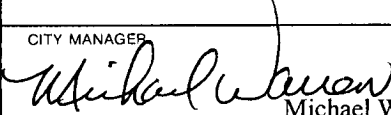


ITEM NO.	2
MEETING DATE	12-09-05
APPROVED BY	
DEPARTMENT DIRECTOR	
CITY MANAGER	
 Michael Warren	

CITY OF REDDING
REPORT TO CITY COUNCIL

DATE: December 6, 2005

CODE: E-050

FROM: City Manager

SUBJECT: Approve Proposed Letter of Intent with State Compensation Insurance Fund

Recommendation

It is recommended that the City Council approve the attached Letter of Intent with State Compensation Insurance Fund (State Fund). It is also recommended that the City Council direct the City Manager and the City Attorney to develop a binding agreement with State Fund for the City Council's consideration at a future meeting.

Background

State Fund is a non-profit, public enterprise fund that operates like a mutual insurance carrier. Its mission is to provide workers' compensation insurance to California employers at a reasonable cost. State Fund has offices throughout the State of California, including a district office in Redding. State Fund currently employs approximately 200 people in Redding. State Fund employees in Redding earn, on average, approximately \$46,000 per year. In addition, all full-time employees receive a comprehensive benefits package, including health insurance.

State Fund currently leases approximately 30,000 square feet of office space in Redding. State Fund would like to build a new, 75,000 square-foot facility in Redding at the northeast corner of Shasta View Drive and Highway 44. This will also enable State Fund to add a minimum of 100 new, full-time jobs in Redding over the next 7 years (for a total of 300 or more jobs). The average starting salary for a new State Fund employee is approximately \$35,000 per year (plus benefits).

In order to facilitate State Fund's desire to expand its operations in Redding, State Fund would like the City's cooperation and assistance. To that end, City staff and representatives from State Fund have negotiated the attached Letter of Intent for the City Council's consideration. The Letter of Intent includes the following key elements:

1. State Fund would agree to create a minimum of 100 new jobs in Redding over the next 7 years. The average starting salary for these employees would be \$35,000 per year or greater. In addition, State Fund would provide comprehensive benefits to these new employees (including health insurance).
2. The City would agree to provide State Fund with a \$1,500 development impact fee credit for each new, full-time job that State Fund creates (for a total of \$150,000).

3. The City would agree to provide a reduced electric rate to State Fund for a total of ten years after the new facility is opened (or, as an alternative, State Fund could elect to work with the City to install an energy efficient ice storage system in the new office building). The value of the electric rate incentive is estimated to be approximately \$250,000 over ten years.
4. The City would agree to grant up to \$50,000 to State Fund for energy efficient equipment and materials that exceed the minimum requirements that are contained in the California Building Code.
5. The City would agree to expedite the entitlement process for the State Fund facility to the best of its ability. This would include a General Plan amendment from "General Commercial" to "General Office," a zoning change, a parcel map, a use permit, and a mitigated negative declaration.
6. State Fund would agree to construct a new traffic signal at the intersection of Old Alturas Road and Shasta View Drive. The City would agree to reimburse State Fund for 92 percent of the cost of this traffic signal starting in fiscal year 2008-09 at the rate of \$100,000 per year via the City's Traffic Impact Fee (TIF) program. It should be noted that this traffic signal will be needed in the future even if the State Fund project does not proceed. State Fund's fair share of the cost of the traffic signal is approximately 8 percent.

The value of the incentives delineated above is estimated to be approximately \$450,000 (excluding the traffic signal, which will be needed in the future with or without the State Fund project). In return, the community will receive 100 high-quality jobs and an attractive new office complex. Once State Fund builds its new office building, it is also more likely that State Fund will maintain a district office in Redding for an extended period of time.

Issue

Should the City Council approve the attached Letter of Intent with State Fund?

Alternatives; Implications of Alternatives

1. Approve the attached Letter of Intent with State Fund. State Fund will proceed with its new facility and create a minimum of 100 new, high-quality jobs in Redding.
2. Direct staff to modify the proposed Letter of Intent with State Fund. State Fund may or may not agree to the proposed modifications.
3. Do not approve the attached Letter of Intent with State Fund and provide additional direction to staff.

Fiscal Impact

As noted above, the value of the incentives is estimated to be approximately \$450,000. Of this amount, approximately \$300,000 would come from the Electric Utility Fund and approximately \$150,000 would be in the form of development impact fee credits. In addition, the City would agree to reimburse State Fund over time for 92 percent of the cost of the new traffic signal at the intersection of Old Alturas Road and Shasta View Drive via the TIF program. It is estimated that this new traffic signal will cost approximately \$400,000.

Conclusion

State Fund is an excellent corporate citizen that would like to expand its operations in Redding. More specifically, State Fund intends to construct a new 75,000 square-foot office building and add 100 or more high-quality jobs to its workforce in Redding. In order to facilitate this proposed expansion, the City would agree to provide certain incentives to State Fund, as delineated above.

Attachment

Proposed Letter of Intent

KS:ls
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LETTER OF INTENT

STATE COMPENSATION INSURANCE FUND

This Letter of Intent (LOI) is entered into by and between the City of Redding (the City) and State Compensation Insurance Fund (State Fund). The parties hereby agree as follows:

1. **Purpose of the Letter of Intent.** The purpose of this LOI is to outline a strategy to facilitate State Fund's desire to expand its district office in the City of Redding. To that end, State Fund intends to construct and own a new, 75,000 square-foot office building at the northeast corner of Shasta View Drive and Highway 44. As noted below, State Fund also intends to create a minimum of 100 new, full-time jobs in Redding over the next 7 years.
2. **Job Retention and Creation.** In return for the City incentives listed below, State Fund agrees to retain all of its existing full-time positions in the City of Redding (i.e., 200 or more full-time, existing positions). The average salary for these positions shall be \$46,000 per year or greater. In addition, these positions shall receive a comprehensive benefits package, including health insurance.

Furthermore, State Fund agrees to create 100 or more new, full-time positions in the City of Redding over the next 7 years (i.e., an average of approximately 14 new positions per year). The average starting salary for these new positions shall be \$35,000 per year or greater. In addition, these positions shall receive a comprehensive benefits package, including health insurance.

3. **Development Impact Fee Credits.** The City shall provide State Fund with a \$150,000 development impact fee credit.
4. **Electric Rate Incentive.** The City shall provide an electric rate incentive to State Fund after the new office building is finished and occupied. State Fund shall receive a 25 percent electric rate reduction in years 1 and 2; a 20 percent electric rate reduction in years 3 and 4; a 15 percent electric rate reduction in years 5 and 6; a 10 percent electric rate reduction in years 7 and 8; and a 5 percent electric rate reduction in years 9 and 10.

In lieu of the electric rate incentive described above, State Fund could elect to work with the City in a cooperative manner to add an energy efficient ice storage system to the new office building. The City would assist State Fund in the design of an ice storage system that would allow a minimum of 190 kW in peak air conditioning to be shifted from "on peak" to "off peak." The City would guarantee that the savings associated with the ice storage system over a ten year period would, at a minimum, be equal to the value of the electric rate incentive described above.

5. **Redding Electric Utility Grant.** The City shall provide a grant of up to \$50,000 to State Fund for energy efficient equipment and/or materials that exceed the minimum requirements contained in the California Building Code.

6. **Reimbursement to the City.** If State Fund fails to retain and/or create the quantity and quality of jobs described above, then State Fund shall reimburse the City on a pro rata basis for the incentives that were provided to State Fund by the City.
7. **Reimbursement for Traffic Signal.** The City shall reimburse State Fund, with interest, for approximately 92 percent of the cost of the traffic signal that State Fund shall construct at the intersection of Old Alturas Road and Shasta View Drive. The City shall pay \$100,000 per year to State Fund beginning on August 1, 2008, until State Fund has been reimbursed for the aforementioned traffic signal.
8. **Entitlement Process.** The City shall utilize its best efforts to expedite the entitlements for the new State Fund office building. These entitlements include, but are not limited to, a General Plan amendment, a zoning change, a parcel map, a use permit, a building permit, and a mitigated negative declaration.
9. **Formal Agreement.** The City and State Fund agree to utilize their best efforts to develop and execute a binding agreement that shall supercede this LOI.
10. **Non-Binding Nature of this Letter of Intent.** This LOI is not intended to be a binding agreement. Rather, this LOI is intended to outline the general terms and conditions under which the City and State Fund are prepared to proceed in order to facilitate the proposed office building and the creation of the new jobs referenced above. Neither party will have any liability or obligation to the other party as a result of this LOI until a formal agreement has been executed by the parties.

Dated: _____

Ken Murray, Mayor
City of Redding

Dated: _____

Denise Burian, Real Property Manager
State Compensation Insurance Fund