans to preclude "house flipping" by home buyers, to which Mr. Starman responded that a penalty provision may be possible, but would require further research.

Council Member Bosetti broached an idea to set an individual loan cap so that more projects could be funded by the suggested finite amount of \$500,000. Mr. Dickerson agreed with setting a limit per applicant, to maximize the number of jobs generated by possible expansion of the program.

Ms. Stegall reiterated her interest in eliminating house flipping. Mr. Dickerson and Mr. Wagar rebutted, stating that the goal is to stimulate projects and generate work/jobs and this restriction would be counterproductive. Mr. Tippin added that if a "rehabilitated" home was sold, the loan would be repaid to the City and would be available for lending again.

A MOTION WAS MADE by Council Member Dickerson, seconded by Council Member McArthur, adopting expansion of the City's Homeowner Rehabilitation Loan Program for a period of one year with an individual loan cap pursuant to forthcoming staff recommendations, and reallocating \$500,000 to fund qualifying applications.

The Vote: Unanimous Ayes

Money for a Newly Constructed Home!

City Manager Starman referred to Exhibit A in the staff report and recalled details of the City's development impact fee program. He also recalled that Council action in 2008 deferred payment of development fees to coincide with final inspection. This idea would further defer payment of fees via financing through a "silent second" security on the property and the City would be paid, with interest, when the house is sold. The proposal includes contemplation of selling these loans to a local bank or investor, to reduce the cash flow impact to the City, which would be critical to implementation of this proposal. Potential advantages and disadvantages are detailed in the staff report.

Council Member Bosetti objected to second position of monies owed to the City and opined that over-loaning on homes is how the banking industry got into trouble. To which, Mr. Wagar rebutted that the banking industry circumstances were different and one of the primary issues was loans being made to unqualified buyers.

Council Member Dickerson supported the concept if cost neutral for the City and expressed concern about undermining the existing housing market. He also questioned whether existing permits would be eligible, to which Mr. Wagar affirmed that, under the proposal, all new construction would be eligible.

Council Member McArthur noted that staff had a lot of concerns and suggested that a more extensive analysis, including legalities, be submitted to Council for further consideration.

City Attorney Duvernay observed that the mitigation fee act clearly states that fees may only be expended for the purposes for which they are collected, which means they cannot be diverted; it may be possible to defer fees, if the City is made whole. Mr. Duvernay stated that economic stimulus is not a proper use of impact fee funds.

Mike Quinn opined that the crux of the problem is cash flow in the community, lamenting money leaving the area, businesses going under, and people walking away from homes they cannot pay for. He asked if impact fees could be lowered, citing a 70% increase in fees since 2004.

Carl Arness objected to lowering impact fees, citing the need to fund existing debt and infrastructure without raising utility rates.

A MOTION WAS MADE by Council Member Dickerson, seconded by Council Member Stegall, directing staff to prepare a revenue-neutral, legal proposal for Council's consideration. The Vote:

AYES: Council Members - Bosetti, Dickerson, McArthur, and Stegall

NOES: Council Members - Jones

ABSTAIN: Council Members - None

ABSENT: Council Members - None

Growing a Revenue Source

City Manager Starman referred to Exhibit G in the staff report and per Council Member Dickerson's request, briefly summarized the idea of a City-owned and operated medical marijuana collective and/or an excise tax on medical marijuana.

Council Member McArthur interjected that she doubted Council had interest in the City owning or operating a collective and Mayor Jones quickly surveyed all Council Members confirming consensus.

Mr. Starman relayed that the City of Oakland voters had recently approved a local tax (in addition to sales tax) on medical marijuana based on the State Board of Equalization's ruling that medical marijuana is subject to sales tax. Pursuant to Proposition 218, a tax would require approval of local voters.

Council Member McArthur supported taxing medical marijuana.

Council Member Stegall was interested in getting more information on taxing medical marijuana and questioned how other medicinals are taxed.

Council Member Bosetti supported putting an excise tax out to the voters.

Council Member Dickerson asked about the Council vote requirement and if Mayor Jones did not support, if further action was pointless, to which Mayor Jones responded that he would vote no to remain consistent with his position on the illegality of medical marijuana use and his opposition to conflict with federal law(s).

A MOTION WAS MADE by Council Member Stegall, seconded by Council Member McArthur, directing staff to compile data over the next six months related to medical marijuana sales and potential revenue generated from taxing medical marijuana, to be presented to Council in time for consideration for placement of a ballot measure on the November 2010 ballot to tax medical marijuana sales.

The Vote:

AYES: Council Members - Bosetti, Dickerson, McArthur, and Stegall

NOES: Council Members - Jones

ABSTAIN: Council Members - None

ABSENT: Council Members - None

Sales Tax Guaranteed for Our Neighborhoods

City Manager Starman referred to Exhibit F in the staff report and briefly described the proposal to assess a local one-percent sales tax for one year, with proceeds to be used on local projects approved by voters from an advisory list; both the sales tax and the list of projects would be placed on the November 2010 ballot. He noted that the recent State sales tax increase of one percent will sunset in 2011. Potential advantages and disadvantages are detailed in the staff report.

Kent Dagg recalled history, observing that after the Great Depression, a focus was put on infrastructure building projects, i.e. dams and roads, that put people to work. He explained that the thought process was to spur infrastructure jobs, and supported the ballot measures, in spite of his personal opposition to sales tax increases.

Jerry Wagar also expressed a general opposition to sales tax increases, but thought the community might approve a limited-term increase if revenue was dedicated, effectively improved the infrastructure of the City, and generated jobs.

Council Member Dickerson pointed out that if an additional one-percent was added to the existing sales tax, it would cause Redding to be amongst the highest municipal tax rates in the State and did not think that was good for business, stating that tax increases have unintended consequences such as driving business out-of-town. He advised that he would not vote for a sales tax increase personally and, therefore, would not support the idea as a Council Member.

Council Member Stegall recognized that a sales tax increase does not garner consideration by the current Council and doubted voter approval, but reiterated that the City has not raised sales tax since 1950. She maintained that approximately 50,000 non-residents use City infrastructure and services on a daily basis and that a sales tax would be a vehicle to recoup some of the costs to support this population increase from the people using the roads and police and other support services.

A MOTION WAS MADE by Mayor Jones, seconded by Council Member McArthur, to decline consideration of ballot measures to increase local sales tax by one-percent for one year and to put an advisory list of infrastructure projects out to voters for approval of collected revenue from same. The Vote: Unanimous Ayes

Other ideas to stimulate additional economic activity and job growth in Redding

Council Member McArthur suggested that the upcoming Rotary Club film festival could be developed as a magnet for bringing people into the community.

Mike Quinn expounded on Sarah Palin's appearance at an upcoming logging convention and relayed the outstanding response from as far away as Southern California, Oregon, Washington and Nevada, which will generate sales tax for the City. He questioned why more trade shows and conventions are not held at the Convention Center, like it used to be. Mr. Quinn commented on the forest service and timber tax as well, stating that the county of origin gets 25 percent of sales, which is designated for schools and roads, and suggested approaching the forest service regarding operational changes to increase cutting and subsequent timber tax revenue.

Mayor Jones relayed information regarding various practices in other cities and expressed interest in a possible increase to the local business preference from one percent to five percent.

Council Member McArthur asked about a similar action by the County of Shasta, to which City Manager Starman responded he thought the County implemented a five percent preference but was not sure and further stated that there is some public policy component to the question of the two competing values of being good stewards of public funds and supporting local businesses and jobs.

Frank Strazzarino spoke to the subject in greater detail and gave anecdotal evidence that communities benefit from higher local purchase preference percentages, to which Council Member McArthur responded that she favored the idea.

A MOTION WAS MADE by Mayor Jones, seconded by Council Member Bosetti, directing staff to research an increase from one percent to five percent for local business bid preference.

The Vote: Unanimous Ayes

ADJOURNMENT

There being no further business, at the hour of 7:18 p.m., Mayor Jones declared the meeting adjourned.

APPROVED:

Mayor

ATTEST:

Deputy City Clerk