



The VOICE

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Greater Shasta County, CA

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Did you know...

- There were **only 4** single family home permits issued in the City of Redding in January, 2016. That is a decrease of 16 permits, or 80% less than were issued in January of 2015. There were no permits issued for commercial buildings in January 2016, compared to 12 issued in January of 2015.
- Shasta County's unemployment rate in December 2015 was **7.5%**, up from 7% in November. It was the lowest unemployment rate for December since the pre-recession days of 2006, when it stood at 6.7%. Year over year, Shasta County added 600 private sector jobs, and 600 government jobs. But Shasta County's labor force continues to **contract**. The annual average in 2015 for the monthly labor force was 74,900. The last time it was that low was 2000, when it was also 74,900.

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Costco Drops Plans For New Facility at Oasis Road

On February 16, 2016, Costco sent a letter to the City of Redding exercising the termination clause of their credit and reimbursement agreement with the City to build a new 160,000 facility at the northeast corner of I-5 and Oasis Road.

In its letter to the City terminating the agreement, Costco said it cannot move forward because there is **no land sale agreement** with the land's owner/developer LD & C of Los Angeles (Don Levenson) for the 18 acres or so of property that Costco planned to build their new facility on, acting as their own developer.

Apparently, Don Levenson sent the City a letter on December 2, 2015 saying he wouldn't proceed with the Costco land sale without a development agreement with the City for his own firm for the remainder of the property at Oasis Road and I-5 to be developed as the Oasis Towne Center.

Unfortunately, in his letter, Don Levenson was asking the City to commit to **\$32 million** in infrastructure costs, suggesting that the City finance these costs with tax-increment financed municipal bonds. Such a move would put local taxpayers on the hook for repayment of that bond over 20 to 30 years. Additionally, he asked for several million dollars for other reimbursements for costs he has incurred in the past that are related to required infrastructure improvements if the project is to move forward.

Councilman Brent Weaver took particular offense to the Levenson request, saying that it was leveraging our kids future, and the City just doesn't have the money.

City Manager Kurt Starman said that the City is not adverse to development agreements, but in this instance, the request was just unrealistic. He had responded to Levenson with a letter in late December after a productive discussion with him, but no response was received.

The City is now committed to working with Costco at other locations in Redding. Council voted 4-1 (Gary Cadd dissenting) to appoint Mayor Missy McArthur and Vice-Mayor Brent Weaver to serve as the City Council's liaisons with respect to this topic.

In the meantime, perhaps every other City within Shasta County, as well as the County itself, are putting their selling shoes on to convince Costco that they are more than welcome in their communities. The City of Anderson, for example, is exploring methods to grow retail development within their City including a moratorium of development impact fees, tax rebates or other forms of economic stimulus, and creating a fast track project review process. Redding needs to show a new level of commitment and cooperation to Costco if they are to keep them somewhere in the City limits.

Perhaps local attorney Walt McNeill said it best at the Council meeting: this should serve as a wake-up call for Redding to do better for the future and for large scale commercial projects. Redding should focus on moving forward with such opportunities, and study how other communities have been successful.

But in the end, Costco will choose a location that best serves their needs, and bring their \$1+ million in annual sales tax revenues to whichever jurisdiction meets their objectives.

Tax-Sharing Discussions Requested by Shasta County

On January 5, 2016, the Shasta County Board of Supervisors sent a letter to the City of Redding asking to revisit the possibility of a tax-sharing proposal between Shasta County and the City of Redding.

From paragraph #2 of the letter, “The Board of Supervisors submits this offer to the Redding City Council and the Redding City Management Team to engage in a discussion regarding participation in a cooperative Tax Sharing Agreement, including a discussion of *impact fees*.”

The invitation was sent to the City of Anderson and the City of Shasta Lake as well. Those talks have yet to be scheduled, at least as of this writing.

When asked about the letter, Redding City Manager Kurt Starman said he was still waiting to learn more about what shape or direction those talks will take. He has expressed concern about reallocating revenues, as all jurisdictions are still recovering from the Great Recession. But if the discussions are about moving forward with new revenues identified, given the recent completion of the Blueprint for Public Safety and other regional concerns, that’s a different conversation.

Shasta VOICES has yet another concern, specifically “*including a discussion of impact fees*.” Our readers may or may not recall that in 2007 and 2008, Shasta County proposed “Joint Shasta County/City of Redding Facilities Impact Fees.” Shasta VOICES took issue with these fees, and mounted a challenge to defeat the fees, and we were successful. If these fees had been allowed to go forward, an *additional* impact fee of \$4,681 per single family dwelling and an *additional* impact fee of up to \$93,620 for a commercial dwelling would have been added to the cost of building a home or commercial building in the City of Redding. Currently, the impact fees for a typical single family dwelling in Redding already total \$33,842. We have not yet recovered from the Great Recession—and in the month of January this year, there were a mere 4 single family dwelling permits drawn, and no commercial building permits for the month. Increasing the cost of fees won’t help move that number forward.

We believe having any discussions about bringing back joint impact fees, which don’t pass the legal test for a number of reasons that would take many pages to explain, would put an *immediate halt to any construction* in Redding, and, if included this time (they weren’t last time), the cities of Anderson and Shasta Lake. Such a proposal would be totally counter-productive to the process of bringing our local economy back to good health, or improving the provision of public safety to all our citizens and, in fact, lead us in the opposite direction.

Community Mental Wellness Center in Shasta County Moves Forward

On December 8th, the Shasta County Supervisors adopted a “Mental Health Services Act Innovation Plan” to be submitted to the state Mental Health Services Oversight and Accountability Commission for final approval.

The “Plan” is now moving forward and will allow Shasta County to provide a *Community Mental Wellness Center*, whose primary purpose is to increase access to services by providing “*after-hours*” mental health services in the community.

The County hopes to place the center in downtown Redding. It would be open from 2 p.m. to 11 p.m. on weekdays, and 11 a.m. to 11 p.m. on Saturdays, Sundays and holidays.

The Shasta County Health and Human Services Agency will put the contract out for bid in the next month or so. They will seek an organization that can operate the facility and provide clinicians. Services to be provided will include the following: peer support (or buddy system) services to those individual navigating services; education groups for individuals, family members, and caregivers; pre-crisis and emergent crisis access to a clinician; case management services; transportation services; respite care for adults and youth; youth center services; access to transitional housing; and peer-run resource center to provide services such as assistance with Medi-Cal applications, parent/family supports, and referrals

to other community-based organizations.

The main focus for this project is to improve outcomes as a result of an increase in accessing after-hours services.

Two main goals of the center are to reduce the number of mentally ill people turning to local emergency rooms for help, and to provide a place for law enforcement to bring people who need help but aren’t in crisis or suspected of crimes. During fiscal year 2013/2014, county health officials responded to 1,274 emergency room mental health visits.

Funding for this program is \$739,222 for fiscal year 2015/2016. The center would be Medi-Cal certified, but would still be open to all residents of Shasta County. The County intends to offset expenses through Medi-Cal reimbursements.

The project will be time-limited, *up to a maximum of five years*. There is no data to explain what happens after the five years expires. That is a concern, but isn’t standing in the way of moving forward on the project.

The Community Mental Wellness Center will be one part of a matrix of services to support the mentally ill in Shasta County.

City's Rising Pension Rates Will Upset Redding Budget

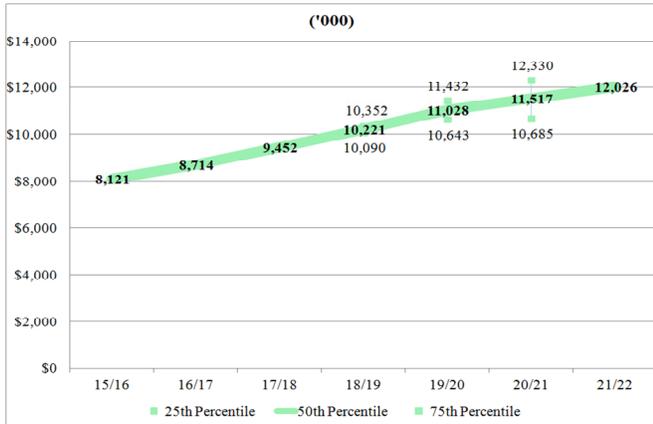
On February 2nd, John Bartel of John Bartel Associates, LLC, addressed the Redding City Council with a report on recent CalPERS (the City's pension system) decisions impacting City employee retirement contribution rates paid by the City from general fund revenues.

In the past, CalPERS policies were designed to smooth contribution rates by using what they refer to as "actuarial value of assets." This means that investment gains or losses are recognized over a rolling 15 year period of time. Gains and losses are amortized over a 30 year rolling period. If the assumptions are met, contributions never come down, and the unfunded liability never gets paid off.

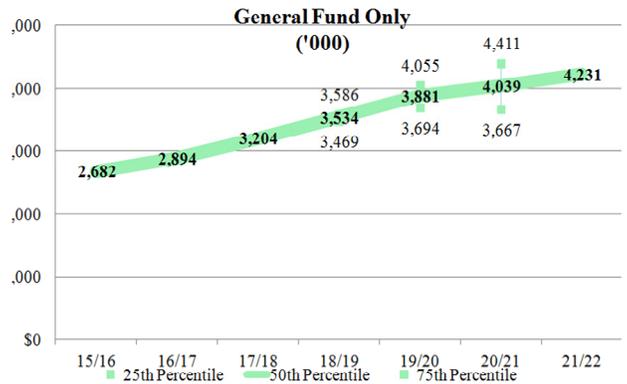
Under the new CalPERS contribution policy, effective with the 2014/2015 Fiscal Year, there is no asset smoothing. There is a five year ramp up, and there is no rolling amortization period. All amortization bases have fixed amortization periods. If assumptions are met, then contributions go up in the short run, but the unfunded asset liability will be paid off.

Sound confusing? It is. But the charts provided by John Bartel (below) at least show what the result will be for the City of Redding, at least for the general fund employees, which does not include REU or other utility employees whose funds are paid by ratepayers.

Projected City Contribution \$ Safety



Projected City Contribution \$ Miscellaneous



As the charts show, the funds needed to pay for the employer's portion of the cost of the Public Safety employees will increase by **\$3.4 million per year** over the next five years. And the funds needed to pay for the employer's portion of the cost of Miscellaneous employees will increase by **\$1.36 million per year** over the next five years. That totals an increase of **\$4.76 million per year** which will need to be paid out of the general fund over the next five years to cover these expenses, and even more through the 2020 through 2022 fiscal years.

Additionally, there is a **new pension accounting standard** now in effect for the 2014/2015 fiscal year called **GASB 68**. This standard will require the unfunded liability to be included on the balance sheet. GASB 68 delinks contributions and accounting. For Redding, here is the current unfunded liability for **general fund employees only**:

	<u>Miscellaneous</u>	<u>Public Safety</u>
Total Pension Liability (in millions)	\$ 372	\$ 255
Fiduciary Net Position (in millions)	<u>275</u>	<u>169</u>
Net Pension Liability (in millions)	\$ 97	\$ 85

That's a total of **\$182 million** in unfunded liabilities that will now show on the City's balance sheet, beginning with the 2014/2015 fiscal year.

John Bartels said he believes that the unsustainable costs of the CalPERS pension contract will more than likely put more California cities in bankruptcy, and they will try to do something to get out of the CalPERS contract. Or, there will be a change in the fabric of the way CalPERS works, with ballot measure solutions.

Updated News and Notes

Shasta VOICES is continuing to monitor and follow many issues of interest to our supporters and the community. As part of our efforts to keep you updated and informed, here is a brief update of some of these issues.

Potential Sale for Former Redding Police Facility—On February 16th, Redding City Council authorized City Manager Kurt Starman to execute an “Exclusive Right to Negotiate Agreement” with Building Adventures, Inc. for the former Redding Police Facility located at 1313 and 1371 California Street in downtown Redding. Jamie Lynn owns Building Adventures, Inc. He intends to convert the facility into a *mixed-use development*, using the main building as a full service restaurant, and constructing a new, two-story mixed-use building that would include five residential units upstairs, one fast casual restaurant, and office/retail space. He is aware of the deterioration issues associated with the existing police building. This would be a private company project, with no public subsidies requested. The proposed project is consistent with the City’s desire to enhance Downtown Redding. Mr. Lynn would purchase the property at fair market value, and needs time to fully evaluate the feasibility of acquiring and redeveloping the property before negotiating a Purchase and Sale agreement. He now has 90 days to complete those tasks.

PenAir to Begin Air Service From Redding to Portland—Alaska-based regional airline PenAir will begin service from Redding to Portland, Oregon on April 21st. This is the first time service to the Pacific Northwest will be offered here since Horizon Air stopped flying to and from Redding in 2010. PenAir will fly a 34-seat twin-engine Saab 340 turboprop out of Redding. The first flight will depart at 4:50 a.m., and make a stop in Arcata-Eureka before arriving in Portland at 7:20 a.m. So, there should be plenty of time to make a good connection. The afternoon flight will leave Redding at 3:40 p.m. and fly nonstop, arriving in Portland at 5:15 p.m. Flights from Portland would arrive in Redding at 3:10 p.m. (nonstop) and 9:00 p.m. (with one stop in Arcata-Eureka on the way).

Also in April, *SkyWest* (doing business as United Express) will add a third flight to San Francisco from Redding. The service starts April 5th. Right now, SkyWest offers two daily flights to San Francisco on 50-seat regional jets, an improvement from the 30-seat turboprop aircraft used prior to March of 2015. The new equipment is more reliable, and passenger confidence has returned, resulting in an increase of 30% in passenger counts year to year. At the February 16th Redding City Council meeting, Council approved a Transportation Services Agreement with SkyWest Airlines, Inc., and appropriated **\$500,000** for a Small Community Air Service Department Project with the U.S. Department of Transportation grant funds to implement the project. \$450,000 of the grant funds are to be used to provide SkyWest with minimum guaranteed revenue to assist with the transition of turbo-prop passenger service to regional jets. The remaining \$50,000 will be used to support passenger marketing strategies. The agreement includes the addition of a third round-trip flight between Redding to San Francisco.

K2 Land and Investment, LLC Applies for Permit for Former Dicker’s Building—K2’s redevelopment project, the former Dicker’s Department Store building in the Market Street Promenade, 1551 Market Street in downtown Redding, received initial funding of \$100,000 from newly available Affordable Housing and Sustainable Communities (AHSC) Grant Program funds in April, 2015. They were granted a permit on February 23rd by the Redding Planning Commission for construction of a mixed-use four-story building of about 122,000 square feet, and will include demolition of the existing building and reconstruction of an underground parking garage. The building will consist of 27,000 square feet of ground floor retail space and a total of **79 units** with a combination of affordable and market rate 1, 2, and 3 bedroom units on floors 2 through 4. The project will also include construction of Market St., Butte St., and Yuba St. adjacent to the project and connecting to Tehama St. and California St., and construction of a two-way separated bike lane. K2 and the City of Redding are project co-applicants for additional grant funding for this project. With their combined resources, the project is a strong, competitive project for additional future AHSC grant funding.

Join Shasta VOICES today.

We depend on membership and other contributions.

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