

**Stillwater Business Park
Still Spending; Still Waiting**



SUMMARY

The City of Redding and Redding Electric Utility have, together, spent close to \$41 million to fund the land and infrastructure development at Stillwater Business Park. The City of Redding continues to spend almost \$1 million a year from the General Fund on the project. Stillwater Business Park is located near the Redding Municipal Airport and consists of industrial-ready parcels currently for sale by the City of Redding. City of Redding administrators frequently cite the cost of the project at \$23 million, which was the cost to buy and develop the property. However, the cost rises to \$41 million when debt repayments and electrical and infrastructure by Redding Electric Utility are included. Future scheduled interest and principal repayments to service long-term bond debt over the next 20 years by both the City of Redding and Redding Electric Utility will increase the total known cost to \$59 million if the bond debts are not paid off prior to maturity.

Marketing has been a collaborative effort by the Economic Development Corporation, the City of Redding, and three different marketing firms. These combined efforts over seven years have yielded about 14 serious leads and a single lot sale totaling less than \$1 million. If all the parcels could be sold for the current appraised value, it appears the City of Redding would still lose at least \$27 million. This number does not include Redding Electric Utility debt repayment which may be paid by future on-site electrical sales from Stillwater Business Park. City of Redding documents state the true value of the project would be measured not by real estate sales revenues, but by future economic development connected to industry at the site. To date, no new jobs, products, or services have been developed at Stillwater Business Park.

The 2016/17 Shasta County Grand Jury determined that neither the City of Redding administrators nor the Redding City Council has appointed anyone to oversee the Stillwater project. The Grand Jury recommends the Redding City Council appoint an existing staff person as manager of the project and direct staff to conduct an evaluation of the future viability of the Stillwater Business Park project.

BACKGROUND

In 1998, an ad hoc committee convened to study the concept of a large industrial business park in Shasta County. The Shasta Economic Development Corporation (EDC), a non-profit

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organization funded by local governments and private businesses in Shasta County, emerged as a partner to the City of Redding (“the City”) in the business park project. The City has a long history of support for the EDC to identify, market, and attempt to recruit new business to the Shasta County area as well as assisting with business expansion and retention.

Over the next several years the City commissioned a “Purpose and Need” paper for the California Environmental Quality Act (CEQA) to gain environmental approval for an industrial park. As part of this document, the EDC identified a need for the City “to provide a large business park a minimum of 250-acres or larger, so infrastructure is economically feasible and development costs do not exceed the value of the land”. While industrial and commercial parcels in the one-to-five-acre range were available in the City, there were no parcels with developed infrastructure that could accommodate large employers requiring up to 100 acres.

In 2006, after the lengthy process of gaining CEQA approval, construction of Stillwater Business Park (“Stillwater”) began and was completed in 2010. Stillwater is located on City land, adjacent to the Redding Municipal Airport.

Stillwater is 680.97 acres, with 321 acres available for development. Remaining acreage is set aside as open space and for potential infrastructure improvements. The land was purchased in three separate transactions: two with private landholders and the third by purchase and annexation of property held by the airport district for possible future airport development. The combined purchase price for all land transactions was \$2,415,143.

There are 16 parcels within Stillwater that range in size from 3.3 to 91.85 acres. Lots 1-6 are planned for general industrial and service uses. Lots 7–16 are planned for heavy industrial, general industrial, and service uses.

The Grand Jury’s investigation was prompted by local media reports about interest in parcels at Stillwater that did not materialize into sales. The Grand Jury later expanded the investigation to determine how much money has actually been spent on Stillwater.

METHODOLOGY

The Grand Jury interviewed:

- City of Redding City Council members
- City of Redding Administrative personnel
- City of Redding Financial Department personnel
- Redding Electric Utility personnel
- Shasta County Auditor-Controller’s Office personnel
- Current and former Economic Development Corporation personnel

The Grand Jury reviewed:

- Exclusive sales listing agreements with Cushman & Wakefield (May 2006 – January 2014), Voit Realty Services (January 2014 – July 2016), and Colliers International (July 2016 – Current)

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- Colliers International: Marketing Materials Pricing Schedule Exhibit B
- Colliers International: Stillwater Business Park marketing brochure and video
- Planned Development Summary by MSM Marketing, Sharrah, Dunlap, Sawyer, and Economic Development Corporation, July 2007
- City of Redding Stillwater Business Park Development Plan, July 9, 2007
- Stillwater Business Park Marketing Plan and Budget, September 2007
- City of Redding City Council Resolution 94-26 Economic Development Incentive Program, February 1, 1994
- Redding City Council Special Meeting minutes: Stillwater Business Park, June 26, 2006
- Redding City Council minutes: Joint Meeting of the City Council and Redding Capital Services Corporation, October 18, 2005
- City of Redding: California Environmental Quality Act: Purpose and Needs, April 7, 2006
- Reports to City of Redding City Council:
 - Resolution Appropriating Funds for the Stillwater Business Park Project, April 30, 2007
 - Redding Municipal Airport Land Release Authorization for Stillwater Business Park, March 19, 2008
 - For approving a non-binding letter of intent with Southern Aluminum Finishing, November 23, 2010
 - To approve a purchase and sales agreement with Southern Aluminum Finishing, December 17, 2010
 - To approve a purchase and sales agreement with Clarity Entertainment, January 3, 2012
 - Economic Development Incentive Agreement with Lassen Canyon Nursery, May 3, 2016
 - General Fund Lease Revenue Bond Proceeds, April 30, 2017
- City of Redding Debt Amortization Schedule, Revenue Bonds, Version 0, June 30, 2007
- City of Redding Accounting: Allocation of sale funds, Lassen Canyon Nursery, December 15, 2016
- City of Redding Document: “Serious Leads for Stillwater Business Park 2008-2016”
- City of Redding Biennial Budgets, FY 2012/13 through FY 2016/17
- City of Redding Comprehensive Annual Financial Report, FYE June 30, 2015
- City of Redding Comprehensive Annual Financial Report, FYE June 30, 2016
- City of Redding Purchase Agreement with Lassen Canyon Nursery, August 5, 2015
- City of Redding Stillwater Business Park Expenditures Exhibit A, June 30, 2016

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- City of Redding Stillwater Business Park Expenditures Exhibit A, February 7, 2017
- City of Redding Stillwater Business Park Revenue Sources Exhibit C, December 12, 2016
- City of Redding Stillwater Business Park Revenue Sources Exhibit G, February 3, 2017
- City of Redding Stillwater Business Park General Fund Monies Expended Exhibit J, February 22, 2017
- City of Redding Stillwater Business Park Expenditures by Year Exhibits D, E, and E2, FY 2013/14 through FY 2016/17 (through January 30, 2017)
- City of Redding Stillwater Business Park Debt Service Payment Exhibits F, F1-a, F1-b, FY 2015/16
- City of Redding – Redding Joint Powers Financing Authority: Electric Systems Revenue Bonds 2015 Series A Final Numbers
- Redding Electric Utility: Expenditures, Stillwater Business Park, March 3, 2017
- Redding Electric Utility Financing: Correspondence regarding Certificate of Participation Bond interest and principal, Stillwater Business Park, March 8, 2017
- Redding Electric Utility Financing: Funding Source and Amounts, Stillwater Business Park, July 2, 2017
- 2007/08 Shasta County Grand Jury Report: “Stillwater Business Park – All the Eggs in One Basket”
- 2007/08 Shasta County Grand Jury Report: “City of Redding Finances – Too Many Hats, Not Enough Heads”
- City of Redding Redevelopment website, <http://www.cityofredding.org/departments/redevelopment>
- US Bank Tax Allocation Project Fund 2006
- US Bank Tax Allocation Acquisition Fund 2007
- Redding Redevelopment Agency Comprehensive Annual Financial Report, FYE June 30, 2007
- SHASTEK Redevelopment Project Implementation Plans, 2006-2011 and 2011-2016
- Record Searchlight articles regarding Stillwater Business Park

Grand Jury members toured Stillwater Business Park

DISCUSSION

City Funding Sources for Stillwater

In 2005, the Redding City Council (“the City Council”) appropriated \$2 million from the General Reserve Fund as a short-term loan to begin development of Stillwater. Since Stillwater

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required further significant investments, a variety of additional funding sources were needed to pay for the project.

In 2006, a SHASTECH Redding Redevelopment Agency (RRA) Bond of \$9 million was used to fund Stillwater’s development. Redevelopment agencies were used to fund development of areas designated as blight. They have since been disbanded by the State legislature.

Funding for the project moved forward when the City Council issued the 30-year 2007 Series A Lease Revenue Bond (“Lease Revenue Bond” or “LRB”). A lease revenue bond is a municipal bond that is usually supported by revenue from a specific project (in this case, Stillwater) and does not require a vote by the public. Bond proceeds allocated to Stillwater totaled \$11,275,000. The City Council approved the Lease Revenue Bond after a public hearing. The bond was issued at an interest rate of 4.49 percent. Some of the proceeds were used to reimburse the General Fund for the \$2 million short-term loan and to pay bond costs, leaving the City with \$7,056,053 available in bond proceeds.

The City also sought out additional funding sources, including grants. Table A shows these funding sources and amounts, along with additional General Fund monies used for Stillwater, as of March 2017.

Table A – City of Redding Funding Sources	
Source	Amount
Capital Improvement Funds	\$ 80,000
Water Department Project Funds	722,177
U. S. EPA P-97928101-5 grant	1,626,700
Housing and Urban Development grants	1,786,627
Waste Water Department Project Funds	3,711,538
City of Redding Lease Revenue Bond (LRB)	7,056,053
SHASTECH Redding Redevelopment Agency (RRA) Bond	9,058,240
Debt Service Payments from General Fund for LRB issue:	
Principal	4,323,456
Interest	2,135,000
Total	\$30,499,791

City Expenditures

In the process of developing Stillwater, the City acquired property and paid for environmental permitting and mitigation as well as administrative costs. Other monies were spent to make the site “shovel ready” by installing water and sewer lines and building the road and bridge.

In addition to these one-time expenses, the City also has recurring expenses for Stillwater. These include economic development (such as marketing and consulting), staffing costs, and required ongoing environmental monitoring. At least three high-level City administrators have charged a portion of their salaries to Stillwater, totaling \$173,500 since FY 2013/14.

City administrators involved with Stillwater cited the total cost incurred to date at \$23 million. Other strategic stakeholders in the project, including the EDC and the City Council, were unsure how much the City has spent on Stillwater.

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The Grand Jury’s investigation of spending on Stillwater clearly documents a large additional expense which is not included in the City’s accounting of costs for Stillwater: interest and principal payments on the Lease Revenue Bond debt. As of January 2017, this amount totaled \$6,458,456 and was paid from the City’s General Fund.

This cost is not cited by City finance documents because the interest and principal on Stillwater bonds are not categorized as costs to the project, but are instead categorized as a debt service cost (the cost of using the money long-term). The lack of interest and principal payments cited in the total expenses for Stillwater does not represent inaccurate or misleading accounting by the City. Figures cited without the inclusion of interest and principal payments may be accurate, given the methods by which governments account for their funds.

However, the Grand Jury also wishes to illuminate to the public the actual cost to citizens of funding Stillwater. These actual costs do include the interest and principal payments on the long-term debt, debt which would not have been incurred without a decision by the City Council to build Stillwater, and which will require large payments from the City’s General Fund over the next 20 years. This debt was incurred without a citizen vote by utilizing the Lease Revenue Bond method of debt. As of March 2017, the remaining principal on the bond debt was \$8,855,000; interest, which will be required if the bond is held to maturity (2037), is \$4,809,689. The total for future debt repayments is \$13,664,689. For this reason, the interest and principal payments already paid to date are included in Table B.

The City also makes interest and principal payments on the SHASTECC RRA bond debt. Since this money is fully reimbursed by the State of California under Redevelopment Agency law, this cost was not included by the Grand Jury.

See Table B for details of the City’s Expenditures for Stillwater as of March 2017.

Table B – City of Redding Expenditures for Stillwater Business Park	
One-Time Expenditures	Amount
Enhancements for Lot 7	\$ 55,000
Claims & Litigation	246,700
Construction, Engineering & Field Engineering	370,721
Project Development	2,234,546
Environmental Permitting/Mitigation	2,711,856
Property Acquisition/Right of Way Settlements	2,750,559
Construction Contract & Contingency	14,232,292
On-Going/Recurring Expenditures	
	Amount
Economic Development – Consulting	27,136
Economic Development – Marketing	346,839
Economic Development – Administration	400,763
Maintenance Costs (mostly environmental monitoring)	579,252
City of Redding Lease Revenue Bond:	
	Principal 4,323,456
	Interest 2,135,000
Total	\$30,414,120

Redding Electric Utility Funding and Expenditures

The City’s accounting for Stillwater also does not include any of Redding Electrical Utility’s (REU) funding or spending for the project. REU is a community-owned electric agency, identified by the City’s website as a City department and overseen by the City Council.

The City Council serves as Directors of the Redding Capital Services Corporation, described by City administrators as a not-for-profit corporation that assists the City with the acquisition, construction, and financing of certain public improvements (mostly REU capital projects). On October 18, 2005, the City Council, as the Redding Capital Services Corporation Directors, voted to approve Resolution Number 2005-144. This allocated a \$3.2 million portion of \$38 million in Certificate of Participation proceeds for Stillwater. A certificate of participation (COP) is a lease financing agreement in the form of securities that can be marketed to investors. It can be issued by a vote of the supervising body without requiring a vote of the residents of the City. This money was allocated to upgrade existing electrical distribution and transmission lines and build new infrastructure needed to accommodate planned expansion within Stillwater. REU also utilized Capital System Improvement Funds, money funded by ratepayer revenues, to develop infrastructure at Stillwater. Since repayment of both bond and Capital System funding sources are derived from customers’ retail rates, they are both funded by utility customers.

These REU funds were used to make Stillwater “shovel ready” by pre-building needed electrical capacity for anticipated large scale manufacturing needs. This was done by building both on-site and off-site electrical infrastructure. The off-site improvements, although not currently utilized by Stillwater, do improve the City’s overall electrical infrastructure. REU staff state expenditures to date represent the minimum electrical capacity needed to prepare for industrial parcel sales. REU infrastructure developments at Stillwater totaled nearly \$9 million, paid for by current REU customers.

The original COP did not require principal payments, only interest payments. REU estimates they had paid over \$1.5 million on interest only on this COP. This COP was refinanced in 2015 to include both interest and principal and will be retired in 2035. The interest and principal repayments since 2015 equal \$151,835 and, added to the previous interest paid, the total is \$1,650,835. This funding has been used for electrical infrastructure for Stillwater. All REU funding sources are detailed in Table C.

As with the City, governmental accounting for interest and principal payments are not considered as a cost of the project, but as an expense for using the Certificate of Participation proceeds.

Table C – REU Funding Sources for Stillwater Business Park	
Source	Amount
Certificate of Participation	\$ 3,176,962
Capital System Improvements (retail rates)	5,592,869
Interest/Principal to Service Long-Term COP Debt*	1,650,835
Total	\$10,421,666

*REU’s reported approximate interest amounts

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The Grand Jury notes that electric utility infrastructure expenses are typically borne by the electric utility rather than the developer. These development costs are repaid to the electric utility by customer rates over time. This is financially viable because rates paid by new customers repay the infrastructure costs originally borne by the electric utility. However, in the case of Stillwater, no such development has occurred. As a result, REU customers are currently paying off the cost of infrastructure development at Stillwater. These funds are unlikely to have been expended without the existence of Stillwater and represent a real cost to REU customers. The City’s failure to account for this spending in documentation does not represent inaccurate or misleading accounting. The Grand Jury accounts for it here to represent the full costs of the project.

Table D itemizes both one-time expenditures and ongoing expenditures that have been incurred by REU as of March 2017.

Table D – REU Expenditures for Infrastructure for Stillwater Business	
One-Time Expenditures	Amount
Stillwater Business Park Distribution	\$ 618,146
East Redding Substation	633,687
Airport Road Substation	1,901,815
Stillwater Transmission Line	5,616,186
On-Going/Recurrent Expenditures	Amount
REU – interest on bonds paid to date	1,651,835
Total	\$ 10,421,669

REU will incur future expenses to retire the COP at a cost of \$1.7 million for interest and \$3.2 million for principal, totaling \$4.9 million. These costs will also be paid by customer retail sales.

True Cost of Stillwater Business Park

City administrators informed the Grand Jury that the true cost of Stillwater is \$23 million. However, that total fails to include both bond interest payments and REU expenditures. The true cost of Stillwater to date is over \$40 million. Table E combines all funding sources and expenditures as of March 2017.

Table E – Totals (both City of Redding and REU)	
Totals	Amount
Funding (Tables A + C)	\$40,921,457
Expenditures (Tables B + D)	\$40,835,789

Table E shows a difference of \$85,568, which closely matches City documents showing a residual balance of \$85,672 allocated to Stillwater as of February 2017.

Future Expenditures

Stillwater is an asset financed primarily by long-term bond debt. Repayment of the principal of these debts, as well as the interest, continues as an ongoing expense that is paid from the City’s General Fund. According to City documents, future City General Fund and REU expenditures to repay interest on two bond interest payments will total approximately \$12 million. This would

bring the true known cost of Stillwater to approximately \$52 million by 2037, when the debt is retired. One parcel has been sold. If more parcels are sold, additional infrastructure development will be needed, adding to the total expenditures. These infrastructure improvements will be substantial as they include additional ingress and egress road access, traffic impact improvements, and electrical substations, among others.

Return on Investment

In 2015, the City sold the first Stillwater parcel (Lot 7) to Lassen Canyon Nursery for the net price of \$752,238. The number of jobs anticipated by this expansion is approximately 20 new positions. These monies were deposited into the City's Capital Improvement Fund, which can be used for any City costs with City Council approval. Of this amount, \$55,000 was allocated for enhancements to the parcel, including high speed Internet connectivity and street lights. An additional \$25,000 was allocated for marketing Stillwater for a total of \$80,000. These costs are shown as "Capital Improvement Funds" in Table A. The City Council did not allocate this income for debt repayment on the Lease Revenue Bond.

The interest earned on bond deposits was \$48,000, which remained as funding for infrastructure development for the project. Additionally, pasture land at Stillwater has been leased for cattle grazing from 2011 to 2017, yielding a total income of \$25,663.

Total sales revenue income from Stillwater so far has been less than \$1 million. If all parcels sold for their current listing prices, the gross income would be just under \$14 million.

Marketing

The success of Stillwater's mission is dependent on lot sales and new business development. City and EDC personnel state the lots have not sold due to Stillwater being completed at the height of the recent recession. Some have also suggested the original need for large parcels for industrial use may no longer be viable in California.

The marketing of Stillwater is a shared responsibility between the EDC, Colliers International (the current listing real estate broker), and the City's Development Services Department. Since Stillwater's inception, a focus of the EDC has been the marketing of Stillwater. The City annually enters into a contract with the EDC for marketing purposes. The FY 2016/17 contract was for \$71,000. Of this funding, EDC has allocated \$25,000 to in-house marketing efforts for Stillwater.

Colliers International is the third real estate broker the City has utilized to market sales of Stillwater. Cushman & Wakefield and Voit Real Estate Services were agents prior to Colliers. The current brokerage contract was signed in September 2016 after a selection committee reviewed three submission of interest applications. A significant change in this brokerage contract is that the City is providing \$25,000 in up-front funding to the broker for specific marketing efforts. In prior contracts, brokerage marketing costs were an assumed up-front cost of the broker to be reimbursed through commission sales.

Colliers International provides the EDC with written and voice updates on key milestones in their marketing plan, such as developing marketing materials and disseminating information to brokers. As of April 2017, the EDC indicated that Colliers International has not provided them with any business leads for inclusion within Stillwater.

Interested parties may initially contact the City, the EDC, or Colliers International to express interest in a Stillwater lot. Prospective clients are “vetted” by either Colliers International or the EDC. The only objective criteria used to “vet” prospective clients is a formal document titled the “Stillwater Business Park” which outline design guidelines. These guidelines specify aesthetic considerations for new construction such as building materials and structure. The document is used to “ensure a high quality industrial and professional office development while providing the flexibility necessary to allow a wide range of industrial uses.” Prospective buyers would work with Colliers International to develop a sales proposal and enter into negotiations with the City, with assistance as needed by the EDC.

The City’s Development Services Department works jointly with the EDC and Colliers International in the negotiation process and can offer a list of business incentives that may be available, including: reduction in listed sales prices, job credit deferrals and fee waivers, state tax credits, and electric rate discounts. Acceptance of such incentives would require prevailing wages for construction of the facilities. City and EDC personnel state this increased cost may outweigh the financial value of the incentives for many businesses.

The City’s Development Services Department and EDC indicate that from January 2008 through April 2017, there have been about 14 serious leads for Stillwater, including: Southwest Paper; Moore's Flour Mill; Southern Aluminum Finishing; Pepsi; Clarity Entertainment; Google; Diesel Emission Services; Lassen Canyon Nursery; Emerald Kingdom; D&S Family, LLC; and four other prospects covered under confidential/non-disclosure agreements. The City developed sales and purchase agreements with Southern Aluminum Finishing and Clarity Entertainment. Neither sale was completed. Southern Aluminum Finishing acquired fully developed property elsewhere in Shasta County, and Clarity Entertainment lacked the finances to complete the sale. The City spent over \$35,000 for improvements for Clarity Entertainment prior to their withdrawal.

Reevaluation of the Stillwater Business Park Project

City administrators agree investments in Stillwater were intended to create at least 2,500 higher-wage industrial jobs. A 20-year time frame for the investment to be paid off was quoted by some City and EDC staff involved in Stillwater's conceptual development. The financial investment in Stillwater was to be repaid, not by real estate sales, but by an increase in the City's tax base and construction and impact fees. Stillwater site employees would also spend income on new and existing community goods and services, increasing tax revenues.

Despite the importance and expense of this project, the Grand Jury determined that no individual staff member has general oversight of Stillwater, although one staff member manages marketing. The Grand Jury received at least five different responses from key interviewees when asked, “Who manages Stillwater Business Park?”

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In 2006, the Assistant City Manager reported at a City Council special meeting that “the total project at build out will total \$68 million”. One City Council member at the same meeting observed the City “has not developed a plan should the project fail for how the City plans to recover the money spent.”

At the City Council’s Budget Priority Setting meeting in February 2017, staff included a report stating, “Unless industrial land prices rise significantly in the very near future and the City is able to sell lots quickly, it is unlikely that the City will be made whole on the development costs at Stillwater.” The Grand Jury notes that at current appraised prices, lot sales for all the remaining lots would total just under \$14 million. To make the City “whole” on Stillwater development costs, industrial land prices would need to rise by about 271%, or nearly three times their current value, and sales revenues would need to be used to repay the bond debt so that future interest payments are not accrued. REU’s spending is not included in this figure because REU’s costs would theoretically be repaid over time by an increase in electrical use, if industries developed on sold parcels.

The 2007/08 Shasta County Grand Jury issued a report that asked the City to seek a public opinion vote before entering into projects of this magnitude. The report stated the City estimated a cost of \$11 million for Stillwater; the final cost for Stillwater would likely be around \$70 million with full tenant occupancy. The City Council disagreed with the Grand Jury’s recommendation for a public opinion vote, as follows: “Topics such as the Business Park take many hours, weeks, and years to fully understand and study. It is for this reason that the City Council respectfully suggests that the elected body is best suited for making necessary decisions for such large and complex issues.”

Funding sources of \$40,835,789 (see Table E) so far have established Stillwater as a highly improved asset with an appraised market value of \$14 million. This highly improved asset has generated only one sale at its appraised price. As currently marketed, lots are unlikely to be sold below their appraised prices due to prevailing wage requirements. The City owes annual debt repayments for this asset on both principal and interest for two separate bonds until maturity in 2037, or full payment. The City will continue to pay over \$1 million annually until buyers for all parcels are found or the asset is otherwise liquidated. If the asset, in its entirety, is able to be sold for the almost \$14 million appraised price, the net income could be used to repay the almost \$13.6 million of remaining City bond debt and fund any required additional infrastructure at an unknown but significant expense. As long as the City continues to own the asset, all future expenditures, including on-going debt payment of both principal and interest, will require additional payment from the General Fund, REU customers, or new sources. No significant revenue is generated from the ownership of this asset, and it does not benefit the overall function of the City. Stillwater does, however, continue to drain financial resources through staffing charges, environmental monitoring, and debt repayment.

FINDINGS

- F1. The \$23 million cited cost for Stillwater Business Park does not accurately represent the true cost to citizens, because it does not include all expenses associated with the Park which currently total \$40,835,789. Additional infrastructure development costs at Stillwater Business Park will likely be incurred by the City, depending upon future occupancy.
- F2. City residents, via the General Fund, have contributed \$6,458,454 so far in interest and principal repayment on the 2007 Series A Lease Revenue Bond. An additional \$13,664,689 will be contributed over the next twenty years unless the property is sold and parcel proceeds are used to pay off debt. These payments represent an ongoing drain on the City's General Fund without providing any service to residents other than debt repayment.
- F3. REU customers, via utility bills, have contributed \$10,269,831 to fund infrastructure development for Stillwater Business Park and will pay more than \$4.9 million in future debt repayment. Since no electrical revenue has been generated from Stillwater Business Park, REU customers pay these expenses with little or no benefit.
- F4. Ten years of planning and developing and seven years of marketing have failed to create any new jobs or industry at Stillwater Business Park. Nevertheless, the City has never comprehensively re-evaluated the viability of Stillwater Business Park to determine whether additional funds should continue to be invested.
- F5. The Redding City Council does not, by policy or practice, direct all funds from lot sales back to Stillwater Business Park or the Stillwater Lease Revenue Bond debt, even though retiring the debt early would lead to significant cost savings to citizens.
- F6. The Redding City Council has no comprehensive, objective method, other than design elements, by which to guide its decisions on sales at Stillwater Business Park, contributing to lost time and money for both the City and potential buyers during sales negotiations.
- F7. There is no single City staff member tasked with oversight of the administration, finances, marketing, and evaluations of Stillwater Business Park, which may contribute to the lack of awareness of the cost and strategic evaluation of the future viability of Stillwater Business Park.
- F8. Redding City Council Members, City administrators, and other staff are not aware of the true cost of Stillwater Business Park, leaving them unable to make informed decisions about the project.

RECOMMENDATIONS

The Grand Jury recommends:

- R1. By December 31, 2017, the Redding City Council contract for an external audit of all funding and expenditures related to Stillwater Business Park. This audit can be paid for by existing funds allocated to Stillwater Business Park.

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- R2. By September 30, 2017, the Redding City Council request Colliers International and the EDC to jointly determine the continued market demand for existing Stillwater Business Park parcels and present their findings to the City Council by November 30, 2017.
- R3. By September 30, 2017, the Redding City Council direct staff to identify alternative uses of the Stillwater Business Park property and report their findings to the City Council by November 30, 2017.
- R4. By December 31, 2017, the Redding City Council establish a formal procedure for comprehensively evaluating the viability of the Stillwater Business Park project.
- R5. By September 30, 2017, the Redding City Council establish a policy directing funds received from any future parcel sales be utilized only for Stillwater Business Park debt repayment or infrastructure.
- R6. By September 30, 2017, the Redding City Council establish a formal, documented procedure for comprehensively evaluating potential Stillwater Business Park sales using criteria such as financial viability, estimated wage rates, and number of jobs to be created.
- R7. By September 30, 2017, the Redding City Council appoint an existing City staff member to manage the Stillwater Business Park Project. This person would be responsible for routine evaluation of Stillwater, including supervising marketing coordination, sales negotiations, and fiscal accountability. Further, this City staff member will report on a quarterly basis to the City Council on these Stillwater Business Park evaluations.

REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the following response is required:

From the following governing body (within 90 days):

- Redding City Council: **F1, F2, F3, F4, F5, F6, F7, F8 and R1, R2, R3, R4, R5, R6, R7**

From the following elected governmental officer (within 60 days):

NONE

The Grand Jury recommends that all governing bodies place their responses to all Grand Jury Reports on their Regular Calendars for public discussion, not on their Consent Calendars.

INVITED RESPONSES

The Grand Jury invites the following responses:

From the following governmental officials (requested within 60 days):

- City of Redding City Manager: **F1, F2, F3, F4, F5, F6, F7, F8 and R1, R2, R3, R4, R5, R6, R7**
- Redding Electric Utility Director: **F3**

DISCLAIMER

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

Released: May 23, 2017