

**CITY OF LODI  
INFORMAL INFORMATIONAL MEETING  
"SHIRTSLEEVE" SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, NOVEMBER 6, 2007**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 6, 2007, commencing at 7:00 a.m.

**A. ROLL CALL**

Present: Council Members – Hansen, Katzakian, Mounce, and Mayor Johnson  
Absent: Council Members – Hitchcock  
Also Present: City Manager King, City Attorney Schwabauer, and Deputy City Clerk Perrin

**B. TOPIC(S)**

B-1 "Presentation of the Redevelopment Project Feasibility Study and Proposed Survey Area"

City Manager King introduced the subject matter of the redevelopment project Feasibility Study and proposed survey area and introduced consultants Don Fraser and Ernie Glover. With the aid of a PowerPoint presentation (filed), Mr. King explained that, although it is not required, the City prepared a Feasibility Study for a potential redevelopment project and stated that no official Council action has been taken to date. The first formal step is the designation of a survey area, and the Feasibility Study helps to provide guidance in that selection process. Following Council action on the survey area, the Planning Commission will be asked to select a project area, which could consist of all or part of the survey area; however, it could not be any larger.

In determining the survey area, staff considered the 2002 project area, which consisted of 1,184 acres primarily in the downtown area and eastside and had a projected tax increment of \$187.9 million in future dollars (or \$41.1 million at present value). There has been debate on the size of the project area and whether or not residential should be included; therefore, staff prepared two options. Option A consists of 1,583 acres, which follows the commercial corridors (i.e. Cherokee Lane, Kettleman Lane, Lockeford Street, and Stockton Street) with residential filling in the remainder. The tax increment projection for Option A is \$331.9 million in future dollars (or \$130.9 million at present value). Option B incorporates the commercial corridors only at 732 acres and a projection of \$210.1 million in future dollars (or \$83.2 million at present value). At the request of staff, the Lodi Budget/Finance Committee reviewed this matter and recommended the City move forward with consideration of the project area and further recommended that additional areas be included; therefore, Option A1 was created, which added areas to the southwest along Ham Lane and to the northwest along the railroad tracks and included neighborhoods above the Grape Festival grounds.

Mr. King explained the process of determining the tax increment projections, which included opportunity sites based on the current General Plan, commercial square footage of approximately 666,000, industrial square footage of 924,800, and background growth rate of 5%. The tax increment would be reduced by the property tax administrative fee and the pass-through amount as required by Assembly Bill (AB) 1290. Mr. King demonstrated how the tax increment is divided among the taxing agencies. Assuming Council established 2007-08 as the base year, increment growth would occur in 2008-09 and 45 years would be the maximum length of time. A redevelopment agency collects 80%, with a housing set aside of 20% taken off the top prior to the increment occurring.

Don Fraser with Fraser and Associates explained that redevelopment provides a tool to foster economic development within a community by encouraging additional private sector investment into a project area. Larger areas are typically easier to finance in terms of

issuing bonds due to the improved credit rating. In addition, a larger area with a mix of uses (i.e. commercial, industrial, residential, etc.) is typically the more prudent option. Commercial and industrial investments come from the private sector; whereas, residential investment is more likely to come from area agencies that provide assistance with housing and infrastructure rehabilitation.

Mr. King provided details and an example of the methodology of the tax increment. He explained that the Council needs to consider bonded indebtedness, in which case the City would be asked to set a limit.

Council Member Hansen questioned if the limit could be changed once it is set, to which Mr. King responded that, if the redevelopment plan changes, the City would need to repeat all of the steps. The law requires obligation, which is a statement of indebtedness, in order to collect. There will be no difference on property tax bills; however, the County Auditor will hold the money for the Lodi Redevelopment Agency in accordance with the pass-through formula. The City will be required to submit a statement of indebtedness, which would include administrative costs, contract obligations, and bonded indebtedness on borrowed money that the City is to repay. That figure should match the amount of the increment, after which the City would collect the money.

In response to Mayor Johnson, Mr. Fraser stated that, to the best of its ability, the City should set the limit to cover its needs throughout the term of the plan; however, it may be necessary to revisit the analysis after 10 to 15 years. Mr. Fraser provided examples of types of debt of a redevelopment agency.

Mayor Pro Tempore Mounce questioned what would happen if the agency acquired more debt than the tax increment pays. Mr. Fraser responded that projections used to create the initial plan would be revised during the first year of increment and would be based on actual County reports of assessed value. This would help to better determine the amount of increment the agency would have and how much debt to incur in the first year. If the agency wanted a larger pot, it could borrow from the City, assuming it could repay the loan. Bonds in the bond market could leverage dollar for dollar; however, there should be a cushion of 25% more revenue than the debt amount.

Mr. King stated that bonded indebtedness is issued by a redevelopment agency based upon projections of tax increment. Prior to AB1290, there was no limit on the amount of increment that could be raised and the objective was to create as much debt as possible, which is no longer the case.

In response to Mayor Johnson, Mr. Fraser confirmed that the redevelopment agency has its own rating; the City has no obligation in the redevelopment bonds.

Council Member Hansen questioned if the State could take money away from a redevelopment agency, to which Mr. King responded that it could if there was no contract in place that obligated the funds toward a specific project. As a policy choice, Mr. King recommended that the Lodi Redevelopment Agency reimburse money for projects, rather than provide loans. As an example, a developer building an affordable housing project could be reimbursed costs (e.g. impact fees) from the agency following the completion of the project.

City Attorney Schwabauer confirmed that there is a provision in the Constitution that prohibits the passage of a law preventing one from meeting its contract obligations.

Discussion ensued between Council Member Hansen, Mr. King, and Mr. Fraser regarding the boundaries of the plan, the current General Plan versus the future update, land use decisions, and zoning of properties within the plan.

Council Member Hansen suggested that the area encompassing the old Sunset Theater and Alexander's Bakery be included in the survey area as they are blighted properties that could receive some benefit from the project. City Manager King stated that Council has the ability to change the boundaries and pointed out that the land does not have to be contiguous.

Mayor Johnson questioned why the large block of parcels on the east side was not included in the area, to which Mr. King stated that some of the properties may not meet the requirements. He added that the County is supportive of the City moving forward with a redevelopment agency and he did not want to receive resistance from the County by having to justify portions of the project area. He agreed that some of the industrial areas to the south could be added. Mayor Johnson felt that the risk of having to justify with the County was worth adding the subject portion. It was pointed out that adjustments to the project area could result in minor additional mapping costs.

Mayor Pro Tempore Mounce suggested the area near Turner Road and Stockton Street be included, to which Mr. King pointed out that Council Member Katzakian would be conflicted out.

Mr. Fraser further explained the pass-through formula that was imbedded into AB1290. During the term of the tax increment, 20% will be paid initially to taxing entities (e.g. county, school district, etc.), and over the years, it will gradually increase, reaching an average of 30% to 35%. The school district has the ability to keep a portion of its pass-through amount for its facilities in the project area within the school district boundaries and, therefore, has a tendency to be supportive of redevelopment agencies.

Discussion ensued between Mayor Johnson, Council Member Hansen, Mr. King, and Mr. Fraser regarding the current real estate market and its affect on the agency. Mr. Fraser acknowledged that timing would have been better five years ago and added that the outlook could depend upon whether or not the County Assessor has already lowered values.

Mr. King reported that the purpose of the Feasibility Study is to see if the threshold requirements can be met. The area must be predominantly urbanized, and there must be one criterion each of physical and economic blight. Based on previous Council comments, the schedule has been adjusted in order to set the effective year as 2007-08, which would require that Council take final action no later than June 2008. Mr. King provided the schedule of activities and stated the next steps include Planning Commission approval of the project area on November 14 and City Council establishment of 2007-08 as the base year on December 19.

Ernie Glover with GRC Consultants reported that the process can take 12 months, due in part to the required review of the blight documentation, and he believed there was adequate opportunity for public participation in following the proposed schedule. The blight analysis involves a parcel-by-parcel review of existing conditions in the area, which takes into consideration dilapidated buildings, social issues (e.g. crime, adult uses, etc.), and depreciating property values.

In response to Mayor Pro Tempore Mounce, Mr. King assured that the Feasibility Study would be corrected to reflect that Intimates on Cherokee Lane is not a topless bar.

In response to Council Member Hansen, Mr. Glover stated that those who could potentially challenge the designation of a blighted property include the state, county, taxing entities, city, or private citizen.

Mayor Pro Tempore Mounce asked for clarification on the difference between a public and private project as it relates to eminent domain. Mr. King stressed that the use of eminent domain by the Lodi Redevelopment Agency was removed completely from the plan regardless of whether it is a public or private project; however, the City could exercise its power of eminent domain and sell properties to the agency.

Mr. Schwabauer added that, if the City used eminent domain under its current ordinance, it could not turn over property to a private entity/developer and added that a majority of the Council would have to approve such an action.

Mr. Glover explained that, because the agency is directly and financially involved with the project, it must offer forms of assistance to owners and tenants in the project area.

**PUBLIC COMMENTS:**

- Myrna Wetzel questioned if a redevelopment agency could provide assistance to those in the project area who are on a fixed income, particularly for the cost to install required water meters.

Mr. King responded that replacement of water meters would be eligible under the plan and the Council would have options on how to implement such a program. The agency could utilize the housing money that is set aside for low- to moderate-income property owners on a citywide basis, or it could budget money for water meters and rehabilitation of water services for all parcels within the project area.

Mr. Glover stated the advantage of including residential in the project area is that the tax increment can be used to improve streets and public rights of way and to upgrade neighborhoods.

Mr. King stated that one of the first programs he would recommend to the Council is a "paint up/fix up" program, which would provide available funds to those in the project area, on a reimbursement basis, for use in rehabilitating their properties.

**C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS**

None.

**D. ADJOURNMENT**

No action was taken by the City Council. The meeting was adjourned at 8:31 a.m.

ATTEST:

Jennifer M. Perrin  
Deputy City Clerk