



ARMY DEPOT REDEVELOPMENT ADVISORY COMMITTEE

Meeting Minutes

Thursday, February 16, 2006
George Sim Community Center, 6207 Logan Street
Sacramento, CA 95824

1. Call to Order and Roll Call

Chairman Timothy Lien called the meeting to order at 5:40pm. Roll Call was conducted.

RAC Members Present: Jose G. Chacon, Bernardo Hubbard, Burnie D. Lenau, Tim Lien, Dorothy Medley, Constance Slider, Rosalie Vierra, Dahlia Ward

RAC Members Absent: Don Colquitt, John Healey, Joseph Hensler, Steve Vourakis

Staff Present: Chris Pahule and Gregory Ptucha, SHRA

2. District 6 Update

Mr. Lien introduced Sacramento City Council person Kevin McCarty, who represents the city council district in which Army Depot Redevelopment Area is located. Mr. McCarty expressed appreciation for the service provided to the RAC by its members and welcomed new RAC member Constance Slider. He then updated those present on the following topics:

1. After two years of negotiation, the U.S. National Leasing lawsuit has been settled with an agreement that includes terms and conditions and a process by which proposed, eligible improvements can be approved to enhance Depot Park.
2. The county's 2005 assessments of property values in the redevelopment area will support creation of \$8 -10 million in funds for redevelopment projects. These funds will be generated via a larger, pending City bond issuance. The RAC will be asked to build upon its recent visioning and prioritization efforts to help create a list of projects that it feels should be funded.
3. The City bond issuance will generate monies for projects in council districts, and Mr. McCarty expects up to \$6.5 million to be available for planned expansion of the Sim Center. Mr. McCarty noted that the RAC's 2005 recommendation to use \$350,000 in tax increment funds for design plans and specifications gave that project an advantage in competing for the bond proceeds.
4. Mr. McCarty discussed recent efforts to look at the "design/build" process as a means to expand the Sim Center at a lower cost compared to traditional design and bid process.

3. Approval of Minutes

The minutes of the January 26, 2006 meeting were approved as submitted by unanimous vote on a motion by Mr. Lenau that was seconded by Mr. Hubbard.

4. General Comments

Intentionally left blank.

5. Update on FY2006 Budget

Chris Pahule, Redevelopment Manager, handed out a one-page summary of budget information that supplements the FY2006 summary that was included in RAC member agenda packets. Mr. Pahule reminded those present that the redevelopment agency operates on a January – December fiscal year,

but that tax increment revenues lag by six months due to the July – June fiscal year of county government, which collects real estate taxes in arrears. Pahule then provided a summary of two important recent developments that impact 2006 tax increment revenues:

a.) Depot Park Reassessment

Mr. Pahule described taxes—paid by the Depot Park operator under protest—which were previously received by the redevelopment agency (agency). The county assessor revaluated Depot Park in response to a challenge by U.S. National Leasing, which holds the long-term master lease of the City-owned property. The revaluation of the property resulted in a lower value and required both the county and agency to refund more than \$972,000 to U.S. National Leasing, the taxpayer. The new value established for Depot Park, at approximately \$28.1 million, is less than the 1998/99 value of \$28.96 million.

Ms. Vierra asked about the source of the \$370,869 that was refunded by the agency. Mr. Pahule explained that these were tax increment funds previously received but not spent. Mr. Lenau expressed concern that the new valuation seems too low in relation to the increased percentage of Depot Park that is leased and producing income for U.S. National Leasing. There was discussion about possible reasons to explain the revaluation amount and about the delay between the time when U.S. National Leasing took control of the property and when they received large supplemental tax bills, including “escapes” for previous tax years.

RAC members informally concurred to request that a representative from the assessor’s office be asked to attend the March 16, 2006 meeting to discuss how they determine value of this type of real estate.

There was discussion (without firm conclusion) about whether gross tax increment is determined by the value of all properties in aggregate, or whether individual parcels whose value was higher than base year would contribute tax increment on an individual basis.

b.) U.S. National Leasing Lawsuit Settlement

Discussion included the legal issue involved, i.e., claims that the expansion of the Army Depot Redevelopment Area to include residential neighborhoods west of Power Inn Road would undermine the original intent of the redevelopment area as it relates to the Depot Park property, and that the result would have industrial properties subsidizing redevelopment activities in the residential areas.

Chris Pahule summarized the terms and conditions of the agreement, which involve \$1 million in tax increment funds that are set aside in an account to be used for projects that U.S. National Leasing will propose to improve Depot Park. The projects will need to be eligible for use of tax increment monies. A written proposal with budget will be submitted to the agency, which will make an informational presentation to the Army Depot RAC and to the agency’s commission. Proposals will require formal approval by Sacramento City Council. The agency will hold and account for funds spent. Pahule also described how future tax increment (net of the 20% housing set-aside and statutory pass-throughs) above the 1998/99 “base” year value of \$28,962,516 will be made available to benefit projects that may be proposed by U.S. National Leasing at Depot Park.

Mr. Lenau asked about the rationale for the \$1 million dollar settlement amount. There were questions about the impact of CA Proposition 13, if any, as well as whether the option-to-buy Depot Park from the city has a predetermined price. Mr. Lien reminded RAC members of the link between Depot Park’s success and the success of the larger redevelopment area. Some observed that the net effect of the lawsuit is that the leaseholder of Depot Park has, for practical purposes, seceded from the larger redevelopment area adopted in 2004.

c.) 2005 Real Estate Valuation

Mr. Pahule said current, corrected, analysis of values in the redevelopment area, indicate that 2006 tax increment for the entire Army Depot Redevelopment Area should total about \$1.9 million. The agency is currently in the process of closing its 2005 financial records, so the exact amount of carry forward for use in 2006 will soon be confirmed. A financial analyst has been retained to confirm whether the hoped-for \$8 -10 million in bond proceeds can be supported by this revenue stream. Pahule clarified that these funds would be generated by the City's much-larger bond issue, expected before June 30, 2006, but that the funds would be made available for use in the redevelopment area as a loan from the City that will be serviced by current/future tax increment revenues. A loan is needed since the 2004 expanded redevelopment area does not have a revenue history that would allow the agency to issue similar bonds. The City bond, due to its size, may also result in better terms from bond buyers.

There was discussion to clarify that the \$6.5 million described by Council person McCarty earlier is not the same as the \$8 – 10 million described above.

Mr. Lenau expressed concern about tax increment in concept, since it diverts funds that would otherwise be available for public services such as police protection.

Mr. Pahule was thanked for his presentation.

6. Potential Projects

Staff Gregory Ptucha asked RAC members to refer to "Handout # 2," which was prepared in response to a request for clarification on when and how RAC member-sponsored projects should transition to become primarily a staff responsibility. The handout included a status summary of all projects considered by the RAC during its prioritization process in 2005. This was followed by a description of the many types of issues and circumstances that suggest a case-by-case approach to transitioning projects to be a staff responsibility. Last, a list of RAC member projects and possible ways for staff to provide support and assume responsibility was included. Ptucha suggested that, in most cases, there would be an overlap period where RAC member involvement would benefit the transition process.

Ms. Vierra asked that a potential project discussed last year be added to the list. This involves 18th Avenue between 71st Street and 73rd Street. Staff will research the circumstances of the issue and previous discussion. Ms. Vierra also noted that project # 8 (traffic signal at S. Watt Avenue & Elder Creek Road) was going to be implemented. She then expressed concern about another intersection outside of the redevelopment area (Fruitridge and Watt).

The September 2005 project list was also discussed in light of the likely receipt of \$8 – 10 million in funds for projects that, in 2005, no one predicted would be available. This circumstance may call for the RAC to revisit the list—and to consider new projects—that may have seemed impractical previously due to lack of funding. Mr. Lien suggested that RAC members study the list for further discussion in the near future.

7. "Workreation" Program Funding Proposal

Gregory Ptucha referred members to "Handout #1," which was prepared in response to a request for clarification on the types of projects and activities that can be funded with tax increment monies. The handout included an excerpt from California Redevelopment Law describing permissible activities in the abstract. Ptucha noted that, elsewhere in this lengthy law, "blighting factors" are described to include social and well as physical circumstances. This was followed by a summary of an informal response from agency legal staff to questions about eligibility of capital projects, planning projects, social programs, etc.

Discussion attempted to clarify the handout. Mr. Lenau asked how tax increment monies could be used for "salaries" and "services." Ptucha noted that agency legal counsel had determined that Workreation was eligible for tax increment funding since it is consistent with the 5-year implementation plan for the redevelopment area.

Mr. Hubbard asked if the funds proposed to support the Workrecreation program would come from the 20% housing set-aside, or from non-housing funds. This led to discussion about point # 3 on the handout (page 2) about flexibility on the use of housing funds as compared to non-housing funds. Mr. Pahule described how he understands that recent changes in state law actually restricted the use of housing funds to emphasis construction of new affordable units. However, flexibility remains on use of those funds outside the redevelopment area boundaries. Mr. Lien asked staff to confirm how those funds can actually be used.

Mrs. Vierra motioned to approve the staff recommendation that \$25,000 of tax increment monies to support Workrecreation during the summer of 2006. Ms. Slider seconded the motion. Prior to the vote, there was a reminder by Ms. Medley about asking the program manager to create a means to measure impact/success. Mr. Chaçon suggested a mid-term status report to the RAC. Questions included whether the Workrecreation team could perform services on public property only. It was suggested that RAC members point out areas of needed work to the program manager. Ms. Vierra's motion was passed by a majority vote of 7:0:1, with Mr. Lenau abstaining.

8. Redevelopment Updates

Staff Gregory Ptucha elaborated on the following items:

- **Commercial Revitalization Program**
The proposal (now called Commercial Exterior Rebate Program) for use of \$200,000 of Army Depot tax increment funds was approved on February 15, 2006 by the agency Commission. City Council will take action on February 28, 2006.
- **Property and Business Improvement District (PBID)**
Today's petition-signing kick-off event was described, along with the three-step process to form a PBID, its geographic purview and types of activities funded.
- **5910 Wilkinson Street**
Ptucha referred members to the handout describing a proposed variance for a single family home to be constructed on a "land-locked" parcel that would be accessed by an easement over the front parcel. Comments to the City's Development Services Department are due by March 2, 2006.
- **Caina Court**
RAC member Don Colquitt sent digital photographs of the problem areas to staff, who inquired with City Code Enforcement about the non-compliance by the developer the property. Fines that have been imposed as liens on the developer's four landscape parcels were mentioned. It was noted that Code Enforcement is attempting to learn if the City Attorney can have the fines become a personal obligation of the developer, rather than attach to the real estate. The developer obligations do not include bollards, fences or other traffic barriers to separate Caina Court from the adjacent streets.
- **65th Street Redevelopment Area**
Noteworthy projects were described:
 1. SACOG grant applications concerning Redding Avenue bicycle/pedestrian improvements; Circulation plan update for 65th / Folsom area; and, Bus rapid transit to link California State University campus to light rail.
 2. Target proposal for a prototype retail store on the site on 65th Street south of Highway 50 that was formerly owned by Golden One Credit Union.
 3. The City is making some progress on a detention basin project for a location area east of 65th Street and north of San Joaquin Avenue.

9. Adjournment

The meeting was adjourned at 7:35 PM after approval of a motion by Ms. Vierra and a second by Ms. Medley. (Mr. Lenau and Ms. Vierra will collaborate to provide food and refreshments for the March 16, 2006 RAC meeting.)