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## **Treatment of Property Owners in Redwood City Redevelopment Project**

### **Issue**

Did the Redwood City Redevelopment Agency give fair and equitable treatment to the property owners who were evicted by the Retail/Cinema Complex development project?

### **Summary**

The use of eminent domain in redevelopment projects has long been an emotionally and politically charged issue since private property is the very foundation of our free society. The United States Constitution declares in no uncertain terms that “nor shall private property be taken for public use, without just compensation.”

In 2003, the Redwood City Redevelopment Agency (RDA) condemned a set of parcels to allow a private developer to build a privately owned retail/cinema development project, known as the Retail/Cinema Complex, on the site. The focus of the Grand Jury investigation was not in the complex details of the condemnation, but rather in the reported insensitive treatment by the RDA of several of the property owners who were displaced. The Grand Jury wanted to ascertain whether these property owners had “suffered disproportionate injuries” in the course of the eminent domain negotiations.

After receiving several complaints, the Grand Jury conducted interviews with personnel from the Redwood City Community Development Services Department and with some of the property owners displaced by the project. In addition, the Grand Jury noted several articles and letters to the editor appearing in local newspapers that were critical of the manner in which the RDA exercised the power of eminent domain. Although several years have passed since the eminent domain negotiations, the property owners still felt bruised enough by the experience to express their resentment somewhat emotionally. They believed that they had not been treated with respect and that they had been mistreated both by the time delays of the proceedings as well as by the intense pressure placed on them to settle.

The Grand Jury concludes that the RDA did not give fair and equitable treatment to the property owners who were evicted by the Retail/Cinema Complex. The Grand Jury recommends that the Redwood City Council direct the RDA to develop written guidelines for its staff on proper treatment of citizens, and to conduct a staff training session. In addition, the Council should set up a mechanism for dealing with citizen and property owner complaints concerning the RDA, either by the use of an ombudsman or a selected city council member who would act as the point person for complaints concerning the RDA.



## **Treatment of Property Owners in Redwood City Redevelopment Project**

### **Issue**

Did the Redwood City Redevelopment Agency give fair and equitable treatment to the property owners who were evicted by the Retail/Cinema Complex development project?

### **Background**

The use of eminent domain in redevelopment projects has long been an emotionally and politically charged issue. Private property is the very foundation of our free society. Our United States Constitution declares in no uncertain terms that “nor shall private property be taken for public use, without just compensation.” Governmental entities, such as redevelopment agencies, should always exercise caution in eminent domain proceedings and should err on the side of fairness with their citizens in such proceedings. At the same time, well-planned redevelopment projects on properties acquired in a fair and legal manner can serve well the needs of the public.

The treatment of property owners in eminent domain cases is covered in California Government Code Section 7260.5(b): “This chapter establishes a uniform policy for fair and equitable treatment of persons displaced as a direct result of programs or projects undertaken by a public entity. The primary purpose of this chapter is to ensure that these persons shall not suffer disproportionate injuries as a result of programs and projects designed for the benefit of the public as a whole and to minimize the hardship of displacement of these persons.”

In 2003, the Redwood City Redevelopment Agency (RDA) condemned a set of parcels to allow a private developer to build a privately owned development project known as the Retail/Cinema Complex on the site. The focus of the Grand Jury investigation was not in the complex details of the condemnation, which resulted in a winning lawsuit by one of the property owners, but rather in the reported insensitive treatment by the RDA of the property owners who were displaced. The Grand Jury wanted to ascertain whether these property owners had “suffered disproportionate injuries” in the course of the eminent domain negotiations.

## **Investigation**

After receiving several written complaints, the Grand Jury conducted interviews with personnel from the Redwood City Community Development Services Department and with some of the property owners displaced by the project. In addition, the Grand Jury noted several articles and letters to the editor appearing in local newspapers that were critical of the manner in which the RDA exercised the power of eminent domain.

## **Findings**

### **Organization of the City Council and RDA**

The City Council of Redwood City sits as the RDA Board, a dual role that is a common practice for California cities. The RDA staff deals with planning, finding suitable developers for a redevelopment project, preparing the redevelopment justification, negotiating with property owners, and relocation.

The City Council is the highest level of appeal for grievances held by city residents. Because the City Council of Redwood City serves as the RDA board of directors, there is no independent body to which a property owner or resident can complain about actions of the RDA in offering fair market value for property. This dual role of the City Council as the RDA projects an apparent conflict of interest.

### **Treatment of Affected Property Owners in the Retail/Cinema Project**

Although two years have passed since the eminent domain proceedings and purchase negotiations, the Grand Jury found that the citizens still felt bruised enough by the experience to express their resentment somewhat emotionally. They felt that they had not been treated with respect and that they had been mistreated both by the time delays of the proceedings as well as by the intense pressure that was placed on them to settle. In one case, the property owners were elderly and were very upset by the behavior of the RDA negotiators who showed up at their doorstep without notifying their attorney as had been requested. Because the Redevelopment Agency is, in reality, the Redwood City Council wearing different hats, there was nobody in the city government to whom they could appeal to relieve the intensity of the RDA pressure.

Another property owner was forced to spend \$75,000 on appraisers and legal fees before the city, after a protracted period of time, finally raised their offer by 31% to \$1,130,000. The representatives of the RDA walked out of court-required mediation and did not settle until the final court hearing. This property owner felt that the RDA had needlessly prolonged the negotiations so that the property owner would have to incur extra legal and appraisal expenses, and therefore be more willing to settle for the RDA's terms. The fact that the City did finally agree to settle for a higher market price should not have prompted the City Manager to verbally insult the property owner.

## **Conclusions**

The Redwood City Redevelopment Agency did not provide fair and equitable treatment to the property owners who were evicted by the Retail/Cinema Complex development project. The RDA forced property owners to settle at the lowest possible price by employing delaying tactics and verbal coercion. The Grand Jury is of the opinion that in using these techniques, the Redwood City RDA imposed an emotional and financial hardship on the affected property owners.

Because the City Council of Redwood City serves also as the RDA Board of Directors, there is no independent body to which a property owner can file grievances about actions of the RDA in offering fair market value for property. This dual role of the City Council as the RDA Board projects an apparent conflict of interest.

## **Recommendations**

The Redwood City Council should:

1. Direct the Redevelopment Agency to develop written guidelines for its staff on proper treatment of citizens, and conduct training sessions to acquaint the staff with the contents of these guidelines (staff should be made aware of California Government Code Section 7260.5(b) concerning treatment of the public).
2. Set up a mechanism for dealing with citizen complaints concerning the Redevelopment Agency, such as:
  - a) Appoint a RDA Ombudsman familiar with the statutory duties and rights of the property owners who will actively seek out persons affected by RDA actions to insure that they are being fairly treated. The RDA Ombudsman would report periodically to the City Council; or alternatively,
  - b) Designate a member of the City Council as the point person for complaints concerning the RDA. This member, familiar with the statutory duties and rights of the property owners, would seek appropriate remedies and report back to the City Council concerning required actions.

Mayor Jeff Ira  
Vice Mayor Barbara Pierce

Council Members  
Alicia Aguirre  
Ian Bain  
Rosanne Foust  
Jim Hartnett  
Diane Howard



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September 26, 2005

The Honorable Norman J. Gatzert  
Judge of the Superior Court  
Hall of Justice  
400 County Center, 2<sup>nd</sup> Floor  
Redwood City, CA 94063-1655

Subject: Response to San Mateo County Grand Jury June 27, 2005 Final Report,  
"Treatment of Property Owners in Redwood City Redevelopment Project"

Dear Judge Gatzert:

Redwood City has received the June 27, 2005 Final Report of the San Mateo County Grand Jury ('Report'), including its review of the "Treatment of Property Owners in Redwood City Redevelopment Project." Below is the City's response to the Grand Jury's findings and recommendations.

City's Response to Grand Jury Findings:

The City has engaged in a great deal of thought and consideration as a result of the acquisition proceedings, and their aftermath. We recognize that there were instances when the manner in which we proceeded, although well-intentioned, with only the community's benefit in mind, and scrupulously adhering to the law, was less-than sensitive as perceived by some of the individuals involved.

In hindsight, we might have proceeded with more care and tact, and could have done a better job of recognizing and understanding the uniqueness of each property, its history, its owners, and the intangible emotional and personal connections which some properties embody.

As stated in my letter of last year to the property owners (attached), we recognize that the City did not show the appropriate regard for their connection with our City's history, nor their contributions to our community. In some cases, we did not communicate in the most respectful manner we might have, and could have exhibited greater sensitivity and compassion.

Well-before the Grand Jury report was issued I had already directed that an ad-hoc Redevelopment Subcommittee of the Council be formed, comprised of Vice-Mayor Barbara Pierce, and Council members Jim Hartnett and Rosanne Foust, to examine our development processes and make recommendations as to guidelines for a more sensitive approach to future redevelopment actions. The Subcommittee will be bringing its recommendations to the Council within three months.

My own observation of the circumstances has led me to the conclusion that, in our development process of creating a distinctive sense of place and a vibrant city community, the City must:

- ensure that individuals' and our community's values, character, and history are respected;
- recognize that property owners and properties are unique, and honor their distinctiveness.

These are two guiding principles which I believe are important to pursue with the full Council when the Subcommittee report is complete and presented.

Grand Jury Recommendation #1 (paraphrased): Develop written guidelines and train staff on the proper treatment of citizens.

City Response to Recommendation #1:

As noted above, I had already directed (prior to the Grand Jury report) the Subcommittee to begin work to develop a set of such guidelines. The Subcommittee will report back to the full City Council within three months, and upon review and approval by Council the guidelines will be incorporated into our development process. At that time, relevant staff will be briefed on the guidelines.

Grand Jury Recommendation #2 (paraphrased): Designate a member of the City Council as the point person for complaints concerning the RDA, who will seek appropriate remedies and report back to the City Council concerning required actions.

City Response to Recommendation #2:

The City agrees with this recommendation (specifically alternative "b"). I am directing that the Redevelopment Subcommittee include in their final report a recommendation of a Council member to act in this capacity. As noted above, the Subcommittee will report back to the full City Council within three months.

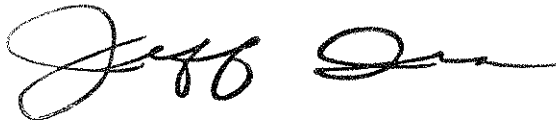
It's important in the context of this response to point out several significant shortcomings of this Grand Jury Report. The Report correctly notes that the City Council sits as the Redevelopment Agency Board, "*...a dual role that is a common practice for California cities.*" Yet, with that said, the Report goes on to impugn the City Council for that "common practice" as projecting "*... an apparent conflict of interest.*"

I refute the implication of any conflict of interest, and assert that the members of the City Council/Redevelopment Agency Board have acted entirely in good faith, with only the community's best interest at heart, and with complete public transparency in both their capacities. Further, I'll remind the Grand Jury that State law provides for a city council to act in this dual role – it is therefore inherent in such cases that there is not a conflict of interest, and any perception to the contrary is simply incorrect.

September 26, 2005  
The Honorable Norman J. Gatzert  
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Finally, I want to share with the members of the San Mateo County Grand Jury that I am truly saddened by the fact that in the course of your analysis of this issue, no one contacted me or, to my knowledge, any other Council member or the City Manager, for the City's perspective on this issue. I'm confident that had you spoken with me directly, you would have recognized the depth of our concern with the manner in which we proceeded and understood the effort we are making to ensure that we improve our process. Your recommendations may have been quite different had you taken that logical step.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Ira". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jeff Ira  
Mayor

cc: Members, City Council  
San Mateo County Clerk  
San Mateo County Grand Jury

Attachment: June 23, 2004 letter to Mr. & Mrs. James P. Celotti



Mayor Jeff Ira  
Vice Mayor Barbara Pierce

Council Members  
Ian Bain  
Rosanne Foust  
Jim Hartnett  
Diane Howard  
Ira Ruskin



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June 23, 2004

Mr. & Mrs. James P. Celotti  
469 Myrtle Street  
Redwood City, CA 94062

Dear Mr. & Mrs. Celotti:

During one of our recent conversations about the revitalization of downtown Redwood City, you had said that for years the downtown needed something and that the retail/cinema project may or may not be the *right* thing, but you hoped that it was. That comment illustrates your sincerity in the handling of this matter from beginning to end, and for that I thank you. As Mayor, I do believe this downtown project is one of the important steps that Redwood City must advance if we are to leave our children a better future.

You also stated that for you and your family, the land upon which your building stood was more than simply a piece of property. It was one of the threads which connected your family's generations. This is an important message, one which is key to how we build our community. I assure you we will keep this in mind as we move forward with this project, and others.

In fact, in bringing to a close this contentious and fractious time for you and the City, these two elements are now paramount for us: our past and our future.

I share your sentiments about our past, as I too am a product of Redwood City with family roots that are dear and precious to me. Thus, when I learned that you feel the City has not shown the appropriate respect for your family's contributions to our community, I am unafraid to publicly apologize on behalf of the City. Now, having spoken with you, I know that is exactly how you feel. On behalf of myself and the entire City Council, I sincerely apologize to you, your family, and your legal counsel.

In speaking to our future, I extend to you the City's promise to erect a plaque which will commemorate your family's history on the downtown site. It will be placed near to where your building stood. But understand, it will not be solely a memorial for members of your family. On the contrary, in looking to the future, it will be erected to create yet another thread linking Redwood City's rich past to those generations yet to come.

I look forward to joining with you when downtown Redwood City realizes the future of which we both dream.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jeff Ira", is written over the words "Very truly yours,".

Jeff Ira, Mayor

cc: Mr. Ted Hannig, Attorney at Law