A. Overview of Redevelopment

The Community Redevelopment Law was enacted in 1945, creating in every city and county a redevelopment agency ("RDA") charged with eliminating blight. (Health & Safety Code\textsuperscript{1} §33100) RDAs were activated by ordinance of the city council or board of supervisors and, although the members of most RDAs were the members of the city’s or county’s legislative body, each RDA was a separate corporate entity. (§33101) RDAs were authorized to adopt plans to redevelop blighted areas (§§33300 et seq.) and to exercise powers therein, including acquisition and disposition of property (§§33390, 33430), demolition of improvements (§33420) and construction of public facilities (§33445).

RDAs were financed chiefly from part of the property taxes levied in RDA project areas. These taxes—"tax increment"—were allocated to RDAs by California Constitution\textsuperscript{2} Article XVI §16 and §33670. Enacted by initiative in 1952, Article XVI §16 provides that property taxes levied in RDA project areas may be allocated among entities levying the taxes and RDAs, which lacked taxing powers. Taxes on assessed value of property in a project area when a redevelopment plan was adopted ("base year assessed value") continued to be allocated to the taxing entities. Taxes on increased assessed value after plan adoption (tax increment) went to RDAs to repay indebtedness incurred to implement the project. When all indebtedness of the RDA was repaid, all property taxes reverted to the taxing entities.

RDAs used tax increment to finance most of their activities. It was pledged as a revenue stream to repay bonds ("tax allocation bonds") issued by the RDA to pay project costs. (§33640 et seq.) Tax increment was also pledged to reimburse private developers for certain development

\textsuperscript{1} Citations not expressly identified to another Code are in the Health & Safety Code.
\textsuperscript{2} References to "Article" are to the California Constitution unless otherwise stated.
costs, e.g., cost of constructing streets, utilities and other public improvements (§33445) and to repay public and private entities for moneys loaned to the RDA for redevelopment purposes.

Beginning in the late 1970s, several events altered how property taxes are levied and allocated, indirectly affecting tax increment financing. Proposition 13 was adopted in 1978 as Article XIII A. As described in California Redevelopment Assn. v. Matosantos (2011) 53 Cal.4th 231, 244-45 (“CRA”), Proposition 13 transformed government financing in at least three relevant ways:

First, by capping local property tax revenue, it greatly enhanced the responsibility the state would bear in funding government services, especially education. [Citations omitted.] Second, by failing to specify a method of allocation, Proposition 13 largely transferred control over local government finances from the state’s many political subdivisions to the state, converting the property tax from a nominally local tax to a de facto state-administered tax subject to a complex system of intergovernmental grants. [Citations omitted.] Third, by imposing a unified, shared property tax, Proposition 13 created a zero-sum game in which political subdivisions (cities, counties, special districts and school districts) would have to compete against each other for their slices of a greatly shrunken pie.

In 1988, voters enacted Proposition 98 (later amended by Proposition 111) to establish a minimum annual funding level in the California Constitution for K-12 schools and community colleges. The funding comes from a combination of state General Fund and local property tax revenues. The combination of guaranteed funding levels for schools and limited local property tax growth put unprecedented stress on the State budget, causing it to seek other revenue sources to fund education without raising taxes.

Between 1992 and 2004, the State transferred approximately $40 billion of local property taxes from cities, counties and special districts to schools through “Educational Revenue Augmentation Funds” or “ERAF.” (Stats. 1992, chs. 699, 700, pp. 3081-3125; Rev. & Tax. Code §§97.2, 97.3) As explained in CRA at 245, the Legislature “reduced the portion of
property taxes allocated to local governments, deposited the difference in the ERAFs, deemed the balances part of the state’s General Fund for the purpose of satisfying Proposition 98 obligations, and distributed these amounts to school districts.” Despite doubts about consistency with Article XVI §16, over the ensuing years, RDAs were required to transfer tax increment in varying amounts to ERAFs. (§§33680 et seq.)³

In response to these reallocations of local tax revenues, the Legislature placed Proposition 1A on the ballot, which was approved by the voters in 2004. The Analysis of Proposition 1A prepared by the Legislative Analyst notes the following:

This measure amends the State Constitution to significantly reduce the state’s authority over major local government revenue sources. Under the measure the state could not:

- Reduce Local Sales Tax Rates or Alter the Method of Allocation: The measure prohibits the state from: … changing the allocation of local sales tax revenues.

- Shift Property Taxes From Local Government to Schools or Community Colleges. The measure generally prohibits the state from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority votes).

Even after the passage of Proposition 1A, the Legislature continued to divert local

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³ The following chart reflects the ERAF and SERAF shifts from RDAs:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Bill</th>
<th>H&amp;S Code Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>$205 million</td>
<td>SB844</td>
<td>former §33681</td>
</tr>
<tr>
<td>1993-94</td>
<td>$65 million</td>
<td>SB1135</td>
<td>former §§33681, 33681.5</td>
</tr>
<tr>
<td>1994-95</td>
<td>$65 million</td>
<td>AB621</td>
<td>former §33681.5</td>
</tr>
<tr>
<td>2002-03</td>
<td>$75 million</td>
<td>AB1768</td>
<td>§§33681.7, 33681.9</td>
</tr>
<tr>
<td>2003-04</td>
<td>$135 million</td>
<td>same</td>
<td>§33681.9</td>
</tr>
<tr>
<td>2004-05</td>
<td>$250 million</td>
<td>SB1096</td>
<td>§33681.12</td>
</tr>
<tr>
<td>2005-06</td>
<td>$250 million</td>
<td>AB1805</td>
<td>§33681.12</td>
</tr>
<tr>
<td>2008-09</td>
<td>$350 million</td>
<td>AB1389</td>
<td>§33685 (held unconstitutional)</td>
</tr>
</tbody>
</table>

ABX4-26 imposed two shifts from redevelopment agencies to SERAF:

- 2009-10  $1.7 billion  ABX4-26  §33690  (SERAF)
- 2010-11  $350 million   ABX4-26  §33690.5  (SERAF)
revenues.\textsuperscript{4} In response, Proposition 22 was placed on the ballot and approved by the voters in 2010. (RJN, Exh. 2.) In addition to numerous specific limitations on the State’s ability to divert local revenues, Proposition 22 amended Article XIII \textsection{}24 to add paragraph (b):

"The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government’s purposes."

Proposition 22 also included constitutional amendments that specifically forbid the State from redirecting RDAs’ tax increment to benefit the State or units of local government. (Article XIII, \textsection{}25.5(a)(7).)

\textbf{B. Enactment of ABX1-26 and ABX1-27}

Two months after Proposition 22 was approved, the Governor announced his plan to abolish redevelopment agencies as part of his budget proposal. (RJN, Exh. 3, p. 51.) The Legislature enacted ABX1-26 and ABX1-27 (Stats. 2011, 1st Ex. Sess. 2011-12, chs. 5-6), which were effective June 28, 2011. ABX1-26 dissolved all RDAs as of October 1, 2011, required transfer of RDA assets and obligations to Successor Agencies ("SAs") (usually the legislative body that had activated the RDA) and tasked SAs to wind down former RDAs, overseen by local oversight boards and DOF. Tax increment once paid to RDAs under Article XVI, \textsection{}16 is now called "property tax revenue" and must be held in trust by auditor-controllers in a "Redevelopment Property Tax Trust Fund" ("RPTTF") and distributed to SAs bi-annually to pay "enforceable obligations" listed on a "Recognized Obligation Payment Schedule" ("ROPS"). ABX1-27 permitted an RDA to escape dissolution under ABX1-26 if the RDA agreed to make certain annual payments to the State.

Both laws were challenged by original writ in the California Supreme Court in July 2011,

\textsuperscript{4} For example, in 2008, the Legislature enacted AB 1389, adding §§33685 through 33689, requiring transfer of $350 million from redevelopment agencies to ERAFs. (Stats. 2008, ch. 761.) Similarly, in 2009, the Legislature enacted AB4X26, adding §§33690 – 33690.5, requiring transfer of $1.7 billion from redevelopment agencies to a "Supplemental Revenue Augmentation Fund" or "SERA F." (Stats. 2009, 4th Ex. Sess., ch. 21.)
in *CRA v. Matosantos*. The Supreme Court stayed most provisions of both bills pending its decision. The court’s decision in *CRA* upheld ABX1-26, holding RDA dissolution was a legitimate exercise of legislative power, but invalidated ABX1-27 as violating Proposition 22’s proscription on transfer of tax increment to benefit the State. *CRA* also reformed some dates in ABX1-26 in light of its stay. Because the court’s final decision was issued in late December, many dates were extended four months so, for example, RDAs dissolved on February 1, 2012, rather than October 1, 2011. (*CRA*, 53 Cal.4th at 275.)

C. **Adoption of AB 1484**

Implementation of ABX1-26 proved fraught with difficulty and, in June 2012, the Legislature passed AB1484\(^5\) (Stats. 2012, ch. 26) both to “clean up” ABX1-26 and to add numerous provisions, including so-called True-Up Payments and DDR Payments as follows:

- §34183.5(b) requires SAs to make a True-Up Payment to auditor-controllers for distribution to taxing agencies. The True-Up Payment is intended to recapture payments that might have been made to taxing entities had the Supreme Court’s stay in *CRA* not been issued. If an SA did not pay the True-Up Payment in full by July 12, the following consequences were required to ensue:

  (a) The offending SA shall not pay any obligations other than bond debt service until full payment is made. (§34183.5(b)(2)(C).)

  (b) The city or county that created the RDA whose SA failed to make the payment is barred from receiving its distribution of sales and uses taxes until the full amount is paid. (*Id.*)

  (c) Auditor-controllers must deduct from future distributions of property taxes to the SA from the RPTTF (needed to pay enforceable obligations) the amount by which the SA is in arrears. (§34183.5(b)(3).)

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\(^{5}\) AB 1484 was introduced as a spot bill without any text. After the budget bill was passed, 72 pages of text were added to AB 1484 on June 25, 2012, passed by a majority of the Legislature as urgency legislation, and signed into law on June 27, 2012. On January 18, 2013, the Third District Court of Appeal issued its decision in *Howard Jarvis Taxpayers Ass’n v. Debra Bowen*, Case No. C071506, determined that another spot bill, enacted under similar circumstances, violated Article 14, §12, subds. (d) and (e). The Court noted that 80 such bills had been introduced and adopted in this fashion, including AB 1484. Article 14, §12 had been amended by voter approval of the “On-Time Budget Act of 2010.”
(d) Civil penalties are imposed on both the SA and its host city or county in an amount equal to 10% of the amount owed the taxing entities, plus an additional 1.5% per month for each month the payment is late.

(Emphasis added.)

- Sections 34179.5 and 34179.6 require SAs to conduct two independent due diligence reviews of SA assets and obligations to determine what assets are unobligated and potentially available for transfer to taxing entities. The first DDR, due October 15, 2012, was of assets and obligations of low and moderate income housing funds; the second was of all other non-housing assets and obligations, due January 15, 2013. Each DDR was reviewed by the oversight board and DOF; DOF can make adjustments to any amounts based on its own findings, unguided by any statutory criteria. Within five working days after receipt of DOF’s final determination, an SA must remit to the auditor-controller the amount determined by DOF as the DDR Payment. (§34179.6(f).) If that payment is not timely, the following consequences are imposed:

  (a) DOF may order an offset against sales and use taxes of the host city or county equal to the amount the SA fails to remit. (§34179.6(h)(1)(C))

  (b) The auditor-controller may reduce property tax allocations to the host city or county. (Id.)

  (c) DOF may direct the auditor-controller to deduct the unpaid amount from future allocations of property taxes to the SA from the RPTTF. (§34179.6(h)(2))

(Underlining added.)

The primary constitutional challenges raised by the League of California Cities in its facial challenge (as well as by numerous other individual cities and successor agencies in their as-applied challenges) are as follows:

|-----------------------------------------------------|---------------------------------|--------------------------------------------|
| DDR Payment: If SA does not make DDR payment, DOF may order offset of city’s sales and use tax revenue | §34179.6(h)(1)(C) | a. Cal. Const. Art. XIII §24(b)  
| DDR Payment: If SA does not make DDR payment, auditor controller may reduce city’s property tax allocations | §34179.6(h)(1)(C) | a. Cal. Const. Art. XIII, §25.5(a)(1)  
| True-Up Payment: **If SA does not make payment, city shall not receive sales and use tax distribution.** | §34183.5(b)(2)(C) | a. Cal. Const. Art. XIII, §24(b)  
|---|---|---|
| **AB1484 Provisions Lacking in Standards or Criteria** | Various | Unlawful Delegation  
Cal. Const. Art. III, §3  
(separation of powers) |
CONSTITUTIONAL PROVISIONS

Article XVI, § 16 Taxation of redevelopment projects

All property in a redevelopment project established under the Community Redevelopment Law as now existing or hereafter amended, except publicly owned property not subject to taxation by reason of that ownership, shall be taxed in proportion to its value as provided in Section 1 of this article, and those taxes (the word "taxes" as used herein includes, but is not limited to, all levies on an ad valorem basis upon land or real property) shall be levied and collected as other taxes are levied and collected by the respective taxing agencies.

The Legislature may provide that any redevelopment plan may contain a provision that the taxes, if any, so levied upon the taxable property in a redevelopment project each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation (hereinafter sometimes called "taxing agencies" after the effective date of the ordinance approving the redevelopment plan, shall be divided as follows:

(a) That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of those taxing agencies upon the total sum of the assessed value of the taxable property in the redevelopment project as shown upon the assessment roll used in connection with the taxation of that property by the taxing agency, last equalized prior to the effective date of the ordinance, shall be allocated to, and when collected shall be paid into, the funds of the respective taxing agencies as taxes by or for those taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in a redevelopment project on the effective date of the ordinance but to which that territory has been annexed or otherwise included after the ordinance’s effective date, the assessment roll of the county last equalized on the effective date of that ordinance shall be used in determining the assessed valuation of the taxable property in the project on that effective date); and

(b) Except as provided in subdivision (c), that portion of the levied taxes each year in excess of that amount shall be allocated to and when collected shall be paid into a special fund of the redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project. Unless and until the total assessed valuation of the taxable property in a redevelopment project exceeds the total assessed value of the taxable property in the project as shown by the last equalized assessment roll referred to in subdivision (a), all of the taxes levied and collected upon the taxable property in the redevelopment project shall be paid into the funds of the respective taxing agencies. When the loans, advances, and indebtedness, if any, and interest thereon, have been paid, then all moneys thereafter received from taxes upon the taxable property in the redevelopment project shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid.

(c) That portion of the taxes identified in subdivision (b) which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonds issued for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing agency. This paragraph shall only apply to taxes levied to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989.
The Legislature may also provide that in any redevelopment plan or in the proceedings for the advance of moneys, or making of loans, or the incurring of any indebtedness (whether funded, refunded, assumed, or otherwise) by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project, the portion of taxes identified in (b), exclusive of that portion identified in subdivision (c), may be irrevocably pledged for the payment of the principal of and interest on those loans, advances, or indebtedness.

It is intended by this section to empower any redevelopment agency, city, county, or city and county under any law authorized by this section to exercise the provisions hereof separately or in combination with powers granted by the same or any other law relative to redevelopment agencies. This section shall not affect any other law or laws relating to the same or a similar subject but is intended to authorize an alternative method of procedure governing the subject to which it refers.

The Legislature shall enact those laws as may be necessary to enforce the provisions of this section.

Article III, § 3. Separation of powers

The powers of state government are legislative, executive, and judicial. Persons charged with the exercise of one power may not exercise either of the others except as permitted by this Constitution.

Article XIII, § 24. Local taxes; Use of proceeds of taxes imposed or levied by local government; Use of local appropriations and subventions

(a) The Legislature may not impose taxes for local purposes but may authorize local governments to impose them.

(b) The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government's purposes.

(c) Money appropriated from state funds to a local government for its local purposes may be used as provided by law.

(d) Money subvened to a local government under Section 25 may be used for State or local purposes.

Article XIII, § 25.5. Protection of local government revenues

(a) On or after November 3, 2004, the Legislature shall not enact a statute to do any of the following:

(1)

(A) Except as otherwise provided in subparagraph (B), modify the manner in which ad valorem property tax revenues are allocated in accordance with subdivision (a) of Section 1 of Article
XIII A so as to reduce for any fiscal year the percentage of the total amount of ad valorem property tax revenues in a county that is allocated among all of the local agencies in that county below the percentage of the total amount of those revenues that would be allocated among those agencies for the same fiscal year under the statutes in effect on November 3, 2004. For purposes of this subparagraph, "percentage" does not include any property tax revenues referenced in paragraph (2).

(B) In the 2009-10 fiscal year only, and except as otherwise provided in subparagraph (C), subparagraph (A) may be suspended for that fiscal year if all of the following conditions are met:

(i) The Governor issues a proclamation that declares that, due to a severe state fiscal hardship, the suspension of subparagraph (A) is necessary.

(ii) The Legislature enacts an urgency statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, that contains a suspension of subparagraph (A) for that fiscal year and does not contain any other provision.

(iii) No later than the effective date of the statute described in clause (ii), a statute is enacted that provides for the full repayment to local agencies of the total amount of revenue losses, including interest as provided by law, resulting from the modification of ad valorem property tax revenue allocations to local agencies. This full repayment shall be made not later than the end of the third fiscal year immediately following the fiscal year to which the modification applies.

(C) A suspension of subparagraph (A) shall not result in a total ad valorem property tax revenue loss to all local agencies within a county that exceeds 8 percent of the total amount of ad valorem property tax revenues that were allocated among all local agencies within that county for the fiscal year immediately preceding the fiscal year for which subparagraph (A) is suspended.

(2)

(A) Except as otherwise provided in subparagraphs (B) and (C), restrict the authority of a city, county, or city and county to impose a tax rate under, or change the method of distributing revenues derived under, the Bradley-Burns Uniform Local Sales and Use Tax Law set forth in Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code, as that law read on November 3, 2004. The restriction imposed by this subparagraph also applies to the entitlement of a city, county, or city and county to the change in tax rate resulting from the end of the revenue exchange period, as defined in Section 7203.1 of the Revenue and Taxation Code as that section read on November 3, 2004.

(B) The Legislature may change by statute the method of distributing the revenues derived under a use tax imposed pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law to allow the State to participate in an interstate compact or to comply with federal law.

(C) The Legislature may authorize by statute two or more specifically identified local agencies within a county, with the approval of the governing body of each of those agencies, to enter into a contract to exchange allocations of ad valorem property tax revenues for revenues derived from a tax rate imposed under the Bradley-Burns Uniform Local Sales and Use Tax Law. The exchange under this subparagraph of revenues derived from a tax rate imposed under that law shall not require voter approval for the continued imposition of any portion of an existing tax rate from which those revenues are derived.

(3) Except as otherwise provided in subparagraph (C) of paragraph (2), change for any fiscal
year the pro rata shares in which ad valorem property tax revenues are allocated among local agencies in a county other than pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring. The Legislature shall not change the pro rata shares of ad valorem property tax pursuant to this paragraph, nor change the allocation of the revenues described in Section 15 of Article XI, to reimburse a local government when the Legislature or any state agency mandates a new program or higher level of service on that local government.

(4) Extend beyond the revenue exchange period, as defined in Section 7203.1 of the Revenue and Taxation Code as that section read on November 3, 2004, the suspension of the authority, set forth in that section on that date, of a city, county, or city and county to impose a sales and use tax rate under the Bradley-Burns Uniform Local Sales and Use Tax Law.

(5) Reduce, during any period in which the rate authority suspension described in paragraph (4) is operative, the payments to a city, county, or city and county that are required by Section 97.68 of the Revenue and Taxation Code, as that section read on November 3, 2004.

(6) Restrict the authority of a local entity to impose a transactions and use tax rate in accordance with the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code), or change the method for distributing revenues derived under a transaction and use tax rate imposed under that law, as it read on November 3, 2004.

(7) Require a community redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI to or for the benefit of the State, any agency of the State, or any jurisdiction; or (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any jurisdiction, other than (i) for making payments to affected taxing agencies pursuant to Sections 33607.5 and 33607.7 of the Health and Safety Code or similar statutes requiring such payments, as those statutes read on January 1, 2008, or (ii) for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost.

(b) For purposes of this section, the following definitions apply:

(1) "Ad valorem property tax revenues" means all revenues derived from the tax collected by a county under subdivision (a) of Section 1 of Article XIII A, regardless of any of this revenue being otherwise classified by statute.

(2) "Local agency" has the same meaning as specified in Section 95 of the Revenue and Taxation Code as that section read on November 3, 2004.

(3) "Jurisdiction" has the same meaning as specified in Section 95 of the Revenue and Taxation Code as that section read on November 3, 2004.
HEALTH AND SAFETY CODE PROVISIONS

Due Diligence Review

§ 34179.6. Submission of unobligated available balances review to oversight board of review; Submission of Recognized Obligation Payment Schedule; Review, approval and transmission of cash available for disbursement; Public hearings; Resolution of disputes

The review required pursuant to Section 34179.5 shall be submitted to the oversight board for review. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the review to the oversight board for review.

(a) By October 1, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. By December 15, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the department the results of the review conducted pursuant to Section 34179.5 for all of the other fund and account balances and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. The department may request any supporting documentation and review results to assist in its review under subdivision (d). The department may specify the form and manner information about the review shall be provided to it.

(b) Upon receipt of the review, the oversight board shall convene a public comment session to take place at least five business days before the oversight board holds the approval vote specified in subdivision (c). The oversight board also shall consider any opinions offered by the county auditor-controller on the review results submitted by the successor agencies.

(c) By October 15, 2012, for the Low and Moderate Income Housing Fund and by January 15, 2013, for all other funds and accounts, the oversight board shall review, approve, and transmit to the department and the county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval shall occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination. The oversight board shall be empowered to authorize a successor agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision (c) of Section 34179.5. An oversight board that makes that authorization also shall identify to the department the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of the department pursuant to subdivision (d).

(d) The department may adjust any amount associated with the determination of the resulting amount described in paragraph (6) of subdivision (c) of Section 34179.5 based on its analysis and information provided by the successor agency and others. The department shall consider any findings or opinions of the county auditor-controllers and the Controller. The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than
November 9, 2012, for the Low and Moderate Income Housing Fund and also shall notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain assets or funds made pursuant to subdivision (c). The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than April 1, 2013, for the other funds and accounts and also shall notify the oversight board and the successor agency of its decision to overturn any oversight board authorizations made pursuant to subdivision (c). The department shall provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board made pursuant to subdivision (c).

(e) The successor agency and the entity or entities that created the former redevelopment agency may request to meet and confer with the department to resolve any disputes regarding the amounts or sources of funds identified as determined by the department. The request shall be made within five business days of the transmission, and no later than November 16, 2012, for the determination regarding the Low and Moderate Income Housing Fund, to the successor agency or the designated local authority of the department’s determination, decisions, and explanations and shall be accompanied by an explanation and documentation of the basis of the dispute. The department shall meet and confer with the requesting party and modify its determinations and decisions accordingly. The department shall either confirm or modify its determinations and decisions within 30 days of the request to meet and confer.

(f) Each successor agency shall transmit to the county auditor-controller the amount of funds required pursuant to the determination of the department within five working days of receipt of the notification under subdivision (c) or (e) if a meet and confer request is made. Successor agencies shall make diligent efforts to recover any money determined to have been transferred without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5. The department shall notify the county auditor-controllers of its actions and the county auditor-controllers shall disburse the funds received from successor agencies to taxing entities pursuant to Section 34188 within five working days of receipt. Amounts received after November 28, 2012, and April 10, 2013, may be held and disbursed with the regular payments to taxing entities pursuant to Section 34183.

(g) By December 1, 2012, the county auditor-controller shall provide the department a report specifying the amount submitted by each successor agency pursuant to subdivision (d) for low- and moderate-income housing funds, and specifically noting those successor agencies that failed to remit the full required amount. By April 20, 2013, the county auditor-controller shall provide the department a report detailing the amount submitted by each successor agency pursuant to subdivision (d) for all other funds and accounts, and specifically noting those successor agencies that failed to remit the full required amount.

(h) If a successor agency fails to remit to the county auditor-controller the sums identified in subdivisions (d) and (f), by the deadlines specified in those subdivisions, the following remedies are available:

(1)

(A) If the successor agency cannot promptly recover the funds that have been transferred to another public agency without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency to which the funds were transferred. To recover such funds, the Department of Finance may order the State Board of Equalization to make an offset pursuant to subdivision (a) of Section 34179.8. If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations.
to any local agency in the county that fails to repay funds pursuant to subdivision (c) of Section 34179.8.

(B) The county auditor-controller and the department shall each have the authority to demand the return of funds improperly spent or transferred to a private person or other private entity. If funds are not repaid within 60 days, they may be recovered through any lawful means of collection and are subject to a ten percent penalty plus interest at the rate charged for late personal income tax payments from the date the improper payment was made to the date the money is repaid.

(C) If the city, county, or city and county that created the former redevelopment agency is also performing the duties of the successor agency, the Department of Finance may order an offset to the distribution provided to the sales and use tax revenue to that agency pursuant to subdivision (a) of Section 34179.8. This offset shall be equal to the amount the successor fails to remit pursuant to subdivision (f). If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations of the city, county, or city and county that created the former redevelopment agency pursuant to subdivision (c) of Section 34179.8.

(D) The department and the county auditor-controller shall coordinate their actions undertaken pursuant to this paragraph.

(2) Alternatively or in addition to the remedies provided in paragraph (1), the department may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 until the amount of payment required pursuant to subdivision (d) is accomplished.

(3) If the Department of Finance determines that payment of the full amount required under subdivision (d) is not currently feasible or would jeopardize the ability of the successor agency to pay enforceable obligations in a timely manner, it may agree to an installment payment plan.

(i) (1) If a legal action contesting a withholding effectuated by the State Board of Equalization pursuant to subparagraphs (B), (C), or (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the court shall order the state to pay to the prevailing party a penalty equal to a percentage of the amount of funds found by the court to be improperly withheld, as provided in Section 34179.8. This percentage shall be equivalent to the number of months the funds have been found by the court to be improperly withheld, not to exceed 10 percent.

(2) If a legal action contesting an offset effectuated by the State Board of Equalization or the county auditor-controller pursuant to subdivision (h) is successful and results in a final judicial determination, the court shall order the state or the county auditor-controller to pay to the prevailing party a penalty equal to 10 percent of the amount of funds found by the court to be improperly offset, as provided in Section 34179.8.

(j) If a legal challenge to invalidate any provision in subdivision (h) or subparagraph (B) or (C), or subparagraphs (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the invalidated provision shall become inoperative and subdivision (i) shall become inoperative with respect to the invalidated provision.
True-Up Payments

§ 34183.5. Legislative findings and declarations regarding effect of California Supreme Court ruling in case of California Redevelopment Association v. Matosantos et al. (2011) 53 Cal.4th 231

(a) The Legislature hereby finds and declares that due to the delayed implementation of this part due to the California Supreme Court's ruling in the case California Redevelopment Association v. Matosantos et al. (2011) 53 Cal.4th 231, some disruption to the intended application of this part and other law with respect to passthrough payments may have occurred.

(1) If a redevelopment agency or successor agency did not pay any portion of an amount owed for the 2011-12 fiscal year to an affected taxing entity pursuant to Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, or pursuant to any passthrough agreement entered into before January 1, 1994, between a redevelopment agency and an affected taxing entity, and to the extent the county auditor-controller did not remit the amounts owed for passthrough payments during the 2011-12 fiscal year, the county auditor-controller shall make the required payments to the taxing entities owed passthrough payments and shall reduce the amounts to which the successor agency would otherwise be entitled pursuant to paragraph (2) of subdivision (a) of Section 34183 at the next allocation of property tax under this part, subject to the provisions of subdivision (b) of Section 34183. If the amount of available property tax allocation to the successor agency is not sufficient to make the required payment, the county auditor-controller shall continue to reduce allocations to the successor agency under paragraph (2) of subdivision (a) of Section 34183 until the time that the owed amount is fully paid. Alternately, the county auditor-controller may accept payment from the successor agency's reserve funds for payments of passthrough payments owed as defined in this subdivision.

(2) If a redevelopment agency did not pay any portion of the amount owed for the 2011-12 fiscal year to an affected taxing entity pursuant to Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, or pursuant to any passthrough agreement entered into before January 1, 1994, between a redevelopment agency and an affected taxing entity, but the county auditor-controller did pay the difference that was owing, the auditor controller shall deduct from the next allocation of property tax to the successor agency under paragraph (2) of subdivision (a) of Section 34183, the amount of the payment made on behalf of the successor agency by the county auditor-controller, not to exceed one-half the amount of passthrough payments owed for the 2011-12 fiscal year. If the amount of available property tax allocation to the successor agency is not sufficient to make the required deduction, the county auditor-controller shall continue to reduce allocations to the successor agency under paragraph (2) of subdivision (a) of Section 34183 until the time that the amount is fully deducted. Alternatively, the auditor-controller may accept payment from the successor agency's reserve funds for deductions of passthrough payments owed as defined in this subdivision. Amounts reduced from successor agency payments under this paragraph are available for the purposes of paragraphs (2) to (4), inclusive, of subdivision (a) of Section 34183 for the six-month period for which the property tax revenues are being allocated.

(b) In recognition of the fact that county auditor-controllers were unable to make the payments required by paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012, on January 16, 2012, due to the California Supreme Court's ruling in the case of California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231, in addition to taking the actions specified in Section 34183 with respect to the June 1 property tax allocations, county auditor-controllers should have made allocations as provided in paragraph (1).
(1) From the allocations made on June 1, 2012, for the Recognized Obligation Payment Schedule covering the period July 1, 2012, through December 31, 2012, deduct from the amount that otherwise would be deposited in the Redevelopment Property Tax Trust Fund on behalf of the successor agency an amount equivalent to the amount that each affected taxing entity was entitled to pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012. The amount to be retained by taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 for the January 1, 2012, through June 30, 2012, period is determined based on the Recognized Obligation Payment Schedule approved by the Department of Finance pursuant to subdivision (h) of Section 34179 and any amount determined to be owed pursuant to subdivision (b). Any amounts so computed shall not be offset by any shortages in funding for recognized obligations for the period covering July 1, 2012, through December 31, 2012.

(2)

(A) If an affected taxing entity has not received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 of the property tax distributed for the period January 1, 2012, through June 30, 2012, and paragraph (1), no later than July 9, 2012, the county auditor-controller shall determine the amount, if any, that is owed by each successor agency to taxing entities and send a demand for payment from the funds of the successor agency for the amount owed to taxing entities if it has distributed the June 1, 2012, allocation to the successor agencies. No later than July 12, 2012, successor agencies shall make payment of the amounts demanded to the county auditor-controller for deposit into the Redevelopment Property Tax Trust Fund and subsequent distribution to taxing entities. No later than July 16, 2012, the county auditor-controller shall make allocations of all money received by that date from successor agencies in amounts owed to taxing entities under this paragraph to taxing entities in accordance with Section 34183. The county auditor-controller shall make allocations of any money received after that date under this paragraph within five business days of receipt. These duties are not discretionary and shall be carried out with due diligence.

(B) If a county auditor-controller fails to determine the amounts owed to taxing entities and present a demand for payment by July 9, 2012, to the successor agencies, the Department of Finance or any affected taxing entity may request a writ of mandate to require the county auditor-controller to immediately perform this duty. Such actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Any county in which the county auditor-controller fails to perform the duties under this paragraph shall be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus 1.5 percent of the amount owed to taxing entities for each month that the duties are not performed. The civil penalties shall be payable to the taxing entities under Section 34183. Additionally, any county in which the county auditor-controller fails to make the required determinations and demands for payment under this paragraph by July 9, 2012, or fails to distribute the full amount of funds received from successor agencies as required by this paragraph shall not receive the distribution of sales and use tax scheduled for July 18, 2012, or any subsequent payment, up to the amount owed to taxing entities, until the county auditor-controller performs the duties required by this paragraph.

(C) If a successor agency fails to make the payment demanded under subparagraph (A) by July 12, 2012, the Department of Finance or any affected taxing entity may file for a writ of mandate to require the successor agency to immediately make this payment. Such actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Any successor agency that fails to make payment by July 12, 2012, under this paragraph shall be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus one and one-half percent of the amount owed to taxing entities for each month that the payments are not made. Additionally, the city or county or city and county that created the redevelopment agency shall also be subject
to a civil penalty of 10 percent of the amount owed to taxing entities plus 1.5 percent of the amount owed to taxing entities for each month the payment is late. The civil penalties shall be payable to the taxing entities under Section 34183. If the Department of Finance finds that the imposition of penalties will jeopardize the payment of enforceable obligations it may request the court to waive some or all of the penalties. A successor agency that does not pay the amount required under this subparagraph by July 12, 2012, shall not pay any obligations other than bond debt service until full payment is made to the county auditor-controller. Additionally, any city, county or city and county that created the redevelopment agency that fails to make the required payment under this paragraph by July 12, 2012, shall not receive the distribution of sales and use tax scheduled for July 18, 2012, or any subsequent payment, up to the amount owed to taxing entities, until the payment required by this paragraph is made.

(D) The Legislature hereby finds and declares that time is of the essence. Funds that should have been received and were expected and spent in anticipation of receipt by community colleges, schools, counties, cities, and special districts have not been received resulting in significant fiscal impact to the state and taxing entities. Continued delay and uncertainly whether funds will be received warrants the availability of extraordinary relief as authorized herein.

(3) If an affected taxing entity has not received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012, and paragraph (1), the county auditor-controller shall reapply the provisions of paragraph (1) to each subsequent property tax allocation until such time as the affected taxing entity has received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012.
LEAGUE OF CALIFORNIA CITIES, CITY OF VALLEJO, SUCCESSOR AGENCY TO THE FORMER VALLEJO REDEVELOPMENT AGENCY, and CHRISTOPHER K. MCKENZIE,

Petitioners and Plaintiffs,

v.

ANA I. MATOSANTOS, Director of the State of California Department of Finance, BETTY T. YEE, GEORGE RUNNER, MICHELLE STEEL, JEROME E. HORTON, and JOHN CHIANG, members of the California State Board of Equalization, JOHN CHIANG, Controller of the State of California, and SIMONA PADILLA-SCHOLTENS, Solano Auditor-Controller, and DOES 1 THROUGH 50,

Respondents and Defendants.

COUNTY OF SOLANO, SOLANO COUNTY FREE LIBRARY, SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT, GREATER VALLEJO RECREATION DISTRICT, VALLEJO SANITATION AND FLOOD CONTROL DISTRICT, SOLANO COUNTY WATER AGENCY, BAY AREA AIR QUALITY MANAGEMENT DISTRICT, VALLEJO CITY UNIFIED SCHOOL DISTRICT, SOLANO COMMUNITY COLLEGE, and SOLANO COUNTY OFFICE OF EDUCATION/ SOLANO COUNTY SUPERINTENDENT OF SCHOOLS,

Real Parties in Interest.

VERIFIED PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR INJUNCTIVE AND DECLARATORY RELIEF

Exempt from Filing Fees Pursuant to Gov't Code §6103

Superior Court Of California, Sacramento
09/24/2012
amacias
By ______________, Deputy
Case Number: 34-2012-80001275
This Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief ("Petition") is brought by Petitioners and Plaintiffs the League of California Cities, the City of Vallejo ("Vallejo"), the Successor Agency to the former Vallejo Redevelopment Agency ("Successor Agency"), and Christopher K. McKenzie (collectively "Petitioners"). This Petition is directed to Respondents/Defendants Ana J. Matosantos in her official capacity as Director of the State of California Department of Finance ("DOF"), Betty T. Yee, George Runner, Michelle Steel, Jerome E. Horton, and John Chiang, all in their official capacities as members of the California State Board of Equalization, John Chiang as the Controller of the State of California, and Simona Padilla-Scholtens, Solano Auditor-Controller (collectively "Respondents").

PARTIES AND OTHER PRELIMINARY ALLEGATIONS

Petitioners

1. Petitioner League of California Cities ("League") is a California nonprofit corporation, operating as an association of over 400 California cities and numerous city officials who work together to enhance their knowledge and skills, exchange information, and combine resources so that they may influence policy decisions that affect cities. (See generally http://www.cacities.org/.) The League sues on its own behalf and as a representative for the benefit of California cities.

2. Petitioner City of Vallejo is, and at all times mentioned herein was, a California charter city organized and existing under its own charter and Article XI §3 of the California Constitution. (See http://www.ci.vallejo.ca.us/GovSite/) Although Vallejo filed bankruptcy in May 2008, the city emerged from chapter 9 in November 2011 after reorganizing its debts.

3. Vallejo sues on its own behalf and for the benefit of all other California cities that are similarly situated and similarly injured. Approximately 398 former active redevelopment agencies ("RDAs") operated in 45 of the 58 counties in California, the great majority of them

1 Counties with former RDAs are Alameda, Butte, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Imperial, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Marin, Mendocino, Merced, Monterey, Napa, Nevada, Orange, Placer, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Sutter, Tulare, Tuolumne, Ventura, Yolo and Yuba.
created by cities located in those 45 counties. Vallejo is located in one of the 45 counties and
formed an RDA in years past. RDAs were dissolved throughout the State by AB1X26, effective
February 1, 2012.

4. Petitioner Successor Agency to the former Vallejo RDA is the designated
successor agency of Vallejo’s RDA, established pursuant to Health & Safety Code §34173.
Pursuant to Health & Safety Code §34173(g), each successor agency is a separate public entity
and can sue and be sued in its own name. Petitioner Successor Agency sues on its own behalf
and for the benefit of all other California successor agencies, each of which is similarly situated
and similarly injured. As set out in more detail below, Petitioner Successor Agency was initially
assessed $331,790 in True-Up payments under AB1484 but paid only $192,747.

5. Petitioner Christopher K. McKenzie is an individual, the Executive Director of the
League of California Cities, a citizen of the State of California, and a taxpayer in California,
residing in the County of Alameda and City of Berkeley.

Respondents

6. Respondent Ana Matosantos is the Director of Finance of the State of California,
an agency of the State of California (“DOF”), and is named herein at all times in her official
capacity. DOF is charged with certain duties pursuant to the provisions of AB1484 as codified in
the California Health & Safety Code. (See http://www.dof.ca.gov/.)

7. Respondents Betty T. Yee, George Runner, Michelle Steel, Jerome E. Horton, and
John Chiang, are the members of the California State Board of Equalization, an agency of the
State of California, sued in their official capacities. The California State Board of Equalization is
responsible for administering California’s local sales and use tax programs and, pursuant to
Health & Safety Code §§34183.5(b) and 34179.8, may be ordered to offset or withhold local sales
and use taxes as a penalty. (See http://www.boe.ca.gov/.)

8. Respondent John Chiang is the Controller of the State of California, sued in his
official capacity. Chiang has relevant duties under Health & Safety Code §§34179.6, 34179.8
and other provisions. (See http://www.sco.ca.gov/index.html.)
9. Respondent Simona Padilla-Scholtens is the County Auditor-Controller of the County of Solano, the county in which Petitioners Vallejo and Successor Agency are located (see http://www.co.solano.ca.us/depts/auditor/default.asp). Padilla-Scholtens is sued in her official capacity, on her own behalf and, under Code of Civil Procedure §382, as representative of all other county auditors and auditor-controllers ("auditor-controllers") in California in the 45 counties that have successor agencies.

10. The true names and capacities, whether individual, corporate, or otherwise, of Respondents and Real Parties in Interest Does 1 through 50 are unknown to Petitioners who sue these Respondents by fictitious names. Petitioners will ask leave to amend this petition to show the true names and capacities when they are ascertained. Petitioners are informed and believe that Does 1-50 are in some way legally responsible to Petitioners for the matters alleged herein. Matosantos and Does 1-10 are collectively and severally referred to as "DOF." Padilla-Scholtens, other county auditor-controllers and Does 11-25 are collectively and severally referred to as "auditor-controllers." All Real Parties in Interest and all other affected California taxing entities and Does 26-40 are collectively and severally referred to as "taxing entities."

Real Parties in Interest

11. The following entities are each an "affected taxing entity" as defined by Health & Safety Code §33353.2 and a "taxing entity" as defined by Health & Safety Code §34171(k) that receives property taxes in Vallejo:

- County of Solano
- Solano Community College
- Bay Area Air Quality Management District
- Solano County Water Agency
- Vallejo Sanitation and Flood Control District
- Greater Vallejo Recreation District
- Solano County Mosquito Abatement District
- Solano County Free Library
- Vallejo City Unified School District
• Solano County Office of Education/Solano County Superintendent of Education

12. The entities identified in paragraph 11 are sued on their own behalf and, under Code of Civil Procedure §382, as representatives of all other taxing entities ("taxing entities") in California in the 45 counties that had RDAs and now have successor agencies.

Ripeness, Mootness and Exhaustion

13. This dispute is ripe because AB1484 has been enacted into law and signed by the Governor. (Pacific Legal Foundation v. California Coastal Comm'n (1982) 33 Cal.3d 158, 171.) AB1484 is already negatively affecting cities, bondholders, taxpayers and others in California.

14. Along with a number of other California cities and successor agencies, Petitioners Vallejo and Successor Agency remain subject to recovery of improperly calculated payments pursuant to Health & Safety Code §34183.5(b) ("True-Up Payments"), imposition of various financial penalties and other adverse consequences under the provisions of AB1484. DOF has notified Petitioner Successor Agency that DOF may not be able to issue a Finding of Completion because the Successor Agency did not make the full amount of the True-Up payment demanded.

15. Petitioners have performed all conditions precedent to filing this action. No remedies exist that Petitioners could exhaust, and exhaustion should not be considered because Petitioners, California cities and taxpayers, and others face imminent harm and the issues are of significant public interest. As to the Administrative Procedure Act claim, no exhaustion can be required as a matter of law. (Government Code §11350(a).)

16. In the alternative, Petitioners Vallejo and Successor Agency attempted to meet and confer and also attempted to exhaust whatever remedies might arguably be available through their county auditor-controller and/or DOF without success. Petitioners have no plain, speedy, and adequate remedy other than relief through this Petition and Complaint.

Venue

17. Pursuant to Health & Safety Code §34189.3, an "action contesting any act taken or determinations or decisions made pursuant to this [Part 1.85] or Part 1.8 (commencing with Section 34161) may be brought in superior court and shall be filed in the County of Sacramento."

This action is taken pursuant to Part 1.85 and therefore venue is proper in this Court. Venue is
also proper in the Superior Court for the County of Sacramento on multiple other statutory
grounds, including Code of Civil Procedure §§393(b) and 395.

Summary Statement of Petition

18. As further set forth in this Petition and Complaint, provisions of AB1484 violate
multiple sections of the California Constitution and are otherwise unlawful for the following
reasons, without limitation:

19. The provisions of Health & Safety Code §34183.5 which purport to authorize the
withholding of sales and use taxes from cities violate Article XIII §24(b) and Article XIII §25.5.

20. The provisions of Health & Safety Code Section 34179.6 which purport to
authorize the withholding of sales and use taxes and the reallocation of property taxes from cities
violate Article XIII §24(b) and Article XIII §25.5 (as to sales and use taxes) and Article XIII
§25.5 (as to property taxes).

21. The provisions of Health & Safety Code §34183.5 which purport to require the
payment of so-called True-Up payments by successor agencies violate Article XIII §25.5(a)(7)
and Article XVI §16.

22. The True-Up payment in AB1484 constitutes a violation of the separation of
powers required by Article III §3 by infringing on the judicial branch’s authority to reform
statutory deadlines.

23. Various provisions of AB1484 unconstitutionally delegate to the Department of
Finance the implementation of AB1484’s provisions without providing adequate standards or
criteria, resulting in unfair and uneven application of the law.

24. In the implementation of AB1484, the Department of Finance has engaged in rule-
making governed by the Administrative Procedures Act without complying with the mandated
procedural prerequisites.
GENERAL ALLEGATIONS APPLICABLE TO ALL CLAIMS

Background

25. Prior to June 28, 2011, the Community Redevelopment Law (Health & Safety Code §§33000 et seq.) authorized California cities and counties to form RDAs to remediate urban decay and to revitalize blighted neighborhoods.

26. RDAs had the power to acquire, sell or lease property, construct infrastructure, and improve public facilities. (Health & Safety Code §§33391, 33430, 33431, 33435.)

27. RDAs financed projects through what was known as "tax increment" financing. (Cal. Const. Art. XVI §16; Health & Safety Code §33670.) "Tax increment" is the property tax revenue generated from the increase in assessed values of real property in a RDA project area and allocated to a RDA after adoption of a redevelopment plan.

28. In June 2011, the Legislature adopted AB1X26, which immediately severely limited the powers to be exercised by the former RDAs and provided for dissolution of all RDAs in California effective October 1, 2011.

29. AB1X26 did not—and constitutionally could not—dissolve the enforceable obligations of the former RDAs, all of which must still be timely paid when due by each dissolved RDA's successor agency. (See, e.g., Health & Safety Code §§34171(d)(1), (e), 34177(a), (c).)

30. AB1X26 was challenged in California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231 ("Matosantos"). The California Supreme Court stayed various provisions and deadlines in AB1X26, while considering the challenge, and reformed certain deadlines and due dates when the court reached its final decision on the matter.

31. The Matosantos court reformed the dissolution date for all former RDAs from October 1, 2011 to February 1, 2012. (Id. at 275; see Health & Safety Code §34172.)

32. The Matosantos court reformed the date of creation of the Real Property Tax Trust Fund ("RPTTF") from October 1, 2012 to February 1, 2012. (See, e.g., Health & Safety Code §§34170.5(b), 34182(c).) The RPTTF is a trust fund administered by county auditor-controllers.
for the benefit of the holders of financial obligations of the former RDAs and for the benefit of the taxing entities.

33. Between October 1, 2011 and February 1, 2012, the RDAs continued to exist and operate. County auditor-controllers made the customary semi-annual distribution of tax increment to almost all of the RDAs in December 2011 or early January 2012, prior to the mandated dissolution date of February 1, 2012. (Exhibit 1 at 1 (DOF Letter).)²

34. AB1484 was adopted by the California Legislature, approved by the Governor, and chaptered by the Secretary of State on June 27, 2012, to modify and “clean-up” provisions in AB1X26. (Exhibit 2 (AB1484).)

Priority of RDA Bond Payments

35. When it dissolved all RDAs, the Legislature provided clear direction that the holders of bonded RDA indebtedness and the holders of other existing RDA obligations each had certain superior priority to other former RDA obligations. (See, e.g., Health & Safety Code §§34167(f), 34171(d)(1)(A), 34177(a), (c), 34180(b).) This priority was not a matter of legislative grace but was constitutionally mandated.

36. Prior to their dissolution, all or virtually all of the former RDAs issued tax allocation bonds to finance redevelopment. The total principal amount outstanding as of June 30, 2011 on these tax allocation bonds exceeded $20 billion. (Community Redevelopment Agencies Annual Report (May 1, 2012) available at http://www.sco.ca.gov/Files-ARD-Local/LocRep/RDA_publication_2011.pdf.)

37. Tax allocation bonds are secured by the pledge of tax increment revenues; that pledge is senior to all or substantially all other uses of tax increment revenue pursuant to the bond indentures and consent of affected taxing entities to subordinate their payment priority.

² This and all other exhibits are true and correct copies of the documents they purport to be.
Successor Agencies

38. Successor agencies were designated as the successor entities to the former RDAs effective February 1, 2012 concurrent with the dissolution of the former RDAs. (See Health & Safety Code §§34171(j), 34173.)

39. Under AB1X26, the city or county\(^3\) that had created an RDA was deemed to be the successor agency unless the city specifically opted out no later than January 13, 2012 (as reformed). (Health & Safety Code former §34171(j).)

40. On January 13, 2012, of course, cities could not know the full consequences of being successor agencies because AB1484’s penalties were not enacted until June 27, 2012.

41. Successor agencies are required to continue to make payments due for enforceable obligations, subject to review and approval by their oversight boards and potential review by DOF. (Health & Safety Code §§34177, 34179, 34179(h), 34181.)

42. AB1X26 established a number of statutory and fiduciary duties for successor agencies and Respondents that were designed to benefit the payees of “enforceable obligations”—in particular, the duty to ensure that all payments due in each payment period for each enforceable obligation are timely paid from tax increment funds. (E.g., Health & Safety Code §34182(a)(2), (c)(2).)

Recognized Obligation Payment Schedule (“ROPS”)

43. Successor agencies are required to prepare a semi-annual Recognized Obligation Payment Schedule (“ROPS”). The ROPS is a list of the enforceable obligations the successor agency must pay. (Health & Safety Code §34171(h).) A sample ROPS document is attached as Exhibit 3 as an exemplar.

44. The term “enforceable obligation” is defined in Health & Safety Code §34171(d) to include:

- Specified bonds “including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents

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\(^3\) Most RDAs were created by cities, but counties were empowered to create RDAs and did do so in some instances. For convenience, the remainder of this pleading will refer only to cities.
governing the issuance of the outstanding bonds of the former redevelopment agency" (§34171(d)(1)(A));

- "Loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required payment schedule or other mandatory loan terms." (§34171(d)(1)(B));

- "Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." (§34171(d)(1)(E)).

45. A successor agency’s first ROPS covered the period ending June 30, 2012. The second ROPS covered the period July 1, 2012 through December 31, 2012. The third ROPS was due September 1, 2012 for the period January 1, 2013 through June 30, 2013. Additional ROPS are required for each six-month period thereafter. (See Health & Safety Code §34177(l)(l)-(3).)

46. Each successor agency has a seven-member oversight board that oversees the successor agency’s actions in winding down the former RDA. (Health & Safety Code §§34179 et seq.) Once the successor agency prepares the ROPS, the oversight board reviews and approves or disapproves the ROPS. (Health & Safety Code §§34177(l)(2)(B), 34180(g.).)

47. After an oversight board either approves or disapproves a ROPS, each successor agency must submit its ROPS to the county auditor-controller, the State Controller and DOF. (Health & Safety Code §34177(l)(2).)

48. DOF may request to review actions of the oversight board within five days after DOF receives notice of it. If DOF timely requests review, it has forty calendar days to approve the board’s action or return it to the board for reconsideration. (Health & Safety Code §34179(h.).)

49. DOF has authority to review and supersede decisions by the oversight board, including rejecting obligations listed on the ROPS. (Health & Safety Code §§34177(m), 34179(h.).)

50. If the successor agency does not submit the ROPS in accordance with the statutory deadlines, the city that had created the former RDA is subject to a penalty of $10,000 per day. (Health & Safety Code §34177(m)(2).)
51. This penalty falls on California cities
   • even though cities are separate public entities from the successor agencies (Health & Safety Code §34173(g)),
   • even though cities are not liable for debts or obligations of the former RDAs and, by extension, of their successor agencies (Health & Safety Code §§33644, 34173(a)), and
   • even though some California cities, including Los Angeles and Merced, elected not to become successor agencies. Even in these jurisdictions, the penalty still falls on the city, rather than the designated local authority that serves as the successor agency when a city elects not to be a successor agency.

Real Property Tax Trust Fund (“RPTTF”)

52. Each county’s auditor-controller is charged with establishing and administering a Real Property Tax Trust Fund or “RPTTF” for each successor agency within that county. (Health & Safety Code §34170.5(b).)

53. AB1X26 requires that former RDA tax increment funds, now also referred to as “property tax revenues,”¹ be deposited in the RPTTF to be administered for the “benefit of the holders of former redevelopment agency enforceable obligations and the taxing entities that receive pass-through payments and distributions of property taxes.” (Health & Safety Code §34182(c)(2).)

54. As enacted, AB1X26 required all county auditor-controllers to distribute monies to successor agencies from their respective RPTTF on January 16, 2012 to allow successor agencies to pay enforceable obligations through June 2012. The January 16th date was reformed by Motosantos to May 16, 2012. (Motosantos, 53 Cal.4th at 274-276.)

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¹ Health & Safety Code §34171(f) (“Property taxes” include all property tax revenues, including those from unitary and supplemental and roll corrections applicable to tax increment.”); Health & Safety Code §34180(b) (“property tax revenues (formerly tax increment prior to the effective date of this part)”); Health & Safety Code §34182(c)(1) (“auditor-controller shall determine the amount of property taxes that would have been allocated to each [RDA] in the county had the [RDA] not been dissolved”). But see Health & Safety Code §34172(d).
55. AB1484 requires county auditor-controllers to make further distributions to successor agencies, from RPTTFS, every January 2 and June 1 thereafter, commencing on June 1, 2012. (Health & Safety Code §34185.)

56. These provisions reflect clear legislative intent in AB1X26 that there should never be any interruption in the availability of former tax increment funds to pay enforceable obligations. (Health & Safety Code §34167(f) ["Nothing in this part shall be construed to interfere with a redevelopment agency’s authority, pursuant to enforceable obligations as defined in this chapter, to (1) make payments due, (2) enforce existing covenants and obligations, or (3) perform its obligations.”].)

57. Each auditor-controller deposits property tax revenue absent RDA dissolution into the appropriate RPTTF from which each successor agency may pay the obligations listed on the ROPS.

58. After payment of pass-through payments,5 enforceable obligations defined in Health & Safety Code §34171(d), certain administrative costs and other costs, the taxing entities receive any remaining funds in the RPTTF as ordinary property taxes.

59. The ROPS controls what each successor agency may spend to retire former RDA debts and obligations ("enforceable obligations") and also determines the amount in the RPTTF that will be available for distribution to taxing entities.

Enactment of AB1484

60. Approximately one-year after adoption of AB1X26, the California Legislature passed and the Governor signed into law AB1484. Effective June 27, 2012, AB1484 provided "clean-up" provisions to AB1X26 and added new requirements.

61. AB1X26 required a payment of property taxes to taxing entities on January 12, 2012. This distribution did not occur because Matosantos reformed this date to May 12, 2012.

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5 "Pass-through payments” are payments formerly made by RDAs to taxing entities either contractually under the authority of former Health & Safety Code §33401 or pursuant to a statutory schedule set forth in Health & Safety Code §33607.5.
Among other matters, AB1484 addresses the county auditor-controllers’ delayed distribution of property tax from the RPTTF to taxing entities.

62. Auditor-controllers made their customary distributions of tax increment to RDAs in December 2011 or early January 2012 while the stay in Matosantos was still in effect. They could not have made any distribution of funds from the RPTTFs in December 2011 or early January 2012 because AB1X26 was stayed at that time and because the RPTTFs did not yet exist.

**The True-Up Process**

63. AB1484 addressed the issue of the January-June 2012 payment to taxing entities by requiring successor agencies to make a “True-Up” payment. If an affected taxing entity had not received the full amount of the property tax to which it was entitled pursuant to section 34183(a)(4) for the period January 1, 2012, through June 30, 2012 (i.e., residual property tax remaining in the RPTTF after payment of pass-throughs, enforceable obligations and other specified sums), then the auditor-controller was required to send a demand for payment to the successor agency by July 9, 2012 for the amount owing to taxing entity or entities (the “True-Up payment”) based on numbers published by DOF. (Health & Safety Code §34183.5(b)(2)(A).)

64. DOF Guidance appearing on the DOF website instructed that, to determine the amount of a successor agency’s True-Up payment, “county auditors must use the amounts shown in Column E of the Exhibit 12 document on this webpage.” (DOF Exhibit 12 is attached as Exhibit 4; see [http://www.dof.ca.gov/redevelopment/true-up_process/](http://www.dof.ca.gov/redevelopment/true-up_process/).) Many, perhaps most or all, auditor-controllers followed this instruction in calculating the True-Up payments.

65. DOF Exhibit 12, Column E failed to show the proper amount for several reasons.

66. **First**, Health & Safety Code §34183.5(b) provides, with emphasis:

The amount to be retained by taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 for the January 1, 2012, through June 30, 2012, period is determined based on the Recognized Obligation Payment Schedule approved by the Department of Finance pursuant to subdivision (h) of Section 34179 and any amount determined to be owed pursuant to subdivision (b).

Column E failed to recognize that some enforceable obligations were payable and had been paid from non-RPTTF sources, including the December 2011 tax increment payment to RDAs. The impact of this failure is explained in the following several paragraphs.
67. Successor agencies were required to create a Redevelopment Obligation Retirement Fund into which revenue from the RPTTF is deposited. However, successor agencies did not exist before February 1, 2012. RDAs received the December 2011 or early January 2012 tax increment distribution and, as was the then-common practice, identified the revenues as "Reserves."

68. As a result, the First ROPS prepared by successor agencies correctly identified "Reserves" as the source of payment for certain "enforceable obligations" rather than the RPTTF because the RPTTF was not then operative.

69. The True-Up payment was "in recognition of the fact that county auditor-controllers were unable to make the payments" required by AB1X26 to taxing entities because of the Matosants stay. AB1484 required auditor-controllers to determine the amount of these payments of residual amounts based upon the First ROPS that identified the amount of property tax needed to pay the successor agency's enforceable obligations. If a successor agency needed the entire December 2011 or January 2012 tax increment payment to pay enforceable obligations, then the True-Up payment would and should be $0.

70. Despite being so informed by successor agencies and auditor controllers, DOF failed to acknowledge that the funding source that successor agencies identified as "Reserves" on the first ROPS was actually tax increment from the December 2011 or January 2012 distribution. This DOF action necessarily resulted in erroneous numbers on DOF's Exhibit 12, Column E, entitled "Maximum RPTTF Obligations Approved by Finance per Six Month Period." DOF's Exhibit 12, Column E, provided the number that county auditor-controllers were directed by DOF to use to calculate the True-Up payments.

71. Failure to recognize payments for enforceable obligations made from the December 2011 or January 2012 tax increment payment from the approved First ROPS resulted in erroneous requirements for unwarranted True-Up payments by successor agencies.

72. Second, in multiple instances, specific existing "enforceable obligations" of the former RDAs as defined by Health & Safety Code §34171(d) were included in the ROPS by...
successor agencies and approved by oversight boards, only to be rejected on an ad hoc basis and
without meaningful explanation by DOF.

73. In some instances, DOF first rejected the obligations and then reversed itself once
a lawsuit was filed. These disputed amounts resulted in DOF's posting erroneous numbers in
DOF Exhibit 12, Column E.

74. Third, DOF itself changed some of the numbers in DOF Exhibit 12 several times,
up to 5:15 p.m. on July 9, 2012, after the auditor-controllers were required to send the True-Up
payment demands. (Exhibit 5 at 6 (DOF Webpage Printout); Exhibit 6 at 1 (Vallejo E-mail).)

75. Auditor-controllers were required to use erroneous calculations published by DOF
in DOF Exhibit 12 to calculate the amount of the True-Up payment and sent demands for
payment based upon calculations that were contrary to law.

76. Petitioners are informed and believe that many auditor-controllers impermissibly
relinquished their statutory duties to DOF by relying upon instructions and calculations provided
by DOF without back-up documentation and, in doing so, breached their mandatory, ministerial
duties.

77. After receiving the auditor-controller's demand, the successor agencies were
required to make the True-Up payments no later than July 12, 2012. Then the auditor-controller
was required to distribute the True-Up payments to the applicable taxing agencies no later than
July 16, 2012 in accordance with section 34183. (Health & Safety Code §34183.5(b)(2)(A).)

78. The brief time between the July 9th demand and the July 12th mandated payment
prevented any meaningful opportunity for cities or successor agencies to communicate with
auditor-controllers and responsible individuals at DOF to resolve issues of fact or law relating to
the amount and components of the demand, the calculations supporting the demand or similar
concerns.

79. Before True-Up payments were due and thereafter, various auditor-controllers and
individuals purporting to speak for DOF each took the position that neither one had any authority
to revise the specific True-Up payment or correct even clerical errors. Alternatively, each took
the position that only the other one could make a correction.
80. As an example of errors that occurred, Defendant Padilla-Scholtens based the initial True-Up payment calculation for Petitioner Successor Agency on the figures initially shown on DOF’s Exhibit 12 as of July 6, 2012 and sent Successor Agency a bill for $331,790. Based on further information, Defendant Padilla-Scholtens revised the bill to $308,867.

81. A few days later, DOF changed the numbers on DOF Exhibit 12 with respect to Petitioner Successor Agency, so Defendant Padilla-Scholtens revised the True-Up bill to Successor Agency to $192,747, which Successor Agency paid on July 12.

82. Although the revised True-Up billing was based on DOF’s own revision to DOF Exhibit 12, DOF sent Successor Agency a letter demanding an explanation why the original billed amount had not been paid and threatening to impose penalties. Even now, DOF states that it may be unable to issue a Finding of Completion to Petitioner Successor Agency. (Exhibit 7 (DOF Letter and e-mails).)

83. DOF has not offered any explanation why it cannot correct the numbers that were initially incorrect so that the correct numbers govern.

84. On or about July 12, 2012, various other successor agencies notified their respective auditor-controllers and/or DOF that they could not make the demanded payment. In some cases, successor agencies (i) made a partial payment of the True-Up payment but communicated that they could not pay the full amount demanded, (ii) contested the amount said to be owed, or (iii) paid under protest.

85. DOF has notified the successor agencies that did not make the full True-Up payment that they may not receive a “Finding of Completion” under Health & Safety Code §34179.7. (E.g., Exhibit 7.) Without a Finding of Completion, a successor agency is placed at a significant disadvantage and denied the ability to exercise the rights and powers set out in Health & Safety Code §§34191.1-34191.5.

86. If the successor agency failed to make the True-Up payment in full by July 12, 2012, then

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- the successor agency is subject to a civil penalty of 10 percent of the amount owed to the taxing entities, plus one and one-half percent of the amount owed to the taxing entities for each month the payments are not made.
- the sponsoring city is subject to identical civil penalties.
- the sponsoring city shall not receive a distribution of sales and use taxes until the payment is made.

(Health & Safety Code §34183.5(b).)

**Due Diligence Reviews and Claw-Back Provisions**

87. AB1484 also requires every successor agency to retain a licensed accountant approved by the county auditor-controller to conduct a “due diligence review” to determine if there are unobligated balances available for transfer to taxing entities.

88. The first due diligence review is of the successor agency’s Low and Moderate Income Housing Fund ("Housing Fund"); thereafter a separate due diligence review must be conducted of all other successor agency funds and accounts. (Health & Safety Code §34179.5.)

89. The results of each due diligence review are to be submitted for review to the successor agency’s oversight board, the county administrative officer, the county auditor-controller, and DOF.

90. The due diligence review of the Housing Fund must be submitted by October 1, 2012; the due diligence review for all other funds and account balances is due December 15, 2012. (Health & Safety Code §34179.6.)

91. The oversight board shall determine what amount of cash and cash equivalents are available for disbursements to taxing entities. The oversight board is also “empowered to authorize a successor agency to retain” certain assets and funds. (Health & Safety Code §34179.6(c).)

92. Despite this express authority given to the oversight board, DOF nonetheless can overturn the oversight board’s authorization for the retention of any assets or funds. (Health & Safety Code §34179.6(c).)

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6 References to Claw-Backs apply to both the sales and use tax and the property tax Claw-Backs.
7 Every RDA had to establish a Low- and Moderate-Income Housing Fund and make annual deposits of 20% of its tax increment into that fund. (Health & Safety Code §33334.2 et seq.)
Safety Code §34179.6(d.) Moreover, DOF can also unilaterally adjust the amount that is
determined to be available by a licensed accountant who is approved by the county auditor-
controller. (Health & Safety Code §§34177(n), 34179.5(a), 34176(d), (e.)) No criteria or
standards are set out in AB1484 or elsewhere to govern DOF’s exercise of this power.

93. Section 34179.6(e) provides that the successor agency and the entity that created
the former RDA may request to meet and confer with DOF to resolve any disputes regarding
amounts or sources of funds identified as determined by DOF as being available for disbursement
to other taxing entities. The request must be made within five business days after the successor
agency is notified of the determination.

94. After the meet and confer session has occurred, DOF shall either confirm or
modify its determination. The meet and confer procedures announced by DOF in violation of the
Administrative Procedure Act on September 10, 2012 provide no appeal process within DOF, no
standards or criteria, no procedure to ensure that similarly situated entities are treated similarly,
and no protection against improper retroactive application of law and procedure.

95. The successor agency has five days after receiving notification from DOF to
transmit the demanded funds required to the county auditor-controller. (Health & Safety Code
§34179.6(f.).)

96. The county auditor-controller must provide a report to DOF of payments submitted
by each successor agency within its county and name those successor agencies that did not remit
the required amounts. The report on the successor agencies’ Housing Funds is due by
December 2, 2012; the report on other funds and account balances is due April 20, 2013. (Health
& Safety Code §34179.6(g.).)

97. Sales and use taxes and property tax revenues of the city that created the former
RDA can be withheld or reduced under the following circumstances:

- If the due diligence review finds that funds were transferred to another public
  agency between January 1, 2011 through June 30, 2012 without an enforceable
  obligation, DOF may order the State Board of Equalization to withhold the sales
  and use tax allocation to that public agency. If DOF does not so order, the county
auditor-controller can reduce the property tax allocations to that local agency. (Health & Safety Code §34179.6(h)(1)(A).)

- If the successor agency fails to make the payments due as a result of the due diligence review of either the Housing Fund or other funds and account balances, and if the city that created the former RDA is also the successor agency, DOF may order the State Board of Equalization to “offset” the distribution of sales and use taxes to the city. If DOF does not order such an offset, the county auditor-controller may reduce the property tax allocations to the city. (Health & Safety Code §34179.6(h)(1)(C).)

- Alternatively, or in addition to the above remedies, DOF can direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency. (Health & Safety Code §34179.6(h)(2).) If payment of the full amount is not currently feasible or would jeopardize the ability of the successor agency to pay enforceable obligations in a timely manner, DOF may agree to an installment payment plan. (Health & Safety Code §34179.6(h)(3).)

98. In addition to the foregoing, if a successor agency does not make the full payment demanded by DOF, either with respect to True-Up payments or due diligence review, it will not receive a Finding of Completion from DOF. (Health & Safety Code §34179.7.) Without a Finding of Completion, a successor agency is denied the ability to exercise the rights and powers set out in Health & Safety Code §§34191.1-34191.5.

99. Respondents’ and particularly DOF’s acts and omissions have been arbitrary and capricious in their deliberate failure to recognize and protect the rights of innocent third parties with whom the former RDAs had contracted or to whom bonds had been issued, as well as the rights and needs of taxpayers and citizens of the affected cities. (Exhibit 8 (September 4, 2012 Vallejo Letter).) Respondents’ arbitrary and capricious determinations and actions entitle Petitioners to an award of attorneys’ fees.

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PETITION FOR WRIT OF MANDATE

100. Respondents have a clear, present, and ministerial duty to administer the laws of the State of California, including AB1484, without violating the California Constitution and California Codes.

101. Petitioners are beneficially interested in performance of those ministerial duties and have no adequate remedy at law to redress the constitutional and other violations described below other than issuance of a writ of mandate.

Writ of Mandate—Unconstitutionality Associated with True-Up and Violation of Separation of Powers (By Petitioners Against Respondents)

102. The requirement in AB1484, and specifically in section 34183.5(b), that successor agencies make the True-Up payment described above, is a violation of the separation of powers doctrine embedded in Article III §3 of the California Constitution.

103. The very existence of a True-Up payment is directly contrary to the judicially reformed deadlines in Matosantos under which successor agencies, RPTTF, and the remittance obligations assumed by the True-Up payment did not even exist until February 1, 2012.

104 By applying the True-Up payment requirement and seeking to enforce it, Respondents have unconstitutionally violated the authority vested in the California Supreme Court to reform statutory deadlines.

105. Flowing from the unconstitutional True-Up payment demand are the severe financial penalties with which Petitioners are presently threatened absent the full payment. Under section 34183.5(b)(2)(C), both successor agencies and cities face a penalty of 10 percent of the demanded True-Up payment, plus a recurring monthly penalty of 1.5 percent of the True-Up payment.

106. In addition, cities face withholding of sales and use taxes until the True-Up payment is made. These penalties are themselves unconstitutional because they exist only by virtue of the unconstitutional True-Up payment.
107. A writ of mandate should issue to compel Respondents to comply with their ministerial, statutory, and constitutional duties in accordance with California law.

108. Absent a writ of mandate to compel Respondents to comply with their ministerial duties not to enforce the unconstitutional provisions in section 34183.5(b), Petitioner Successor Agency and other California successor agencies may be forced to default on enforceable obligations with priority approved on a ROPS in order to remit the illegal True-Up payment.

109. Successor agencies that cannot make or refuse to make the True-Up payment will be subjected to severe unconstitutional civil penalties, and the Petitioner City and other California cities will face withholding of sales and use taxes in violation of law.

110. Injunctive relief may be necessary to protect the rights of Petitioners, California successor agencies and cities, their bondholders and taxpayers. This Court should issue interim relief and a permanent injunction to restrain and enjoin Respondents as needed.

Writ of Mandate—Unconstitutional True-Up Payment
(By Petitioners Against Respondents)

111. The requirement in AB1484 that successor agencies make True-Up payments with funds that constituted tax increment distributed to the former RDAs pursuant to Health & Safety Code §33670 in December 2011 or early 2012 is a violation of Article XVI §16.

112. Article XVI §16 mandates that “all tax increment be allocated to and when collected shall be paid into a special fund of the redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project.” Project indebtedness is constitutionally limited to costs and expenditures that primarily benefit the project or are reasonably necessary to mitigate financial burdens or detriments caused by the project.

113. Article XVI §16 further provides that taxes allocated to the special fund “may be irrevocably pledged for the payment of the principal of and interest on those loans, advances, or indebtedness.” (Article XVI §16(b), (c); Health & Safety Code §§33631, 33641.5, 33671.
33671.5.) Article XVI §16 thus prescribes the sole purposes for which incremental tax revenues may be allocated and used.

114. Although all tax increment is not required to be allocated to RDAs, once the auditor-controller allocates tax increment to a RDA, Article XVI §16 requires that the tax increment be used “to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project.” (Matosantos at 263-265.)

115. The Legislature may not alter Article XVI §16 by statute, “may not enact laws allocating tax increment revenues for purposes unrelated to redevelopment” and “cannot properly dispense with the constitutional allocation of tax increment revenues to the financing of redevelopment projects pursuant to section 16.” (Exhibit 9 at 8:20-21, 9:1-2 (California Redevelopment Association v. Genest, April 30th Ruling).)

116. Until the former RDAs were dissolved on February 1, 2012, all allocations from an auditor-controller to an RDA constituted tax increment as defined in Article XVI §16 and thus required to be used only for the redevelopment purposes described therein.

117. The final tax increment distributed in December 2011 and January 2012 is clearly protected under Article XVI §16. Thus, the Legislature is prohibited from mandating use of the final tax increment installment for any purpose not affirmatively authorized in Article XVI §16.

118. Diversion of tax increment to taxing entities for the primary purpose of reducing the State’s budget deficit is not a use of tax increment authorized by Article XVI §16(c).

119. A writ of mandate should issue to compel the return of the December 2011 and January 2012 to successor agencies and to bar the imposition of any required True-Up payment or other penalty based on the payment or nonpayment of that tax increment to persons other than those entitled to receive it under Article XVI §16.

120. Petitioners are beneficially interested in the performance of that ministerial duty and have no adequate remedy at law to redress the constitutional violations described herein.
121. Injunctive relief may be necessary to protect the rights of California cities, and this Court should issue interim relief and a permanent injunction to restrain and enjoin Respondents as needed.

Writ of Mandate—Unconstitutional Withholding of Sales and Use Taxes
(By Petitioners Against Respondents)

122. The threatened unconstitutional withholding of sales and use taxes under section 34183.5(b)(2)(C) is effectuated by DOF’s issuing an order for withholding, and Respondent State Board of Equalization’s withholding the taxes from California cities under section 34179.8.

123. Article XIII §24(b) of the California Constitution states: “The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government’s purposes.”


125. The withholding of sales and use taxes is unconstitutional because

- sales and use taxes are imposed by local governments solely for local purposes. The withholding provision would impermissibly reallocate the taxes away from local governments, restrict the use of sales and use taxes, and otherwise use the proceeds of those taxes, by withholding them from the local government purposes for which they were intended;

- Article XIII §25.5(a)(2) prohibits the Legislature from changing “the method of distributing revenues derived under the Bradley-Burns Uniform Sales and Use Tax Law [...] as that law read on November 3, 2004.” Section 34183.5(b)(2)(C) unlawfully alters the manner of distributing local sales and use taxes by withholding those funds from local governments in violation of Article XIII §25.5(a)(2).
126. A writ of mandate should issue to compel Respondent State Board of Equalization to comply with its ministerial duty not to withhold sales and use taxes in violation of the California Constitution.

127. Petitioners are beneficially interested in the performance of that ministerial duty and have no adequate remedy at law to redress the constitutional violations described herein.

128. Injunctive and other relief may be necessary to protect the rights of California cities, and this Court should issue interim relief and a permanent injunction as needed to restrain and enjoin Respondents.

Writ of Mandate—Unconstitutional Claw-Backs in Due Diligence Reviews
(By Petitioners Against Respondents)

129. The threatened unconstitutional Claw-Backs under Health & Safety Code §34179.6(h) are illegal or unconstitutional because

- sales and use taxes are imposed by local governments solely for local purposes. The withholding provision would impermissibly reallocate the taxes away from local governments, restrict the use of sales and use taxes, and otherwise use the proceeds of those taxes, by withholding them from the local government purposes for which they were intended, in violation of Article XIII §24(b);

- Article XIII §25.5(a)(2) prohibits the Legislature from changing “the method of distributing revenues derived under the Bradley-Burns Uniform Sales and Use Tax Law [...] as that law read on November 3, 2004.” The threatened withholding of sales and use taxes under Health & Safety Code §34179.6(h) violates Article XIII §25.5(a)(2);

- Article XIII §25.5(a)(3) further prohibits the Legislature from reallocating property taxes between cities, counties, and special districts without a two-thirds vote of the Legislature. AB1484 failed to win approval by a two-thirds vote of either house of the Legislature.
130. A writ of mandate should issue to compel Respondents to comply with their ministerial, statutory and constitutional duty not to seek withholding of or to withhold sales and use taxes in violation of the California Constitution and not to reduce or alter Petitioners’ property tax allocations under AB1X26 or AB1484.

131. Petitioners are beneficially interested in the performance of that ministerial duty and have no adequate remedy at law to redress the constitutional violations described herein.

132. Injunctive and other relief may be necessary to protect the rights of California cities, and this Court should issue interim relief and a permanent injunction to restrain and enjoin Respondents as needed.

COMPLAINT

133. Petitioners incorporate all the foregoing paragraphs into the following paragraphs as though set forth fully therein.

First Cause of Action
Article III §3—Separation of Powers
(By Petitioners Against Respondents)

134. Article III §3 of the California Constitution establishes separation of powers between the powers of state government - legislative, executive and judicial. Those charged with exercising one power may not exercise the other powers except as otherwise permitted by the Constitution.

135. The True-Up payment in AB1484 constitutes a violation of the separation of powers required by Article III §3 because it infringes on the authority of the judicial branch to reform statutory deadlines as it elected to do in Matosantos.


137. The essence of the True-Up payment is retroactively to undo the effect of the stay issued by the Supreme Court in Matosantos. The requirement of a True-Up payment

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impermissibly and unlawfully casts aside the judicial branch’s authority to reform dates
prescribed in AB1X26 in violation of the California Constitution.

138. The requirement in AB1484, and specifically in Health & Safety Code
§34183.5(b), that successor agencies make the True-Up payment violates the separation of
powers doctrine embedded in Article III §3.

139. The existence of a True-Up payment reflecting alleged missed residual payments
in January 2012 under section 34183(a)(4) is directly contrary to the judicially reformed deadlines
in Matosantos by which section 34183 was not effective and the RPTTF did not exist until
February 1, 2012.

140. Section 34183.5(b), requiring the True-Up payment for tax increment received
prior to the existence of the RPTTF, attempts to superimpose the requirements of section 34183.5
on tax increment received on or before January 31, 2012, when section 34183.5 was not effective
until February 1, 2012 by Supreme Court order. Section 34183.5(b) on its face and as applied by
Respondents, unconstitutionally tramples upon the authority vested in and exercised by the
California Supreme Court to reform statutory deadlines.

141. Petitioners are presently threatened with severe financial penalties absent making
the unconstitutional True-Up payment. Under section 34183.5(b)(2)(C), if the successor agencies
do not make the payment, their respective cities are required to do so. Both successor agencies
and cities are subject to a penalty of 10 percent of the demanded True-Up payment, plus a
recurring monthly penalty of 1.5 percent of the True-Up payment until the successor agency pays.
In addition, cities face withholding of sales and use taxes until the True-Up payment is made.
These penalties are themselves unconstitutional because they exist only by virtue of the
unconstitutional True-Up payment.

142. Cities and successor agencies continue at risk of sanctions in the second and future
ROPS rounds. Moreover, cities and successor agencies that disputed the amount demanded or
paid less than originally demanded have been informed that DOF may nonetheless be unable to
issue a Finding of Completion to the Agency pursuant to section 34179.7. Denial of a Finding of

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League of California Cities Petition/Complaint
Completion denies a successor agency the ability to exercise the rights and powers set out in Health & Safety Code §§34191.1-34191.5.

Second Cause of Action
Article XIII §24(b)—Proposition 22
(By Petitioners Against Respondents)

143. California Constitution Article XIII §24(b) restricts the manner in which local tax revenues may be distributed and utilized. It provides: "The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government’s purposes."

144. Health & Safety Code §34183.5(b)(2)(C) suspends the ordinary distribution of local sales and use taxes and thereby violates Article XIII §24(b) in multiple ways, including:
   • "restricting the use of” Bradley-Burns sales and uses taxes;
   • “otherwise using” the cities’ allocation of the Bradley-Burns sales and use taxes levied by local governments solely for the “local government’s purpose”; and
   • reallocating sales and use taxes away from local governments.

145. There is only one constitutionally permissible use for locally-imposed sales and use taxes—to distribute them to the local governments that imposed them for their intended purposes.

146. There is no exception in Article XIII §24(b) that allows the Legislature to withhold the sales tax to pay a penalty.

Third Cause of Action
Article XIII §24(b)—Proposition 22
(Petitioner Christopher K. McKenzie Against Respondent DOF)

147. Using or withholding locally-imposed sales and use taxes to pay the debts of successor agencies violates Article XIII §24(b) in an additional way: cities that established RDAs cannot lawfully be held liable for RDAs’ debts or, by extension, debts of RDAs’ successor agencies. (E.g., Health & Safety Code §33644 [RDA indebtedness “are not the debt of the community (city or county), the State, or any of its political subdivisions and neither the community, the State, nor any of its political subdivisions is liable on them”].) Health & Safety
Code §34183.5(b)(2)(C) violates that prohibition because it effectively and retroactively seeks to convert RDA and successor agency obligations into city obligations.

148. There is a presumption against retroactive application of law. (Quarry v. Doe 1 (2012) 53 Cal.4th 945, 958.) California citizens and taxpayers residing in California cities are entitled to the protection and benefit of section 33644 and cannot be denied that protection and benefit retroactively. As a result, citizens and taxpayers are entitled to enjoy section 33644’s protection that cities and counties shall not be liable for RDA debts and obligations.

149. Accordingly, any application or interpretation of AB1484 that would make California cities liable for the debts of former RDAs or penalize California cities for the actions or omissions of successor agencies of former RDAs is invalid and unenforceable.

Fourth Cause of Action

Article XIII §25.5(a)(1)(A), (a)(2), (a)(3)—Proposition 1A
(By Petitioners Against Respondents)

150. With exceptions for bonded indebtedness not relevant here, the countywide property tax rate is $1 per $100 of assessed valuation. Revenues from the countywide 1 percent rate are divided among the taxing entities. Taxing entities, for this purpose, are cities, counties, special districts, and school districts.

151. California Constitution Article XIII §25.5(a)(1)(A) prohibits the Legislature from altering the pro rata share of the 1 percent rate received by cities, counties, and special districts (excluding school districts) in accordance with the law in effect on November 3, 2004.

152. Article XIII, §25.5(a)(1)(A) prohibits the Legislature from reallocating property tax so as to reduce this pro rata share.

153. Article XIII §25.5(a)(2) prohibits the Legislature from changing “the method of distributing revenues derived under the Bradley-Burns Uniform Sales and Use Tax Law [...] as that law read on November 3, 2004.”

154. Article XIII, §25.5(a)(3) further prohibits the Legislature from reallocating property taxes between cities, counties and special districts without a two-thirds vote of the Legislature concurring in the change.
155. AB1484 was not approved by a two-thirds vote of the Legislature, yet it
unlawfully changes the allocation of property taxes as between cities, counties, and special
districts by reallocating property taxes from cities to counties and special districts.

156. Withholding a city’s Bradley-Burns Uniform Sales and Use Tax revenue if a
successor agency does not make the True-Up payment or payments resulting from due diligence
reviews is an alteration of the method for distributing local sales and use tax. Section
34183.5(b)(2)(C) impermissibly alters the manner of distributing local sales and use taxes by
withholding those funds from local governments in violation of Article XIII §25.5(a)(2).

157. If the property taxes otherwise required to be allocated to cities under the statutes
in effect on November 3, 2004 are allocated, in part, to school districts, this would reduce the
cumulative pro rata shares received by cities, counties and special districts as permitted by Health
& Safety Code §34179.6(h). The reduction is prohibited by Proposition 1A.

Fifth Cause of Action
Article XIII §25.5(a)(7)
(By Petitioners Against Respondents)

158. The Supreme Court stayed implementation of Part 1.85 of division 24 of the
Health & Safety Code given the number of deadlines in that part that would have been operative
on October 1, 2011 and November 1, 2011, before the court could address the issues on the
merits. The Supreme Court issued its decision in Matosantos on December 29, 2011.

159. Finding Part 1.85 valid, although numerous deadlines had passed, the court
reformed the statute to extend the relevant deadlines arising before May 1, 2012 by the four-
month duration of the court’s stay. Thus, all provisions of Part 1.85 that were to be operative on
October 1, 2011 became operative on February 1, 2012. (Matosantos, 53 Cal.4th at 274-276.)

160. Among these provisions was section 34172 under which the former RDAs were
dissolved. As a result, RDAs were dissolved on February 1, 2012 but continued to exist until
then.

161. California Constitution Article XIII §25.5(a)(7) prohibits the State from
redistributing or redirecting a former RDA’s tax increment revenues, directly or indirectly, for the
benefit of the State or the benefit of local agencies other than the RDA itself.
162. The final tax increment distributed by auditor-controllers in December 2011 (i.e.
before dissolution of the RDAs and before establishment of the RPTTFs) was “tax increment”
and therefore subject to constitutional prohibitions on the State prohibiting the State from directly
or indirectly redirecting or redistributing the December 2011 for the benefit of other local
agencies other than the RDA. (Matosantsos, 53 Cal.4th at 274.)

163. AB1484 and the attempt by DOF and the auditor-controllers impermissibly and
unconstitutionally to redirect and redistribute the final tax increment distribution made in
December 2011 and January 2012, by requiring so-called “residual amounts” of it to be paid, in
the form of the True-Up payment, to other local taxing agencies violated Article XIII §25.5(a)(7).

164. Tax increment distributions on or before to January 31, 2012, and thus prior to the
dissolution of the former RDAs and formation of the successor agencies, were tax increment.
Based on DOF’s published “guidance,” the True-Up payment essentially demanded the return of
tax increment to distribute it to taxing entities. Consequently, section 34183.5(b) violates Article
XIII §25.5(a)(7).

Sixth Cause of Action
Article XVI §16(b) (Proposition 1A)
Reallocation of December 2011 Tax Increment
(By Petitioners Against Respondents)

165. Petitioners challenge the constitutionality of the reallocation of funds in the form
of True-Up payments that constituted tax increment that was distributed to the former RDAs
pursuant to Health & Safety Code §33670 in December 2011.

166. California Constitution Article XVI §16 (former Article XIII §19) was adopted by
the voters in 1952 to authorize use of tax increments to secure the payment of indebtedness
incurred to finance redevelopment projects.

167. Consistent with the rationale of tax increment, Article XVI §16 has two main
components, (1) allocation of increased tax revenues to a special fund (Article XVI §16(a) and
(b)) and (2) authorization for the pledge of tax revenues to the payment of creditors that provide
financing for the project (Article XVI §16(c)).
168. Article XVI §16 mandates that “all tax increment be allocated to and when collected shall be paid into a special fund of the redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project.”

169. Article XVI §16 provides that taxes allocated to the special fund “may be irrevocably pledged for the payment of the principal of and interest on those loans, advances, or indebtedness.” (Article XVI §16(b), (c); Health & Safety Code §§33631, 33641.5, 33671, 33671.5.)

170. Article XVI §16 prescribes the sole purposes for which incremental tax revenues may be allocated and used. Article XVI §16 authorizes property tax revenues produced by increased assessed values of property within a project area after adoption of the redevelopment plan to be allocated to that project’s special fund to pay project indebtedness, including contract obligations and bonds, incurred to finance or refinance that project.

171. Project indebtedness is constitutionally limited to costs and expenditures that primarily benefit the project or are reasonably necessary to mitigate financial burdens or detriments caused by the project.

172. The Supreme Court found that Article XVI §16 is not a conclusive requirement that all tax increment be mandatorily allocated to RDAs. (Matosantos, 53 Cal.4th at 263-264.) Nonetheless, once the auditor-controller allocates tax increment to a RDA, Article XVI §16 requires that the tax increment be used “to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project.” (Id. at 263-265.)

173. The Legislature may not alter Article XVI §16 by statute, “may not enact laws allocating tax increment revenues for purposes unrelated to redevelopment” and “cannot properly dispense with the constitutional allocation of tax increment revenues to the financing of
redevelopment projects pursuant to section 16." (Exhibit 9 at 8:20-21, 9:1-2 (California
Redevelopment Association v. Genest, April 30th Ruling).)

174. Until the former RDAs were dissolved on February 1, 2012, all allocations from an
auditor-controller to an RDA constituted tax increment as defined in Article XVI §16 and thus
required to be used only for the redevelopment purposes described therein.

175. The final tax increment distributed in December 2011 and January 2012 is clearly
protected under Article XVI §16. Thus, the Legislature is prohibited from mandating use of the
final tax increment installment for any purpose not affirmatively authorized in Article XVI §16.

176. Diversion of tax increment to taxing entities for the primary purpose of reducing
the State’s budget deficit is not a use of tax increment authorized by Article XVI §16(c).

Seventh Cause of Action
Unconstitutional Delegation in Violation of California and U.S. Constitutions
(Petitioner Christopher K. McKenzie Against Respondent DOF)

177. California Constitution. Article IV, section 1, provides: “The legislative power of
this State is vested in the California Legislature which consists of the Senate and Assembly, but
the people reserve to themselves the powers of initiative and referendum.” The U.S. Constitution
is similar. Both Constitutions forbid overbroad delegation of authority to DOF.

178. An unconstitutional delegation of authority occurs when a legislative body leaves
the resolution of fundamental policy issues to others or fails to provide adequate direction for
implementation of that policy. (Carson Mobilehome Park Owners’ Assn. v. City of Carson
(1983) 35 Cal.3d 184, 190, following Kugler v. Yocum (1968) 69 Cal.2d 371, 376-377.)

179. As written and placed into the Health & Safety Code, AB1484 includes no
standards to govern application of many of its most significant provisions, thereby permitting
multiple interpretations with no standards to govern application of its provisions, in violation of
law. (E.g., Kugler v. Yocum (1968) 69 Cal.2d 371, 376-77; State Board of Education v. Honig (3d
Dist. 1993) 13 Cal.App.4th 720, 750.) As a result, different personnel in DOF acting in good
faith could reach very different determinations with respect to different successor agencies,
causing great disparity in results from one city to another city.
180. At the very least the following provisions in AB1484 constitute unconstitutional
delegations of legislative power to DOF:

- Section 34179(h) allows DOF to review all oversight board actions and reject
  or accept the actions. There are no standards or criteria in AB1484 for that
determination.

- Section 34179(h) adds: "If the department reviews a Recognized Obligation
  Payment Schedule, the department may eliminate or modify any item on that
  schedule prior to its approval. The county auditor-controller shall reflect the
  actions of the department in determining the amount of property tax revenues
  to allocate to the successor agency. The department shall provide notice to the
  successor agency and the county auditor-controller as to the reasons for its
  actions." No criteria or standards are provided to define circumstances in
  which elimination or modification of an item is appropriate or forbidden.

- Section 34179.6 requires each Successor Agency to employ a licensed
  accountant experienced in local government accounting and approved by the
  auditor-controller to conduct a due diligence review to determine the
  unobligated balances available for transfer to taxing entities. An audit by the
  auditor-controller providing the same information may be used with the
  concurrence of the oversight board. In fact, the Government Auditing and
  Accounting Committee of the California Society of CPAs initially advised its
  members not to enter into agreements to perform DDGs until agreed-upon
  procedures were issued by the State. (See
  Accounting and Auditing Committee subsequently developed procedures for
  the due diligence review with input from DOF and the Controller's Office.
  (See http://blogs.calepa.org/buzz/2012/08/29/ab-1484/ .) Section 34179.6(d)
  allows DOF unilaterally to "adjust" the unobligated balance amount
determined to be owing in these due diligence reviews. The section provides:
"The department may adjust any amount associated with the determination of the resulting amount described in paragraph (6) of subdivision (c) of Section 34179.5 based on its analysis and information provided by the successor agency and others. The department shall consider any findings or opinions of the county auditor-controllers and the Controller." No standards are set out in AB1484 to govern the "adjustment" or decision not to make an "adjustment." Moreover, DOF "shall provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board." No standards or criteria are set out in AB1484 to govern DOF's actions.

- Section 34179.6(h)(3) provides for DOF to decide whether it is "feasible" for a successor agency to make a due diligence review payment. The section provides: "If the Department of Finance determines that payment of the full amount required under subdivision (d) is not currently feasible or would jeopardize the ability of the successor agency to pay enforceable obligations in a timely manner, it may agree to an installment payment plan." No standards or criteria are offered to govern the determination.

- Section 34191.5 provides for successor agencies to prepare long-range asset management plans addressing the disposition and use of the real properties of the former RDA. The plans must be submitted to the oversight boards and DOF. "Property shall not be transferred to a successor agency, city, county, or city and county, unless the long-range property management plan has been approved by the oversight board and the Department of Finance." No standards or criteria govern DOF approval or disapproval of the plans.

- Health & Safety Code §34183.5(b), makes penalties applicable to cities and successor agencies automatic. In violation of due process rights of citizens and taxpayers affected by its penalties, section 34183.5(b) provides no procedure or administrative process whereby such cities and successor
agencies may protest or appeal the True-Up payment requirement or amount
nor is there a procedure or administrative process whereby successor agencies
or cities may protest or appeal imposition of penalties for non-payment or
untimely payment of the True-Up payment. Citizens and taxpayers in those
cities would be irreparably harmed by imposition of such penalties and
resulting loss of important city services.

181. AB1484 unconstitutionally delegates legislative authority because its provisions
are internally inconsistent and are inconsistent with other laws, thereby presenting even greater
opportunity for disparate and inconsistent actions.

- Health & Safety Code §34173(e) provides that the liability of any successor
agency shall be limited to the total sum of property tax revenues it receives
under AB1484 and the value of the assets transferred to it by the former RDA.
This provision is inconsistent with the penalties imposed by Health & Safety
Code §34183.5, for example, which have no limits;

- mandated payments required by AB1484 are inconsistent with
§33607.5(f)(1)(B) which declares: “The payments made pursuant to this
section are the exclusive payments that are required to be made by a
redevelopment agency to affected taxing entities during the term of a
redevelopment plan.”

- AB1484’s provisions under which taxing entities receive funds before some
former RDA creditors are inconsistent with §33671.5 which grants existing
creditors “priority over any other claim to those taxes not secured by a prior
express pledge of those taxes.”

182. As a result of the lack of standards to govern DOF actions as demonstrated in the
ongoing ad hoc disparities in the manner in which DOF has operated under AB1484, multiple
unconstitutional delegations of power have been made to DOF.

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League of California Cities Petition/Complaint
Eighth Cause of Action
Violation of the Administrative Procedure Act
(By Petitioners Against Respondent DOF)

183. The Administrative Procedure Act (APA) establishes rulemaking procedures and standards for state agencies in California. (Government Code §§11340 et seq.)

184. The requirements set forth in the APA are designed to provide the public with a meaningful opportunity to participate in the adoption of state regulations, to ensure that regulations are clear, necessary and legally valid, and to prevent ad hoc decisions.

185. Government Code §11340.5(a) provides: “No state agency shall issue, utilize, enforce, or attempt to enforce any guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule, which is a regulation as defined in Section 11342.600, unless the guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule has been adopted as a regulation and filed with the Secretary of State pursuant to this chapter.”

186. The term “state agency” includes every state office, officer, department, division, bureau, board, and commission. Government Code §§11000(a), 11342.520.

187. The term “regulation” is defined in §11342.600 to mean “every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of any rule, regulation, order, or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure.” (E.g., Clovis Unified School District v. Chiang (3d Dist. 2010) 188 Cal.App.4th 794, 800; Capen v. Shewry (3d Dist. 2007) 155 Cal.App.4th 378, 386-87.) Regulations must be transmitted to the Office of Administrative Law for filing with the Secretary of State. (Government Code §11343(a).)

188. A regulation subject to the APA thus has two principal identifying characteristics. First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a certain class or range of cases will be decided. Second, the rule must “implement, interpret, or make specific the law enforced or administered” by the agency, or govern the agency’s procedure.

189. Any doubt about the applicability of the Administrative Procedure Act requirements is properly resolved in favor of the Act. (Morales v. California Dep’t of Corrections (1st Dist. 2008) 168 Cal.App.4th 729, 735-39.)

190. As the Supreme Court explained in Tidewater Marine Western, Inc. v. Bradshaw (1996) 14 Cal.4th 557, 568, cert. denied (1997) 520 U.S. 1248:

The APA establishes the procedures by which state agencies may adopt regulations. The agency must give the public notice of its proposed regulatory action (Government Code §§11346.4, 11346.5); issue a complete text of the proposed regulation with a statement of the reasons for it (Id. §11346.2(a), (b)); give interested parties an opportunity to comment on the proposed regulation (Id. §11346.8); respond in writing to public comments (Id. §§11346.8(a), 11346.9); and forward a file of all materials on which the agency relied in the regulatory process to the Office of Administrative Law (Id. §11347.3(b)), which reviews the regulation for consistency with the law, clarity, and necessity (Id. §§11349.1, 11349.3).

191. Government Code §11342.2 provides: “Whenever by the express or implied terms of any statute a state agency has authority to adopt regulations to implement, interpret, make specific or otherwise carry out the provisions of the statute, no regulation adopted is valid or effective unless consistent and not in conflict with the statute and reasonably necessary to effectuate the purpose of the statute.”

192. DOF violated these and other provisions in the Government Code which form part of the Administrative Procedure Act. DOF published multiple “guidance documents” and various “Exhibits” including DOF “Exhibit 12” and the like in violation of the requirements for adopting regulations even though these documents plainly meet the definition in section 11342.600. (E.g., Morning Star Co. v. State Board of Equalization (2006) 38 Cal.4th 324, 332-38, 340-42; Marin v. Costco Wholesale Corp. (2008 1st Dist) 169 Cal.App.4th 804, 815.)
193. Calling something that is a regulation "guidance," a guideline, a protocol, or a bulletin does not alter its character or avoid the requirements of the Administrative Procedure Act. Although there is an exception for internal management documents (Government Code §11340.9), that exception does not apply to documents that implicate the interests of persons or entities outside the agency. (California School Boards Assn. v. State Board of Education (1st Dist. 2010) 186 Cal.App.4th 1298, 1328-30; Californians v. Pesticide Reform v. California Dep't of Pesticide Regulation (3d Dist. 2010) 184 Cal.App.4th 887, 905-09.)

194. DOF acted contrary to the requirements of the Government Code and the Health & Safety Code in making multiple ad hoc determinations with respect to individual California cities and successor agencies. For example, after working with some cities and successor agencies to address mistakes in ROPS I, DOF then abruptly decided in early July 2012 to (i) stop accepting revised ROPS or requests to reconsider denied items, and (ii) cease making revisions to existing requests. It announced: "Any and all revised ROPS submitted to Finance for previous ROPS periods are hereby rejected." (Exhibit 10 (July 12, 2012 DOF letter).)

195. Having adopted and posted documents to its website stating that compliance was mandatory, DOF later replaced the documents on its website with new versions, without any notice that the documents had been changed, the date of the change or what the changes were.

196. DOF gave no notice of prospective rulemaking or emergency rulemaking, offered no opportunity for comment, made no response to comments, failed to submit the rule and materials to the Office of Administrative Law or otherwise comply with the Administrative Procedure Act.

197. DOF acted contrary to the requirements of the Government Code by sending blast e-mails to California cities and successor agencies with information that could and should have been the subject of rulemaking. For example, on or about September 10, 2012, DOF sent a blast e-mail to successor agencies informing them that DOF’s "website has now been updated to include information related to the Meet and Confer process" and stating: "We appreciate everyone’s patience as we finished developing the process and guidelines." (Exhibit 11.)
198. Because serious concerns were raised while AB1484 was before the Senate Committee on the Budget and Fiscal Review on June 26-27, 2012 regarding procedures for calculating and collecting the True-Up payment, DOF had committed that it would work with successor agencies and communities sponsoring former RDAs to avoid assessment of penalties and offsets associated with untimely payment of the True-Up payment. Specifically, DOF represented it would engage in a meet and confer process.

199. As DOF had promised the Legislature it would establish a meet and confer process before AB1484 was enacted, there was more than sufficient time for DOF to have followed proper rulemaking procedures in creating its meet and confer process and accompanying guidelines. Instead, the announcement of the rules satisfied none of the APA requirements.

200. Before the September 10, 2012 posting of documents, DOF did not engage in any meaningful meet and confer process with many agencies despite multiple successor agencies’ requests to DOF for an opportunity to meet and confer. DOF acted inconsistently and its responses to requesting agencies was ad hoc at best. Requests to auditor-controllers and others for assistance in obtaining a meet and confer process with DOF were similarly unsuccessful. Similarly, requests that DOF notify county auditor-controllers and the State Controller that penalties and sales tax offsets would not be assessed during the pendency of the various disputes were ignored.

201. Health & Safety Code §34183.5(b), added by AB1484, makes the fines applicable to cities and successor agencies automatic. DOF did not provide a procedure or administrative process whereby they may protest or appeal the True-Up payment or the due diligence review payments nor is there a procedure or administrative process whereby the successor agencies or cities may protest or appeal the imposition of the penalties for non-payment or untimely payment of the True-Up payment or due diligence review payments.
202. In addition, even if they could escape invalidation under the APA, DOF’s multiple “guidance documents,” changing website directions and templates, and DOF “Exhibit 12”\(^8\) and the like were inconsistent with AB1484 and the provisions of the Community Redevelopment Law in a variety of ways, including:

- City of Glendale, Report to Successor Agency at 10 (July 31, 2012), available at http://www.ci.glendale.ca.us/government/agenda_minutes/1344A201207311.pdf at 23: “AB 1484 calls for ROPS 3 to be prepared in a format prescribed by DOF. The ROPS template posted on the DOF’s website was utilized by staff to prepare ROPS 3. However, on July 20th, the DOF removed this template from their website at http://www.dof.ca.gov/assembly_bills_26-27/ and as of July 25, 2012, has not yet posted a revised template.\(^9\) Although staff anticipates the ROPS 3 template may be revised, its substance is not anticipated to change. Staff will revise this template accordingly once the revised template is posted.”

- Not only were DOF Exhibit 12 and its accompanying documents a violation, but DOF also updated and altered DOF Exhibit 12 or its documentation without notice to Petitioners other than the sudden appearance on the DOF website of altered documents. For example, DOF updated DOF Exhibit 12 at 5 p.m. on Friday, July 6th, mentioning that update in a July 9th Demand for Payment due no later than July 12th sent to the City of Coronado. (Demand, available at http://www.coronado.ca.us/egov/docs/1342205983_316162.pdf) DOF changed some numbers in DOF Exhibit 12 up to 5:15 p.m. on July 9, 2012. (Exhibit 5 at 6 (ROF Webpage Printout); Exhibit 6 at 1 (Vallejo E-mail).) DOF Exhibit 12

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\(^9\) DOF Exhibit 12 is available at http://www.dof.ca.gov/assembly_bills_26-27/documents/Exhibit-12.xls. DOF Exhibit 12 has been changed in various respects during crucial periods, so the version now available on the DOF website differs from the version at various other relevant times.

\(^10\) A ROPS 3 template was posted on a different portion of the website at some point (http://www.dof.ca.gov/development/ROPS/view.php) and that webpage was updated as late as August 23, 2012. The ROPS 3 had to be submitted by September 4, 2012.
formed the base on which all True-Up calculations were to be made. Changes to Exhibit 12 rendered calculations already made incorrect, yet DOF simply posted changes with no notice, no identification of what changes were made and no warning whether additional changes would be made.

- Various cities, successor agencies and auditor-controllers found serious errors in DOF Exhibit 12. For example, the Santa Cruz County Auditor-Controller explained in a July 6, 2012 letter to DOF: “The instructions from the Department of Finance (DOF) require us to use Exhibit 12, posted on the DOF website. The problem is that the figures listed for the January-June ROPS are grossly inaccurate, and I respectfully request that DOF correct Exhibit 12 for four of the five Successor Agencies in Santa Cruz County. . . . I have communicated this problem to the Department of Finance staff through a series of emails, and have been told to use the Exhibit 12 figures, correct or not. This is not the solution for Santa Cruz County.”
(http://www.missionviejocca.org/pdfs/MVRedev_Exhibit12wrong-ACsLetter.pdf)

203. Government Code §11350(a) entitles “any interested person” to obtain a judicial declaration as to the validity of any regulation or order. The plaintiff need not petition or seek reconsideration before the agency before seeking relief. (Id.)

204. There is no formal or further informal process in which the California cities or successor agencies can obtain relief from the incorrect dollar figures stated on the auditor-controllers’ demand statements or from the other ad hoc decisions made by DOF.

205. California law requires agencies such as DOF to adopt and provide regulations in situations such as this to ensure fair and reasonable decision making rather than ad hoc and variable decisions that differ from one to another. (E.g., BC Cotton, Inc. v. Voss (3d Dist. 1995) 33 Cal.App.4th 929, 951.)
PRAYER FOR WRIT OF SUPERSEDEAS, 
STAY OR PRELIMINARY INJUNCTION

206. Petitioners seek a writ of supersedeas and temporary stay as may be needed during the course of this action. The purpose of a stay is to preserve the status quo and protect the jurisdiction of the court pending resolution of the matter when, absent a stay, the continuing proceedings may be rendered ineffective. (E.g., Varian Medical Systems, Inc. v. Delfino (2005) 35 Cal.4th 180, 189; Archibald v. Cinerama Hotels (1976) 15 Cal.3d 853, 857–58; Heritage Provider Network, Inc. v. Superior Court (2d Dist. 2008) 158 Cal.App.4th 1146, 1152; In re M.M. (1st Dist. 2007) 154 Cal.App.4th 897, 901.)

207. A stay may be denied if the remedy at law is adequate. As a normal rule, a monetary remedy is adequate. Mere existence of some remedy at law, however, will not defeat a claim for equitable relief. (Quist v. Empire Water Co. (1928) 204 Cal. 646, 653; Varney v. Superior Court (4th Dist.1992) 10 Cal.App.4th 1092, 1098.) Instead, the remedy at law must be adequate or sufficient under the circumstances of the case. The legal remedy “must reach the whole mischief and secure the whole right of the party in a perfect manner at the present time and not in the future. Otherwise, equity will interfere and give such relief and aid as the exigencies of the case may require.” (Hicks v. Clayton (4th Dist.1977) 67 Cal.App.3d 251, 264, quoting Quist v. Empire Water Co. (1928) 204 Cal. 646, 652–53.) When litigants face the likelihood that money cannot be recovered, however, courts recognize that the remedy fails and a stay is warranted.

208. Petitioners pray for a writ of supersedeas, preliminary injunction or stay of AB1484, pending a determination of this Petition and Complaint on the merits, if circumstances reveal that such a stay or injunction is required to prevent undue harm.

209. Implementation of AB1484 has commenced and continued without coherent regulations, procedures or policies adopted in accordance with law. The Director of Finance should be required to propose procedures for completing the dissolution of the former RDAs that do not violate constitutional and other rights of bondholders and Petitioners.
210. Implementation of AB1484 has and will adversely affect Petitioners, their communities, California taxpayers, bondholders, and others as more fully set forth above.

WHEREFORE, Petitioners respectfully pray this Court to issue a writ of supersedeas, preliminary injunction or stay of AB1484 pending a determination of this Petition and Complaint on the merits.

PRAYER ON THE PETITION

NOW, THEREFORE, in accordance with California law and the foregoing allegations, Petitioners pray for relief as follows:

1. For issuance of a peremptory writ of mandate compelling Respondents to comply with their mandatory, ministerial duty not to enforce Health & Safety Code §34183.5(b) as that statute violates various provisions of the California Constitution;

2. For issuance of a peremptory writ of mandate compelling Respondent State Board of Equalization to comply with its mandatory, ministerial duty not to withhold sales and use taxes in violation of the California Constitution to the detriment of Petitioner City and all other California cities;

3. For issuance of a peremptory writ of mandate compelling Respondents to comply with their mandatory, ministerial duty not to withhold or transfer property taxes in violation of the California Constitution to the detriment of Petitioner City and all other California cities;

4. For a peremptory writ of mandate compelling Respondents to comply fully with all applicable laws;

5. Awarding attorneys' fees to Petitioners to the extent permitted by law, including Government Code §800, Code of Civil Procedure §§1021.5 and 1036;

6. Awarding costs to Petitioners; and

7. Awarding such other and further relief as may be appropriate.

PRAYER ON THE COMPLAINT

Petitioners further respectfully pray this Court exercise its equitable powers to issue extraordinary remedies, injunction and declaratory relief to fashion relief for Petitioners as follows:
1. Mandating that Respondents take no further steps to implement the penalty provisions of AB1484, including but not limited to, Health and Safety Code §§34177(m)(2), 34179.6(h)(1)(A), 34179.6(h)(1)(C), 34179.6(h)(2), 34179.6(h)(3), 34183.5(b)(2)(B), and 34183.5(b)(2)(C), because these provisions are unconstitutional and unenforceable;

2. Requiring county auditor-controllers to pay or restore the December 2011 tax increment into the appropriate RPTTF in their respective counties as required by the California Constitution and its implementing legislation without regard to the invalid provisions of AB1484;

3. Declaring the penalty provisions of AB 1484 unconstitutional and abrogating them, including but not limited to, Health and Safety Code §§34177(m)(2), 34179.6(h)(1)(A), 34179.6(h)(1)(C), 34179.6(h)(2), 34179.6(h)(3), 34183.5(b)(2)(B), and 34183.5(b)(2)(C);

4. Issuing a permanent injunction against prospective enforcement or implementation of the invalid provisions of AB1484 to the extent the injunctive remedy is less harmful to cities, taxpayers and citizens than the enforcement or implementation of the provisions;

5. Granting Petitioners City of Vallejo and Successor Agency a “final judicial determination of the amounts due and confirmation than those amounts have been paid” within the meaning of Health & Safety Code §34179.7;

6. Mandating that Department of Finance and other Respondents as appropriate prospectively engage in proper rulemaking as required by California law, performed on an emergency or expedited basis as the court directs to reduce the harm to Petitioners;

7. Awarding attorneys’ fees to Petitioners to the extent permitted by law, including Government Code §800, Code of Civil Procedure §§1021.5 and 1036;

8. Awarding costs to Petitioners; and

9. Awarding such other and further relief as may be appropriate.

Dated: September 24, 2012

BEST BEST & KRIEGER LLP

By: [Signature]

T. BRENT HAWKINS
Attorneys for Petitioners/Plaintiffs
VERIFICATION

I, Christopher K. McKenzie, declare:

I am the Executive Director for the League of California Cities, a Petitioner in this action. I have personal knowledge of the facts alleged in the foregoing Petition and Complaint based on personal participation or on examination of original documents and copies of original documents I believe to be true and correct, as well as documents on the Department of Finance website, and the Petition and Complaint contents are true of my own knowledge.

I declare under penalty of perjury under the laws of the state of California that the foregoing is true and correct and that this verification was executed in Sacramento, California, on September 27, 2012.

[Signature]

CHRISTOPHER K. MCKENZIE
July 20, 2012

Mr. Michael Amabile, Mr. Peter Michael, Mr. Erasmo Viveros
Merced Designated Local Authority acting as Successor to the Merced former Redevelopment Agency

Dear Mr. Amabile, Mr. Michael, and Mr. Viveros:

The Department of Finance (Finance) is contacting you concerning a discrepancy between the amount your Successor Agency was billed on July 9, 2012 by the county auditor-controller pursuant to AB 1484, (Chapter 26, Statutes of 2012) and the amount that your Successor Agency subsequently remitted to them on July 12, 2012.

As you know, county auditor-controllers were required by July 9, 2012 to calculate and bill Successor Agencies for the amount of residual property tax revenue owed to cities, counties, special districts, and K-14 schools (collectively known as Affected Taxing Entities) for the period covered by the January 2012 through June 2012 Recognized Obligation Payment Schedule (ROPS). Successor Agencies were required to remit the billed amount to the county auditor-controller by July 12, 2012 for distribution to the Affected Taxing Entities.

AB 1484 provides for penalties when a Successor Agency fails to remit the full billed amount to the county auditor-controller. These penalties are as follows:

- Both the Successor Agency and the City or County that operates the Successor Agency are subject to civil penalties equal to 10 percent of the amount owed to the Affected Taxing Entities, plus an additional monthly penalty equal to 1.5 percent of the amount owed to the Affected Taxing Entities.

- The City or County that operates the Successor Agency may have its monthly sales and use tax distributions withheld.

- The Successor Agency shall be prohibited from paying any Enforceable Obligations other than bond debt service payments.

Before any penalties are imposed, Finance would like to provide you an opportunity to share any information that you believe justifies the identified underpayment. At the very least, this information should include the following:

- The total amount of property tax available to the former redevelopment agency (RDA) prior to the property tax distribution that was used to fund the January 2012 to June 2012 ROPS (in most counties this distribution was in December 2011).

- The total amount of property taxes received by the former RDA from the property tax distribution that was used to fund the January 2012 to June 2012 ROPS.
• If applicable, explanation and documentation that shows the former RDA/Successor Agency paid Finance-approved Enforceable Obligations on the January 2012-June 2012 ROPS using property tax revenues that were improperly coded on the ROPS as being from reserves, or from sources other than property tax revenue.

• The Successor Agency’s current property tax reserves, and an explanation of why those sums cannot be used to pay the amount that the Successor Agency was billed on July 9, 2012.

To ensure Successor Agencies have an opportunity to explain any potentially mitigating circumstances, Finance does not intend to withhold sales and use tax revenues from cities or counties until the September 2012 sales and use tax disbursement, as authorized by Health and Safety Code section 34183.5. Nor does Finance intend to seek any civil penalties against Successor Agencies and cities and counties until September.

If a Successor Agency disputes its billing, it must submit information to Finance by July 31, 2012 that convincingly demonstrates its underpayment was legally justified. In such cases, Finance will ensure no penalties are applied to either the Successor Agency or to the city or county. If such information is not presented by July 31, 2012, and if the Successor Agency continues to refuse to pay the full billed amount, Finance will ensure the penalties required by AB 1484 are applied.

Please submit any pertinent information to redevelopment_administration@dof.ca.gov, and please title the e-mail “(Name of Successor Agency) July Billing Dispute Information”. If you have previously submitted information to Finance concerning your disputed billing, please resubmit that information to ensure it is properly routed to the appropriate staff.

To ensure Finance has time to carefully consider your information, I suggest you send it as soon as possible. If you have any questions in the interim, please call (916) 445-1546.

Sincerely


ANA J. MATOSANTOS
Director

cc: County Auditor-Controller
Assembly Bill No. 1484

CHAPTER 26

An act to amend Section 53760.1 of the Government Code, and to amend Sections 33500, 33501, 34163, 34171, 34173, 34175, 34176, 34177, 34178, 34179, 34180, 34181, 34182, 34183, 34185, 34186, 34187, 34188, and 34189 of, to add Sections 34167.10, 34177.3, 34177.5, 34178.8, 34179.5, 34179.6, 34179.7, 34179.8, 34182.5, 34183.5, 34189.1, 34189.2, and 34189.3 to, to add Chapter 9 (commencing with Section 34191.1) to Part 1.85 of Division 24 of, and to add and repeal Section 34176.5 of, the Health and Safety Code, relating to community redevelopment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 27, 2012. Filed with Secretary of State June 27, 2012.]

LEGISLATIVE COUNSEL’S DIGEST

AB 1484, Committee on Budget. Community redevelopment.

The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, and, among other things, provides that an action may be brought to review the validity of specified agency actions, findings, or determinations that occurred after January 1, 2011, within 2 years of the triggering event.

This bill would toll the time limit for bringing an action until the Department of Finance issues a finding of completion to the successor agency.

Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies, as defined. Existing law requires successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, make payments due for enforceable obligations, as defined, perform obligations required pursuant to any enforceable obligation, dispose of all assets of the former redevelopment agency, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities.

Existing law authorizes the city, county, or city and county that authorized the creation of a redevelopment agency to retain the housing assets, functions, and powers previously performed by the redevelopment agency, excluding amounts on deposit in the Low and Moderate Income Housing Fund.

The bill would modify provisions relating to the transfer of housing responsibilities associated with dissolved redevelopment agencies and would define the term “housing asset” for these purposes. The bill would impose
new requirements on successor agencies with regard to the submittal of the Recognized Obligation Payment Schedule, the conducting of a due diligence review to determine the unobligated balances available for transfer to affected taxing entities, and the recovery and subsequent remittance of funds determined to have been transferred absent an enforceable obligation. The bill would authorize the Department of Finance to issue a finding of completion to a successor agency that completes the due diligence review and meets other requirements. Upon receiving a finding of completion, the bill would authorize the successor agency to participate in a loan repayment program and limited property management activities.

Existing law authorizes the Department of Finance and the Controller to require any documents associated with enforceable obligations to be provided to them in a manner of their choosing.

The bill would authorize the county auditor-controller and the department, under specified circumstances, to require the return of funds improperly spent or transferred to a public entity and would authorize the department and the Controller to require the State Board of Equalization and the county auditor-controller to offset sales and use tax and property tax allocations, respectively, to the local agency. The bill would authorize the Controller to review the activities of a successor agency to determine if an improper asset transfer had occurred between the successor agency and the city or county that created the former redevelopment agency, and would require the Controller to order the return of these assets if such an asset transfer did occur.

The bill would impose new requirements on the county auditor-controller relating to the allocation of property tax revenues to affected taxing entities during a specified timeframe. By imposing additional duties upon local public officials, the bill would create a state-mandated local program.

The bill would appropriate up to $22,000,000 to the Department of Finance from the General Fund for costs associated with the bill, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 53760.1 of the Government Code is amended to read:

53760.1. As used in this article the following terms have the following meanings:
(a) "Chapter 9" means Chapter 9 (commencing with Section 901) of Title 11 of the United States Code.

(b) "Creditor" means either of the following:

(1) An entity that has a noncontingent claim against a municipality that arose at the time of or before the commencement of the neutral evaluation process and whose claim represents at least five million dollars ($5,000,000) or comprises more than 5 percent of the local public entity's debt or obligations, whichever is less.

(2) An entity that would have a noncontingent claim against the municipality upon the rejection of an executory contract or unexpired lease in a Chapter 9 case and whose claim would represent at least five million dollars ($5,000,000) or comprises more than 5 percent of the local public entity's debt or obligations, whichever is less.

(c) "Debtor" means a local public entity that may file for bankruptcy under Chapter 9.

(d) "Good faith" means participation by a party in the neutral evaluation process with the intent to negotiate toward a resolution of the issues that are the subject of the neutral evaluation process, including the timely provision of complete and accurate information to provide the relevant parties through the neutral evaluation process with sufficient information, in a confidential manner, to negotiate the readjustment of the municipality's debt.

(e) "Interested party" means a trustee, a committee of creditors, an affected creditor, an indenture trustee, a pension fund, a bondholder, a union that, under its collective bargaining agreements, has standing to initiate contract or debt restructurings negotiations with the municipality, or a representative selected by an association of retired employees of the public entity who receive income from the public entity convening the neutral evaluation. A local public entity may invite holders of contingent claims to participate as interested parties in the neutral evaluation if the local public entity determines that the contingency is likely to occur and the claim may represent five million dollars ($5,000,000) or comprise more than 5 percent of the local public entity's debt or obligations, whichever is less.

(f) "Local public entity" means any county, city, district, public authority, public agency, or other entity, without limitation, that is a municipality as defined in Section 101(40) of Title 11 of the United States Code (bankruptcy), or that qualifies as a debtor under any other federal bankruptcy law applicable to local public entities, and also includes a successor agency to a redevelopment agency created pursuant to Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code. For purposes of this article, "local public entity" does not include a school district.

(g) "Local public entity representative" means the person or persons designated by the local public agency with authority to make recommendations and to attend the neutral evaluation on behalf of the governing body of the municipality.
(h) "Neutral evaluation" is a form of alternative dispute resolution that may be known as mandatory mediation. A "neutral evaluator" may also be known as a mediator.

SEC. 2. Section 33500 of the Health and Safety Code is amended to read:

33500. (a) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within 90 days after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred prior to January 1, 2011.

(b) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within 90 days after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred prior to January 1, 2011.

(c) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within two years after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred after January 1, 2011.

(d) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within two years after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred after January 1, 2011.

(e) The time limit for bringing an action under subdivision (c) or (d) shall be tolled with respect to the adoptions, findings, and determinations of any former redevelopment agency or its legislative body until the Department of Finance has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7. Subdivisions (c) and (d) shall not apply to any adoption, finding, or determination of any former redevelopment agency or its legislative body after the department has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7.

SEC. 3. Section 33501 of the Health and Safety Code is amended to read:

33501. (a) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds and the redevelopment plan to be financed or refinanced, in whole or in part, by the bonds, or to determine the validity of a redevelopment plan not financed by bonds, including without limiting the generality of the foregoing, the legality and validity of all proceedings theretofore taken for or in any way connected with the establishment of the agency, its authority to transact business and exercise its powers, the designation of the survey area, the selection of the project area, the
formulation of the preliminary plan, the validity of the finding and determination that the project area is predominantly urbanized, and the validity of the adoption of the redevelopment plan, and also including the legality and validity of all proceedings theretofore taken and (as provided in the bond resolution) proposed to be taken for the authorization, issuance, sale, and delivery of the bonds, and for the payment of the principal thereof and interest thereon.

(b) Notwithstanding subdivision (a), an action to determine the validity of a redevelopment plan, or amendment to a redevelopment plan that was adopted prior to January 1, 2011, may be brought within 90 days after the date of the adoption of the ordinance adopting or amending the plan.

(c) Any action that is commenced on or after January 1, 2011, which is brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity or legality of any issue, document, or action described in subdivision (a), may be brought within two years after any triggering event that occurred after January 1, 2011. The time limit for bringing an action under this subdivision shall be tolled with respect to the validity or legality of any issue, document, or action described in subdivision (a) of any former redevelopment agency or its legislative body until the Department of Finance has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7. This subdivision shall not apply to any adoption, finding, or determination of any former redevelopment agency or its legislative body after the department has issued a finding of completion to the successor agency of that former redevelopment agency pursuant to Section 34179.7.

(d) For the purposes of protecting the interests of the state, the Attorney General and the Department of Finance are interested persons pursuant to Section 863 of the Code of Civil Procedure in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

(e) For purposes of contesting the inclusion in a project area of lands that are enforceably restricted, as that term is defined in Sections 422 and 422.5 of the Revenue and Taxation Code, or lands that are in agricultural use, as defined in subdivision (b) of Section 51201 of the Government Code, the Department of Conservation, the county agricultural commissioner, the county farm bureau, the California Farm Bureau Federation, and agricultural entities and general farm organizations that provide a written request for notice, are interested persons pursuant to Section 863 of the Code of Civil Procedure, in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

SEC. 4. Section 34163 of the Health and Safety Code is amended to read:

34163. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law,
commencing on the effective date of this part, an agency shall not have the authority to, and shall not, do any of the following:

(a) Make loans or advances or grant or enter into agreements to provide funds or provide financial assistance of any sort to any entity or person for any purpose, including, but not limited to, all of the following:

(1) Loans of moneys or any other thing of value or commitments to provide financing to nonprofit organizations to provide those organizations with financing for the acquisition, construction, rehabilitation, refinancing, or development of multifamily rental housing or the acquisition of commercial property for lease, each pursuant to Chapter 7.5 (commencing with Section 33741) of Part 1.

(2) Loans of moneys or any other thing of value for residential construction, improvement, or rehabilitation pursuant to Chapter 8 (commencing with Section 33750) of Part 1. These include, but are not limited to, construction loans to purchasers of residential housing, mortgage loans to purchasers of residential housing, and loans to mortgage lenders, or any other entity, to aid in financing pursuant to Chapter 8 (commencing with Section 33750).

(3) The purchase, by an agency, of mortgage or construction loans from mortgage lenders or from any other entities.

(b) Enter into contracts with, incur obligations, or make commitments to, any entity, whether governmental, tribal, or private, or any individual or groups of individuals for any purpose, including, but not limited to, loan agreements, passthrough agreements, regulatory agreements, services contracts, leases, disposition and development agreements, joint exercise of powers agreements, contracts for the purchase of capital equipment, agreements for redevelopment activities, including, but not limited to, agreements for planning, design, redesign, development, demolition, alteration, construction, reconstruction, rehabilitation, site remediation, site development or improvement, removal of graffiti, land clearance, and seismic retrofits.

(c) Amend or modify existing agreements, obligations, or commitments with any entity, for any purpose, including, but not limited to, any of the following:

(1) Renewing or extending term of leases or other agreements, except that the agency may extend lease space for its own use to a date not to exceed six months after the effective date of the act adding this part and for a rate no more than 5 percent above the rate the agency currently pays on a monthly basis.

(2) Modifying terms and conditions of existing agreements, obligations, or commitments.

(3) Forgiving all or any part of the balance owed to the agency on existing loans or extend the term or change the terms and conditions of existing loans.

(4) Making any future deposits to the Low and Moderate Income Housing Fund created pursuant to Section 33334.3.
(5) Transferring funds out of the Low and Moderate Income Housing Fund, except to meet the minimum housing-related obligations that existed as of January 1, 2011, to make required payments under Sections 33690 and 33690.5, and to borrow funds pursuant to Section 34168.5.

(d) Dispose of assets by sale, long-term lease, gift, grant, exchange, transfer, assignment, or otherwise, for any purpose, including, but not limited to, any of the following:

(1) Assets, including, but not limited to, real property, deeds of trust, and mortgages held by the agency, moneys, accounts receivable, contract rights, proceeds of insurance claims, grant proceeds, settlement payments, rights to receive rents, and any other rights to payment of whatever kind.

(2) Real property, including, but not limited to, land, land under water and waterfront property, buildings, structures, fixtures, and improvements on the land, any property appurtenant to, or used in connection with, the land, every estate, interest, privilege, easement, franchise, and right in land, including rights-of-way, terms for years, and liens, charges, or encumbrances by way of judgment, mortgage, or otherwise, and the indebtedness secured by the liens.

(e) Acquire real property by any means for any purpose, including, but not limited to, the purchase, lease, or exercising of an option to purchase or lease, exchange, subdivide, transfer, assume, obtain option upon, acquire by gift, grant, bequest, devise, or otherwise acquire any real property, any interest in real property, and any improvements on it, including the repurchase of developed property previously owned by the agency and the acquisition of real property by eminent domain; provided, however, that nothing in this subdivision is intended to prohibit the acceptance or transfer of title for real property acquired prior to the effective date of this part.

(f) Transfer, assign, vest, or delegate any of its assets, funds, rights, powers, ownership interests, or obligations for any purpose to any entity, including, but not limited to, the community, the legislative body, another member of a joint powers authority, a trustee, a receiver, a partner entity, another agency, a nonprofit corporation, a contractual counterparty, a public body, a limited-equity housing cooperative, the state, a political subdivision of the state, the federal government, any private entity, or an individual or group of individuals.

(g) Accept financial or other assistance from the state or federal government or any public or private source if the acceptance necessitates or is conditioned upon the agency incurring indebtedness as that term is described in this part.

SEC. 5. Section 34167.10 is added to the Health and Safety Code, to read:

34167.10. (a) Notwithstanding any other law, for purposes of this part and Part 1.85 (commencing with Section 34170), the definition of a city, county, or city and county includes, but is not limited to, the following entities:

(1) Any reporting entity of the city, county, or city and county for purposes of its comprehensive annual financial report or similar report.
(2) Any component unit of the city, county, or city and county.
(3) Any entity which is controlled by the city, county, or city and county, or for which the city, county, or city and county is financially responsible or accountable.
(b) The following factors shall be considered in determining that an entity is controlled by the city, county, or city and county, and are therefore included in the definition of a city, county, or city and county for purposes of this part and Part 1.85 (commencing with Section 34170):
(1) The city, county, or city and county exercises substantial municipal control over the entity’s operations, revenues, or expenditures.
(2) The city, county, or city and county has ownership or control over the entity’s property or facilities.
(3) The city, county, or city and county and the entity share common or overlapping governing boards, or coterminous boundaries.
(4) The city, county, or city and county was involved in the creation or formation of the entity.
(5) The entity performs functions customarily or historically performed by municipalities and financed through levies of property taxes.
(6) The city, county, or city and county provides administrative and related business support for the entity, or assumes the expenses incurred in the normal daily operations of the entity.
(c) For purposes of this section, it shall not be relevant that the entity is formed as a separate legal entity, nonprofit corporation, or otherwise, or is not subject to the constitution debt limitation otherwise applicable to a city, county, or city and county. The provisions in this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part and Part 1.85 (commencing with Section 34170) and any attempt to determine otherwise would thwart the intent of these two parts.
SEC. 6. Section 34171 of the Health and Safety Code is amended to read:
34171. The following terms shall have the following meanings:
(a) "Administrative budget" means the budget for administrative costs of the successor agencies as provided in Section 34177.
(b) "Administrative cost allowance" means an amount that, subject to the approval of the oversight board, is payable from property tax revenues of up to 5 percent of the property tax allocated to the successor agency on the Recognized Obligation Payment Schedule covering the period January 1, 2012, through June 30, 2012, and up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund money that is allocated to the successor agency for each fiscal year thereafter; provided, however, that the amount shall not be less than two hundred fifty thousand dollars ($250,000), unless the oversight board reduces this amount, for any fiscal year or such lesser amount as agreed to by the successor agency. However, the allowance amount shall exclude, and shall not apply to, any administrative costs that can be paid from bond proceeds or from sources other than property tax. Administrative cost allowances shall exclude any
litigation expenses related to assets or obligations, settlements and judgments, and the costs of maintaining assets prior to disposition. Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs.

(c) "Designated local authority" shall mean a public entity formed pursuant to subdivision (d) of Section 34173.

(d) (1) "Enforceable obligation" means any of the following:

(A) Bonds, as defined by Section 33602 and bonds issued pursuant to Chapter 10.5 (commencing with Section 5850) of Division 6 of Title 1 of the Government Code, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency. A reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year.

(B) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(C) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement. Costs incurred to fulfill collective bargaining agreements for layoffs or terminations of city employees who performed work directly on behalf of the former redevelopment agency shall be considered enforceable obligations payable from property tax funds. The obligations to employees specified in this subparagraph shall remain enforceable obligations payable from property tax funds for any employee to whom those obligations apply if that employee is transferred to the entity assuming the housing functions of the former redevelopment agency pursuant to Section 34176. The successor agency or designated local authority shall enter into an agreement with the housing entity to reimburse it for any costs of the employee obligations.

(D) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, nothing in this act shall prohibit either the successor agency, with the
approval or at the direction of the oversight board, or the oversight board itself from terminating any existing agreements or contracts and providing any necessary and required compensation or remediation for such termination. Titles of or headings used on or in a document shall not be relevant in determining the existence of an enforceable obligation.

(F) Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, agreements concerning litigation expenses related to assets or obligations, settlements and judgements, and the costs of maintaining assets prior to disposition, and agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(G) Amounts borrowed from, or payments owing to, the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date of the act adding this part; provided, however, that the repayment schedule is approved by the oversight board. Repayments shall be transferred to the Low and Moderate Income Housing Asset Fund established pursuant to subdivision (d) of Section 34176 as a housing asset and shall be used in a manner consistent with the affordable housing requirements of the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(2) For purposes of this part, “enforceable obligation” does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.

(3) Contracts or agreements between the former redevelopment agency and other public agencies, to perform services or provide funding for governmental or private services or capital projects outside of redevelopment project areas that do not provide benefit to the redevelopment project and thus were not properly authorized under Part 1 (commencing with Section 33000) shall be deemed void on the effective date of this part; provided, however, that such contracts or agreements for the provision of housing properly authorized under Part 1 (commencing with Section 33000) shall not be deemed void.

(e) “Indebtedness obligations” means bonds, notes, certificates of participation, or other evidence of indebtedness, issued or delivered by the redevelopment agency, or by a joint exercise of powers authority created by the redevelopment agency, to third-party investors or bondholders to finance or refinance redevelopment projects undertaken by the
redevelopment agency in compliance with the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(f) "Oversight board" shall mean each entity established pursuant to Section 34179.

(g) "Recognized obligation" means an obligation listed in the Recognized Obligation Payment Schedule.

(h) "Recognized Obligation Payment Schedule" means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in subdivision (m) of Section 34177.

(i) "School entity" means any entity defined as such in subdivision (f) of Section 95 of the Revenue and Taxation Code.

(j) "Successor agency" means the successor entity to the former redevelopment agency as described in Section 34173.

(k) "Taxing entities" means cities, counties, a city and county, special districts, and school entities, as defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, that receive pass-through payments and distributions of property taxes pursuant to the provisions of this part.

(l) Property taxes" include all property tax revenues, including those from unitary and supplemental and roll corrections applicable to tax increment.

(m) "Department" means the Department of Finance unless the context clearly refers to another state agency.

(n) "Sponsoring entity" means the city, county, or city and county, or other entity that authorized the creation of each redevelopment agency.

(o) "Final judicial determination" means a final judicial determination made by any state court that is not appealed, or by a court of appellate jurisdiction that is not further appealed, in an action by any party.

SEC. 7. Section 34173 of the Health and Safety Code is amended to read:

34173. (a) Successor agencies, as defined in this part, are hereby designated as successor entities to the former redevelopment agencies.

(b) Except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to the act adding this part, all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies.

(c) (1) If the redevelopment agency was in the form of a joint powers authority, and if the joint powers agreement governing the formation of the joint powers authority addresses the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part and each shall have a share of assets and liabilities based on the provisions of the joint powers agreement.

(2) If the redevelopment agency was in the form of a joint powers authority, and if the joint powers agreement governing the formation of the joint powers authority does not address the allocation of assets and liabilities
upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part, a proportionate share of the assets and liabilities shall be based on the assessed value in the project areas within each entity’s jurisdiction, as determined by the county assessor, in its jurisdiction as compared to the assessed value of land within the boundaries of the project areas of the former redevelopment agency.

(d) (1) A city, county, city and county, or the entities forming the joint powers authority that authorized the creation of each redevelopment agency may elect not to serve as a successor agency under this part. A city, county, city and county, or any member of a joint powers authority that elects not to serve as a successor agency under this part must file a copy of a duly authorized resolution of its governing board to that effect with the county auditor-controller no later than January 13, 2012.

(2) The determination of the first local agency that elects to become the successor agency shall be made by the county auditor-controller based on the earliest receipt by the county auditor-controller of a copy of a duly adopted resolution of the local agency’s governing board authorizing such an election. As used in this section, “local agency” means any city, county, city and county, or special district in the county of the former redevelopment agency.

(3) (A) If no local agency elects to serve as a successor agency for a dissolved redevelopment agency, a public body, referred to herein as a “designated local authority” shall be immediately formed, pursuant to this part, in the county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor shall appoint three residents of the county to serve as the governing board of the authority. The designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

(B) Designated local authority members are protected by the immunities applicable to public entities and public employees governed by Part 1 (commencing with Section 810) and Part 2 (commencing with Section 814) of Division 3.6 of Title 1 of the Government Code.

(4) A city, county, or city and county, or the entities forming the joint powers authority that authorized the creation of a redevelopment agency and that elected not to serve as the successor agency under this part, may subsequently reverse this decision and agree to serve as the successor agency pursuant to this section. Any reversal of this decision shall not become effective for 60 days after notice has been given to the current successor agency and the oversight board and shall not invalidate any action of the successor agency or oversight board taken prior to the effective date of the transfer of responsibility.

(e) The liability of any successor agency, acting pursuant to the powers granted under the act adding this part, shall be limited to the extent of the total sum of property tax revenues it receives pursuant to this part and the
value of assets transferred to it as a successor agency for a dissolved redevelopment agency.

(f) Any existing cleanup plans and liability limits authorized under the Polanco Redevelopment Act (Article 12.5 (commencing with Section 33459) of Chapter 4 of Part 1) shall be transferred to the successor agency and may be transferred to the successor housing entity at that entity’s request.

(g) A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge. The liabilities of the former redevelopment agency shall not be transferred to the sponsoring entity and the assets shall not become assets of the sponsoring entity. A successor agency has its own name, can be sued, and can sue. All litigation involving a redevelopment agency shall automatically be transferred to the successor agency. The separate former redevelopment agency employees shall not automatically become sponsoring entity employees of the sponsoring entity and the successor agency shall retain its own collective bargaining status. As successor entities, successor agencies succeed to the organizational status of the former redevelopment agency, but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. Each successor agency shall be deemed to be a local entity for purposes of the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

(h) The city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city’s discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans.

(i) At the request of the city, county, or city and county, notwithstanding Section 33205, all land use related plans and functions of the former redevelopment agency are hereby transferred to the city, county, or city and county that authorized the creation of a redevelopment agency; provided, however, that the city, county, or city and county shall not create a new project area, add territory to, or expand or change the boundaries of a project area, or take any action that would increase the amount of obligated property tax (formerly tax increment) necessary to fulfill any existing enforceable obligation beyond what was authorized as of June 27, 2011.

SEC. 8. Section 34175 of the Health and Safety Code is amended to read:

34175. (a) It is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.
(b) All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012. Any legal or contractual restrictions on the use of these funds or assets shall also be transferred to the successor agency.

SEC. 9. Section 34176 of the Health and Safety Code is amended to read:

34176. (a) (1) The city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets, as defined in subdivision (e), excluding any amounts on deposit in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency, shall be transferred to the city, county, or city and county.

(2) The entity assuming the housing functions of the former redevelopment agency shall submit to the Department of Finance by August 1, 2012, a list of all housing assets that contains an explanation of how the assets meet the criteria specified in subdivision (e). The Department of Finance shall prescribe the format for the submission of the list. The list shall include assets transferred between February 1, 2012, and the date upon which the list is created. The department shall have up to 30 days from the date of receipt of the list to object to any of the assets or transfers of assets identified on the list. If the Department of Finance objects to assets on the list, the entity assuming the housing functions of the former redevelopment agency may request a meet and confer process within five business days of receiving the department objection. If the transferred asset is deemed not to be a housing asset as defined in subdivision (e), it shall be returned to the successor agency and the provision of Section 34178.8 may apply. If a housing asset has been previously pledged to pay for bonded indebtedness, the successor agency shall maintain control of the asset in order to pay for the bond debt.

(b) If a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the successor agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

(1) If there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development.

(2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.
(3) If there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city, county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the operative date of this part, the entity that assumes the housing functions formerly performed by the redevelopment agency and receives the transferred housing assets may enforce affordability covenants and perform related activities pursuant to applicable provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000)), including, but not limited to, Section 33418.

(d) Except as specifically provided in Section 34191.4, any funds transferred to the city, county, or city and county or designated entity pursuant to this section, together with any funds generated from housing assets, as defined in subdivision (e), shall be maintained in a separate Low and Moderate Income Housing Asset Fund which is hereby created in the accounts of the entity assuming the housing functions pursuant to this section. Funds in this account shall be used in accordance with applicable housing-related provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(e) For purposes of this part, "housing asset" includes all of the following:

(1) Any real property, interest in, or restriction on the use of real property, whether improved or not, and any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low- and moderate-income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds.

(2) Any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing, as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)) unless required in the bond covenants to be used for repayment purposes of the bond.

(3) Any loan or grant receivable, funded from the Low and Moderate Income Housing Fund, from homebuyers, homeowners, nonprofit or for-profit developers, and other parties that require occupancy by persons of low or moderate income as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(4) Any funds derived from rents or operation of properties acquired for low- and moderate-income housing purposes by other parties that were financed with any source of funds, including residual receipt payments from developers, conditional grant repayments, cost savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

(5) A stream of rents or other payments from housing tenants or operators of low- and moderate-income housing financed with any source of funds that are used to maintain, operate, and enforce the affordability of housing or for enforceable obligations associated with low- and moderate-income housing.
(6) (A) Repayments of loans or deferrals owed to the Low and Moderate Income Housing Fund pursuant to subparagraph (G) of paragraph (1) of subdivision (d) of Section 34171, which shall be used consistent with the affordable housing requirements in the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(B) Loan or deferral repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this paragraph and subdivision (b) of Section 34191.4 combined shall be equal to one-half of the increase between the amount distributed to taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year. Loan or deferral repayments made pursuant to this paragraph shall take priority over amounts to be repaid pursuant to subdivision (b) of Section 34191.4.

(f) If a development includes both low- and moderate-income housing that meets the definition of a housing asset under subdivision (e) and other types of property use, including, but not limited to, commercial use, governmental use, open space, and parks, the oversight board shall consider the overall value to the community as well as the benefit to taxing entities of keeping the entire development intact or dividing the title and control over the property between the housing successor and the successor agency or other public or private agencies. The disposition of those assets may be accomplished by a revenue-sharing arrangement as approved by the oversight board on behalf of the affected taxing entities.

(g) (1) (A) The entity assuming the housing functions pursuant to this section may designate the use of and commit indebtedness obligation proceeds that remain after the satisfaction of enforceable obligations that have been approved in a Recognized Obligation Payment Schedule and that are consistent with the indebtedness obligation covenants. The proceeds shall be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund. Enforceable obligations may be satisfied by the creation of reserves for the projects that are the subject of the enforceable obligation that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects.

(B) The entity assuming the housing functions pursuant to this section shall provide notice to the successor agency of any designations of use or commitments of funds specified in subparagraph (A) that it wishes to make at least 20 days before the deadline for submission of the Recognized Obligation Payment Schedule to the oversight board. Commitments and designations shall not be valid and binding on any party until they are included in an approved and valid Recognized Obligation Payment Schedule. The review of these designations and commitments by the successor agency, oversight board, and Department of Finance shall be limited to a determination that the designations and commitments are consistent with bond covenants and that there are sufficient funds available.
(2) Funds shall be used and committed in a manner consistent with the purposes of the Low and Moderate Income Housing Asset Fund. Notwithstanding any other law, the successor agency shall retain and expend the excess housing obligation proceeds at the discretion of the succeeding housing entity, provided that the successor agency ensures that the proceeds are expended in a manner consistent with the indebtedness obligation covenants and with any requirements relating to the tax status of those obligations. The amount expended shall not exceed the amount of indebtedness obligation proceeds available and such expenditure shall constitute the creation of excess housing proceeds expenditures to be paid from the excess proceeds. Excess housing proceeds expenditures shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

SEC. 10. Section 34176.5 is added to the Health and Safety Code, to read:

34176.5. (a) Notwithstanding any other law, the Director of Finance is authorized to contract with auditors, lawyers, and other types of advisors and consultants to assist, advise, and represent the director and the Department of Finance in any matter or action arising out of or contemplated by this part or Part 1.8 (commencing with Section 34161). In furtherance of this authorization, Sections 14827.1, 14827.2, and 14838 of the Government Code, and Article 4 (commencing with Section 10335) of Chapter 2 of Part 2 of Division 2 of and Section 10295 of, the Public Contract Code shall not apply to any agreement entered into by the director pursuant to this section.

(b) In addition to the waivers of statute provided in subdivision (a), Section 6072 of the Business and Professions Code shall not apply to the legal services agreement entered into by the director pursuant to this section.

(c) This section shall remain in effect only until January 1, 2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2014, deletes or extends that date.

SEC. 11. Section 34177 of the Health and Safety Code is amended to read:

34177. Successor agencies are required to do all of the following:

(a) Continue to make payments due for enforceable obligations.

(1) On and after February 1, 2012, and until a Recognized Obligation Payment Schedule becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made. The initial enforceable obligation payment schedule shall be the last schedule adopted by the redevelopment agency under Section 34169. However, payments associated with obligations excluded from the definition of enforceable obligations by paragraph (2) of subdivision (d) of Section 34171 shall be excluded from the enforceable obligations payment schedule and be removed from the last schedule adopted by the redevelopment agency under Section 34169 prior to the successor agency adopting it as its enforceable obligations payment schedule pursuant to this subdivision. The enforceable obligation payment schedule may be amended by the successor agency at any public
meeting and shall be subject to the approval of the oversight board as soon as the board has sufficient members to form a quorum. In recognition of the fact that the timing of the California Supreme Court’s ruling in the case California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231 delayed the preparation by successor agencies and the approval by oversight boards of the January 1, 2012, through June 30, 2012, Recognized Obligation Payment Schedule, a successor agency may amend the Enforceable Obligation Payment Schedule to authorize the continued payment of enforceable obligations until the time that the January 1, 2012, through June 30, 2012, Recognized Obligation Payment Schedule has been approved by the oversight board and by the Department of Finance.

(2) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(3) Commencing on the date the Recognized Obligation Payment Schedule is valid pursuant to subdivision (l), only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule. In addition, after it becomes valid, the Recognized Obligation Payment Schedule shall supersede the Statement of Indebtedness, which shall no longer be prepared nor have any effect under the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(4) Nothing in the act adding this part is to be construed as preventing a successor agency, with the prior approval of the oversight board, as described in Section 34179, from making payments for enforceable obligations from sources other than those listed in the Recognized Obligation Payment Schedule.

(5) From February 1, 2012, to July 1, 2012, a successor agency shall have no authority and is hereby prohibited from accelerating payment or making any lump-sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.

(b) Maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(c) Perform obligations required pursuant to any enforceable obligation.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency. In making the distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.
(e) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181. The disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188. The requirements of this subdivision shall not apply to a successor agency that has been issued a finding of completion by the Department of Finance pursuant to Section 34179.7.

(f) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.

(g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

(h) Expeditiously wind down the affairs of the redevelopment agency pursuant to the provisions of this part and in accordance with the direction of the oversight board.

(i) Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties. Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.

(j) Prepare a proposed administrative budget and submit it to the oversight board for its approval. The proposed administrative budget shall include all of the following:

(1) Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period.

(2) Proposed sources of payment for the costs identified in paragraph (1).

(3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.

(k) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund, to the county auditor-controller for each six-month fiscal period.

(l) (1) Before each six-month fiscal period, prepare a Recognized Obligation Payment Schedule in accordance with the requirements of this paragraph. For each recognized obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:

(A) Low and Moderate Income Housing Fund.

(B) Bond proceeds.

(C) Reserve balances.
(D) Administrative cost allowance.

(E) The Redevelopment Property Tax Trust Fund, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of this part.

(F) Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board in accordance with this part.

(2) A Recognized Obligation Payment Schedule shall not be deemed valid unless all of the following conditions have been met:

(A) A Recognized Obligation Payment Schedule is prepared by the successor agency for the enforceable obligations of the former redevelopment agency. The initial schedule shall project the dates and amounts of scheduled payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate property tax increment had the a redevelopment agency not been dissolved.

(B) The Recognized Obligation Payment Schedule is submitted to and duly approved by the oversight board. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the Recognized Obligation Payment Schedule to the oversight board for approval.

(C) A copy of the approved Recognized Obligation Payment Schedule is submitted to the county auditor-controller and both the Controller’s office and the Department of Finance and be posted on the successor agency’s Internet Web site.

(3) The Recognized Obligation Payment Schedule shall be forward looking to the next six months. The first Recognized Obligation Payment Schedule shall be submitted to the Controller’s office and the Department of Finance by April 15, 2012, for the period of January 1, 2012, to June 30, 2012, inclusive. This Recognized Obligation Payment Schedule shall include all payments made by the former redevelopment agency between January 1, 2012, through January 31, 2012, and shall include all payments proposed to be made by the successor agency from February 1, 2012, through June 30, 2012. Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

(m) The Recognized Obligation Payment Schedule for the period of January 1, 2013, to June 30, 2013, shall be submitted by the successor agency, after approval by the oversight board, no later than September 1, 2012. Commencing with the Recognized Obligation Payment Schedule covering the period July 1, 2013, through December 31, 2013, successor agencies shall submit an oversight board-approved Recognized Obligation
Payment Schedule to the Department of Finance and to the county auditor-controller no fewer than 90 days before the date of property tax distribution. The Department of Finance shall make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the department's determination, a successor agency may request additional review by the department and an opportunity to meet and confer on disputed items. The meet and confer period may vary; an untimely submittal of a Recognized Obligation Payment Schedule may result in a meet and confer period of less than 30 days. The department shall notify the successor agency and the county auditor-controllers as to the outcome of its review at least 15 days before the date of property tax distribution.

(1) The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the Department of Finance electronically, and the successor agency shall complete the Recognized Obligation Payment Schedule in the manner provided for by the department. A successor agency shall be in noncompliance with this paragraph if it only submits to the department an electronic message or a letter stating that the oversight board has approved a Recognized Obligation Payment Schedule.

(2) If a successor agency does not submit a Recognized Obligation Payment Schedule by the deadlines provided in this subdivision, the city, county, or city and county that created the redevelopment agency shall be subject to a civil penalty equal to ten thousand dollars ($10,000) per day for every day the schedule is not submitted to the department. The civil penalty shall be paid to the county auditor-controller for allocation to the taxing entities under Section 34183. If a successor agency fails to submit a Recognized Obligation Payment Schedule by the deadline, any creditor of the successor agency or the Department of Finance or any affected taxing entity shall have standing to and may request a writ of mandate to require the successor agency to immediately perform this duty. Those actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Additionally, if an agency does not submit a Recognized Obligation Payment Schedule within ten days of the deadline, the maximum administrative cost allowance for that period shall be reduced by 25 percent.

(3) If a successor agency fails to submit to the department an oversight board-approved Recognized Obligation Payment Schedule that complies with all requirements of this subdivision within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the department may determine if any amount should be withheld by the county auditor-controller for payments for enforceable obligations from distribution to taxing entities, pending approval of a Recognized Obligation Payment Schedule. The county auditor-controller shall distribute the portion of any of the sums withheld pursuant to this paragraph to the affected taxing entities in accordance with paragraph (4) of subdivision (a) of Section 34183 upon notice by the department that a portion of the withheld balances are in excess of the
amount of enforceable obligations. The county auditor-controller shall distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule approved by the department. County auditor-controllers shall lack the authority to withhold any other amounts from the allocations provided for under Section 34183 or 34188 unless required by a court order.

(n) Cause a postaudit of the financial transactions and records of the successor agency to be made at least annually by a certified public accountant.

SEC. 12. Section 34177.3 is added to the Health and Safety Code, to read:

34177.3. (a) Successor agencies shall lack the authority to, and shall not, create new enforceable obligations under the authority of the Community Redevelopment Law (Part I (commencing with Section 33000)) or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011.

(b) Successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance.

(c) Successor agencies shall lack the authority to, and shall not, transfer any powers or revenues of the successor agency to any other party, public or private, except pursuant to an enforceable obligation on a Recognized Obligation Payment Schedule approved by the department. Any such transfers of authority or revenues that are not made pursuant to an enforceable obligation on a Recognized Obligation Payment Schedule approved by the Department of Finance are hereby declared to be void, and the successor agency shall take action to reverse any of those transfers. The Controller may audit any transfer of authority or revenues prohibited by this section and may order the prompt return of any money or other things of value from the receiving party.

(d) Redevelopment agencies that resolved to participate in the Voluntary Alternative Redevelopment Program under Chapter 6 of the First Extraordinary Session of the Statutes of 2011 were and are subject to the provisions of Part 1.8 (commencing with Section 34161). Any actions taken by redevelopment agencies to create obligations after June 27, 2011, are ultra vires and do not create enforceable obligations.

(e) The Legislature finds and declares that the provisions of this section are declaratory of existing law.

SEC. 13. Section 34177.5 is added to the Health and Safety Code, to read:

34177.5. (a) In addition to the powers granted to each successor agency, and notwithstanding anything in the act adding this part, including, but not limited to, Sections 34162 and 34189, a successor agency shall have the authority, rights, and powers of the redevelopment agency to which it succeeded solely for the following purposes:
(1) For the purpose of issuing bonds or incurring other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency or of the successor agency to provide savings to the successor agency, provided that (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or other indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding, and enforceable in accordance with its terms.

(2) For the purpose of issuing bonds or other indebtedness to finance debt service spikes, including balloon maturities, provided that (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the bonds or other indebtedness shall not exceed the amount required to finance the debt service spikes, including establishing customary debt service reserves and paying related costs of issuance.

(3) For the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision, or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, provided that (A) the enforceable obligation is amended in connection with a refunding of the bonds or other obligations of the political subdivision so that the enforceable obligation will apply to the refunding bonds or other refunding indebtedness of the political subdivision, (B) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (C) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves and to pay related costs of issuance. The pledge set forth in that amended enforceable obligation, when made in connection with the execution of the amendment of the enforceable obligation, shall have the same lien priority as the pledge.
in the enforceable obligation prior to its amendment and shall be valid, binding, and enforceable in accordance with its terms.

(4) For the purpose of issuing bonds or incurring other indebtedness to make payments under enforceable obligations when the enforceable obligations include the irrevocable pledge of property tax increment, formerly tax increment revenues prior to the effective date of this part, or other funds and the obligation to issue bonds secured by that pledge. The successor agency may pledge to the bonds or other indebtedness the property tax revenues and other funds described in the enforceable obligation, and that pledge, when made in connection with the issuance of the bonds or the incurring of other indebtedness, shall be valid, binding, and enforceable in accordance with its terms. This paragraph shall not be deemed to authorize a successor agency to increase the amount of property tax revenues pledged under an enforceable obligation or to pledge any property tax revenue not already pledged pursuant to an enforceable obligation. This paragraph does not constitute a change in, but is declaratory of, the existing law.

(b) The refunding bonds authorized under this section may be issued under the authority of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and the refunding bonds may be sold at public or private sale, or to a joint powers authority pursuant to the Marks-Roos Local Bond Pooling Act (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code).

(c) (1) Prior to incurring any bonds or other indebtedness pursuant to this section, the successor agency may subordinate to the bonds or other indebtedness the amount required to be paid to an affected taxing entity pursuant to paragraph (1) of subdivision (a) of Section 34183, provided that the affected taxing entity has approved the subordinations pursuant to this subdivision.

(2) At the time the successor agency requests an affected taxing entity to subordinate the amount to be paid to it, the successor agency shall provide the affected taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service on the bonds or other indebtedness and the payments required by paragraph (1) of subdivision (a) of Section 34183, when due.

(3) Within 45 days after receipt of the agency’s request, the affected taxing entity shall approve or disapprove the request for subordination. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt service payments and the amount required to be paid to the affected taxing entity. If the affected taxing entity does not act within 45 days after receipt of the agency’s request, the request to subordinate shall be deemed approved and shall be final and conclusive.

(d) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds or other obligations authorized by this section, the pledge of revenues to those bonds or other obligations authorized by this
section, the legality and validity of all proceedings theretofore taken and, as provided in the resolution of the legislative body of the successor agency authorizing the bonds or other obligations authorized by this section, proposed to be taken for the authorization, execution, issuance, sale, and delivery of the bonds or other obligations authorized by this section, and for the payment of debt service on the bonds or the payment of amounts under other obligations authorized by this section. Subdivision (c) of Section 33501 shall not apply to any such action. The Department of Finance shall be notified of the filing of any action as an affected party.

(e) Notwithstanding any other law, including, but not limited to, Section 33501, an action to challenge the issuance of bonds, the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement by a successor agency shall be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving the issuance of bonds, the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under this section.

(f) The actions authorized in this section shall be subject to the approval of the oversight board, as provided in Section 34180. Additionally, an oversight board may direct the successor agency to commence any of the transactions described in subdivision (a) so long as the successor agency is able to recover its related costs in connection with the transaction. After a successor agency, with approval of the oversight board, issues any bonds, incurs any indebtedness, or executes an amended enforceable obligation pursuant to subdivision (a), the oversight board shall not unilaterally approve any amendments to or early termination of the bonds, indebtedness, or enforceable obligation. If, under the authority granted to it by subdivision (h) of Section 34179, the Department of Finance either reviews and approves or fails to request review within five business days of an oversight board approval of an action authorized by this section, the scheduled payments on the bonds or other indebtedness shall be listed in the Recognized Obligation Payment Schedule and shall not be subject to further review and approval by the department or the Controller. The department may extend its review time to 60 days for actions authorized in this section and may seek the assistance of the Treasurer in evaluating proposed actions under this section.

(g) Any bonds, indebtedness, or amended enforceable obligation authorized by this section shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the Community Redevelopment Law that existed prior to that date, shall be included in the successor agency's Recognized Obligation Payment Schedule, and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172, as provided in paragraph (2) of
subdivision (a) of Section 34183. Property tax revenues pledged to any bonds, indebtedness, or amended enforceable obligations authorized by this section are taxes allocated to the successor agency pursuant to subdivision (b) of Section 33670 and Section 16 of Article XVI of the California Constitution.

(h) The successor agency shall make diligent efforts to ensure that the lowest long-term cost financing is obtained. The financing shall not provide for any bullets or spikes and shall not use variable rates. The successor agency shall make use of an independent financial advisor in developing financing proposals and shall make the work products of the financial advisor available to the Department of Finance at its request.

(i) If an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of such revenues is expected to occur over time, the successor agency may petition the Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the department’s approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted, then the department’s review of such payments in future Recognized Obligation Payment Schedules shall be limited to confirming that they are required by the prior enforceable obligation.

(j) The successor agency may request that the department provide a written determination to waive the two-year statute of limitations on an action to review the validity of the adoption or amendment of a redevelopment plan pursuant to subdivision (c) of Section 33500 or on any findings or determinations made by the agency pursuant to subdivision (d) of Section 33500. The department at its discretion may provide a waiver if it determines it is necessary for the agency to fulfill an enforceable obligation.

SEC. 14. Section 34178 of the Health and Safety Code is amended to read:

34178. (a) Commencing on the operative date of this part, agreements, contracts, or arrangements between the city or county, or city and county that created the redevelopment agency and the redevelopment agency are invalid and shall not be binding on the successor agency; provided, however, that a successor entity wishing to enter or reenter into agreements with the city, county, or city and county that formed the redevelopment agency that it is succeeding may do so upon obtaining the approval of its oversight board. A successor agency or an oversight board shall not exercise the powers granted by this subdivision to restore funding for an enforceable obligation that was deleted or reduced by the Department of Finance pursuant to subdivision (h) of Section 34179 unless it reflects the decisions made during the meet and confer process with the Department of Finance or pursuant to a court order.

(b) Notwithstanding subdivision (a), any of the following agreements are not invalid and may bind the successor agency:
(1) A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations.

(2) A written agreement between a redevelopment agency and the city, county, or city and county that created it that provided loans or other startup funds for the redevelopment agency that were entered into within two years of the formation of the redevelopment agency.

(3) A joint exercise of powers agreement in which the redevelopment agency is a member of the joint powers authority. However, upon assignment to the successor agency by operation of the act adding this part, the successor agency’s rights, duties, and performance obligations under that joint exercise of powers agreement shall be limited by the constraints imposed on successor agencies by the act adding this part.

SEC. 15. Section 34178.8 is added to the Health and Safety Code, to read:

34178.8. Commencing on the effective date of the act adding this section, the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012, between the successor agency and the city, county, or city and county that created a redevelopment agency, or any other public agency, that was not made pursuant to an enforceable obligation on an approved and valid Recognized Obligation Payment Schedule. If such an asset transfer did occur, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the successor agency. Upon receiving that order from the Controller, an affected local agency shall, as soon as practicable, reverse the transfer and return the applicable assets to the successor agency. This section shall not apply to housing assets as defined in subdivision (e) of Section 34176.

SEC. 16. Section 34179 of the Health and Safety Code is amended to read:

34179. (a) Each successor agency shall have an oversight board composed of seven members. The members shall elect one of their members as the chairperson and shall report the name of the chairperson and other members to the Department of Finance on or before May 1, 2012. Members shall be selected as follows:

(1) One member appointed by the county board of supervisors.
(2) One member appointed by the mayor for the city that formed the redevelopment agency.
(3) (A) One member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is of the type of special district that is eligible to receive property tax revenues pursuant to Section 34188.
(B) On or after the effective date of this subparagraph, the county auditor-controller may determine which is the largest special district for purposes of this section.
(4) One member appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public appointed by the county board of supervisors.

(7) One member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors, as the case may be, from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time. In the case where city or county employees performed administrative duties of the former redevelopment agency, the appointment shall be made from the recognized employee organization representing those employees. If a recognized employee organization does not exist for either the employees of the former redevelopment agency or the city or county employees performing administrative duties of the former redevelopment agency, the appointment shall be made from among the employees of the successor agency. In voting to approve a contract as an enforceable obligation, a member appointed pursuant to this paragraph shall not be deemed to be interested in the contract by virtue of being an employee of the successor agency or community for purposes of Section 1090 of the Government Code.

(8) If the county or a joint powers agency formed the redevelopment agency, then the largest city by acreage in the territorial jurisdiction of the former redevelopment agency may select one member. If there are no cities with territory in a project area of the redevelopment agency, the county superintendent of education may appoint an additional member to represent the public.

(9) If there are no special districts of the type that are eligible to receive property tax pursuant to Section 34188, within the territorial jurisdiction of the former redevelopment agency, then the county may appoint one member to represent the public.

(10) If a redevelopment agency was formed by an entity that is both a charter city and a county, the oversight board shall be composed of seven members selected as follows: three members appointed by the mayor of the city, if that appointment is subject to confirmation by the county board of supervisors, one member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is the type of special district that is eligible to receive property tax revenues pursuant to Section 34188, one member appointed by the county superintendent of education to represent schools, one member appointed by the Chancellor of the California Community Colleges to represent community college districts, and one member representing employees of the former redevelopment agency appointed by the mayor of the city if that appointment is subject to confirmation by the
county board of supervisors, to represent the largest number of former redevelopment agency employees employed by the successor agency at that time.

(b) The Governor may appoint individuals to fill any oversight board member position described in subdivision (a) that has not been filled by May 15, 2012, or any member position that remains vacant for more than 60 days.

(c) The oversight board may direct the staff of the successor agency to perform work in furtherance of the oversight board’s duties and responsibilities under this part. The successor agency shall pay for all of the costs of meetings of the oversight board and may include such costs in its administrative budget. Oversight board members shall serve without compensation or reimbursement for expenses.

(d) Oversight board members are protected by the immunities applicable to public entities and public employees governed by Part 1 (commencing with Section 810) and Part 2 (commencing with Section 814) of Division 3.6 of Title 1 of the Government Code.

(e) A majority of the total membership of the oversight board shall constitute a quorum for the transaction of business. A majority vote of the total membership of the oversight board is required for the oversight board to take action. The oversight board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974. All actions taken by the oversight board shall be adopted by resolution.

(f) All notices required by law for proposed oversight board actions shall also be posted on the successor agency’s Internet Web site or the oversight board’s Internet Web site.

(g) Each member of an oversight board shall serve at the pleasure of the entity that appointed such member.

(h) The Department of Finance may review an oversight board action taken pursuant to this part. Written notice and information about all actions taken by an oversight board shall be provided to the department by electronic means and in a manner of the department’s choosing. An action shall become effective five business days after notice in the manner specified by the department is provided unless the department requests a review. Each oversight board shall designate an official to whom the department may make those requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. Except as otherwise provided in this part, in the event that the department requests a review of a given oversight board action, it shall have 40 days from the date of its request to approve the oversight board action or return it to the oversight board for reconsideration and the oversight board action shall not be effective until approved by the department. In the event that the department returns the oversight board action to the oversight board for reconsideration, the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until
approved by the department. If the department reviews a Recognized Obligation Payment Schedule, the department may eliminate or modify any item on that schedule prior to its approval. The county auditor-controller shall reflect the actions of the department in determining the amount of property tax revenues to allocate to the successor agency. The department shall provide notice to the successor agency and the county auditor-controller as to the reasons for its actions. To the extent that an oversight board continues to dispute a determination with the department, one or more future recognized obligation schedules may reflect any resolution of that dispute. The department may also agree to an amendment to a Recognized Obligation Payment Schedule to reflect a resolution of a disputed item; however, this shall not affect a past allocation of property tax or create a liability for any affected taxing entity.

(i) Oversight boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188. Further, the provisions of Division 4 (commencing with Section 1000) of the Government Code shall apply to oversight boards. Notwithstanding Section 1099 of the Government Code, or any other law, any individual may simultaneously be appointed to up to five oversight boards and may hold an office in a city, county, city and county, special district, school district, or community college district.

(j) Commencing on and after July 1, 2016, in each county where more than one oversight board was created by operation of the act adding this part, there shall be only one oversight board appointed as follows:

1. One member may be appointed by the county board of supervisors.
2. One member may be appointed by the city selection committee established pursuant to Section 50270 of the Government Code. In a city and county, the mayor may appoint one member.
3. One member may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188.
4. One member may be appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.
5. One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.
6. One member of the public may be appointed by the county board of supervisors.
7. One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.

(k) The Governor may appoint individuals to fill any oversight board member position described in subdivision (j) that has not been filled by July
15, 2016, or any member position that remains vacant for more than 60 days.

(i) Commencing on and after July 1, 2016, in each county where only one oversight board was created by operation of the act adding this part, then there will be no change to the composition of that oversight board as a result of the operation of subdivision (b).

(m) Any oversight board for a given successor agency shall cease to exist when all of the indebtedness of the dissolved redevelopment agency has been repaid.

(n) An oversight board may direct a successor agency to provide additional legal or financial advice than what was given by agency staff.

(o) An oversight board is authorized to contract with the county or other public or private agencies for administrative support.

(p) On matters within the purview of the oversight board, decisions made by the oversight board supersede those made by the successor agency or the staff of the successor agency.

SEC. 17. Section 34179.5 is added to the Health and Safety Code, to read:

34179.5. (a) In furtherance of subdivision (d) of Section 34177, each successor agency shall employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. As an alternative, an audit provided by the county auditor-controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board.

(b) For purposes of this section the following terms shall have the following meanings:

(1) “Cash” and “cash equivalents” includes, but is not limited to, cash in hand, bank deposits, Local Agency Investment Fund deposits, deposits in the city or county treasury or any other pool, marketable securities, commercial paper, United States Treasury bills, banker’s acceptances, payables on demand and amounts due from other parties as defined in subdivision (c), and any other money owned by the successor agency.

(2) “Enforceable obligation” includes any of the items listed in subdivision (d) of Section 34171, contracts detailing specific work to be performed that were entered into by the former redevelopment agency prior to June 28, 2011, with a third party that is other than the city, county, or city and county that created the former redevelopment agency, and indebtedness obligations as defined in subdivision (e) of Section 34171.

(3) “Transferred” means the transmission of money to another party that is not in payment for goods or services or an investment or where the payment is de minimis. Transfer also means where the payments are ultimately merely a restriction on the use of the money.

(c) At a minimum, the review required by this section shall include the following:
(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012.

(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.
(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

SEC. 18. Section 34179.6 is added to the Health and Safety Code, to read:

34179.6. The review required pursuant to Section 34179.5 shall be submitted to the oversight board for review. The successor agency shall submit a copy of the Recognized Obligation Payment Schedule to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the review to the oversight board for review.

(a) By October 1, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the Department of Finance the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. By December 15, 2012, each successor agency shall provide to the oversight board, the county auditor-controller, the Controller, and the department the results of the review conducted pursuant to Section 34179.5 for all of the other fund and account balances and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities. The department may request any supporting documentation and review results to assist in its review under subdivision (d). The department may specify the form and manner information about the review shall be provided to it.

(b) Upon receipt of the review, the oversight board shall convene a public comment session to take place at least five business days before the oversight board holds the approval vote specified in subdivision (c). The oversight board also shall consider any opinions offered by the county auditor-controller on the review results submitted by the successor agencies.

(c) By October 15, 2012, for the Low and Moderate Income Housing Fund and by January 15, 2013, for all other funds and accounts, the oversight board shall review, approve, and transmit to the department and the county
auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval shall occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination. The oversight board shall be empowered to authorize a successor agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision (c) of Section 34179.5. An oversight board that makes that authorization also shall identify to the department the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of the department pursuant to subdivision (d).

(d) The department may adjust any amount associated with the determination of the resulting amount described in paragraph (6) of subdivision (c) of Section 34179.5 based on its analysis and information provided by the successor agency and others. The department shall consider any findings or opinions of the county auditor-controllers and the Controller. The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than November 9, 2012, for the Low and Moderate Income Housing Fund and also shall notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain assets or funds made pursuant to subdivision (c). The department shall complete its review of the determinations provided pursuant to subdivision (c) no later than April 1, 2013, for the other funds and accounts and also shall notify the oversight board and the successor agency of its decision to overturn any oversight board authorizations made pursuant to subdivision (c). The department shall provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board made pursuant to subdivision (c).

(e) The successor agency and the entity or entities that created the former redevelopment agency may request to meet and confer with the department to resolve any disputes regarding the amounts or sources of funds identified as determined by the department. The request shall be made within five business days of the transmission, and no later than November 16, 2012, for the determination regarding the Low and Moderate Income Housing Fund, to the successor agency or the designated local authority of the department’s determination, decisions, and explanations and shall be accompanied by an explanation and documentation of the basis of the dispute. The department shall meet and confer with the requesting party and modify its determinations and decisions accordingly. The department shall either confirm or modify its determinations and decisions within 30 days of the request to meet and confer.
(f) Each successor agency shall transmit to the county auditor-controller the amount of funds required pursuant to the determination of the department within five working days of receipt of the notification under subdivision (c) or (e) if a meet and confer request is made. Successor agencies shall make diligent efforts to recover any money determined to have been transferred without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5. The department shall notify the county auditor-controller of its actions and the county auditor-controllers shall disburse the funds received from successor agencies to taxing entities pursuant to Section 34188 within five working days of receipt. Amounts received after November 28, 2012, and April 10, 2013, may be held and disbursed with the regular payments to taxing entities pursuant to Section 34183.

(g) By December 1, 2012, the county auditor-controller shall provide the department a report specifying the amount submitted by each successor agency pursuant to subdivision (d) for low- and moderate-income housing funds, and specifically noting those successor agencies that failed to remit the full required amount. By April 20, 2013, the county auditor-controller shall provide the department a report detailing the amount submitted by each successor agency pursuant to subdivision (d) for all other funds and accounts, and specifically noting those successor agencies that failed to remit the full required amount.

(h) If a successor agency fails to remit to the county auditor-controller the sums identified in subdivisions (d) and (f), by the deadlines specified in those subdivisions, the following remedies are available:

1. (A) If the successor agency cannot promptly recover the funds that have been transferred to another public agency without an enforceable obligation as described in paragraphs (2) and (3) of subdivision (c) of Section 34179.5, the funds may be recovered through an offset of sales and use tax or property tax allocations to the local agency to which the funds were transferred. To recover such funds, the Department of Finance may order the State Board of Equalization to make an offset pursuant to subdivision (a) of Section 34179.8. If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations to any local agency in the county that fails to repay funds pursuant to subdivision (c) of Section 34179.8.

2. (B) The county auditor-controller and the department shall each have the authority to demand the return of funds improperly spent or transferred to a private person or other private entity. If funds are not repaid within 60 days, they may be recovered through any lawful means of collection and are subject to a ten percent penalty plus interest at the rate charged for late personal income tax payments from the date the improper payment was made to the date the money is repaid.

3. (C) If the city, county, or city and county that created the former redevelopment agency is also performing the duties of the successor agency, the Department of Finance may order an offset to the distribution provided to the sales and use tax revenue to that agency pursuant to subdivision (a)
of Section 34179.8. This offset shall be equal to the amount the successor fails to remit pursuant to subdivision (f). If the Department of Finance does not order a sales tax offset, the county auditor-controller may reduce the property tax allocations of the city, county, or city and county that created the former redevelopment agency pursuant to subdivision (c) of Section 34179.8.

(D) The department and the county auditor-controller shall coordinate their actions undertaken pursuant to this paragraph.

(2) Alternatively or in addition to the remedies provided in paragraph (1), the department may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 until the amount of payment required pursuant to subdivision (d) is accomplished.

(3) If the Department of Finance determines that payment of the full amount required under subdivision (d) is not currently feasible or would jeopardize the ability of the successor agency to pay enforceable obligations in a timely manner, it may agree to an installment payment plan.

(i) (1) If a legal action contesting a withholding effectuated by the State Board of Equalization pursuant to subparagraphs (B), (C), or (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the court shall order the state to pay to the prevailing party a penalty equal to a percentage of the amount of funds found by the court to be improperly withheld, as provided in Section 34179.8. This percentage shall be equivalent to the number of months the funds have been found by the court to be improperly withheld, not to exceed 10 percent.

(2) If a legal action contesting an offset effectuated by the State Board of Equalization or the county auditor-controller pursuant to subdivision (h) is successful and results in a final judicial determination, the court shall order the state or the county auditor-controller to pay to the prevailing party a penalty equal to 10 percent of the amount of funds found by the court to be improperly offset, as provided in Section 34179.8.

(j) If a legal challenge to invalidate any provision in subdivision (h) or subparagraph (B) or (C), or subparagraphs (B) and (C) of paragraph (2) of subdivision (b) of Section 34183.5 is successful and results in a final judicial determination, the invalidated provision shall become inoperative and subdivision (i) shall become inoperative with respect to the invalidated provision.

SEC. 19. Section 34179.7 is added to the Health and Safety Code, to read:

34179.7. Upon full payment of the amounts determined in subdivision (d) or (e) of Section 34179.6 as reported by the county auditor-controller pursuant to subdivision (g) of Section 34179.6 and of any amounts due as determined by Section 34183.5, or upon a final judicial determination of the amounts due and confirmation that those amounts have been paid by the county auditor-controller, the department shall issue, within five business
days, a finding of completion of the requirements of Section 34179.6 to the successor agency.

SEC. 20. Section 34179.8 is added to the Health and Safety Code, to read:

34179.8. (a) If an offset or withholding of sales and use tax is ordered by the Department of Finance pursuant to this part, the State Board of Equalization shall reduce the distribution of sales and use taxes collected under Chapter 1 (commencing with Section 7200) of Part 1.5 of Division 2 of the Revenue and Taxation Code to the entity that is the subject of the offset or withholding and shall direct the Controller to issue a warrant in the amount of any offset pursuant to subdivision (h) of Section 34179.6 to the county auditor-controller. The county auditor-controller shall distribute this amount to the taxing entities for the former redevelopment area according to Section 34188.

(b) (1) If a court has issued a final judicial determination or the department determines that some or all of the amount collected through the offset of sales and use tax has been paid by another means and no additional amount is owed, the court or the department shall notify the State Board of Equalization of that determination. Upon notification, the State Board of Equalization shall reverse the relevant amount of sales and use tax offset, add any penalty payable under subdivision (i) of Section 34179.6, and adjust the next distribution of sales and use tax to the affected local entity by reducing the allocation of tax to the General Fund and increasing the distribution to the local entity by that sum.

(2) The board shall inform the Controller of the reversal of the offset of sales and use tax undertaken pursuant to paragraph (1). The Controller shall send a demand for payment to the county auditor-controller for the amount of the offset reversal, excluding any penalty amount determined by the court pursuant to subdivision (i) of Section 34179.6 to be applicable to the offset. The auditor-controller shall reduce allocations to taxing entities in the next distributions under Section 34188 until the amount of the reversed offset is recovered and shall pay such recovered amounts to the State Controller for deposit in the General Fund.

(b) (1) If an offset of property tax is ordered by the county auditor-controller pursuant to this part, the auditor-controller shall reduce the distribution of property taxes to the entity that is the subject of the offset and shall distribute the amount to the taxing entities for the former redevelopment area according to Section 34188.

(2) If a court has issued a final judicial determination or the department determines that some or all of the amount collected through the offset made pursuant to paragraph (1) has been paid by another means and no additional amount is owed, the court or the department shall notify the county auditor-controller of that determination. Upon notification, the county auditor-controller shall reverse the relevant amount of property tax revenues offset in the next distribution of property tax to the affected local entity by reducing the allocation of tax to the taxing entities of the former
redevelopment area under Section 34188 and increasing the distribution of property taxes to the local entity that was subject to the offset.

SEC. 21. Section 34180 of the Health and Safety Code is amended to read:
34180. All of the following successor agency actions shall first be approved by the oversight board:

(a) The establishment of new repayment terms for outstanding loans where the terms have not been specified prior to the date of this part. An oversight board shall not have the authority to reestablish loan agreements between the successor agency and the city, county, or city and county that formed the redevelopment agency except as provided in Chapter 9 (commencing with Section 34191.1).

(b) The issuance of bonds or other indebtedness or the pledge or agreement for the pledge of property tax revenues (formerly tax increment prior to the effective date of this part) pursuant to subdivision (a) of Section 34177.5.

(c) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants, or other forms of financial assistance from either public or private sources, if that assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than 5 percent.

(f) (1) If a city, county, or city and county wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained.

(2) If no other agreement is reached on valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the oversight board.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) A request by the successor agency to enter into an agreement with the city, county, or city and county that formed the redevelopment agency that it is succeeding. An oversight board shall not have the authority to reestablish loan agreements between the successor agency and the city, county, or city and county that formed the redevelopment agency except as provided in Chapter 9 (commencing with Section 34191.1). Any actions to reestablish any other agreements that are in furtherance of enforceable obligations, with the city, county, or city and county that formed the redevelopment agency are invalid until they are included in an approved and valid Recognized Obligation Payment Schedule.
(i) A request by a successor agency or taxing entity to pledge, or to enter into an agreement for the pledge of, property tax revenues pursuant to subdivision (b) of Section 34178.

(j) Any document submitted by a successor agency to an oversight board for approval by any provision of this part shall also be submitted to the county administrative officer, the county auditor-controller, and the Department of Finance at the same time that the successor agency submits the document to the oversight board.

SEC. 22. Section 34181 of the Health and Safety Code is amended to read:

34181. The oversight board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value. Asset disposition may be accomplished by a distribution of income to taxing entities proportionate to their property tax share from one or more properties that may be transferred to a public or private agency for management pursuant to the direction of the oversight board.

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(c) Transfer housing assets pursuant to Section 34176.

(d) Terminate any agreement, between the dissolved redevelopment agency and any public entity located in the same county, obligating the redevelopment agency to provide funding for any debt service obligations of the public entity or for the construction, or operation of facilities owned or operated by such public entity, in any instance where the oversight board has found that early termination would be in the best interests of the taxing entities.

(e) Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the oversight board for its approval. The board may approve any amendments to or early termination of those agreements if it finds that amendments or early termination would be in the best interests of the taxing entities.

(f) All actions taken pursuant to subdivisions (a) and (c) shall be approved by resolution of the oversight board at a public meeting after at least 10 days' notice to the public of the specific proposed actions. The actions shall
be subject to review by the Department of Finance pursuant to Section 34179 except that the department may extend its review period by up to 60 days. If the department does not object to an action subject to this section, and if no action challenging an action is commenced within 60 days of the approval of the action by the oversight board, the action of the oversight board shall be considered final and can be relied upon as conclusive by any person. If an action is brought to challenge an action involving title to or an interest in real property, a notice of pendency of action shall be recorded by the claimant as provided in Title 4.5 (commencing with Section 405) of Part 2 of the Code of Civil Procedure within a 60-day period.

SEC. 23. Section 34182 of the Health and Safety Code is amended to read:

34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted an agreed-upon procedures audit of each redevelopment agency in the county that is subject to this part, to be completed by October 1, 2012.

(2) The purpose of the audits shall be to establish each redevelopment agency’s assets and liabilities, to document and determine each redevelopment agency’s pass-through payment obligations to other taxing entities, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency pursuant to the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trust Fund for any costs incurred by the county auditor-controller pursuant to this part.

(b) By October 5, 2012, the county auditor-controller shall provide the Controller’s office and the Department of Finance a copy of all audits performed pursuant to this section. The county auditor-controller shall maintain a copy of all documentation and working papers for use by the Controller.

(c) (1) The county auditor-controller shall determine the amount of property taxes that would have been allocated to each redevelopment agency in the county had the redevelopment agency not been dissolved pursuant to the operation of the act adding this part. These amounts are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution and are available for allocation and distribution in accordance with the provisions of the act adding this part. The county auditor-controller shall calculate the property tax revenues using current assessed values on the last equalized roll on August 20, pursuant to Section 2052 of the Revenue and Taxation Code, and pursuant to statutory formulas or contractual agreements with other taxing entities, as of the effective date of this section, and shall deposit that amount in the Redevelopment Property Tax Trust Fund.

(2) Each county auditor-controller shall administer the Redevelopment Property Tax Trust Fund for the benefit of the holders of former redevelopment agency enforceable obligations and the taxing entities that receive passthrough payments and distributions of property taxes pursuant to this part.
(3) In connection with the allocation and distribution by the county auditor-controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, in compliance with this part, the county auditor-controller shall prepare estimates of amounts of property tax to be allocated and distributed and the amounts of passthrough payments to be made in the upcoming six-month period, and provide those estimates to both the entities receiving the distributions and the Department of Finance, no later than October 1 and April 1 of each year.

(4) Each county auditor-controller shall disburse proceeds of asset sales or reserve balances, which have been received from the successor entities pursuant to Sections 34177 and 34187, to the taxing entities. In making such a distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(d) By October 1, 2012, the county auditor-controller shall report the following information to the Controller’s office and the Director of Finance:

(1) The sums of property tax revenues remitted to the Redevelopment Property Tax Trust Fund related to each former redevelopment agency.

(2) The sums of property tax revenues remitted to each agency under paragraph (1) of subdivision (a) of Section 34183.

(3) The sums of property tax revenues remitted to each successor agency pursuant to paragraph (2) of subdivision (a) of Section 34183.

(4) The sums of property tax revenues paid to each successor agency pursuant to paragraph (3) of subdivision (a) of Section 34183.

(5) The sums paid to each city, county, and special district, and the total amount allocated for schools pursuant to paragraph (4) of subdivision (a) of Section 34183.

(6) Any amounts deducted from other distributions pursuant to subdivision (b) of Section 34183.

(e) A county auditor-controller may charge the Redevelopment Property Tax Trust Fund for the costs of administering the provisions of this part.

(f) The Controller may audit and review any county auditor-controller action taken pursuant to the act adding this part. As such, all county auditor-controller actions shall not be effective for three business days, pending a request for review by the Controller. In the event that the Controller requests a review of a given county auditor-controller action, he or she shall have 10 days from the date of his or her request to approve the county auditor-controller’s action or return it to the county auditor-controller for reconsideration and the county auditor-controller’s action shall not be effective until approved by the Controller. In the event that the Controller returns the county auditor-controller’s action to the county auditor-controller for reconsideration, the county auditor-controller must resubmit the modified action for Controller approval and the modified county auditor-controller’s action shall not become effective until approved by the Controller.

SEC. 24. Section 34182.5 is added to the Health and Safety Code, to read:
34182.5. A county auditor-controller may review the Recognized Obligation Payment Schedules and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items. This review may take place prior to the submission of the Recognized Obligation Payment Schedule to the oversight board or subsequent to oversight board action. The county auditor-controller shall promptly transmit notice of any of those objections to the successor agency, the oversight board, and the Department of Finance. Notice shall be given at least 60 days prior to an allocation date specified in Section 34183, except that for the January 1, 2013 to June 30, 2013 Recognized Obligation Payment Schedule, notice shall be given no later than October 1, 2012. If an oversight board disputes the finding of the county auditor-controller, it may refer the matter to the Department of Finance for a determination of what will be approved for inclusion in the Recognized Obligation Payment Schedule.

SEC. 25. Section 34183 of the Health and Safety Code is amended to read:

34183. (a) Notwithstanding any other law, from February 1, 2012, to July 1, 2012, and for each fiscal year thereafter, the county auditor-controller shall, after deducting administrative costs allowed under Section 34182 and Section 95.3 of the Revenue and Taxation Code, allocate moneys in each Redevelopment Property Tax Trust Fund as follows:

(1) Subject to any prior deductions required by subdivision (b), first, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been received under Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, as those sections read on January 1, 2011, or pursuant to any pass-through agreement between a redevelopment agency and a taxing entity that was entered into prior to January 1, 1994, that would be in force during that fiscal year, had the redevelopment agency existed at that time. The amount of the payments made pursuant to this paragraph shall be calculated solely on the basis of pass-through payment obligations, existing prior to the effective date of this part and continuing as obligations of successor entities, shall occur no later than May 16, 2012, and no later than June 1, 2012, and each January 2 and June 1 thereafter. Notwithstanding subdivision (e) of Section 33670, that portion of the taxes in excess of the amount identified in subdivision (a) of Section 33670, which are attributable to a tax rate levied by a taxing entity for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing entity. The amount of pass-through payments computed pursuant to this section, including any pass-through agreements, shall be computed as though the requirement to set aside funds for the Low and Moderate Income Housing Fund was still in effect.
(2) Second, on June 1, 2012, and each January 2 and June 1 thereafter, to each successor agency for payments listed in its Recognized Obligation Payment Schedule for the six-month fiscal period beginning January 1, 2012, and July 1, 2012, and each January 2 and June 1 thereafter, in the following order of priority:

(A) Debt service payments scheduled to be made for tax allocation bonds.

(B) Payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the agency’s tax increment revenues were also pledged for the repayment of the bonds.

(C) Payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule that are required to be paid from former tax increment revenue.

(3) Third, on June 1, 2012, and each January 2 and June 1 thereafter, to each successor agency for the administrative cost allowance, as defined in Section 34171, for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues.

(4) Fourth, on June 1, 2012, and each January 2 and June 1 thereafter, any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by paragraphs (1) to (3), inclusive, shall be distributed to local agencies and school entities in accordance with Section 34188.

(b) If the successor agency reports, no later than April 1, 2012, and May 1, 2012, and each December 1 and May 1 thereafter, to the county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations, are insufficient to fund the payments required by paragraphs (1) to (3), inclusive, of subdivision (a) in the next six-month fiscal period, the county auditor-controller shall notify the Controller and the Department of Finance no later than 10 days from the date of that notification. The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligation Payment Schedule and shall report the findings to the Controller. If the Controller concurs that there are insufficient funds to pay required debt service, the amount of the deficiency shall be deducted from the amount remaining to be distributed to taxing entities pursuant to paragraph (4), and if that amount is exhausted, from amounts available for distribution for administrative costs in paragraph (3). If an agency, pursuant to the provisions of Section 33492.15, 33492.72, 33607.5, 33671.5, 33681.15, or 33688 or as expressly provided in a passthrough agreement entered into pursuant to Section 33401, made passthrough payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for
pass-through payments under paragraph (1), as provided in those sections, but only to the extent that the amounts remaining to be distributed to taxing entities pursuant to paragraph (4) and the amounts available for distribution for administrative costs in paragraph (3) have all been exhausted.

(c) The county treasurer may loan any funds from the county treasury to the Redevelopment Property Tax Trust Fund of the successor agency for the purpose of paying an item approved on the Recognized Obligation Payment Schedule at the request of the Department of Finance that are necessary to ensure prompt payments of redevelopment agency debts. An enforceable obligation is created for repayment of those loans.

(d) The Controller may recover the costs of audit and oversight required under this part from the Redevelopment Property Tax Trust Fund by presenting an invoice therefor to the county auditor-controller who shall set aside sufficient funds for and disburse the claimed amounts prior to making the next distributions to the taxing entities pursuant to Section 34188. Subject to the approval of the Director of Finance, the budget of the Controller may be augmented to reflect the reimbursement, pursuant to Section 28.00 of the Budget Act.

(e) Within 10 days of each distribution of property tax, the county auditor-controller shall provide a report to the department regarding the distribution for each successor agency that includes information on the total available for allocation, the pass-through amounts and how they were calculated, the amounts distributed to successor agencies, and the amounts distributed to taxing entities in a manner and form specified by the department. This reporting requirement shall also apply to distributions required under subdivision (b) of Section 34183.5.

SEC. 26. Section 34183.5 is added to the Health and Safety Code, to read:

34183.5. (a) The Legislature hereby finds and declares that due to the delayed implementation of this part due to the California Supreme Court’s ruling in the case California Redevelopment Association v. Matosantos et al. (2011) 53 Cal.4th 231, some disruption to the intended application of this part and other law with respect to pass-through payments may have occurred.

(1) If a redevelopment agency or successor agency did not pay any portion of an amount owed for the 2011–12 fiscal year to an affected taxing entity pursuant to Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, or pursuant to any pass-through agreement entered into before January 1, 1994, between a redevelopment agency and an affected taxing entity, and to the extent the county auditor-controller did not remit the amounts owed for pass-through payments during the 2011–12 fiscal year, the county auditor-controller shall make the required payments to the taxing entities owed pass-through payments and shall reduce the amounts to which the successor agency would otherwise be entitled pursuant to paragraph (2) of subdivision (a) of Section 34183 at the next allocation of property tax under this part, subject to the provisions of subdivision (b) of Section 34183. If the amount of available property tax allocation to the successor agency is
not sufficient to make the required payment, the county auditor-controller shall continue to reduce allocations to the successor agency under paragraph (2) of subdivision (a) of Section 34183 until the time that the owed amount is fully paid. Alternately, the county auditor-controller may accept payment from the successor agency’s reserve funds for payments of passthrough payments owed as defined in this subdivision.

(2) If a redevelopment agency did not pay any portion of the amount owed for the 2011–12 fiscal year to an affected taxing entity pursuant to Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, or pursuant to any passthrough agreement entered into before January 1, 1994, between a redevelopment agency and an affected taxing entity, but the county auditor-controller did pay the difference that was owing, the auditor controller shall deduct from the next allocation of property tax to the successor agency under paragraph (2) of subdivision (a) of Section 34183, the amount of the payment made on behalf of the successor agency by the county auditor-controller, not to exceed one-half the amount of passthrough payments owed for the 2011–12 fiscal year. If the amount of available property tax allocation to the successor agency is not sufficient to make the required deduction, the county auditor-controller shall continue to reduce allocations to the successor agency under paragraph (2) of subdivision (a) of Section 34183 until the time that the amount is fully deducted. Alternatively, the auditor-controller may accept payment from the successor agency’s reserve funds for deductions of passthrough payments owed as defined in this subdivision. Amounts reduced from successor agency payments under this paragraph are available for the purposes of paragraphs (2) to (4), inclusive, of subdivision (a) of Section 34183 for the six-month period for which the property tax revenues are being allocated.

(b) In recognition of the fact that county auditor-controllers were unable to make the payments required by paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012, on January 16, 2012, due to the California Supreme Court’s ruling in the case of California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231, in addition to taking the actions specified in Section 34183 with respect to the June 1 property tax allocations, county auditor-controllers should have made allocations as provided in paragraph (1).

(1) From the allocations made on June 1, 2012, for the Recognized Obligation Payment Schedule covering the period July 1, 2012, through December 31, 2012, deduct from the amount that otherwise would be deposited in the Redevelopment Property Tax Trust Fund on behalf of the successor agency an amount equivalent to the amount that each affected taxing entity was entitled to pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012. The amount to be retained by taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 for the January 1, 2012, through June 30, 2012, period is determined based on the Recognized Obligation Payment Schedule approved by the Department of Finance pursuant to subdivision (h) of Section 34179 and any amount determined to be owed pursuant to
subdivision (b). Any amounts so computed shall not be offset by any shortages in funding for recognized obligations for the period covering July 1, 2012, through December 31, 2012.

(2) (A) If an affected taxing entity has not received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 of the property tax distributed for the period January 1, 2012, through June 30, 2012, and paragraph (1), no later than July 9, 2012, the county auditor-controller shall determine the amount, if any, that is owed by each successor agency to taxing entities and send a demand for payment from the funds of the successor agency for the amount owed to taxing entities if it has distributed the June 1, 2012, allocation to the successor agencies. No later than July 12, 2012, successor agencies shall make payment of the amounts demanded to the county auditor-controller for deposit into the Redevelopment Property Tax Trust Fund and subsequent distribution to taxing entities. No later than July 16, 2012, the county auditor-controller shall make allocations of all money received by that date from successor agencies in amounts owed to taxing entities under this paragraph to taxing entities in accordance with Section 34183. The county auditor-controller shall make allocations of any money received after that date under this paragraph within five business days of receipt. These duties are not discretionary and shall be carried out with due diligence.

(B) If a county auditor-controller fails to determine the amounts owed to taxing entities and present a demand for payment by July 9, 2012, to the successor agencies, the Department of Finance or any affected taxing entity may request a writ of mandate to require the county auditor-controller to immediately perform this duty. Such actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Any county in which the county auditor-controller fails to perform the duties under this paragraph shall be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus 1.5 percent of the amount owed to taxing entities for each month that the duties are not performed. The civil penalties shall be payable to the taxing entities under Section 34183. Additionally, any county in which the county auditor-controller fails to make the required determinations and demands for payment under this paragraph by July 9, 2012, or fails to distribute the full amount of funds received from successor agencies as required by this paragraph shall not receive the distribution of sales and use tax scheduled for July 18, 2012, or any subsequent payment, up to the amount owed to taxing entities, until the county auditor-controller performs the duties required by this paragraph.

(C) If a successor agency fails to make the payment demanded under subparagraph (A) by July 12, 2012, the Department of Finance or any affected taxing entity may file for a writ of mandate to require the successor agency to immediately make this payment. Such actions may be filed only in the County of Sacramento and shall have priority over other civil matters. Any successor agency that fails to make payment by July 12, 2012, under this paragraph shall be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus one and one-half percent of the amount owed.
to taxing entities for each month that the payments are not made. Additionally, the city or county or city and county that created the redevelopment agency shall also be subject to a civil penalty of 10 percent of the amount owed to taxing entities plus 1.5 percent of the amount owed to taxing entities for each month the payment is late. The civil penalties shall be payable to the taxing entities under Section 34183. If the Department of Finance finds that the imposition of penalties will jeopardize the payment of enforceable obligations it may request the court to waive some or all of the penalties. A successor agency that does not pay the amount required under this subparagraph by July 12, 2012, shall not pay any obligations other than bond debt service until full payment is made to the county auditor-controller. Additionally, any city, county or city and county that created the redevelopment agency that fails to make the required payment under this paragraph by July 12, 2012, shall not receive the distribution of sales and use tax scheduled for July 18, 2012, or any subsequent payment, up to the amount owed to taxing entities, until the payment required by this paragraph is made.

(D) The Legislature hereby finds and declares that time is of the essence. Funds that should have been received and were expected and spent in anticipation of receipt by community colleges, schools, counties, cities, and special districts have not been received resulting in significant fiscal impact to the state and taxing entities. Continued delay and uncertainly whether funds will be received warrants the availability of extraordinary relief as authorized herein.

(3) If an affected taxing entity has not received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012, and paragraph (1), the county auditor-controller shall reapply the provisions of paragraph (1) to each subsequent property tax allocation until such time as the affected taxing entity has received the full amount to which it was entitled pursuant to paragraph (4) of subdivision (a) of Section 34183 for the period January 1, 2012, through June 30, 2012.

SEC. 27. Section 34185 of the Health and Safety Code is amended to read:

34185. Commencing on June 1, 2012, and on each January 2 and June 1 thereafter, the county auditor-controller shall transfer, from the Redevelopment Property Tax Trust Fund of each successor agency into the Redevelopment Obligation Retirement Fund of that agency, an amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule for that successor agency as payable from the Redevelopment Property Tax Trust Fund subject to the limitations of subdivision (l) of Section 34177 and Section 34183.

SEC. 28. Section 34186 of the Health and Safety Code is amended to read:

34186. (a) Differences between actual payments and past estimated obligations on recognized obligation payment schedules shall be reported in subsequent recognized obligation payment schedules and shall adjust the
amount to be transferred to the Redevelopment Obligation Retirement Fund pursuant to this part. These estimates and accounts shall be subject to audit by county auditor-controllers and the Controller.

(b) Differences between actual pass-through obligations and property tax amounts and the amounts used by the county auditor-controller in determining the amounts to be allocated under Sections 34183 and 34188 for a prior six-month period shall be applied as adjustments to the property tax and pass-through amounts in subsequent periods as they become known. County auditor-controllers shall not delay payments under this part to successor agencies or taxing entities based on pending transactions, disputes, or for any other reason, other than a court order, and shall use the Recognized Obligation Payment Schedule approved by the Department of Finance and the most current data for pass-throughs and property tax available prior to the statutory distribution dates to make the allocations required on the dates required.

SEC. 29. Section 34187 of the Health and Safety Code is amended to read:

34187. (a) (1) Commencing May 1, 2012, whenever a recognized obligation that had been identified in the Recognized Payment Obligation Schedule is paid off or retired, either through early payment or payment at maturity, the county auditor-controller shall distribute to the taxing entities, in accordance with the provisions of the Revenue and Taxation Code, all property tax revenues that were associated with the payment of the recognized obligation.

(2) Notwithstanding paragraph (1), the Department of Finance may authorize a successor agency to retain property tax that otherwise would be distributed to affected taxing entities pursuant to this subdivision, to the extent the department determines the successor agency requires those funds for the payment of enforceable obligations. Upon making a determination, the department shall provide the county auditor-controller with information detailing the amounts that it has authorized the successor agency to retain. Upon determining the successor agency no longer requires additional funds pursuant to this subdivision, the department shall notify the successor agency and the county auditor-controller. The county auditor-controller shall then distribute the funds in question to the affected taxing entities in accordance with the provisions of the Revenue and Taxation Code.

(b) When all of the debt of a redevelopment agency has been retired or paid off, the successor agency shall dispose of all remaining assets and terminate its existence within one year of the final debt payment. When the successor agency is terminated, all pass-through payment obligations shall cease and no property tax shall be allocated to the Redevelopment Property Tax Trust Fund for that agency.

SEC. 30. Section 34188 of the Health and Safety Code is amended to read:

34188. For all distributions of property tax revenues and other moneys pursuant to this part, the distribution to each taxing entity shall be in an
amount proportionate to its share of property tax revenues in the tax rate area in that fiscal year, as follows:

(a) (1) For distributions from the Redevelopment Property Tax Trust Fund, the share of each taxing entity shall be applied to the amount of property tax available in the Redevelopment Property Tax Trust Fund after deducting the amount of any distributions under paragraphs (2) and (3) of subdivision (a) of Section 34183.

(2) For each taxing entity that receives passthrough payments, that agency shall receive the amount of any passthrough payments identified under paragraph (1) of subdivision (a) of Section 34183, in an amount not to exceed the amount that it would receive pursuant to this section in the absence of the passthrough agreement. However, to the extent that the passthrough payments received by the taxing entity are less than the amount that the taxing entity would receive pursuant to this section in the absence of a passthrough agreement, the taxing entity shall receive an additional payment that is equivalent to the difference between those amounts.

(b) Property tax shares of local agencies shall be determined based on property tax allocation laws in effect on the date of distribution, without the revenue exchange amounts allocated pursuant to Section 97.68 of the Revenue and Taxation Code, and without the property taxes allocated pursuant to Section 97.70 of the Revenue and Taxation Code.

(c) The total school share, including passthroughs, shall be the share of the property taxes that would have been received by school entities, as defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, in the jurisdictional territory of the former redevelopment agency, including, but not limited to, the amounts specified in Sections 97.68 and 97.70 of the Revenue and Taxation Code.

(d) This section shall not be construed to increase any allocations of excess, additional, or remaining funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2, clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.3, or Article 4 (commencing with Section 98) of Chapter 6 of Part 0.5 of Division 1, of the Revenue and Taxation Code, had this section not been enacted.

SEC. 31. Section 34189 of the Health and Safety Code is amended to read:

34189. (a) Commencing on the effective date of this part, all provisions of the Community Redevelopment Law that depend on the allocation of tax increment to redevelopment agencies, including, but not limited to, Sections 33445, 33640, 33641, 33645, and subdivision (b) of Section 33670, shall be inoperative, except as those sections apply to a redevelopment agency operating pursuant to Part 1.9 (commencing with Section 34192).

(b) To the extent that a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) conflicts with this part, the provisions of this part shall control. Further, if
a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) provides an authority that the act adding this part is restricting or eliminating, the restriction and elimination provisions of the act adding this part shall control.

(c) It is intended that the provisions of this part shall be read in a manner as to avoid duplication of payments.

SEC. 32. Section 34189.1 is added to the Health and Safety Code, to read:

34189.1. No party, public or private, may pursue, nor does a court have jurisdiction over, a validation action with respect to any action of a redevelopment agency or a successor agency to a redevelopment agency that took place on or after January 1, 2011, unless the Department of Finance and the Controller, representing interests of the State of California and each of the taxing entities who could be affected financially by the action, has been properly noticed. All actions shall be filed in the County of Sacramento.

SEC. 33. Section 34189.2 is added to the Health and Safety Code, to read:

34189.2. A successor agency or any party to an enforceable obligation as defined under this part shall properly notice the state with respect to a validation action involving any enforceable obligation or matter of title to an asset that belonged to a redevelopment agency. For such an action to be properly filed, both the Controller and the Director of Finance shall be noticed and actions shall be filed in the County of Sacramento.

SEC. 34. Section 34189.3 is added to the Health and Safety Code, to read:

34189.3. An action contesting any act taken or determinations or decisions made pursuant to this part or Part 1.8 (commencing with Section 34161) may be brought in superior court and shall be filed in the County of Sacramento.

SEC. 35. Chapter 9 (commencing with Section 34191.1) is added to Part 1.85 of Division 24 of the Health and Safety Code, to read:

CHAPTER 9. POSTCOMPLIANCE PROVISIONS

34191.1. The provisions of this chapter shall apply to a successor agency upon that agency’s receipt of a finding of completion by the Department of Finance pursuant to Section 34179.7.

34191.3. Notwithstanding Section 34191.1, the requirements specified in subdivision (e) of Section 34177 and subdivision (a) of Section 34181 shall be suspended, except as those provisions apply to the transfers for governmental use, until the Department of Finance has approved a long-range property management plan pursuant to subdivision (b) of Section 34191.5, at which point the plan shall govern, and supersede all other provisions relating to, the disposition and use of the real property assets of the former redevelopment agency. If the department has not approved a plan by January
1, 2015, subdivision (e) of Section 34177 and subdivision (a) of Section 34181 shall be operative with respect to that successor agency.

34191.4. The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

(a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.7 unless that property is subject to the requirements of any existing enforceable obligation.

(b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

(2) If the oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The loan shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligations payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.

(B) Repayments received by the city, county or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment agency for purposes of the Supplemental Educational Revenue Augmentation Fund and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.

(C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and
Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid.

(c) (1) Bond proceeds derived from bonds issued on or before December 31, 2010, shall be used for the purposes for which the bonds were sold.

(2) (A) Notwithstanding Section 34177.3 or any other conflicting provision of law, bond proceeds in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the original bond covenants. Enforceable obligations may be satisfied by the creation of reserves for projects that are the subject of the enforceable obligation and that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects. An expenditure made pursuant to this paragraph shall constitute the creation of excess bond proceeds obligations to be paid from the excess proceeds. Excess bond proceeds obligations shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

(B) If remaining bond proceeds cannot be spent in a manner consistent with the bond covenants pursuant to subparagraph (A), the proceeds shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

34191.5. (a) There is hereby established a Community Redevelopment Property Trust Fund, administered by the successor agency, to serve as the repository of the former redevelopment agency’s real properties identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5.

(b) The successor agency shall prepare a long-range property management plan that addresses the disposition and use of the real properties of the former redevelopment agency. The report shall be submitted to the oversight board and the Department of Finance for approval no later than six months following the issuance to the successor agency of the finding of completion.

(c) The long-range property management plan shall do all of the following:

(1) Include an inventory of all properties in the trust. The inventory shall consist of all of the following information:

(A) The date of the acquisition of the property and the value of the property at that time, and an estimate of the current value of the property.

(B) The purpose for which the property was acquired.

(C) Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.

(D) An estimate of the current value of the parcel including, if available, any appraisal information.

(E) An estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.

(F) The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.
(G) A description of the property’s potential for transit-oriented development and the advancement of the planning objectives of the successor agency.

(H) A brief history of previous development proposals and activity, including the rental or lease of property.

(2) Address the use or disposition of all of the properties in the trust. Permissible uses include the retention of the property for governmental use pursuant to subdivision (a) of Section 34181, the retention of the property for future development, the sale of the property, or the use of the property to fulfill an enforceable obligation. The plan shall separately identify and list properties in the trust dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation. With respect to the use or disposition of all other properties, all of the following shall apply:

(A) If the plan directs the use or liquidation of the property for a project identified in an approved redevelopment plan, the property shall transfer to the city, county, or city and county.

(B) If the plan directs the liquidation of the property or the use of revenues generated from the property, such as lease or parking revenues, for any purpose other than to fulfill an enforceable obligation or other than that specified in subparagraph (A), the proceeds from the sale shall be distributed as property tax to the taxing entities.

(C) Property shall not be transferred to a successor agency, city, county, or city and county, unless the long-range property management plan has been approved by the oversight board and the Department of Finance.

SEC. 36. The Legislature finds and declares as follows:

(a) Certain provisions of Assembly Bill 26 of the 2011–12 First Extraordinary Session of 2011 (Ch. 5, 2011–12 First Ex. Sess.) are internally inconsistent, or uncertain in their meaning, with regard to the calculation of the amount to be paid by a county auditor-controller from the Redevelopment Property Tax Trust Fund to meet passthrough payment obligations to local agencies and school entities.

(b) Consistent with the statement in Section 34183 of the Health and Safety Code, as added by the measure identified in subdivision (a), that the provisions of that section are to apply “[n]otwithstanding any other law,” it was the intent of the Legislature in enacting that measure that the amount of the passthrough payments that are addressed by that section be determined in the manner specified by paragraph (1) of subdivision (a) of Section 34183 of the Health and Safety Code, and that the amount so calculated not be reduced or adjusted pursuant to the operation of any other provision of that measure.

SEC. 37. If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application and to this end, the provisions of this act are severable.
SEC. 38. There is hereby appropriated up to twenty-two million dollars ($22,000,000) from the General Fund, for allocation to departments by the Director of Finance in furtherance of the objectives of this act. Up to two million dollars ($2,000,000) of this amount may be allocated to the Director of the Trial Court Trust Fund for allocation by the Administrative Office of the Courts to the Superior Court of California, County of Sacramento for work associated with Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code. An allocation of funds approved by the Director of Finance under this item shall become effective no sooner than 30 days after the director files written notification thereof with the Chairperson of the Joint Legislative Budget Committee, and the chairpersons of the fiscal committees in each house of the Legislature, or no sooner than any lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

SEC. 39. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because this act provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, within the meaning of Section 17556 of the Government Code.

SEC. 40. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.
EXHIBIT 3
## EXHIBIT B TO RESOLUTION
### RECOGNIZED OBLIGATION PAYMENT SCHEDULE - CONSOLIDATED
#### FILED FOR THE PERIOD

**Name of Successor Agency:** City of Vallejo

<table>
<thead>
<tr>
<th>Balance Carried Forward From:</th>
<th>Current</th>
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<tbody>
<tr>
<td></td>
<td><strong>Total Outstanding Debt or Obligation</strong></td>
</tr>
<tr>
<td>Outstanding Debt or Obligation (From Form A, Page 1 Totals)</td>
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<tr>
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<td><strong>Total Due for Six Month Period</strong></td>
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<tr>
<td>Outstanding Debt or Obligation (From Form B, Page 1 Totals)</td>
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<tr>
<td>Available Revenues other than anticipated funding from RPTTF (Form C)</td>
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<tr>
<td>Anticipated Funding from Redevelopment Property Tax Trust Fund (RPTTF) (Form C)</td>
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<tr>
<td>Administrative Allowance (greater of 5% of anticipated Funding from RPTTF or 250,000)</td>
<td>$250,000</td>
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</table>

Consolidate on this form all of the data contained on Form A, B and C. Form A is to include all outstanding obligation entered into for period filed. Form B is to include payment requirement for each enforceable obligation for each month. Form C is to enter the anticipated funding source for each listed enforceable obligation.

**Certification of Oversight Board Vice-Chair:**
Pursuant to Section 34177(l) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Enforceable Payment Schedule for the above named agency.

**Name:** Anneke Taylor  
**Title:** Vice Chair person

**Signature:**  
**Date:** 7/13/12
# RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177(f)
Filed for Period July to December, 2012

<table>
<thead>
<tr>
<th>Project Name / Debt Obligation</th>
<th>Payee</th>
<th>Description</th>
<th>Total Outstanding Debt or Obligation</th>
<th>Total Due During Fiscal Year</th>
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<td>North Vallejo Community Center</td>
<td>CVDRC</td>
<td>Renovation of the Community Center in North Vallejo</td>
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<td>North Vallejo Community Center</td>
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<td>Project Management</td>
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<td>Six Flags Parking Obligation</td>
<td>Park Management Corp. (Six Flags)</td>
<td>CPA with Six Flags for a parking structure or surface parking lot</td>
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<td>$2,122,000</td>
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<td>Solano County Lease</td>
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<td>1969 Tax Allocation Bonds</td>
<td>Wells Fargo Bank</td>
<td>Waterfront Development</td>
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<td>1990 Tax Allocation Bonds</td>
<td>Wells Fargo Bank</td>
<td>Marina Vista &amp; Vallejo Central development</td>
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<td>Advances from City (Hotlanta to)</td>
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<td>Empress Theater</td>
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<td>Selected Contractor</td>
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Total - This Page $95,542,622 $4,052,893
Total - Page 2 $9,470,523 $7,216,601
Grand total - All Pages $105,010,455 $4,769,404

* Six Flags Parking Obligation for the time period shown will be reduced dollar for dollar to the extent necessary to ensure that the total of all ROPA payments will not exceed the total amount of funds available to the Successor from the RPTTF.
** Outstanding balances on advances are calculated assuming annual payments will be made each year.
<table>
<thead>
<tr>
<th>Project Name / Date Obligation</th>
<th>Description</th>
<th>Purpose</th>
<th>Total Outstanding Debt or Obligation</th>
<th>Percent of Total</th>
<th>Total Due During Fiscal Year</th>
<th>Other Environment Work / Pre-Risks / Settlement Costs</th>
<th>Total Debt / Other Environment Work / Pre-Risks / Settlement Costs</th>
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<td>$2,500</td>
<td>31.04%</td>
<td>$2,500</td>
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<td>54.37%</td>
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</tbody>
</table>

**FORM A**

**RECOGNIZED OBLIGATION PAYMENT SCHEDULE**

**Filed for Period July to December, 2012**

**Per AB 26 - Section 34177(f)**

**Total - Page 1: $1,264,865**

**Grand Total - Page 2: $1,898,665**

**Name of Successor Agency:**

**City of Vista**
<table>
<thead>
<tr>
<th>Project Name/Debt Obligation</th>
<th>Description</th>
<th>Project Area</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>Subtotal</th>
<th>Adjustments from Prior Schedule</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>North Vallejo Community Center</td>
<td>Project Management</td>
<td>Floidan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Six Flags Parking Obligation *</td>
<td>EPA with Six Flags for a parking structure or surface parking lot</td>
<td>Floidan</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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**Totals - This Page**

$348,383 $348,383 $348,383 $192,466 $213,731 $192,466 $1,640,529 $1,640,529

**Totals - Page 2**

$20,834 $20,834 $20,834 $20,834 $20,834 $20,834 $125,000 $125,000

**Grand total - All Pages**

$369,217 $367,517 $367,517 $213,302 $233,580 $213,294 $1,765,529 $1,765,529

*Six Flags Parking Obligation for the time period shown will be reduced dollar for dollar to the extent necessary to ensure that the total of all ROPS payments will not exceed the total amount of RPTTF monies available to the Successor Agency*
## RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177(i)

Filed for Period July to December, 2012

<table>
<thead>
<tr>
<th>Project Name / Debt Obligation</th>
<th>Description</th>
<th>Project Area</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>Subtotal</th>
<th>Adjustments from Prior Schedule</th>
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- **Totals - This Page**
  - $20,824
  - $20,824
  - $20,824
  - $20,824
  - $20,824
  - $20,824
  - $125,000
  - $125,000

- **Totals - Page 3**
  - $125,000
  - $125,000

- **Grand Total - Page 2**
  - $20,824
  - $20,824
  - $20,824
  - $20,824
  - $20,824
  - $20,824
  - $125,000
  - $125,000
### RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177(f)

Filed for Period July to December, 2012

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<th>Description</th>
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<th>Source of Payment</th>
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* The City of Vallejo disagrees with DDF's determination that the Six Flags agreement is invalid. After reconciliation of the July 1, 2012 through December 31, 2012 ROPS, any unspent RPTFF monies should be allocated toward the Six Flags Obligation listed in line 2.
## RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177(i)
Filed for Period July to December, 2012

<table>
<thead>
<tr>
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</table>

Totals - This Page: $125,000

Totals - Page 3: $125,000

Grand total - Page 2: $125,000
The schedule below represents the amount of property tax requested to pay for enforceable obligations from the Redevelopment Property Tax Trust Fund (RPTTF) for the January through June 2012 ROPS and the July through December 2012 ROPS. It also details Finance’s questioned and approved amount of RPTTF from our reviews of the agencies’ ROPS. Please note, the amount of available RPTTF is the same as the property tax increment that was available prior to AB 1 26. This amount is not and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF. Additionally, Health and Safety Code section 34177 (l) (E) states that RPTTF is an appropriate funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, successor agencies should exhaust all other available funding sources and only use RPTTF as a last resort.

NOTE: Cells highlighted in green represent a successor agency that did not adequately specify funding sources on the ROPS. Therefore, Finance could not perform this calculation.

<table>
<thead>
<tr>
<th>County</th>
<th>Successor Agency</th>
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<th>July to December 2012</th>
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<td>Obligations Questioned</td>
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<td>per 6-Month Period</td>
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<td>(Includes Pass-Through</td>
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Note: Each RDAP is limited to the amount of net property tax after pass-throughs and county auditor-controller costs for that period. Consequently, the amount of property tax actually received by each Successor Agency will differ from the sums shown in the columns titled Maximum RPTTF Obligations Approved by Finance per 6-Month Period.
ABx1 26 — Redevelopment

WELCOME TO THE CALIFORNIA
DEPARTMENT OF FINANCE

Home » ABx1 26 — Redevelopment

ABx1 26 Redevelopment Agency Dissolution

HOUSING ASSETS

Pursuant to HSC section 34176 (a) (2), the entity assuming the housing functions of the former redevelopment agency is required to submit to the Department of Finance a list of all housing assets by August 1, 2012. The list must adequately detail how the housing asset meets the criteria specified in HSC section 34176 (e) and must also include all assets transferred between February 1, 2012 and the date upon which the list is created.

HSC section 34176 (a) (2) also states that Finance is to prescribe the format for the list. For purposes of this notification, housing successor agencies should use the following Excel spreadsheet form.

Housing Entity Asset Reporting Form (xls, <1 MB)

The completed Excel spreadsheet form should be sent to the redevelopment_administration@dof.ca.gov e-mail address, and should have the following title in the e-mail subject line:

XXX Housing Successor Agency Asset Reporting Form

The Excel spreadsheet form should be submitted to Finance in Excel format – scanned pdf. copies, or copies provided in any form other than an Excel spreadsheet are not acceptable.

If you have any questions concerning how the form should be completed, please reference the following document:

Housing Entity Asset Reporting Form FAQs (pdf, <1 MB)

JULY TRUE-UP PROCESS

On June 27, 2012 the Governor signed AB 1484, which imposes important new tasks on county auditor-controllers and successor agencies. Health and Safety Code (HSC) section 34183.5 subdivision (b) as added by AB 1484 clarifies that property tax distributed to redevelopment agencies in December 2011 or January 2012 should have been subject to distribution through the AB x1 26 mechanism. In part due to confusion about the Supreme Court's order regarding the changes in deadlines under AB x1 26, Finance believes very few, if any, counties correctly adjusted the June 1 property tax payments to successor agencies to capture the amount of funds owed to taxing entities for the January through June period.

To accomplish the correct distribution of funds anticipated in AB x1 26 and as clarified in AB 1484, the following steps are now required:

No later than July 9, 2012, county auditor-controllers are required to notify each successor agency of the "residual" amount it still owes to affected taxing entities (ATEs), if anything,

http://www.dof.ca.gov/assembly_bills_26-27/ 9/20/2012
pursuant to HSC section 34183 (a) (4) for the period covered by the January 2012 to June 2012 ROPS, after the payment of property tax-funded enforceable obligations and agency administrative costs that were approved by Finance.

If the county auditor-controller applied any amounts owed to ATEs for the January to June 2012 ROPS to fund enforceable obligations on the July through December 2012 ROPS, this was incorrect. The amounts owed ATEs for the January to June 2012 ROPS should be recomputed without any such deductions.

AB 1484 also provides that the county auditor-controller must not withhold any distribution to ATEs or successor agencies based on disputes or for any other reason, unless ordered to do so by a court. Thus, in the absence of a court order, any amounts held by counties that are owed to ATEs or successor agencies for either the January through June period or the July through December period must be distributed immediately.

Notice need not be sent to a successor agency if the county auditor-controller determines the successor agency does not owe any monies to the ATEs pursuant to HSC section 34183 (a) (4) for the January 2012 to June 2012 ROPS.

County auditor-controllers are asked to provide Finance with affirmative notice that they have provided the required notice to each successor agency that owes an amount to the ATEs. The Finance notification should be sent to the redevelopment_administration@dof.ca.gov e-mail address no later than July 9, 2012. The notice should state as follows:

"The xxx County Auditor-Controller's Office hereby affirms it has provided the successor agencies listed below with the notification required by Health and Safety Code section 34183.5 (b) (2) (A)."

A list of those successor agencies to which billings were sent and the amounts of those billings should be part of the notice to Finance.

For purposes of determining the total amount of property tax available to a successor agency for the January 2012-June 2012 ROPS, the county auditor-controller should include all property tax increment remitted to the former RDA for the fall of 2011 property tax distributions. Typically, these took place in December 2011 or January 2012, but would also include any monthly allocations up to that time made during fiscal year 2011-12.

For purposes of determining the amount of RPTTF that a successor agency was authorized by Finance to expend for the January 2012-June 2012 period, county auditor-controllers must use the amounts shown in Column E of the Exhibit 12 document on this webpage. These amounts must be considered final determinations as provided in AB 1484.

County auditor-controllers should reflect in their calculations those HSC section 34183 (a) (1) passthrough payments that were listed on the January 2012 to June 2012 ROPS approved by Finance. County auditor-controllers also should reflect in their calculations any HSC section 34183 (a) (1) passthrough payments that the auditor-controller made on behalf of a successor agency, but which were not listed on the ROPS, during the period covered by the January 2012 to June 2012 ROPS.
County auditor-controllers should use the special July process to distribute to the ATEs those HSC section 34183 (a) (1) passthrough payments that were included on the Finance-approved January 2012 to June 2012 ROPS, but which were not remitted by the successor agency to the ATEs, if the successor agency chooses to provide the amounts necessary to fund pass-through payments in amounts in addition to that which are otherwise owed in accordance with 34835.5 (b). Please note, these pass-through payments do not constitute a payment required by section 34835.5(b)(2)(A). As such any failure to remit pass-through payments are not controlled by section 345835.5(b) but are instead controlled by section 345835.5(a) and other applicable law.

County auditor-controllers should not use the July process to distribute to the ATEs any HSC section 34183 (a) (1) passthrough payments currently owed to the successor agencies that were not included on the Finance-approved January 2012 to June 2012 ROPS. AB 1484 provides for an adjustment to be made in the next ROPS distribution process in January 2013 to account for these particular unpaid passthrough payments.

No later than **July 12, 2012**, each successor agency is required to remit to the county auditor-controller the total amount specified in the above notification. Successor agencies must make the remittances in the form and manner specified by the county auditor-controller.

**If a successor agency fails to remit the required amount, county auditor-controllers should notify Finance by July 13, 2012.** This notification should be sent to the redevelopment_administration@dof.ca.gov e-mail address. The notification should state (1) the amount the successor agency was required to remit, and (2) the amount actually remitted.

One comprehensive notification should be provided from each county; in counties where multiple successor agencies fail to remit the required amount, please do not send a separate e-mail for each non-compliant successor agency.

The required notification should have the following title in the e-mail subject line:

XXX County – Notification of Successor Agency Failures to Remit

If all of a county’s successor agencies make the required remittances, a notice to that effect should be sent to the redevelopment_administration@dof.ca.gov e-mail address with the following title in the e-mail subject line:

XXX County – Notification of Compliance With AB 1484 Remittances

No later than **July 16, 2012**, the county auditor-controller is required to pay to each ATE the amounts owed from funds that were remitted by the successor agencies.

**By July 26, 2012,** the county auditor-controller is asked to notify Finance of the amounts provided to the ATEs. For purposes of this notification, county auditor-controllers should use the following Excel spreadsheet form:

**Redevelopment Funds Allocation Reporting Form**

(xls. <1 MB)The completed Excel spreadsheet form should be sent to the

http://www.dof.ca.gov/assembly_bills 26-27/
redevelopment_administration@dof.ca.gov e-mail address, and should have the following title in the e-mail subject line:

XXX County July 2012 Reporting Form

The Excel spreadsheet form should be submitted to Finance in Excel format—scanned pdf, copies, or copies provided in any form other than an Excel spreadsheet are not acceptable.

The Excel spreadsheet form contains two tabs, respectively titled "Jan-June ROPS" and "July-Dec ROPS". Both tabs should be completed in accordance with the instructions contained therein. Improperly completed spreadsheet forms will be returned.

County auditor-controllers must not change the formulas in the spreadsheet form. Furthermore, county auditor-controllers must not lock cells, hide cells or columns, or otherwise make any changes to the spreadsheet form that would inhibit Finance’s ability to view the information in a given cell or column. Improperly modified spreadsheet forms must be corrected.

There are significant penalties than can be applied if county auditor-controllers fail to perform or successor agencies fail to pay required amounts under HSC section 34183.5. The deadlines provided in the law are not discretionary and are needed to remedy the state and local government cash situations.

CONTACT INFORMATION:

To contact the staff who are reviewing recognized obligation payment schedules and other aspects of implementation of ABx1 26 and AB 1484, please e-mail:

email redevelopment_administration@dof.ca.gov

Or call (916) 445-1546

Persons wishing to report actions taken by Successor Agencies, such as questionable payments or asset transfers, are encouraged to send an e-mail with pertinent details to the following address:

email redevelopment_hotline@dof.ca.gov

BOND QUESTIONS:

We are aware of some questions that have been raised by many in the financial community with regard to redevelopment agency bonds. The document linked to below provides Department of Finance views on the content of ABx1 26 that applies to these issues. While we cannot answer every specific question in this document, we will endeavor to provide guidance if provided with sufficient information. Please forward your questions to the e-mail and phone numbers noted above.

COMMON DISSOLUTION QUESTIONS:

We are also aware of several questions that have been asked with regard to specific dissolution issues not directly related to bonds. The document linked below has questions and answers to common issues. While we cannot answer every specific question in this document, we will endeavor
to provide guidance if provided with sufficient information. Please forward your questions to the e-mail and phone numbers noted above.

WEBPAGE LINKS:

County Auditor Controller Letter issued on 7-20-12 (pdf, <1 MB)
Successor Agency July Billing Review Letter issued on 7-20-12 (pdf, <1 MB)
Revised ROPS and Appeals Letter issued on 7-12-12 (pdf, <1 MB)
Redevelopment AB1484 Guidance Letter issued on 7-11-12 (pdf, <1 MB)
ROPS Review Letters Issued by Finance (as of 6/1/2012 at 10:00am)

A consolidated version of the dissolution law is now available at: www.leginfo.ca.gov/calaw.html (www.leginfo.ca.gov) under the Health and Safety Code Division 24, Parts 1.8 and 1.85 (begining with Section 34161)

The full text of ABx1 26 is provided in the link below:

Exhibit 1 (www.leginfo.ca.gov, pdf, <1 MB)

The Full text of AB1484 (Chapter 26, Statutes of 2012) is provided in the link below

Exhibit 2 (www.leginfo.ca.gov, pdf, <1 MB)

On December 29, 2011, the Supreme Court issued its decision in RDAs v. Matosantos. The full text of the decision can be found here:

Exhibit 3 (www.courts.ca.gov, pdf, <1 MB)

Questions and answers regarding Recognized Obligation Payment Schedules

Exhibit 4 (pdf, <1 MB)

Pass Through Payments

Exhibit 5 (pdf, <1 MB)

Questions and answers regarding redevelopment agency bonds:

Exhibit 6 (pdf, <1 MB)

Questions and answers regarding common dissolution issues:

Exhibit 7 (pdf, <1 MB)
Recognized Obligation Payment Schedule (ROPS III) Template and Instructions:

Instructions  (pdf, <1 MB)

Template  (xls, <1 MB)

Administrative Cost Caps:

Exhibit 9  (pdf, <1 MB)

Questioned and Approved SA Recognized Obligation Payments to be Paid by RPTTF:

Exhibit 12 (updated as of 7/9/12 at 5:15pm)  (xls, <1 MB)

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Hello Chris:

Yesterday, we made some changes in the true-up of the 1st ROPS for Vallejo because of the removal of some duplicated admin cost Vallejo indicated was reported in their ROPS which DOF approved. That led to a revision in their billing (see attached email) from our original billing on July 6, 2012. Later, they questioned another item and in reviewing Exhibit 12 yesterday, we noted some changes DOF made on July 9 which affected Vallejo’s ROPS. In our attached reconciliation (excel file), you will note that the original Exhibit 12 ROPS for Vallejo, the amount shown was $2,387,980 which excluded the $116,250. Our calculation for our original billing excluded the foregoing amount as well. In the July 9 ROPS, this amount was added back...resulting in our calculation amending the revised amount we sent you yesterday (attached email). In view of the updated Exhibit 12 as last revised on July 9 at 5:15pm, we are amending the billing to Vallejo. After all the corrections mentioned in the foregoing, the final billing for Vallejo per AB1484 is $192,747.23.

Also, we noted that the update in Exhibit 12 on July 9 brought changes to the following cities:

1. Suisun’s ROPS was revised to reflect the deletion of two items, namely: Audit Cost for $9,500 and the RDA Employee/Admin for $135,900. As a result we are revising the billing to Suisun from $411,872 to $557,272 an increase of $145,400 as reflected in Exhibit 12.
2. Also noted in the same update is a reduction in the ROPS for Fairfield in the amount of $685. We are not initiating any action to revise our previous billing to Fairfield. The billing for Fairfield remains at $10,113,839.08. The amount of adjustment is so insignificant and the cost of the effort to revise our calculation and the time constraint to do it do not justify that we need to correct the billing. We will note of this change and make the true up of the amount in the next ROPS payment to be done in January 2013. We have cc’d the City of Fairfield to note the change and the action we have taken when to effect the change.

Just an added thought. There has been a lot of confusion in this whole true-up process. The law (AB1484) was approved and the timeline established was so tight that it puts everyone in a very short notice to implement its provisions. What has compounded the problem is the uncertainty of the data being used because they are subject to change without much notice. We are aware of DOF’s standing instruction to keep everyone posted thru a series of updates in their website. However, given the complexity and the tedious process to perform the calculation, it left the Auditor’s Office in awe as to when to start the calculation to beat the deadline or wait for the latest update (whenever that is) so that we have the latest information to use. I hope that as we look forward and implement the rest of the ABX1 26, AB1484 and whatever is coming, it is suggested that DOF should develop a process on how these information can be relayed to everyone (Auditor-Controller, Successor Agencies, other interested parties). Without established procedures, this confusion, frustration, and revision will continue. I hope DOF will exert the effort in improving its communication channel for the benefit of everyone.

On a positive note, I would like to thank you Chris for your effort in trying to make yourself accessible to us in
some of our queries. I know with 400 RDAs statewide, you must be overwhelmed. It is not easy.

Thanks

Jun Adeva
Chief Deputy Auditor-Controller
Property Tax and Grants Division
Solano County Auditor-Controller's Office
675 Texas St., Suite 2810
Fairfield, CA 94533
Tel. No. (707) 784-3418
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August 27, 2012

Ms. Elena Adair, Assistant Finance Director
City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590

Dear Ms. Adair:

This letter is a follow-up to our July 20, 2012 letter in which the Department of Finance (Finance) asked the Successor Agency (Agency) to submit information related to the July billing dispute.

Finance contacted the Agency on July 20, 2012, regarding a discrepancy between the amount the Agency was billed on July 9, 2012 by the County Auditor-Controller (CAC) pursuant to Health and Safety Code (HSC) section 34183.5 (b) (2) (A) and the amount the Agency subsequently remitted to them on July 12, 2012. In our letter, Finance requested that the Agency provide any information that would justify the underpayment by July 31, 2012.

Finance has completed its review of the material submitted and its assessment of the Agency’s situation. While Finance does not have the statutory authorization to reduce the amount the Agency has been billed by the CAC, we do not intend to pursue either the civil penalties or the Sales and Use Tax offsets that may be levied when an Agency fails to pay the billed amount.

However, please be advised that pursuant to HSC section 34179.7, as a result of not paying the demand amount, Finance may be prohibited from issuing a Finding of Completion to the Agency. Receiving a Finding of Completion can allow a Successor Agency to do several things, including expend “stranded” bond proceeds for specified purposes, repay loans from the city to the former RDA that currently are not recognized as Enforceable Obligations, and transfer land to the city so that it may be used for the purposes identified in the original redevelopment plan.

We thank you for providing all requested information and for working cooperatively with our staff as they conducted their review. If you have any questions or concerns regarding this matter, please contact Justyn Howard, Assistant Program Budget Manager, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: County Auditor-Controller
Hello Justyn:

Appreciate your quick response. I guess I am somewhat confused. Mr Szalay’s letter is quoted in part:

1. "While Finance does not have the statutory authorization to reduce the amount the Agency (Vallejo) has been billed by the CAC (County Auditor-Controller)....
2. "However, please be advised that pursuant to HSC 34179.7, as a result of not paying the demand amount, Finance may be prohibited from issuing a Finding of Completion to the Agency."

My point is on item number 1. above... DOF may not have the authority to reduce the amount but I don’t think the statute prohibits either the CAC to correct the amount originally it billed to the Agency which in this case has reduced the billing from $300,000+ to $192,000+ based on the circumstances described in ACO’s email attached in the previous email. The amount demanded by CAC was for $192,000 and the Agency has complied by paying the corrected amount.

This brings us to item 2. above, which I underlined. Contrary to what the letter says, the Agency (Vallejo) has paid the corrected amount demanded by CAC which is $192,000.

If the “non-payment of the amount demanded” is the only item which may prohibit your office to issue a Finding of Completion, what I am asking is for DOF to please reconsider their position because based on the documentation ACO (not the Agency) provided, it shows that the Agency has paid the amount CAC has demanded.

Thanks

Jun

From: Redevelopment Administration [mailto:RedevelopmentAdministration@dof.ca.gov]
Sent: Tuesday, August 28, 2012 9:38 AM
To: Adeva, Jun; Redevelopment Administration
Cc: 'Elena Adair' (eadair@ci.vallejo.ca.us); Padilla-Scholtens, Simona J.; dlauchner@ci.vallejo.ca.us; Taynton, Phyllis; Suess, Evelyn; Hill, Chris; Dunham, Brian
Subject: RE: Vallejo July Billing Dispute Follow Up

Hi Jun,

I am not sure what you are asking us to do and I am not sure what you mean by “not acceptable.” As the letter stated we reviewed Vallejo’s situation and on the basis of that review we do not intend to seek penalties. That is an acknowledgement of the issue to which you refer. However, we also indicate in our letter that we don’t have the statutory authority to change the demand amount. Finally we state that we may not be able to issue a finding of completion. We are exploring some scenarios related to this right now and as such it is not clear
whether we can or cannot issue one at this time.

Thanks,

Justyn

From: Adeva, Jun [mailto:jAdeva@solanocounty.com]
Sent: Tuesday, August 28, 2012 7:52 AM
To: Redevelopment Administration
Cc: ‘Elena Adair’ (eadair@cl.vallejo.ca.us); Padilla-Scholtens, Simona J.; dlauchner@cl.vallejo.ca.us; Taynton, Phyllis; Suess, Evelyn; Hill, Chris; Dunham, Brian
Subject: FW: Vallejo July Billing Dispute Follow Up

Hello Mr Howard:

This email is in response to Mr Steve Szalay’s attached letter regarding an explanation relating to the “July billing dispute”. I was under the impression that after ACO’s attached email “Vallejo true-up” sent to you explaining the circumstances leading to a reduced amount Vallejo has to pay, this matter would be resolved. Also, I understand, Vallejo has sent the same explanation to DOF in this regard. In addition, around a week or two ago, I was on a telephone conversation (in response to his call) with Mr Brian Dunham reconciling the amount originally billed at $300,000+ down to $192,000+ and I thought we have cleared everything to connect the two figures together as to why the amount Vallejo paid was the correct amount.

I would appreciate if you could please respond to this email and let me know why the attached explanation is not acceptable and probably some direction on how we can resolve this issue. If this is the only item holding DOF from the issuance of a Finding of Completion to Vallejo, I request for you to please reconsider it based on the explanation illustrated on spreadsheet attached to our email.

If you have any question, please call...

Thanks

Jun Adeva
Chief Deputy Auditor-Controller
Property Tax and Grants Division
Solano County Auditor-Controller’s Office
675 Texas Street, Suite 2800
Fairfield, CA 94533
Tel No. (707) 784-3418

From: Redevelopment Administration [mailto:RedevelopmentAdministration@dof.ca.gov]
Sent: Monday, August 27, 2012 7:08 PM
To: eadair@cl.vallejo.ca.us; Padilla-Scholtens, Simona J.; Adeva, Jun
Subject: Vallejo July Billing Dispute Follow Up

Please see the attached follow up letter related to the Department of Finance’s (Finance) July 20, 2012 letter in which Finance asked the Successor Agency to submit information related to the July billing dispute.

Department of Finance
Redevelopment Agency Administration

NOTICE OF CONFIDENTIALITY: This e-mail message, including any
September 4, 2012

Mark Hill, Program Budget Manager
Department of Finance
915 L Street, Floor 8
Sacramento, CA 95814-3706
Redevelopment_administration@dof.ca.gov

Dear Mr. Hill:

This letter is being provided with the Successor Agency to the Redevelopment Agency of the City of Vallejo’s ROPS III submittal and will serve as an explanation of some of the notes you will find on our ROPS III.

On June 18, 2012, the Successor Agency sent a letter to you in response to the Department of Finance’s ROPS approval letter dated May 30, 2012 (Exhibit A). In our letter we strenuously disputed the Department’s denial of item 3 (Six Flags Parking Obligation) listed on page one of the submitted ROPS form. The Successor Agency’s letter clearly outlined the enforceable nature of this obligation and the Successor Agency has requested to meet with the Department to resolve this issue.

On July 9, 2012, the County Auditor Controller sent the Successor Agency an invoice as required under AB1484. The Successor Agency contacted the County to inform them the invoice was incorrect and we worked together to fix the issues and agree on the settle-up amount. Those issues are outlined as follows and supported by the documents in Exhibit B:

The Department of Finance originally listed the ROPS I funding available as $2,387,980. This amount incorrectly omitted an approved 1990 Bond obligation in the amount of $116,250. The 1990 Bond obligation had not been disallowed by the Department of Finance; it was simply left out of the total on DOF Schedule 12. Please note this issue presented itself again on our ROPS II when the Successor Agency was denied the full amount of approved funding based the Department’s erroneous omission from Schedule 12 of the debt obligations listed on lines 19 and 20 which equate to $331,451 and are required to meet a bond obligation. This will be discussed later.

On July 9, 2012 after 5:00 p.m., the DOF Schedule 12 was updated and the amount of allowed funding was increased by $116,120 to $2,504,100. This was still $130 short of the bond obligation payment as approved by the Department of Finance on May 30, 2012.
On July 10, the County Auditor Controller sent the Department of Finance a revised invoice for the Successor Agency in Vallejo. This revised invoice was for $192,747.23 and the Successor Agency paid that amount in full on July 12, 2012 as required by law.

On August 27, 2012, the Successor Agency received a letter from Mr. Steve Szalay at the Department of Finance. This letter states that the Successor Agency to the Redevelopment Agency of the City of Vallejo did not pay the amount the Agency was billed by the County Auditor Controller and the Department of Finance may be prohibited from issuing a “Finding of Completion” to the Agency.

On August 28, 2012, the County Auditor Controller sent an email in response to this letter. The County Auditor Controller protested the information that is outlined in Mr. Szalay’s letter. The County Auditor Controller noted that the City had in fact paid the proper amount as demanded and disputed the Department of Finance’s contention that it might be prohibited from issuing this “Finding of Completion.”

The Department of Finance has listed the ROPS II funding available as $1,293,101. This amount excludes $331,451 for the 2001 Bond obligation and trustee administrative fees which the Department has accepted as approved enforceable obligations shown on lines 19 and 20. In other words this obligation was simply left out of the total on DOF Schedule 12 for ROPS II, apparently as the result of a clerical error. The County Auditor Controller is aware of this clerical error and we believe that they are currently holding the $331,451 in the Successor Agency’s RPTTF pending correction of this error. To facilitate that correction we have included this amount again on Line B of the Successor Agency’s ROPS III. The amount in Line B of $1,739,306 includes $1,407,855 being funded through use of current period RPTTF funding and $331,451 of ROPS II RPTTF funding that we believe the County still retains. The Department’s clerical error needs to be remedied so the Successor Agency can pay the 2001 Bond obligation with RPTTF monies held by the County. The Successor Agency is requesting to meet with the Department of Finance to resolve this clerical error and provide the correct funding as approved by the Department of Finance on May 30, 2012. (Exhibit C, Form C, Item 19)

The Successor Agency does not have excess cash and, in order for the Successor Agency to meet the Six Flags obligation and its other enforceable obligations, all available balances need to be applied to those projects now. The on-going RPTTF available for obligations is not sufficient to be able to make up for these funding short-falls. The Successor Agency is again requesting to meet and confer with the Department of Finance on these issues so they can be resolved and the obligations can be met.

Sincerely,

[Signature]

Daniel E. Keen
City Manager for the Successor Agency

Cc: Congressman Mike Thompson
    State Senator Lois Wolk
    State Assemblymember Susan A. Bonilla
    State Assemblymember Michael Allen
    Simona Padilla-Scholtens, Solano County Auditor Controller
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO

CALIFORNIA REDEVELOPMENT ASSOCIATION, COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY, MADERA REDEVELOPMENT AGENCY and JOHN F. SHIREY, an individual,

Petitioners and Plaintiffs,

v.

MICHAEL C. GENEST, Director of the Department of Finance, and ROBERT E. BRYD, Auditor-Controller of the County of Riverside on his own behalf and as the representative of all other County Auditors in the State of California, and Does 1 through 30,

Respondents and Defendants.

RULING ON SUBMITTED MATTER

Petitioners challenge the constitutionality of Health and Safety Code sections 33685 through 33689, statutory provisions requiring each California redevelopment agency to transfer a specified amount of its funds to the Educational Revenue Augmentation Fund ("ERAF") in its county. Petitioners contend that these statutory provisions are unconstitutional on their face and as applied. In particular, petitioners contend that the statutory provisions violate article XVI, section 16 of the California Constitution which authorizes the Legislature to provide for the financing of redevelopment projects with property tax increment revenues; the prohibition on the impairment of contractual obligations under article I, section 9 of the California Constitution and
article I, section 10 of the United States Constitution; and the prohibition on the taking of property without just compensation in violation of article I, sections 7 and 19 of the California Constitution and the Fifth Amendment to the United States Constitution. Petitioners seek declaratory, mandamus and injunctive relief preventing respondents from implementing and enforcing sections 33685 through 33689.

BACKGROUND

The California Redevelopment Law ("CRL": Health and Safety Code section 33000 et seq.) provides for the redevelopment of blighted urban areas by an agency specially formed for that purpose by the legislative body of a local government, including a city council and a county board of supervisors. (§§ 33030 et seq., 33100 et seq.) Among the purposes of the CRL are an expansion of the supply of low- and moderate-income housing; an expansion of employment opportunities for jobless, underemployed and low-income persons; and the provision of an environment for social, economic, and psychological growth and well-being of citizens. (§ 33071.)

To finance its redevelopment projects, a redevelopment agency redevelopment agency ("RDA") may obtain grants or loans from any public or private source, issue bonds, and invest moneys held in reserves or sinking funds or not required for immediate disbursement. (§§ 33600, 33601, 33602, 33603, 33640 et seq.) An RDA lacks the power to levy taxes for the purpose of raising revenues to repay the indebtedness it incurs in redevelopment activities, but it may use tax increment revenues pursuant to article XVI, section 16 of the California Constitution ("section 16") and the statutory provisions implementing section 16 in sections 33670 et seq. of the CRL.

Tax increment financing has been a part of the California Constitution since November 1952 when it was adopted by voters as former section 19 of article VIII, to be later renumbered as section 16 of article XVI. (See Request for Judicial Notice in Support of Petition for Writ of Mandate and Complaint, Exhibits 9, 10.) Section 16 provides a method of financing

1 All further statutory references are to the Health and Safety Code unless otherwise noted.
redevelopment with tax revenues derived from increases in the assessed value of real property
within a redevelopment project area. The method is "self-liquidating" and avoids burdens on the
general funds of local governments or increases in property tax rates to pay for redevelopment.
( Ibid. See Exhibit 8 (Report of the Joint Senate-Assembly Interim Committee on Community
Redevelopment and Housing Problems, June 13, 1951, p. 22.)

Specifically, section 16 authorizes the Legislature to enact and implement a method
of financing redevelopment projects with tax increment revenues in the following manner:
When a redevelopment project is approved and the assessed value of taxable property in the
project area increases as a result of redevelopment activities, the taxes levied on such property
are divided between the taxing agency and the RDA. ( See Craig v. City of Poway (1994) 28
Cal.App.4th 319, 325, citing Redevelopment Agency v. County of San Bernardino (1978) 21
Cal.3d 255, 259 and Bell Community Redevelopment Agency v. Woosley (1985) 169 Cal.App.3d
24, 27.) The taxing agency receives the taxes levied and collected on the assessed value of the
property at the time the project is approved, and the additional taxes generated by the increase in
the assessed value of the property -- the tax increment -- is deposited in a special fund for use by
the RDA in repaying indebtedness incurred in financing the project. ( Ibid.)

As explained in the 1952 ballot pamphlet materials for section 16's predecessor
(Request for Judicial Notice in Support of Petition for Writ of Mandate and Complaint, Exhibit
10), the constitutional provisions are permissive in character and become effective only by the
acts of the Legislature and the legislative body of an RDA. The provisions empower the
Legislature to provide for the division of tax revenues in a redevelopment area and to enact those
laws necessary to enforce that division. ( Ibid.) The provisions empower an RDA to use the tax
increment provisions separately or in combination with other powers granted by the CRL and
other laws pertaining to RDAs. ( Ibid.)

In implementing section 16 since 1952, the Legislature seeks to fulfill the intent of
the voters approving section 16 whenever the provisions of section 16 require the allocation of
money between agencies. ( § 33670.5.) In that context, the Legislature has regulated the use of
tax increment revenues by RDAs in various ways. In particular, the Legislature has:
• limited the time period for repayment of indebtedness with tax increment revenues
  ($§ 33333.2, 33333.6) and the amount of bonded indebtedness repayable with tax increment
  revenues ($§ 3334.1);
• required RDAs to pay tax increment revenues to taxing agencies burdened by redevelopment
  projects ($§ 33607.5, 33607.7);
• authorized county auditors to deduct their costs of assessing, collecting and allocating
  property tax revenues for other jurisdictions, including tax increment for RDAs, from the
  allocations of the other jurisdictions (Rev. & Tax. Code § 95.3; Community Redevelopment
  Agency v. County of Los Angeles (2001) 89 Cal.App.4th 719);
• required RDAs to use 20 percent of their tax increment revenue to increase, improve, and
  preserve low- and moderate income housing ($§ 33334.2).

In a number of fiscal years since 1992, including the 2008-2009 fiscal year at issue in
this proceeding, the Legislature has required RDAs to transfer specified amounts of their legally
available funds to their county ERAF. (See former $§ 33681 (1992-1993), former $§ 33681.5
2005, 2005-2006), $§ 33685 (2008-2009).) The total amount to be transferred by RDAs during
the 2008-2009 fiscal year is, as determined by respondent Director of Finance, the greater of
$350,000 or five percent of the tax increment revenue apportioned to RDAs. ($§ 33685, subd.
(a)(2)(A).) This total amount is apportioned among the RDAs by the Director of Finance
pursuant to specified formulas ($§ 33685, subd. (a)(2)(B)-(J)), and he notifies each RDA,
legislative body and county auditor of the amount to be transferred by the RDA to the county’s
ERAF on or before May 10, 2009. ($§ 33685, subd. (a)(2)(K).) The amount is declared to be an
indebtedness of the redevelopment project to which it relates, payable from tax increment
revenues allocated to the RDA until paid in full. ($§ 33685, subd. (e).)

An RDA may make the ERAF transfer required by section 33685 in the 2008-2009
fiscal year using any funds that are “legally available and not legally obligated for other uses,
including . . . reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness,
lease revenues, interest and other earned income.” When the RDA has insufficient funds to make
the full ERAF transfer, it may borrow up to 50 percent of the amount to be allocated to low- and
moderate-income housing under sections 33334.2, 33334.3 and 33334.6 in specified
circumstances; borrow from its legislative body; or borrow from a joint powers agency. (§
33685, subds. (b) and (d), § 33686, § 33688.) The obligation to make the transfer is subordinate
to the lien of any pledge of collateral securing the payment of the principal or interest on any
bonds of the RDA, including bonds secured by a pledge of tax increment revenues. (§ 33685,
subd. (a)(3).)

As in the case of required ERAF transfers by RDAs in previous fiscal years since
1992-1993, the ERAF transfers required during the 2008-2009 fiscal year are based on legislative
findings and declarations in subdivision (a) of section 33680 regarding the relationship between
redevelopment purposes and adequately funded school operations: "[T]he effectuation of the
primary purposes of the Community Redevelopment Law, including job creation, attracting new
private commercial investments, the physical and social improvement of residential
neighborhoods, and the provision and maintenance of low- and moderate-income housing, is
dependent upon the existence of an adequate and financially solvent school system which is
capable of providing for the safety and education of students who live within both redevelopment
project areas and housing assisted by redevelopment agencies. The attraction of new businesses
to redevelopment project areas depends upon the existence of an adequately trained work force,
which can only be accomplished if education at the primary and secondary schools is adequate
and general education and job training at community colleges is available. The ability of
communities to build residential development and attract residents in redevelopment project
areas depends upon the existence of adequately maintained and operating schools serving the
redevelopment project area. The development and maintenance of low- and moderate-income
housing both within redevelopment project areas and throughout the community can only be
successful if adequate schools exist to serve the residents of this housing." ²

² For purposes of the CRL, "community" is defined as "a city, county, city and county, or Indian tribe, band,
or group which is incorporated or which otherwise exercises some local governmental powers." (§33002.) The
community of an RDA is the city, county or city and county whose legislative body has organized the RDA. (See §§
33100-33101)
The ERAF transfers for the 2008-2009 fiscal year are further based on legislative findings and declarations in subdivision (d) of section 33680 which are similar to legislative findings and declarations with respect to ERAF transfers required during previous fiscal years:

"(1) Because of reduced funds available to the state to assist schools that benefit and serve redevelopment project areas during the 2008-2009 fiscal year, it is necessary for redevelopment agencies to make additional payments to assist the programs and operations of these schools to ensure that the objectives stated in this section can be met. [¶] (2) The payments to schools pursuant to Section 33685 are of benefit to redevelopment project areas."

Reflecting the foregoing legislative findings and declarations, subdivision (f) of section 33685 states the intent of the Legislature that the RDAs’ ERAF transfers during the 2008-2009 fiscal year “directly or indirectly assist in the financing or refinancing, in whole or in part, of the community’s redevelopment project pursuant to section 16 of Article XVI of the California Constitution.”

Petitioner Community Redevelopment Agency of the City of Moreno Valley has mentioned legislatively required ERAF transfers by RDAs in the discussion of risk factors associated with tax allocation bonds secured by tax increment revenues and issued in 2007 to fund various redevelopment activities. (See Request for Judicial Notice in Support of Petition for Writ of Mandate and Complaint, Exhibit 20, pp. 10-13, 27-28.) The indenture for the 2007 bonds states: “Tax Revenues received by the Agency may be reduced by specific legislative shifts in property tax allocations. . . . [¶] Based on the foregoing, investors should assume that there may be reductions in Tax Increment Revenues available to the Agency, which will in turn reduce those moneys available as Tax Revenues. The magnitude of such reductions cannot be quantified at this time, but it may be substantial and affect multiple years.” (Id., pp.27-28.)

Similarly, petitioner Madera Redevelopment Agency has specified a risk for owners of tax allocation bonds it issued in 2008 and secured by tax increment: “Given the level of the State’s budget deficit problems, it is possible that tax increment available for payment of the Bonds may be reduced in the future by actions of the State Legislature and the Agency’s ability
to pay debt service on the Bonds may be impaired. (See Second Request for Judicial Notice in Support of Petition for Writ of Mandate and Complaint, Exhibits 32, pp. 16ff.; Exhibit 34.)

ANALYSIS OF CONTENTIONS

Section 16

Petitioners contend that section 16 creates a special fund for tax increment revenues which secure bonds and other forms of indebtedness issued by RDAs to finance projects for the elimination of urban blight pursuant to the CRL. According to petitioners, the transfers of tax increment revenues to ERAF required by sections 33685 through 33689 impermissibly divert their function as a source of security and repayment for RDAs’ bonds and other forms of indebtedness, thereby jeopardizing repayment of the indebtedness, severely reducing or eliminating the marketability of the bonds, and depriving the RDAs of the stable, long-term source of revenues intended by section 16 for the financing of redevelopment projects.

Petitioners further contend that the legislative findings and declarations in sections 33680 and 33685, specifying that the achievement of CRL purposes depends on adequately funded school operations and declaring that the ERAF transfers of tax increment benefit redevelopment projects, are false and do not warrant the presumption of correctness usually accorded legislative findings. In petitioners’ view, the ERAF transfers do not serve any redevelopment purpose in accordance with the requirements of section 16; rather the transfers are actually intended to reduce the state’s obligation to fund schools imposed by Proposition 98 during a period of severe budgetary constraints, while the procedures used to distribute the transferred funds from ERAFs to schools under Government Code section 97.3 provide no

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1 As a preliminary matter, respondent Genest concedes that petitioner Shirey has taxpayer standing to assert a facial challenge to the constitutionality of sections 33685 through 33689 but denies that petitioners Moreno Valley RDA, Madera RDA and California Redevelopment Association have standing to assert any claim under the holding of San Miguel Consolidated Fire Protection District v. Davis (1994) 25 Cal.App.4th 134, 143-145. Because the court resolves this case on the facial challenge to sections 33685 through 33689 which petitioner Shirey has standing to bring, the court may proceed to address the challenge whether or not petitioners Moreno Valley RDA, Madera RDA and California Redevelopment Association also have standing. The court notes, however, that a public agency like an RDA may have standing to challenge the constitutionality of a statute where the statute has a significant and direct effect on the agency’s performance of its duties. (See, e.g., Selinger v. City Council (1989) 216 Cal.App.3d 259; Jefferson Union School Dist. v. City Council (1954) 129 Cal.App.2d 264, 267.) Here, sections 33685 through 33689 directly impact tax increment financing which is critical to the operations of the Moreno Valley and Madera RDAs and the members of the California Redevelopment Association.
assurance that the funds will be distributed to schools serving students within the redevelopment project area or will otherwise benefit the project. Petitioners argue that the Legislature could similarly and improperly require RDAs to transfer tax increment revenues to local governments for the provision of other public services like law enforcement on the basis of arbitrary claims that the achievement of redevelopment purposes depend on the adequate funding of such other services and that tax increment revenues are needed for adequate funding of the services.

Finally, petitioners contend that the required ERAF transfers do not constitute "indebtedness" of the RDAs payable or repayable with tax increment revenues under the terms of section 16 and case law which construes section 16 indebtedness to include all obligations incurred by the RDAs under executory contracts, performed contracts, or repayment provisions of the RDAs' bonds and loans. (See Marek v. Napa Community Redevelopment Agency (1988) 46 Cal.3d 1070, 1082.)

Section 16 gives the Legislature broad authority and discretion to enact laws implementing and enforcing its provisions. That authority and discretion, however, is not unbounded. The Legislature must implement section 16 in a manner consistent with the terms of section 16 and the intent of the voters when they approved the section, to provide a method of financing redevelopment projects with tax increment revenues. (See § 33670.5; Request for Judicial Notice in Support of Petition for Writ of Mandate and Complaint, Exhibit 10.) Acting consistent with that intent, the Legislature may enact laws to govern the handling and use of tax increment revenues to finance redevelopment projects under the CRL, but it may not enact laws allocating tax increment revenues for purposes unrelated to redevelopment. In contrast to the Legislature's authority under article XIII A of the California Constitution (Proposition 13) to allocate local property tax revenues among local governments and schools as it deems reasonable (County of Sonoma v. Commission on State Mandates (2000) 84 Cal.App.4th 1264, 1281-1282, citing Amador Valley Joint Union High School District v. State Board of Equalization (1978) 22 Cal.3d 208, 208, 226-227, County of Los Angeles v. Sasaki (1994) 23 Cal.App.4th 1442, 1457, and Arcadia Redevelopment Agency v. Ikemoto (1993) 16 Cal.App.4th 444, 453), the Legislature
cannot properly dispense with the constitutional allocation of tax increment revenues to the 
financing of redevelopment projects pursuant to section 16.

The Legislature was clearly cognizant of and sought to comply with this
constitutional allocation of tax increment revenues when it enacted sections 33685 through
33689 and amended section 33680. Through the findings and declarations in subdivisions (a)
and (d) of section 33680, the Legislature sought to link the achievement of the primary economic
and residential development purposes of the CRL with the required payments by RDAs to county
ERAFs for distribution to schools serving students who live in redevelopment project areas and
in housing assisted by the projects. Similarly, in subdivisions (e) and (f) of section 33685, the
Legislature characterized the required ERAF transfers as indebtedness of the redevelopment
projects to be repaid in full with tax increment revenues received by the RDAs, and expressed its
intent that the ERAF transfers directly or indirectly assist in the financing of redevelopment
projects pursuant to section 16.

These legislative findings and declarations are entitled to judicial deference.

Generally, a legislative determination of facts justifying specific enactments “must not be set
aside or disregarded by the courts unless the determination is clearly and palpably wrong and the
error appears beyond reasonable doubt from facts and evidence which cannot be controverted and
of which the court may properly take notice.” (Lockard v. City of Los Angeles (1949) 33 Cal.2d
1221.) If the reasonableness of legislative findings is fairly debatable rather than palpably
arbitrary on the face of the findings and on the basis of judicially noticeable facts, the court
cannot review and question their factual adequacy. (Ibid.). This standard of judicial deference is
particularly appropriate where, as here, the legislative findings and declarations implicate the
Legislature’s taxing and budgeting authority. (Schabarum v. California Legislature, supra, 60
Cal.App.4th at 1220-1221.) Contrary to petitioners’ assertions, the independent judicial review
of legislative findings sanctioned in Professional Engineers v. Department of Transportation
(1997) 15 Cal.4th 543, 568-569, 572-573, and Spiritual Psychic Science Church v. City of Azusa
(1985) 39 Cal.3d 501, 514, has no application here where no constitutional mandate, right of free
speech or other fundamental right is involved. As stated in the ballot pamphlet materials for the
predecessor of section 16 (former section 19 of article XIII), the Legislature’s authority under
section 16 to enact laws to govern the handling and use of tax increment revenue for the
financing of redevelopment projects is permissive in character. (See Request for Judicial Notice
in Support of Petition for Writ of Mandate and Complaint, Exhibit 10, pp. 19-20.)

Here, many of the findings and declarations providing the Legislature’s justification
for the required transfers by RDAs to county ERAFs are at least reasonably debatable. The court
cannot dispute the existence of some relationship between the achievement of economic and
residential redevelopment purposes and the adequate funding of school programs and operations
to educate students living within redevelopment project areas and housing assisted by RDAs.
The relationship may be considerably more attenuated and indirect than the relationship between
redevelopment purposes and the required set-aside of tax increment revenues for low- and
moderate income housing (§ 33334.2) or the required payments to “affected taxing entities”
burdened by redevelopment projects (§§ 33607.5, 33607.7), but the relationship nonetheless has
a conceivable basis in fact and logic to reasonably relate ERAF transfers and redevelopment
purposes. That the transfers may also assist the State in meeting its educational funding
obligations under Proposition 88 in times of budgetary constraints does not undermine the
legislative findings and declarations of the relationship between the achievement of
redevelopment purposes and adequately funded school operations: the ERAF transfers may
serve redevelopment purposes while also helping to meet Proposition 88 educational funding
requirements.

Also not reviewable or disputable by the court are the characterizations of the
required ERAF transfers in subdivisions (e) and (f) of section 33685 as indebtedness of
redevelopment projects to be fully paid by tax increment revenues received by RDAs and as a
means of financing development projects pursuant to section 16. Petitioners give an unduly
narrow meaning and scope to the term “indebtedness” under section 16 by relying exclusively on
Marek v. Napa Community Redevelopment Agency, supra, 46 Cal.3d 1070. In Marek, a county
auditor had refused to recognize an RDA’s executory contractual obligations as indebtedness
payable under section 16 with tax increment revenues; the court concluded that indebtedness under section 16 included the RDA’s executory obligations and that the auditor was required to pay the RDA tax increment for such indebtedness, a result consistent with the intent of section 16 to provide a reliable source of funds to pay all indebtedness incurred in the process of redevelopment. *(Id. at p. 1082, 1087.)* The court in *Marek* had no occasion to consider whether “indebtedness” within the meaning and intent of section 16 properly includes requirements for the use of tax increment revenues imposed on RDAs by the Legislature pursuant to its authority under section 16, including such requirements that RDAs set aside tax increment for low- and moderate housing, make payments of tax increment to agencies burdened by redevelopment projects, or incur indebtedness payable with tax increment revenues for payments to their county ERAFs.

Neither the terms nor legislative history of section 16 suggests that specific legislative requirements for the use of tax increment revenues have been improperly characterized by the Legislature as indebtedness under section 16 or are otherwise inconsistent with the intent of section 16. Petitioners’ contention that the ERAF transfers will deprive the RDAs of the stable, long-term source of revenues intended by section 16 for the financing of redevelopment projects is largely based on speculation. Without any indication that ERAF transfers during past fiscal years have reduced or eliminated the marketability of bonds secured by tax increment, petitioners speculate that the required ERAF transfers could significantly impair tax increment revenues as a source of security and repayment for RDAs’ bonds and other indebtedness. In addition, petitioners do not take into account various safeguards for tax increment financing provided by the Legislature in the course of requiring the ERAF transfers: subordinating the ERAF transfers to the lien of tax increment revenues securing RDAs’ bonds (§33685, subd. (a)(3)); deeming the ERAF transfers themselves to be an indebtedness fully

---

4 The relatively small amount of the total ERAF transfers of tax increment required during the 2008-2009 fiscal year — 350 million dollars — is suggested by the figures in the State Controller’s Community Redevelopment Agencies Annual Report for the fiscal year ending June 30, 2007, attached as Exhibit 22 to petitioners’ Request for Judicial Notice in Support of Petition for Writ of Mandate and Complaint. Total outstanding long-term debt in the form of tax allocation bonds was 17 billion dollars.
payable with tax increment revenues (§ 33685, subd. (c)); and permitting those RDAs unable to
make the full amount of the ERAF transfers may borrow from their tax increment revenues
allocated to low- and moderate income housing, from their legislative bodies and from joint
powers agencies. (§ 33685, subs. (b) and (d), § 33686, §33688.) And petitioners speculate that
the Legislature might require the RDAs to transfer substantially larger amounts of tax increment
to their county ERAFs or that the Legislature might require RDAs to transfer tax increment to
local taxing agencies for the funding of such public services as law enforcement and fire
protection -- hypothetical legislation which is not before the court and may never materialize.

Petitioners are correct in contending, however, that the required payments by RDAs
to their county ERAFs during the 2008-2009 fiscal year are inconsistent with the intent of section
16 to use tax increment revenue for the financing of redevelopment projects insofar as tax
increment revenues paid into the ERAFs are unlikely to be distributed from the ERAFs for
educational purposes related to the redevelopment projects.5

Under the provisions of the Revenue and Taxation Code, each county has an ERAF
into which the county, city and county, cities within the county and special districts are required
to annually deposit certain amounts of their property tax revenues. (Rev. & Tax. Code §§ 97.2,
97.3, subd. (d)(1).) During the 2008-2009 fiscal year, any redevelopment agency of the county
and any redevelopment agency of cities within the county are required by subdivision (a) of
section 33685 to contribute certain amounts to their county ERAFs. The amount of revenue in
the county ERAF from any source is then allocated pursuant to subdivision (d)(2) of section 97.3
to school districts within the county in inverse proportion to the amounts of property tax revenue
per average daily attendance in each school district and to the county office of education on the

5 Although, as respondent Genest observes, RDAs may use any legally available funds other than tax
increment revenues to pay their ERAF obligations under subdivision (a) of section 33685 (§ 33685, subd. (c)), tax
increment revenues are the RDAs' primary source of financing their activities, hence a likely component of their
ERAF obligations. (See, e.g., Marek, supra, 46 Cal.3d at 1082; Arcadia Redevelopment Agency v. Ikemoto (1993)
16 Cal.App.4th 444, 451.) In addition, because the RDAs' ERAF obligations are deemed to be indebtedness payable
with tax increment revenues (§33865, subd. (e)), the RDAs' ERAF obligations have a direct connection with and
impact on the tax increment revenues received by RDAs pursuant to section 16 and section 33870. Finally,
subdivision (f) of section 33685 express the legislative intent that the ERAF payments contribute directly or
indirectly to the financing of the community's redevelopment project pursuant to section 16, the constitutional
provision establishes a method of using tax increment revenues to finance redevelopment.
basis of the historical split of base property tax revenue between the county office of education
and school districts within the county. Any ERAF funds remaining after these allocations, are
distributed to special education programs within the county.

Notably, the ERAF funds are distributed without any procedures to assure that the
schools and educational programs receiving funds contributed by the city RDAs are serving
students within the redevelopment project areas or communities of the city RDAs or are serving
students living in housing assisted by the contributing city RDAs. Similarly, the ERAF funds
contributed by the county RDA are distributed without any procedures to assure that the schools
and educational programs receiving the funds are serving students living within the
redevelopment project areas or community of the county RDA or are serving students living in
housing assisted by the contributing county RDA. These circumstances directly undermine the
findings and declarations in subdivisions (a) and (d) of section 33680 delineating the benefits
provided to redevelopment projects by adequately maintained schools serving students living in
redevelopment areas or communities and in housing assisted by RDAs. As a result, the
justifications provided by the findings and declarations in subdivisions (a) and (d) of section
33680 for the ERAF payments required by section 33865 are eviscerated. Moreover, the
circumstances of the ERAF distributions make it probable that ERAF contributions of the RDAs
will be distributed to some schools unrelated to the RDAs’ redevelopment projects, in
contravention of subdivision (e) of section 33685 declaring the ERAF contributions to be an
indebtedness of the related redevelopment projects, payable from tax increment revenues
received by the RDAs.\footnote{The “community” of an RDA is the city, county or city and county whose legislative body has organized the RDA. (See §§ 33002, 33100-33101)}\footnote{Funds contributed to the county ERAFs by RDAs may be distributed to the county or cities within the county rather than to school districts or county education programs when either the “Triple Flip” under Revenue and Taxation Code section 97.68 or the “Vehicle License Fee Swap” under Revenue and Taxation Code section 97.70 is triggered. These are complex procedures designed to compensate California counties and cities for revenue losses resulting from the state’s 0.25 percent suspension of the local sales and use tax authority in the case of the Triple Flip and from the state’s reduction in vehicle license fees in the case of the VLF Swap. ERAF funds may be distributed to the counties and cities rather than to school districts and education programs in certain circumstances to compensate them for their revenue losses. The regularity and frequency of such ERAF distributions is not apparent from the statutory scheme.}
In sum, the distribution of contributions by RDAs to their county ERAFs in accordance with the requirements of section 33685 can be expected to regularly result in the use of RDAs' tax increment revenues by schools and education programs unrelated to the RDAs' redevelopment projects. Thus, section 33685, in its general and ordinary operation, inevitably conflicts with and violates the terms and intent of section 16, to allocate tax increment revenues to the financing of redevelopment projects.³

Constitutional Prohibitions on Impairment of Contracts and Taking of Property

Because the court has determined that the section 33865 is facially unconstitutional, the court need not resolve petitioners' contention that the statute also violates the prohibitions on the impairment of contracts and the taking of property without just compensation under the California and United State Constitutions.

DISPOSITION.

The petition is granted in part. Petitioners are entitled to declaratory and injunctive relief invalidating and enjoining the operation of Health and Safety Code section 33875. Counsel for petitioners shall prepare a proposed judgment consistent with this ruling, serve it on counsel for respondents for approval as to form and submit it to the court for processing pursuant to rule 3.1312 of the California Rules of Court.

Dated: April 30, 2009

[Signature]

LLOYD G. CONNELLY
Judge of the Superior Court

³ In facially challenging the constitutionality of a statute, petitioners must demonstrate that the statute's provisions inevitably pose a present total and fatal conflict with applicable constitutional prohibitions. (Pacific Legal Foundation v Brown (1981) 29 Cal.3d 168, 180-181.) The minimum showing required for a facial challenge is that the statute is unconstitutional "in the generality or great majority of cases" (San Remo Hotel v City and County of San Francisco (2002) 27 Cal.4th 643, 673.) While the court may not facially invalidate a statute on the basis of a suggestion that constitutional problems may arise in some future hypothetical situation, the court may not facially uphold the statute simply because in some hypothetical situation it might lead to a permissible result." (California Teachers Assn v State of California (1999) 20 Cal.4th 327, 347.)
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO

CALIFORNIA REDEVELOPMENT
ASSOCIATION, COMMUNITY
REDEVELOPMENT AGENCY OF THE
CITY OF MORENO VALLEY, MADERA
REDEVELOPMENT AGENCY and JOHN F.
SHIREY, an individual,

Petitioners and Plaintiffs,

v.

MICHAEL C. GENEST, Director of the
Department of Finance, and ROBERT E. BRYD,
Auditor-Controller of the County of Riverside on
his own behalf and as the representative of all other
County Auditors in the State of California, and
Does 1 through 30,

Respondents and Defendants.

This action for declaratory, injunctive and mandamus relief came on regularly for
hearing on March 13, 2009, in Department 33 of the above-entitled court, the Honorable Lloyd
G. Conneily presiding. Attorneys Richard E. Brandt and T. Brent Hawkins of McDonough
Holland & Allen PC appeared for petitioners and plaintiffs. Stephen Acquisto, Supervising
Deputy Attorney General, appeared for respondent and defendant Michael C. Genest. Pamela J.
Walls, Riverside County Counsel, appeared telephonically for respondent and defendant Robert
E. Byrd and the defendant class of county auditors in the California counties listed in the class
certification order filed February 6, 2009.
The court, having considered the documentary evidence and the written and oral arguments of the parties, and having filed a Ruling on Submitted Matter on April 30, 2009, which is incorporated herein by reference,

IT IS ORDERED, ADJUDGED AND DECREED that:

1. Health and Safety Code section 33685 violates article XVI, section 16 of the California Constitution by requiring redevelopment agencies established under the Community Redevelopment Law, Health and Safety Code section 33000 et seq., to make payments during the 2008-2009 fiscal year to the Educational Revenue Augmentation Fund established by Revenue and Taxation Code section 95.3. As explained in the Ruling on Submitted Matter filed April 30, 2009, such payments will result, wholly or partially, in the reallocation and use of tax increment revenues generated by the agencies' redevelopment projects for purposes unrelated to the agencies' redevelopment projects and communities, contrary to the terms and intent of article XVI, section 16. Therefore, the provisions of Health and Safety Code section 33685 requiring the payments and the related provisions of Health and Safety Code sections 33686 through 33689 specifying procedural and substantive requirements for the payments are invalid and unenforceable.

2. Upon receiving personal service of this Judgment, respondent and defendant Michael C. Genest, respondent and defendant Robert E. Byrd, the county auditors in the defendant class represented by respondent and defendant Byrd, and their agents, officers, employees and representatives are enjoined from taking any actions to carry out or enforce any of the payment requirements in Health and Safety Code sections 33685 through 33689.

3. Petitioners and plaintiffs shall recover their costs of suit in the amount of $_______ pursuant to rule 3.1700 of the California Rules of Court.

4. The court reserves jurisdiction to hear and decide a motion for attorney fees, if any, pursuant to rule 3.1702 of the California Rules of Court.

Dated: May 7, 2009

[Signature]

I. LOYD G. CONNELLY
Judge of the Superior Court
SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SACRAMENTO

CALIFORNIA REDEVELOPMENT  
ASSOCIATION, COMMUNITY  
REDEVELOPMENT AGENCY OF THE  
CITY OF MORENO VALLEY, MADERA  
REDEVELOPMENT AGENCY and  
JOHN F. SHIREY, an individual

v.

MICHAEL C. GENEST, Director of the  
Department of Finance, and ROBERT E.  
BRYD, Auditor-Controller of the County of  
Riverside on his own behalf and as the  
representative of all other County Auditors  
in the State of California, and Does 1-30

Case Number: 34-2008-00028334-CU-WM-GDS

CERTIFICATE OF SERVICE  
BY MAILING (C.C.P. Sec. 1013a(4))

I, the Clerk of the Superior Court of California, County of Sacramento, certify that I am not a party to this cause, and on the date shown below I served the foregoing JUDGMENT by depositing true copies thereof, enclosed in separate, sealed envelopes with the postage fully prepaid, in the United States Mail at 720 9th Street, Sacramento, California, each of which envelopes was addressed respectively to the persons and addresses shown below:

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McDonough Holland & Allen PC  
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Sacramento, CA 95814

Stephen P. Acquisto  
Attorney General  
1300 I St #125  
Sacramento, CA 95814

Pamela Walls  
Riverside County Counsel  
3535 Tenth St #300  
Riverside, CA 92501

Jennifer B. Henning  
County Counsels' Assn of California  
1100 K St #101  
Sacramento, CA 95814

I, the undersigned Deputy Clerk, declare under penalty of perjury that the foregoing is true and correct.

SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SACRAMENTO

Dated: May 8, 2009

By: C. BEEBOUT, Deputy Clerk

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EXHIBIT 10
July 12, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

Subject: Request to Revise Recognized Obligations Payment Schedules and Requests for Reconsideration

Pursuant to Health and Safety Code (HSC) section 34177 (1)(2)(C), the California Department of Finance (Finance) has completed its review of Recognized Obligation Payment Schedules (ROPS) for the periods January through June 2012 and July through December 2012 and issued approval letters accordingly.

All distributions from the Redevelopment Property Tax Trust Fund (RPTTF) were required by law to be made on June 1, 2012 covering obligations for July 2012 through December 2012, as well as adjusting for property tax funding needs for the January through June 2012 period.

Pursuant to section 34183.5 (b)(2)(A), the county auditor-controller had to determine the amount, if any, that is owed by each successor agency to taxing entities based on ROPS approved by the Department. Therefore, the RPTTF amounts approved by Finance (as shown in Exhibit 12 at http://www.dof.ca.gov/assembly_bill_26-27/view/php) will remain final. Although we have continued to work diligently with each successor agency to review additional information and/or documentation related to disputed ROPS items, we are no longer accepting revised ROPS or requests to reconsider denied items nor making any revisions to existing requests. Any and all revised ROPS submitted to Finance for previous ROPS periods are hereby rejected. Requests to reconsider denied or disputed ROPS items will be addressed in our January through June 2013 ROPS review.

Please send any inquiries by email to: Redevelopment_Administration@dof.ca.gov

Sincerely,

KRISTIN SHELTON
Program Budget Manager

cc: County Auditor-Controllers
July 12, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

Subject: Request to Revise Recognized Obligations Payment Schedules and Requests for Reconsideration

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Please send any inquiries by email to: Redevelopment_Administration@dof.ca.gov.

Sincerely,

KIRSTIN SHELTON
Program Budget Manager

cc: County Auditor-Controllers
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Attorneys for Petitioners and Plaintiffs

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO

LEAGUE OF CALIFORNIA CITIES, CITY OF VALLEJO, SUCCESSOR AGENCY TO THE FORMER VALLEJO REDEVELOPMENT AGENCY, and CHRISTOPHER K. MCKENZIE, Petitioners and Plaintiffs,

v.

ANA J. MATASANTOS, Director of the State of California Department of Finance, CALIFORNIA STATE BOARD OF EQUALIZATION, JOHN CHIANG, Controller of the State of California, and SIMONA PADILLA-SCHOLTENS, Solano Auditor-Controller, and DOES 1 THROUGH 50, Respondents and Defendants.

COUNTY OF SOLANO, SOLANO COUNTY FREE LIBRARY, SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT, GREATER VALLEJO RECREATION DISTRICT, VALLEJO SANITATION AND FLOOD CONTROL DISTRICT, SOLANO COUNTY WATER AGENCY, BAY AREA AIR QUALITY MANAGEMENT DISTRICT, VALLEJO CITY UNIFIED SCHOOL DISTRICT, SOLANO COMMUNITY COLLEGE, and SOLANO COUNTY OFFICE OF EDUCATION/SOLANO COUNTY SUPERINTENDENT OF SCHOOLS, Real Parties in Interest.

COUNTY OF SANTA CLARA, SANTA CLARA UNIFIED SCHOOL DISTRICT, Interveners.

Case No. 34-2012-80001275

ASSIGNED FOR ALL PURPOSES TO DEPARTMENT 31 –Judge Kenny

PETITIONERS' MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR INJUNCTIVE AND DECLARATORY RELIEF

Date: April 19, 2013  
Time: 9:00 a.m.  
Dept: 31-Honorable Judge Kenny

Petition filed: September 24, 2012
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Petitioners/Plaintiffs, League of California Cities ("LOCC"), City of Vallejo ("Vallejo"), Successor Agency ("SA") to Vallejo Redevelopment Agency ("Vallejo RDA"), and Christopher K. McKenzie (collectively "Petitioners") respectfully submit this memorandum in support of their Petition for Writ of Mandate and Complaint for Injunctive and Declaratory Relief ("Petition").

I. INTRODUCTION

This Petition is a facial challenge to certain provisions of AB1484, the hastily-enacted bill\(^1\) regarding the dissolution of redevelopment agencies ("RDAs"). As explained further below, the bill unconstitutionally reallocates the sales and property taxes of the cities and counties that created RDAs if the RDA Successor Agencies ("SAs") do not make certain payments the Department of Finance ("DOF") claims are owed. These provisions directly violate Propositions 1A and 22, constitutional amendments that prohibit the very reallocation of local tax revenues that AB1484 demands.

This unconstitutional reallocation of local tax revenues arises in two contexts. First, AB1484 requires so-called "True-Up" Payments ("True-Up Payments") to be made, based on alleged overpayments of tax increment to RDAs prior to their dissolution. County auditor-controllers are instructed to determine if any True-Up Payments are owed by the SAs; if a SA does not or cannot make the full payment within three days, AB1484 provides that sales tax shall be withheld from the city, up to the amount owed, until the full True-Up Payment is made. Both the SA and the city are subject to civil penalties of 10% of the amount alleged to be owed plus 1.5% per month for each month the payment is late.

Second, AB1484 requires SAs to undergo two sets of Due Diligence Reviews. One is of the Low and Moderate-Income Housing Fund; the other is of all the non-housing assets and funds. The purpose of the Due Diligence Reviews ("DDR") is to determine the amount of cash and cash equivalents available for distribution to local taxing entities. If the SA does not make a demanded Due Diligence Review Payment ("DDR Payment") within five days after DOF’s final determination, DOF can order an offset of the city’s sales and use tax, up to the amount owed.

\(^1\) Text of bill first published on June 25, 2012 and signed by Governor on June 27, 2012.
Alternatively, AB1484 also provides that the county auditor-controller may reduce the amount of the city's property tax allocation by an equivalent amount.

Moreover, AB1484 confers upon DOF near-plenary power to implement its provisions but provides few standards or criteria to regulate its actions. Thus, AB1484 constitutes an unconstitutional delegation of legislative authority. Further, DOF has not properly proposed and adopted regulations or rules that would ensure that its determinations are made in a uniform manner. This failure to properly adopt regulations violates the Administrative Procedures Act.

II. BACKGROUND

A. Local Property Tax Allocations Prior to ABX1-26

The Community Redevelopment Law was enacted in 1945, creating in every city and county a redevelopment agency ("RDA") charged with eliminating blight. (Health & Safety Code\(^2\) §33100.) RDAs were activated by ordinance of the city council or board of supervisors and, although the members of most RDAs were the members of the city's or county's legislative body, each RDA was a separate corporate entity. (§33101.) RDAs were authorized to adopt plans to redevelop blighted areas (§§33300 et seq.) and to exercise powers therein, including acquisition and disposition of property (§§33390, 33430), demolition of improvements (§33420) and construction of public facilities (§33445).

RDAs were financed chiefly from part of the property taxes levied in RDA project areas. These taxes—"tax increment"—were allocated to RDAs by California Constitution\(^3\) Article XVI §16 and §33670. Enacted by initiative in 1952, Article XVI §16 provides that property taxes levied in RDA project areas may be allocated among entities levying the taxes and RDAs, which lacked taxing powers. Taxes on assessed value of property in a project area when a redevelopment plan was adopted ("base year assessed value") continued to be allocated to the taxing entities. Taxes on increased assessed value after plan adoption (tax increment) went to RDAs to repay indebtedness incurred to implement the project. When all indebtedness of the RDA was repaid, all property taxes reverted to the taxing entities.

\(^2\) Citations not expressly identified to another Code in this brief are in the Health & Safety Code.

\(^3\) References to "Article" in this brief are to the California Constitution unless otherwise stated.
RDAs used tax increment to finance most of their activities. It was pledged as a revenue stream to repay bonds ("tax allocation bonds") issued by the RDA to pay project costs. (§§33640 et seq.) Tax increment was also pledged to reimburse private developers for certain development costs, e.g., cost of constructing streets, utilities and other public improvements (§33445) and to repay public and private entities for moneys loaned to the RDA for redevelopment purposes.

Beginning in the late 1970s, several events altered how property taxes are levied and allocated. Proposition 13 was adopted in 1978 as Article XIII A. It significantly limited the amount of local property tax revenues that could be generated to pay for government services and transferred responsibility for allocation of property taxes from the local jurisdictions that imposed them to the state Legislature. In addition, by imposing a countywide property tax rate, Proposition 13 created a "zero-sum game" in which local agencies competed for their share of a smaller pie. California Redevelopment Assn. v. Matosantos (2011) 53 Cal.4th 231, 244-45 ("CRA").

In 1988, voters enacted Proposition 98 (later amended by Proposition 111) to establish a minimum annual funding level in the California Constitution for K-12 schools and community colleges. The guaranteed funding comes from a combination of state General Fund and local property tax revenues. The combination of guaranteed funding levels for schools and limited local property tax growth put unprecedented stress on the State budget and caused the Legislature to search for additional sources of revenue to fund education that did not require raising taxes. (See, e.g. County of Los Angeles v. Sasaki (1994) 23 Cal.App.4th 1442; Legislative Analysts Office, "Proposition 98 Primer," RJN, Exh. 6.)

One solution was to use its authority under Proposition 13 to re-allocate property taxes from cities, counties and special districts to schools. Between 1992 and 2004, the State transferred billions of dollars of property taxes from cities, counties, and special districts to schools through Educational Revenue Augmentation Funds ("ERAFs"). (Stats. 1992, chs. 699, 700, pp. 3081-3125; Rev. & Tax. Code §§97.2, 97.3.)

In response to these reallocations of local tax revenues, the Legislature placed on the ballot and the voters approved Proposition 1A in 2004. The Analysis of Proposition 1A prepared
by the Legislative Analyst notes the following (see accompanying Request for Judicial Notice (hereinafter "RJN"), Exh. 1, p. 4):

This measure amends the State Constitution to significantly reduce the state's authority over major local government revenue sources. Under the measure the state could not:

- Reduce Local Sales Tax Rates or Alter the Method of Allocation: The measure prohibits the state from: ... changing the allocation of local sales tax revenues.

- Shift Property Taxes From Local Government to Schools or Community Colleges. The measure generally prohibits the state from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority votes).

Even after the passage of Proposition 1A, the Legislature continued to divert local revenues. In response, Proposition 22 was placed on the ballot and approved by the voters in 2010. (RJN, Exh. 2.) In addition to numerous specific limitations on the State’s ability to divert local revenues, Proposition 22 amended Article XIII §24 to add paragraph (b): “The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government’s purposes.” Proposition 22 also included constitutional amendments that specifically forbid the State from redirecting RDAs’ tax increment to benefit the State or units of local government. (Article XIII, §25.5(a)(7).)

B. Enactment of ABX1-26 and ABX1-27

Two months after Proposition 22 was approved, the Governor announced his plan to abolish redevelopment agencies as part of his budget proposal. (RJN, Exh. 3, p. 51.) The

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4 For example, in 2008, the Legislature enacted AB 1389, adding §§33685 through 33689, requiring transfer of $350 million from redevelopment agencies to ERAFs. (Stats. 2008, ch. 761.) Similarly, in 2009, the Legislature enacted AB4X26, adding §§33690 - 33690.5, requiring transfer of $1.7 billion from redevelopment agencies to a “Supplemental Revenue Augmentation Fund” or “SERAf.” (Stats. 2009, 4th Ex. Sess., ch. 21.)
Legislature enacted ABX1-26 and ABX1-27 (Stats. 2011, 1st Ex. Sess. 2011-12, chs. 5-6), which were effective June 28, 2011. ABX1-26 dissolved all RDAs as of October 1, 2011, required transfer of RDA assets and obligations to SAs (usually the legislative body that had activated the RDA) and tasked SAs to wind down former RDAs, overseen by local oversight boards and DOF. Tax increment once paid to RDAs under Article XVI, §16 is now called “property tax revenue” and must be held in trust by county auditor-controllers in a “Redevelopment Property Tax Trust Fund” ("RPTTF") and distributed to SAs bi-annually to pay “enforceable obligations” listed on a “Recognized Obligation Payment Schedule” (“ROPS”). ABX1-27 permitted an RDA to escape dissolution under ABX1-26 if the RDA agreed to make certain annual payments to the State.

Both laws were challenged by original writ in the California Supreme Court in July 2011, in CRA v. Matosantos. The Supreme Court stayed most provisions of both bills pending its decision. The court’s decision in CRA upheld ABX1-26, holding RDA dissolution was a legitimate exercise of legislative power, but invalidated a as violating Proposition 22’s proscription on transfer of tax increment to benefit the State. CRA also reformed some dates in ABX1-26 in light of its stay. Because the court’s final decision was issued in late December, many dates were extended four months so, for example, RDAs dissolved on February 1, 2012, rather than October 1, 2011. (CRA, 53 Cal.4th at 275.)

C. Adoption of AB 1484

Implementation of ABX1-26 proved fraught with difficulty and, in June 2012, the Legislature passed AB1484 (Stats. 2012, ch. 26) both to “clean up” ABX1-26 and to add numerous provisions. At issue here are the True-Up Payments and DDR Payments as follows:

- §34183.5(b) requires SAs to make a True-Up Payment to auditor-controllers for distribution to taxing agencies. The True-Up Payment is intended to recapture payments that might have been made to taxing entities had the Supreme Court’s stay not been issued. If an SA did not pay the True-Up Payment in full by July 12, the following consequences were required to ensue:

  (a) The offending SA shall not pay any obligations other than bond debt service until full payment is made. (§34183.5(b)(2)(C)).
(b) The city or county that created the RDA whose SA failed to make the payment is barred from receiving its distribution of sales and uses taxes until the full amount is paid. (Id.)

(c) Auditor-controllers must deduct from future distributions of property taxes to the SA from the RPTTF (needed to pay enforceable obligations) the amount by which the SA is in arrears. (§34183.5(b)(3).)

(d) Civil penalties are imposed on both the SA and its host city or county in an amount equal to 10% of the amount owed the taxing entities, plus an additional 1.5% per month for each month the payment is late.

(Emphasis added.)

- Sections 34179.5 and 34179.6 require SAs to conduct two independent due diligence reviews of SA assets and obligations to determine what assets are unobligated and potentially available for transfer to taxing entities. The first DDR, due October 15, 2012, was of assets and obligations of low and moderate income housing funds; the second was of all other non-housing assets and obligations, due January 15, 2013. Each DDR was reviewed by the oversight board and DOF; DOF can make adjustments to any amounts based on its own findings, unguided by any statutory criteria. Within five working days after receipt of DOF’s final determination, an SA must remit to the auditor-controller the amount determined by DOF as the DDR Payment. (§34179.6(f).) If that payment is not timely, the following consequences are imposed:

  (a) DOF may order an offset against sales and use taxes of the host city or county equal to the amount the SA fails to remit. (§34179.6(h)(1)(C).)

  (b) The auditor-controller may reduce property tax allocations to the host city or county. (Id.)

  (c) DOF may direct the auditor-controller to deduct the unpaid amount from future allocations of property taxes to the SA from the RPTTF. (§34179.6(h)(2).)

(Underlining added.)

As discussed below, the consequences that befall a city if the SA does not or cannot make a demanded True-Up Payment or a DDR Payment directly violate the provisions of Proposition 1A and Proposition 22 and are therefore unconstitutional. Due to the absence of statutory criteria to govern DOF’s actions, AB1484 is also an unconstitutional delegation of legislative authority.
Finally, DOF has promulgated regulations implementing and interpreting AB1484 and ABX1 26 without complying with the Administrative Procedures Act ("APA") (Gov. Code §11340 et seq.).

III. SUMMARY OF AB 1484 VIOLATIONS

Because of the multitude of constitutional and statutory violations, Petitioners offer the following chart summarizing the violations and the sections of this Memorandum in which these violations are discussed.

|----------------------------------------------------|---------------------------------|-------------------------------------------|-----------------|
| DDR Payment: If SA does not make DDR payment, DOF may order offset of city’s sales and use tax revenue | §34179.6(h)(1)(C) | a. Cal. Const. Art. XIII §24(b)  
| DDR Payment: If SA does not make DDR payment, auditor controller may reduce city’s property tax allocations | §34179.6(h)(1)(C) | a. Cal. Const. Art. XIII, §25.5(a)(1)  
| True-Up Payment: If SA does not make payment, city shall not receive sales and use tax distribution. | §34183.5(b)(2)(C) | a. Cal. Const. Art. XIII, §24(b)  
| AB1484 Provisions Lacking in Standards or Criteria | Various | Unlawful Delegation  
Cal. Const. Art. III, §3 | V. |
| Violations of APA | Various | Gov. Code §11340 et seq. | VI. |

The Petition and Complaint in this action includes several causes of action alleging that the True-Up Payment itself is unconstitutional. Petitioners have elected not to pursue those causes of action for reasons unrelated to their merit and have filed concurrently with these Points and Authorities a Request for Dismissal (without prejudice) as to such causes of action.
IV. WITHHOLDING, DEDUCTING OR OFFSETTING CITIES’ SALES AND
PROPERTY TAXES VIOLATES PROPOSITIONS 1A AND 22

A. Propositions 1A and 22 Protect Cities’ Rights to Local Sales and Use Taxes

AB1484 authorizes withholding or offsets of cities’ local sales and use taxes (“sales tax”) if the SA fails to make certain payments in full and on time. These provisions violate the constitutional protections enacted by the voters in Propositions 1A and 22.

Article XIII §24(b), adopted by the voters as Prop. 22 in 2010, mandates that:

The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government’s purposes.

Proposition 1A, adopted by the voters in 2004, prohibits the State from changing “the method of distributing revenues derived under the Bradley-Burns Uniform Sales and Use Tax Law ... as that law read on November 3, 2004.” (Article XIII §25.5(a)(2)(A).)

Yet in violation of both these Constitutional provisions, AB 1484 reallocates, uses and changes the method of distributing local sales tax revenue. Section 34183.5(b)(2)(C) provides that if the SA fails to make timely payment of the full amount of the True Up Payment, the city, an entity separate and apart from the SA,⁵ “shall not receive the distribution of sales and use tax .... up to the amount owed to the taxing agencies.” Similarly, AB1484 authorizes DOF to unilaterally order an offset of a city’s sales and use taxes if the SA, with cause or not, determines not to pay exactly what is demanded of it in connection with the DDR Payment. (§34179.6(h)(1)(C).) All the provisions of AB1484 that purport to authorize withholding or offsetting local city sales and use tax for alleged SA obligations violate the California Constitution and should be invalidated by this Court.

The sales tax is actually a combination of two taxes -- one is imposed by the state and one is imposed by cities and counties. The local sales and use tax is adopted by cities and counties by ordinance. This tax is general purpose revenue of the city or county and supports police, fire and

⁵ Section 34173(g) provides: “A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge.”
other public safety and welfare services. The local sales and use tax is collected by the State 
Board of Equalization and remitted to each city or county pursuant to the Bradley-Burns Uniform 
Sales and Use Tax Law ("Bradley-Burns"). (Rev. & Tax Code §§7200–7226.) Enacted in 1955, 
Bradley-Burns limits local general sales and use tax to a maximum rate of 1% and requires that 
this local tax be collected together with the state sales taxes by the State Board of Equalization 
which then remits the local sales and use tax to the local taxing entity. Each city or county has an 
agreement with the State Board of Equalization for the collection and transmission of its local 
sales and use tax. (Rev. & Tax Code §7202.)

Thus there is only one constitutionally permissible use for locally-imposed sales and use 
taxes—they must go to cities and counties that imposed the taxes and must be used for their 
intended purposes. AB1484’s requirement that a city’s general sales tax be withheld because the 
SA, a different, separate legal entity, fails to pay asserted True-Up or DDR Payments violates 
Article XIII §24(b) and Article XIII §25.5(a)(2)(A). Sections 34183.5(b)(2)(C) and 
34179(h)(1)(C) on their face unlawfully change the method of allocation set forth under Bradley-
Burns by preventing the ordinary distribution by situs of local sales and use taxes. In further 
violation of Article XIII §24(b), these sections would use local city sales tax for non-city 
purposes, namely the payment of amounts alleged to be owed by a different agency. The very 
specter that such local taxes could be withheld precludes cities from budgeting sales and use tax 
funds for essential services lest these funds be seized by the State.

As explained in Proposition 22’s uncodified statement of purpose (§2.5):

The purpose of [Proposition 22] is to conclusively and completely 
prohibit state politicians in Sacramento from seizing, diverting, 
shifting, borrowing, transferring, suspending, or otherwise taking or 
interfering with revenues that are dedicated to funding services 
provided by local government or funds dedicated to transportation 
Improvement projects and services. (RJN, Exh. 2, p. 24.)

The withholding, offsetting and deducting of local city sales and use tax revenue is 
unconstitutional and is exactly contrary to the voters’ intent in approving Proposition 22. The 
voters want their city councils to determine how local sales and use taxes should be used in their 
communities. AB1484 frustrates that intent by reallocating these sales and use taxes away from
cities, restricting use of sales and use taxes, and using the proceeds of those taxes for non-city purposes. Thus, both §§34183.5(b)(2)(C) and 34179(h)(1)(C) violate the express terms of Article XIII §§24(b) and 25.5(a)(2)(A) and they should be invalidated.

B. Propositions 1A and 22 Prohibit Reallocation of Local Property Taxes

Propositions 1A and 22 also prohibit the State from transferring or reallocating a city’s share of property tax. Notwithstanding this constitutional protection, AB1484 provides for reduction of city property taxes if the SA fails to pay amounts determined by DOF to be owed as the DDR Payment. (§34179.6(h)(1)(C).) AB1484 therefore unlawfully reallocates property taxes from cities to other local agencies in direct violation of the Constitution.

1. Under Propositions 1A and 22, Property Tax Allocations to Cities Cannot Be Changed by the State

Prior to Proposition 13, each local agency imposed its own property tax. Proposition 13 capped all property tax at 1% of assessed value and gave the State responsibilities for allocating this 1% among the cities, counties, special districts and school districts that imposed property tax.

As described in California Redevelopment Assn. v. Matosas (2011) 53 Cal.4th 231, 244-45 (“CRA”), Proposition 13 transformed the property tax:

First, by capping local property tax revenue, it greatly enhanced the responsibility the state would bear in funding government services, especially education. [Citations omitted.] Second, by failing to specify a method of allocation, Proposition 13 largely transferred control over local government finances from the state’s many political subdivisions to the state, converting the property tax from a nominally local tax to a de facto state-administered tax subject to a complex system of intergovernmental grants. [Citations omitted.] Third, by imposing a unified, shared property tax, Proposition 13 created a zero-sum game in which political subdivisions (cities, counties, special districts and school districts) would have to compete against each other for their slices of a greatly shrunken pie.

The State, between 1992 and 2004, to offset its obligations for school funding under Proposition 98, transferred local property taxes from cities, counties and special districts to schools through “Educational Revenue Augmentation Funds” or “ERA.” (Stats. 1992, chs. 699, 700, pp. 3081-3125; Rev. & Tax. Code §§97.2, 97.3) The reduction of local city, county and special district revenue because of the transfer of property tax revenue into the ERAF, and shifts in sales and use tax revenues, caused a decrease in the Schools’ share of the base.”
tax and vehicle license fees, led to the passage of Proposition 1A in 2004. The argument in favor of Proposition 1A in the Official Voter Information Guide (RJN Exh. 1, p. 10) states:

For more than a dozen years, the State has been taking local tax dollars that local governments use to provide essential services – more than $40 billion in the last 12 years. . . . Proposition 1A prevents the State from taking and using funding that local governments need to provide services like fire and paramedic response, law enforcement, health care, parks and libraries.

In addition to the sales and use tax protections discussed above, Proposition 1A also restricted the State’s ability to shift property tax revenue away from cities, counties and special districts to schools and from changing the pro rata distribution of property taxes among cities, counties and special districts without a two-third’s vote of the Legislature. Proposition 22, approved in 2010, strengthened these property tax provisions and prohibited the State from borrowing property tax revenue from local agencies.

Article XIII §25.5(a)(1)(A) expressly prohibits the Legislature from altering the pro rata share of the 1% rate received by cities, counties, and special districts (excluding school districts) under the law in effect on November 3, 2004. Section 25.5(a)(1)(A) prohibits the Legislature from reallocation property tax so as to reduce this pro rata share. Article XIII §25.5(a)(3) prohibits the Legislature from reallocating property taxes between cities, counties and special districts without a two-thirds vote. AB1484 was not approved by a two-thirds vote (RJN, Exh. 4, p. 71.)

2. AB1484’s Offset/Deduct of City Property Taxes for SA Payments Is Unlawful

AB1484 provides for the offset or deduction of city property taxes if the SA fails to pay amounts determined by DOF to be owed as the DDR Payment. (§34179.6(h)(1)(C).) Any offset or deduction of property tax would essentially (1) reduce the City’s pro rata share of property taxes; and (2) reallocate property taxes between cities, counties and special districts without a two-thirds vote of the Legislature. Under §34179.6(h)(1)(C), if the SA fails to remit the DDR Payment in full and on time, the auditor-controller reduces the city’s property tax allocation. If an offset of property tax is ordered by an auditor-controller, the auditor-controller “shall reduce
the distribution of property taxes to the entity that is the subject of the offset and shall distribute
the amount to the taxing entities of the former redevelopment area.” (§34179.8(c)(1).) This
draconian method of enforcing payment has the unconstitutional effect of attributing the SA’s
debt to the city and then transferring the city’s property taxes in satisfaction of this debt to the
other taxing agencies. This transfer reduces the pro rata share of property taxes allocated to the
city and moves a portion of this share to the schools. It also reallocates city property tax to
counties and special districts without a two-thirds vote of the Legislature. Both transfers violate
the Constitution.

Property tax was, and still is, the largest, most stable and, therefore, most important tax
revenue received by cities and provides the revenue base to pay for basic public services such as
police, fire and other emergency services. (RJN, Exh. 5, p. 89, LAO Report: Understanding
California’s Property Taxes.) There is simply no scenario under which the transfer or reduction
of city property taxes to satisfy alleged debts of the SA is constitutional. These provisions, on
their face, are unconstitutional.

V. **AB1484 UNCONSTITUTIONALLY DELEGATES LEGISLATIVE POWER TO**
**DOF**

Article III, §3 of the California Constitution, provides: “The powers of state government
are legislative, executive, and judicial. Persons charged with the exercise of one power may not
exercise either of the others except as permitted by this Constitution. An unconstitutional
legislative delegation arises “when the Legislature confers upon an administrative agency
unrestricted authority to make fundamental policy decisions” or unguided authority to implement
the decisions. (People v. Wright (1982) 30 Cal.3d 705, 712.) The Legislature “‘cannot escape
responsibility by explicitly delegating that function to others or by failing to establish an effective
mechanism to assure the proper implementation of its policy decisions.’” (Samples v. Brown (1st
Dist.2007) 146 Cal.App.4th 787, 804 [citations omitted].) “‘This doctrine rests upon the premise
that the legislative body must itself effectively resolve the truly fundamental issues. It cannot
escape responsibility by explicitly delegating that function to others or by failing to establish an
effective mechanism to assure the proper implementation of its policy decisions.’’ (People v. Wright (1982) 30 Cal.3d 705, 712, quoting Kugler v. Yocum (1968) 69 Cal.2d 371, 376-377.)

An unconstitutional delegation occurs, as here, when the Legislature fails to provide adequate direction for implementation of policies adopted by the Legislature. (Carson Mobilehome Park Owners' Assn. v. City of Carson (1983) 35 Cal.3d 184, 190, following Kugler v. Yocum (1968) 69 Cal.2d 371, 376-377.) ‘‘While the delegation of governmental authority to an administrative body is proper in some instances, the delegation of absolute legislative discretion is not. To avoid such a result it is necessary that a delegating statute establish an ascertainable standard to guide the administrative body.’’ (State Board of Dry Cleaners v. Thrift-D-Lux Cleaners, Inc. (1953) 40 Cal.2d 436, 448.) In the Dry Cleaners case, for example, the statute required the board to set minimum prices to enable cleaners ‘‘to furnish modern, proper, healthful and sanitary services, using such appliances and equipment as will minimize the danger to public health and safety incident to such services.’’ The only other reference to an established standard declared that, after ‘‘an investigation therefor, the board may establish a reasonable and just minimum price schedule ....’’ (Id. [quoting challenged statute].) The unguided delegation was especially subject to challenge because the board was composed in large part by members of the cleaning industry, who might be self-interested in the outcome of the decisions.

The unfortunate parallel in this instance is that DOF is necessarily interested as the agency charged with preparing, explaining and administering the State budget.6 ‘‘Of all the types of bias that can affect adjudication, pecuniary interest has long received the most unequivocal condemnation and the least forgiving scrutiny.’’ (Haas v. County of San Bernardino (2002) 27 Cal.4th 1017, 1025.) As explained in California Teachers Assn. v. Cory (3d Dist.1984) 155 Cal.App.3d 494, 511, when the State’s own finances are at issue, ‘‘complete deference to a legislative assessment of reasonableness and necessity is not appropriate because the State’s self-interest is at stake. A governmental entity can always find a use for extra money, especially when taxes do not have to be raised.’’ (Id. at 511, quoting United States Trust Co. v. New Jersey (1977) 431 U.S. 1, 25-26.) In this instance, the Legislature failed to enact legislative guides or

6 DOF ROPS Review Powerpoint, RJN, Exh. 7, p. 147.
criteria for DOF’s implementation of multiple major decisions affecting millions of citizens and billions of dollars, leaving state agencies, the SAs and cities with no ascertainable standard to guide their actions and decisions. AB1484 lacks standards to govern application of its most significant provisions, thereby permitting multiple variable interpretations and applications of the law to different SAs and different holders of enforceable obligations. (E.g., *Kugler v. Yocum* (1968) 69 Cal.2d 371, 376-77; *State Board of Education v. Honig* (3d Dist. 1993) 13 Cal.App.4th 720, 750.) Without prescribed legislative standards, different DOF personnel acting in good faith could and do reach very different, ad hoc determinations on the same or similar facts, causing great disparity in results from one city to another.

At a minimum, the following AB1484 provisions constitute unconstitutional delegations of legislative power to DOF. For each of these delegated decisions lacking any criteria or standards to inform DOF’s decisions, DOF has exercised nearly unfettered discretion in making ad hoc decisions as suits its needs and the interests of the State:

- Section 34179.6 requires SAs to employ accountants experienced in local government accounting and approved by auditor-controller to conduct DDRs to identify unobligated funds available for transfer to taxing entities. That same section allows DOF unilaterally to “adjust” unobligated balance amounts in DDRs. DOF “may adjust any amount associated with the determination of the resulting amount … based on its analysis and information provided by the successor agency and others. The department shall consider any findings or opinions of the county auditor-controllers and the Controller.” No standards or criteria in AB1484 govern DOF “adjustments” to reports prepared by qualified, third-party auditors in the first place.

- Section 34179.6(h)(3) authorizes DOF to decide unilaterally if it is “feasible” for a SA to make a DDR payment. If DOF “determines that payment of the full amount required under subdivision (d) is not currently feasible or would jeopardize the ability of the successor agency to pay...
enforceable obligations in a timely manner, it may agree to an installment payment plan.” No statutory standards or criteria govern this determination.

- Section 34191.5 requires SAs to prepare long-range asset management plans addressing disposition of real properties of former RDAs for review by oversight boards and DOF. “Property shall not be transferred to a successor agency, city, county, or city and county, unless the long-range property management plan has been approved by the oversight board and [DOF].” No statutory standards or criteria govern DOF’s approval or rejection.

- Section 34183.5(b) imposes penalties on cities and SAs automatically. Section 34183.5(b) lacks any procedure or administrative process to protest or appeal the True-Up Payment amount or imposition of penalties for non-payment or untimely payment.

VI. DOF HAS VIOLATED THE ADMINISTRATIVE PROCEDURE ACT

The Administrative Procedure Act (APA) sets rulemaking procedures and standards for California state agencies. (Government Code §§11340 et seq.) APA requirements are designed to provide everyone a meaningful opportunity to participate in the adoption of state regulations, to ensure that regulations are clear, necessary and legally valid, and to prevent ad hoc decisions. Government Code §11340.5(a) provides:

> No state agency shall issue, utilize, enforce, or attempt to enforce any guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule, which is a regulation as defined in Section 11342.600, unless the guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule has been adopted as a regulation and filed with the Secretary of State pursuant to this chapter.

The term “regulation” is defined in §11342.600 to mean “every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of any rule, regulation,
order, or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure.” (E.g., Clovis Unified School District v. Chiang (3d Dist. 2010) 188 Cal.App.4th 794, 800; Capen v. Shewry (3d Dist. 2007) 155 Cal.App.4th 378, 386-87.) Proposed regulations must be transmitted to the Office of Administrative Law for review and, if acceptable, for filing with the Secretary of State. (Government Code §11343(a).) DOF submitted no proposed regulations to that Office during 2011 or 2012 relating to AB1484 or ABX1-26. (RJN, Exh. 8.)

A regulation subject to APA requirements has two principal identifying characteristics. First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally when it declares how a certain class or range of cases will be decided. Second, the rule must “implement, interpret, or make specific the law enforced or administered” by the agency, or govern the agency’s procedure. (Government Code §11342(g); General Motors Corp. v. Franchise Tax Board (2006) 39 Cal.4th 773, 789; Tidewater Marine Western, Inc. v. Bradshaw (1996) 14 Cal.4th 557, 571, cert. denied (1997) 520 U.S. 1248; Californians v. Pesticide Reform v. California Dep’t of Pesticide Regulation (3d Dist. 2010) 184 Cal.App.4th 887, 905-09.)

Unless “expressly” or “specifically” exempted, all state agencies not in the legislative or judicial branch must comply with APA rulemaking requirements when engaged in quasi-legislative activities. (Winzler & Kelly v. Department of Industrial Relations (1st Dist.1981) 121 Cal.App.3d 120, 125-28.) If an agency rule looks like a regulation, reads like a regulation, and acts like a regulation, courts will treat the rule as a regulation whatever the issuing agency called it. (State Water Resources Control Board v. OAL (1st Dist.1993) 12 Cal.App.4th 697, 702). Any doubt about applicability is resolved in favor of the APA. (Morales v. California Dep’t of Corrections (1st Dist. 2008) 168 Cal.App.4th 729, 735-39.) As explained in Tidewater Marine Western at 568:

The APA establishes the procedures by which state agencies may adopt regulations. The agency must give the public notice of its proposed regulatory action (Government Code §§11346.4,
issue a complete text of the proposed regulation with a
declaration of the reasons for it (ld. §11346.2(a), (b)); give interested
parties an opportunity to comment on the proposed regulation (ld.
§11346.8); respond in writing to public comments (ld.
§§11346.8(a), 11346.9); and forward a file of all materials on which
the agency relied in the regulatory process to the Office of
Administrative Law (ld. §11347.3(b)), which reviews the regulation
for consistency with the law, clarity, and necessity (ld. §§11349.1,
11349.3).

DOF violated these and other APA provisions in the Government Code. DOF has
published multiple “guidance documents” violating APA requirements for adopting regulations
even though these documents plainly meet the definition in §11342.600. (E.g., Morning Star Co.
Corp. (2008 1st Dist) 169 Cal.App.4th 804, 815.) Calling a regulation “guidance,” a guideline, a
protocol, or a bulletin does not alter its character or avoid APA requirements.8

DOF is the State Agency responsible for administering the implementation of ABX1-26
and AB1484. (RJN, Exh. 9, p. 161.) Without complying with the APA, DOF has implemented,
interpreted and made specific the provisions of those statutes through

1. Issuing general communications, directions, guidance and the like;
2. Publishing answers to frequently asked questions; and
3. Establishing internal guidelines and procedures affecting SAs, cities and others.

Examples of DOF’s violations of the APA are multitudinous. Below are just a few
examples of the kind of rule-making DOF has undertaken without complying with the APA:

A. General Communications
1. As one example, DOF’s website explains:

Welcome to the Department of Finance’s Redevelopment Agency
(RDA) Dissolution Website. This website will serve as the primary
conduit for the Department of Finance to share information related
to the redevelopment dissolution legislation and communicate with
successor agencies, who are responsible for overseeing the winding

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8 An exception for internal management documents (Government Code §11340.9) does not apply
to documents that implicate the interests of persons or entities outside the agency. (California
184 Cal.App.4th 887, 905-09.)
down at the local level, and county auditors-controllers, who are charged with property tax distribution. Please visit this website frequently as information is regularly updated.

(RJN, Exh. 10, p. 166. [emphasis added].) This frequently changing website has been entirely under the control of DOF, with new or revised directives added and deletions made with little or no notice.

2. January 11, 2013 communication to county auditor-controllers. (RJN, Exh. 11, p. 169.) In this written correspondence, DOF interprets ABX1-26 and AB1484 to mean:

a. County auditor-controllers lack the authority to change property tax distributions.

b. County Educational Revenue Augmentation Funds ("ERAFs") are statutorily entitled to receive a portion of the §34183(a)(4) "residual" payments made from the RPTTF.

c. ERAFs receive a portion of the DDR payments.

None of these directives is apparent from the statutes. ABX1-26 and AB 1484 don't even mention ERAF. DOF not only interprets how AB1484 should be applied to the incredibly complex law governing ERAF, but DOF also offers advice on how pending litigation should be interpreted. DOF may be right or wrong, but there is no doubt it is interpreting the statute and should have followed the APA before disseminating this communication.

3. July 12, 2012, communication to successor agencies. (RJN, Exh. 12, p. 171.) In this written correspondence, DOF interprets ABX1-26 and AB1484 in at least the following ways:

a. The approved ROPS on which the calculation of each SA’s True-Up Payment was made cannot be amended even to correct acknowledged errors.

b. All revised ROPS are summarily rejected.

c. Requests to reconsider denied ROPS items will be addressed in the January through June ROPS period.

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9 See Rev. & Tax. Code §§97.2, 97.3.
Again, nothing in ABX1-26 or AB1484 prevents SAs from submitting and DOF from approving revised ROPS. DOF initially accepted revised ROPS. As a practical matter, since ROPS are prepared and approved in advance for each six-month period, it is virtually inevitable that there will be variations from the ROPS based on actual experience. Moreover, DOF ruled that revised ROPS would not be accepted even if the error requiring the revision was DOF’s own error. By summarily rejecting all revised ROPS, DOF interpreted the statute and imposed DOF’s interpretation with no opportunity for the APA notice and comment process and review by the Office of Administrative Law that are required by law.

B. Frequently Asked Questions

DOF has employed a lengthy series of answers to “frequently asked questions” to interpret and implement ABX1-26 and AB1484 without complying with the APA. These are found at the DOF website and a few are identified below as patent examples of rule-making. The list could be extended with multiple other examples.

1. DOF’s refinements to the definition of “enforceable obligation,” which is a statutorily defined term. (§34171(d).) (RJN, Exh. 13, p. 172.)

2. Reconciliation of the conflicting provisions of sections 343188 and 34183 concerning distribution of “residual” property taxes to affected taxing agencies. (RJN, Exh. 14, p. 175.)

3. The treatment of bond obligations. (RJN, Exh. 15, p. 177.)

4. Creation of reserves for contingent liabilities. (RJN, Exh. 16, p. 181.)

5. The method of calculating the AB1484 True-Up Payment. (RJN, Exh. 17, p. 185.)

C. Internal Guidelines and Procedures

DOF has promulgated internal guidelines and procedures governing the review of ROPS which interpret ABX1-26 and AB1484. These include:

1. Refinements to the definition of “administrative cost,” which is a statutorily defined term. (§34171(b).) (RJN, Exh. 18, p. 190.)

2. The enforceability of contracts, including bond-funded contracts. (RJN, Exh. 18, p. 193, Exh. 19, p. 202.)
3. The validity of agreements funded by the Low and Moderate Income Housing Fund. (RJN, Exh 20, p. 209)

D. DOF's Actions Violate the APA

The point of the foregoing examples is not whether DOF is right or wrong (although DOF has often been wrong). The point is that DOF was and is engaging in rule-making, i.e., interpreting, implementing or making specific the provisions of ABX1-26 and AB1484, without following the procedures prescribed by the APA, including notice and comment and submission to the Office of Administrative Law. DOF should be ordered to cease rule-making without complying with the APA, withdraw all rules promulgated in violation of the APA and prepare rules for implementing ABX1-26 and AB1484 in accordance with the APA.

VII. CONCLUSION

The foregoing points and authorities establish that Petitioners are entitled to the relief sought on both the petition and the complaint and orders compelling Respondents to comply with their mandatory, ministerial duty not to withhold sales and use taxes or property taxes in violation of the California Constitution to the detriment of Petitioner City and all other California cities. Further, Petitioners respectfully request that the Court invalidate those portions of AB1484 that delegate authority to Respondents with no standards for the reasons set forth above and that Respondents be ordered to prepare and adopt regulations to implement AB1484 in compliance with the Administrative Procedures Act.

Dated: January 31, 2013

BEST BEST & KRIEGER LLP

By: T. BRENT HAWKINS

Attorneys for Petitioners and Plaintiffs
PROOF OF SERVICE

At the time of service I was over 18 years of age and not a party to this action. My business address is 500 Capitol Mall, Suite 1700, Sacramento, California 95814. On February 1, 2013, I served the following document(s):

Petitioners' Memorandum of Points and Authorities in Support of Petition for Writ of Mandate and Complaint for Injunctive and Declaratory Relief

☐ By fax transmission. Based on an agreement of the parties to accept service by fax transmission, I faxed the documents to the persons at the fax numbers listed below. No error was reported by the fax machine that I used. A copy of the record of the fax transmission, which I printed out, is attached.

☒ By United States mail. I enclosed the documents in a sealed envelope or package addressed to the persons at the addresses listed below (specify one):

☐ Deposited the sealed envelope with the United States Postal Service, with the postage fully prepaid.

☒ Placed the envelope for collection and mailing, following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service, in a sealed envelope with postage fully prepaid.

I am a resident or employed in the county where the mailing occurred. The envelope or package was placed in the mail at Sacramento, California.

☐ By personal service. At ___ a.m./p.m., I personally delivered the documents to the persons at the addresses listed below. (1) For a party represented by an attorney, delivery was made to the attorney or at the attorney's office by leaving the documents in an envelope or package clearly labeled to identify the attorney being served with a receptionist or an individual in charge of the office. (2) For a party, delivery was made to the party or by leaving the documents at the party's residence with some person not less than 18 years of age between the hours of eight in the morning and six in the evening.

☐ By messenger service. I served the documents by placing them in an envelope or package addressed to the persons at the addresses listed below and providing them to a professional messenger service for service. A Declaration of Messenger is attached.
By overnight delivery. I enclosed the documents in an envelope or package provided by an overnight delivery carrier and addressed to the persons at the addresses listed below. I placed the envelope or package for collection and overnight delivery at an office or a regularly utilized drop box of the overnight delivery carrier.

By e-mail or electronic transmission. Based on a court order or an agreement of the parties to accept service by e-mail or electronic transmission, I caused the documents to be sent to the persons at the e-mail addresses listed below. I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.

SEE ATTACHED SERVICE LISTS

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on February 1, 2013, at Sacramento, California.

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<td>Chula Vista + SA</td>
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<td>Oxnard + Comm Dev Comm.</td>
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<td>Tulare + SA</td>
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<td>49'rs SC Stadium Company LLC</td>
<td>6/27/12</td>
<td>Oversight Board, AC, Santa Clara Finance Agency</td>
<td>none</td>
<td></td>
<td>Jonathan Bass, Lauren Kowal, Charmaine Yu, Coblentz Patch in SF 415-391-4800 <a href="mailto:ef-jrb@cpdb.com">ef-jrb@cpdb.com</a> <a href="mailto:ef-cgy@cpdb.com">ef-cgy@cpdb.com</a></td>
<td>Oversight Board Dispute re OB's Termination of Stadium Agreements and Refusal to List Stadium Agreements on ROPS III as EOs; Administrative Mandamus (CCP 1094.5)</td>
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<td>Plaintiff</td>
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<td>Affordable Housing Coalition of San Diego County</td>
<td>4/25/12</td>
<td>San Diego AC</td>
<td>DOF, Chiang</td>
<td>AB1X-26. No. 2012-80001158, Dept. 31 (Kenny) (transferred from San Diego) Resps.' Mtn for Judgment on Pleadings Granted 12/21/2012 - Petitioner to Join Necessary Parties (successor agencies and taxing entities) per CCP 389(a)(2)(i) Amended Petition filed 1/18/2013 naming Co of San Diego as Class Representative for all taxing entities in SD Co entitled to a proportional share in the balance, etc.</td>
<td>Catherine Rodman, Arlyn Escalante Affordable Housing Advocates 619-233-8474 2 other firms <a href="mailto:crodman@affordablehousingadvocates.org">crodman@affordablehousingadvocates.org</a></td>
<td>Impairment of Statutory Contract (Cal. Const. Art. I, §9) re LMIH obligations</td>
</tr>
<tr>
<td>Apple Valley + SA &amp; taxpayer</td>
<td>7/12/12</td>
<td>DOF, AC</td>
<td>none</td>
<td>AB1X-26 and AB 1484 no. 2012-00127355, Dept. 54 (Chang) <strong>Settled</strong> (Judgment entered 1/7/13)</td>
<td>Iris Yang, et al. BBK Sacramento</td>
<td>True-up Payment Dispute; Correction of ROPS clerical error re debt service payment source</td>
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<tr>
<td>Brea + SA Also 3d party agt</td>
<td>7/16/12</td>
<td>State, Chiang, DOF, BOE, AC</td>
<td>Ambac Assurance (guarantor on bonds), bondholder, bond trustee and taxing entities</td>
<td>AB1X-26 and AB1484. No. 2012-80001204, Reassigned to Dept. 42 (Sumner) -- <strong>Settled</strong> (Stip. Judgment entered 12/20/2012)</td>
<td>James Markman (city atty) + Sayre Weaver and Richards, Watson &amp; Gershon 213-626-8484</td>
<td>True-up Payment Dispute re reserves for future bond debt service payments</td>
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<td>Carlsbad, Culver City, Huntington Beach, Ontario, Oxnard, Palmdale, Inglewood, their RDAs, Linc Housing Corp.</td>
<td>1/11/12</td>
<td>State, Chiang, DOF, and 4 Acs</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001032, Dept. 33 (Lloyd Connelly) Dismissed on 2/28/2012</td>
<td>Murray Kane, Bruce Gridley, Guillermo Frias, Gustavo Lamanna of Kane, Ballmer &amp; Berkman in LA 213-617-0480 <a href="mailto:mkane@kbblaw.com">mkane@kbblaw.com</a> gfrias@</td>
<td>Constitutional challenge to AB1X26</td>
</tr>
<tr>
<td>Cerritos</td>
<td>9/26/2011 (Appeal filed 2/16/12)</td>
<td>State</td>
<td>ABC Unified Sch. Dist.</td>
<td>AB1X-26 and AB1484 Trial Court No. 2011-80000952 Reassigned to Dept 42 (Sumner); Appeal Pending (3rd DCA Case No. C070484)</td>
<td>Jeffrey Oderman, Dan Slater, Mark Austin, William Ihrke (Rutan Tucker)</td>
<td>Constitutional challenge to AB1X26 (as modified by AB1484)</td>
</tr>
<tr>
<td>City of Orange + SA, OHDC Serrano LLC, C&amp;C Serrano LLC</td>
<td>11/21/12</td>
<td>DOF, Jan E. Grimes</td>
<td>None</td>
<td>2012-00135813, Dept. 53 L&amp;M (Brown)</td>
<td>Kane, Ballmer &amp; Berkman Murray Kane, Guillermo Frias, Edward Kang (213) 617-0480 and Goldfarb &amp; Lipman, Lynn Hutchins, Juliet Cox in Oakland (510) 836-6336</td>
<td>ROPS Dispute re whether LMIH Fund loan commitment for housing project is an EO</td>
</tr>
<tr>
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<td>CRFL Family Apartments LP, CRFL Partner, LLC, CRFL Housing Partners</td>
<td>12/24/12</td>
<td>Matosantos, Cohen, DOF, County Auditor Controller, City of Oxnard + SA, Housing Authority of the City of Oxnard, United Water Conservation District, Calleguas Municipal Water District, The Metropolitan Water District of So CA, Oxnard School District, Oxnard</td>
<td>None</td>
<td>2012-80001354, Dept. 29 (Frawley) TRO granted 1/16/2013 - Writ Granted 1/18/2013</td>
<td>Hans Van Ligten, William H. Ihrke <a href="mailto:hvanligten@rutan.com">hvanligten@rutan.com</a>; <a href="mailto:bihrke@rutan.com">bihrke@rutan.com</a> (714) 641-5100</td>
<td>Impairment of Contract (2010 OPA for all housing project); ROPS III Dispute re Contracts previously approved on ROPS II (includes CCP 1094.5 writ)</td>
</tr>
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<td>Duarte + SA, Housing Authority</td>
<td>12/18/12</td>
<td>Matosantos, Watanabe, Los Angeles County Auditor Controller, State, DOF, County of Los Angeles, Consolidated Fire Prot District, Los Angeles Flood Control District, Los Angeles County Forester &amp; Fire Warden, Los Angeles County Office of Education, Public Library, Sanitation District No. 5 and 22, Citrus Comm. College Dist, Duarte Unified School District, Upper San Gabriel Valley Municipal Water Dist</td>
<td>Andres Duarte Terrace II, LP</td>
<td>2012-80001338, Dept. 31 (Judge Kenny) (erroneously transferred to Balonon following peremptory challenge to Sumner); TRO Hearing scheduled for 12/21/12 taken off calendar at Duarte's request b/c DOF dropped objection to ROPS III $1.2 million item and agreed to allow the $1.2 in LMIHF to be retained per the findings in the low-mod DDR. Duarte received revised DOF determination letters on 12/20/12.</td>
<td>Jeffrey Melching, Dan Slater, Jennifer Farrell, Rutan Tucker (714) 641-5100 <a href="mailto:jmelching@rutan.com">jmelching@rutan.com</a>, <a href="mailto:dslater@rutan.com">dslater@rutan.com</a>, <a href="mailto:jfarrell@rutan.com">jfarrell@rutan.com</a></td>
<td>ROPS III Dispute; LMIH Due Diligence Review Dispute re DOF denial of DDA with Housing Authority related to HUD grant (entered into on 6/26/12), funding agreements, and promissory notes between City and former RDA concerning LMIH funds; Impairment of Contract; Violation of Cal. Const. Art. XIII, §25.2(a)(3); Administrative Mandamus (CCP 1094.5)</td>
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<tr>
<td>El Cerrito +SA</td>
<td>7/12/12</td>
<td>DOF, BOE, AC</td>
<td>many taxing entities</td>
<td>AB1484. No. 2012-80001200, Dept. 31 (Kenny) <strong>Settled</strong> - Stip. Judgment Entered 12/21/2012</td>
<td>Sky Woodruff (city atty) +Deborah Fox and Erika Randall Meyers Nave + Susan Bloch <a href="mailto:sbloch@meyersnave.com">sbloch@meyersnave.com</a></td>
<td>True-up Payment Dispute</td>
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## Statewide Summary of Redevelopment Litigation

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<td>Emeryville + SA</td>
<td>9/11/12</td>
<td>Matosantos</td>
<td>none</td>
<td>2012-80001264, Dept. 31 (Kenny) Prel Inj Hrg 3/8/2013 9:00 a.m.</td>
<td>Ben Stock, Leah Castella, Matthew Visick of Burke Williams &amp; Sorensen LLP in Oakland (510) 273-8780 <a href="mailto:bstock@bwslaw.com">bstock@bwslaw.com</a> and Michael Biddle, City Attorney (510) 596-4300</td>
<td>ROPS Dispute re rejection of various agreements related to Brownfield loans and 2011 reimbursement agreements between City and former RDA for redevelopment projects</td>
</tr>
<tr>
<td>Galt + SA + Jason Behrmann</td>
<td>7/11/12</td>
<td>Matosantos, Julie Valverde - Sac Co Auditor/Controller</td>
<td>None</td>
<td>Case No. 2012-00127322; <strong>Settled</strong></td>
<td>Iris Yang, et al. BBK Sacramento</td>
<td>ROPS Dispute re Correction of ROPS I and II entries re bond debt service payments</td>
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<td>Galt + SA + Jason Behrmann</td>
<td>1/30/13</td>
<td>Matosantos</td>
<td>Callander Associates Landscape Architecture, Inc.</td>
<td>No. 2013-80001380, Dept. 14 (Baloon)</td>
<td>Iris Yang, et al. BBK Sacramento</td>
<td>ROPS III Dispute re Use of Tax Allocation bond proceeds for projects subject to Validation Judgment</td>
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<td>Hercules LLC</td>
<td>5/22/12</td>
<td>State, DOF, AC, City as SA</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001155, Dept. 31 (Kenny) Dismissed 6/20/2012 (Disputed payments were finally approved by DOF)</td>
<td>Andrew Sabey, Robert Doty Andrew Fogg at Cox, Castle SF 415-2625100 <a href="mailto:asabey@coxcastle.com">asabey@coxcastle.com</a>, rdoty@, afogg@</td>
<td>ROPS Dispute re DOF's denial of 2001 DOPA and related 2010 Settlement Agreement Between Petitioner/Developer, Former RDA, and City as EOs</td>
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<tr>
<td>Inland Valley Dev. Agency</td>
<td>4/11/12 (Appeal Filed 10/20/12)</td>
<td>State, Chiang, DOF, AC</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001112 (related to 80001113), Dept. 33 (Connelly) alleges JPA w/ RDA powers not governed by AB1X-26; Demurrer sustained w/out leave; Appeal pending at 3rd DCA - Case no. C072450</td>
<td>Timothy Sabo, Karen Feld of Lewis Brisbois 909-387-1130 <a href="mailto:sabo@lbbslaw.com">sabo@lbbslaw.com</a>, kfeld@</td>
<td>AB1X26 Challenge re Application of RDA Dissolution to Military Base Conversion RDA (JPA) - specifically concerns Norton AFB Closure</td>
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<td>Inland Valley Development</td>
<td>12/28/12</td>
<td>State Controller Chiang, DOF, Matosantos, San Bernardino County Auditor Controller Walker</td>
<td>No. 2012-80001357, Dept. 29 (Frawley)</td>
<td></td>
<td>Karen A. Feld, ElizabethL. Martyn, Lewis Brisbois Bisgaard &amp; Smith (909) 387-1130</td>
<td>ROPS III Dispute re EOs (reliance on prior DOF approval of same items on earlier ROPS); True-up Payment Dispute; Erroneous Collection of Duplicate Pass Through Payments</td>
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<td>Irvine as SA</td>
<td>5/25/12</td>
<td>DOF, AC</td>
<td>Heritage Fields, El Toro LLC</td>
<td>AB1X-26. No. 2012-80001161 Dept. 31 (Kenny) Order on related cases denied (no relationship to 80001154); Answers filed; 5/31/2012 order denying ex parte and TRO and OSC re prelim inj</td>
<td>Philip Kohn, William Marticorena, Jeffrey Melching, Dan Slater at Rutan &amp; Tucker Costa Mesa, <a href="mailto:pkohn@rutan.com">pkohn@rutan.com</a>, wmarticorena@, jmelching@ dslater@</td>
<td>ROPS Dispute re DOF Denial of Dev Agreement and Loan Agreement Between City and former RDA as EO (RPTTF Funds)</td>
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<td>Lancaster + SA</td>
<td>12/21/12</td>
<td>Matsantos, BOE, Watanabe</td>
<td>Los Angeles County, County Library, Consolidated Fire Protection Dist of LA County, LA County Fire-Forester &amp; Fire Warden, LA Co Waterworks #40, Antelope Valley, Lancaster Cemetery Dist, Antelope Valley Mosquito Vector Control, LA County Sanitation Dist No. 14 Operating, Antelope Valley Soil Conservation Dist, City of Lancaster TD #1, Lancaster Lighting Maintenance Dist, Antelope Valley East Kern Water Agency, Quartz Hill Water Dist, Educational Revenue Augmentation Fund, County school Services, Eastside Union School District, Westside Union School Dist,</td>
<td>No. 2012-80001348, Dept. 42 (Sumner) Stipulation &amp; Order filed 1/2/2013</td>
<td>David Robinson, James Azadian, Christina DeVries, Enterprice Counsel Group, ALC (949) 833-8550</td>
<td>True-up Payment Dispute</td>
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<td>Livermore + SA</td>
<td>6/14/12</td>
<td>All persons interested re: Redevelopment Ordinances and Resolutions (various)</td>
<td>None</td>
<td>No. 2012-00132727 (transferred from Alameda Superior Court) DOF/Controller Demurrer Hearing scheduled for 4/8/2013 9:00 a.m. in Dept. 54 (Chang)</td>
<td>Thomas Webber, James Diamond Goldfarb &amp; Lipman LLP Oakland (510) 836-6226 and John Pomidor, Jason Alacala, City Attorney of Livermore</td>
<td>Validation Action re DDA and related leases/subleases</td>
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<td>LOCC, Vallejo + SA, Christopher McKenzie</td>
<td>9/24/12</td>
<td>Matosantos (DOF), Betty Yee, George Runner, Michelle Steel, Jerome Horton, John Chiang (members BOE), John Chiang, Controller, Simona Padilla-Scholtens (Solano Co)</td>
<td>County of Solano, Solano County Free Library, Solano County Mosquito Abatement District, Greater Vallejo Recreation District, Vallejo Sanitation and Flood Control District, Solano County Water Agency, Bay Area Air Quality Management District, Vallejo City Unified School District, Solano Community College and Solano County Office of Education/Solano County Superintendent of Schools</td>
<td>No. 2012-80001275, Dept. 31 (Kenny) Petition Hearing schedule 4/19/2013 9:00 a.m.; Santa Clara County granted leave to intervene (1/4/2013)</td>
<td>Iris P Yang, Brent hawkins, harriet Steiner Ann Schwing of Best Best &amp; Krieger, (916) 325-4000 <a href="mailto:iris.yang@bbklaw.com">iris.yang@bbklaw.com</a> <a href="mailto:brent.hawkins@bbklaw.com">brent.hawkins@bbklaw.com</a>, <a href="mailto:harriet.steiner@bbklaw.com">harriet.steiner@bbklaw.com</a></td>
<td>ROPS III Dispute re Amended DDA</td>
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<td>Los Banos</td>
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<td>DOF Matosantos, BOE, Merced Co Auditor Controller</td>
<td>City of Los Banos; County of Merced, Los Banos USD, Merced CCD, Merced Co Regional OCC Program, Merced Co Mosquito Abatement Dist, Los Banos Cemetery District, Central CA Irrigation District, Merced Co Office of Ed</td>
<td>No. 2012-80001352, Dept. 31 (Kenny) Stipulation entered 1/2/2013; TRO taken off-calendar</td>
<td>John McClendon, Joy Otsuki Leibold McClendon &amp; Mann, Lagnua Hills 9949) 457-6300 <a href="mailto:john@CEQA.com">john@CEQA.com</a></td>
<td>True-up Payment Dispute</td>
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<tr>
<td>Mendota Designated Local Authority as SA</td>
<td>12/24/12</td>
<td>DOF Matosantos, BOE, Merced Co Auditor Controller</td>
<td>City of Mendota, County of Fresno, Fresno County Library Mendota Branch, Lower San Joaquin Levee Dist, Fresno West Side Mosquito Abatement Dist, Mondota USD, Westlands Water District</td>
<td>No. 2012-80001353, Dept. 42 (Summer)</td>
<td>John McClendon, Joy Otsuki Leibold McClendon &amp; Mann, Lagnua Hills 9949) 457-6300 <a href="mailto:john@CEQA.com">john@CEQA.com</a></td>
<td>True-up Payment Dispute</td>
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<td>Merced Designated Local Authority as SA</td>
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<td>DOF Matasanos, BOE, Merced Co Auditor Controller</td>
<td>City of Merced, Co of Merced, Merced City SD, Weaver Union SD, Merced Union SD, Merced CCD, Merced Co Regional Occupational program, Merced Co Mosquito Abatement Dist, Merced Cemetery Dist, Merced Irrigation Dist, Merced County Fire, Merced Co Office of Ed.</td>
<td>No. 2012-80001351, Dept. 29 (Frawley), Stipulation entered 1/2/2013 and TRO taken off calendar</td>
<td>John McClenon, Joy Otuski Leibold McClendon &amp; Mann, Lagnua Hills 9949) 457-6300 <a href="mailto:john@CEQA.com">john@CEQA.com</a></td>
<td>True Up Payment Dispute</td>
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<td>Mission Viejo + SA</td>
<td>7/16/12</td>
<td>State, Chiang, DOF, BOE, AC</td>
<td>6 taxing entities</td>
<td>AB1X-26 and AB1484. No. 2012-80001203, Dept. 31 (Kenny) Settled - Stip. Judgment entered 10/23/2012</td>
<td>William Curley (city atty), Sayre Weaver, Peter Pierce, Ginetta Giovino Winchester Richards, Watson &amp; Gershman <a href="mailto:sweaver@rwglaw.com">sweaver@rwglaw.com</a>, ppierce@ ggiovino@</td>
<td>True-up Payment Dispute</td>
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<tr>
<td>Monterey + SA</td>
<td>8/20/12</td>
<td>DOF</td>
<td>none</td>
<td>AB1X-26 and AB1484. No. 2012-80001249, Dept. 29 (Frawley) DISMISSED W/O PREJUDICE - CITY DECIDED NOT TO PURSUE</td>
<td>Mark Austin, Dan Slater, Jennifer Farrell Rutan &amp; Tucker Costa Mesa <a href="mailto:maustin@rutan.com">maustin@rutan.com</a>, dslater@ jfarrell@</td>
<td>ROPS Dispute re DOF Denial of Repayment Agreement between City and former RDA as an EO</td>
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# Statewide Summary of Redevelopment Litigation

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<tr>
<th>Plaintiff</th>
<th>File Date</th>
<th>Defendant</th>
<th>Real Parties</th>
<th>Comments/Status</th>
<th>Plaintiffs' Attorneys</th>
<th>Summary of Case</th>
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<tr>
<td>Moreno Valley + SA + Moreno Valley Housing Authority</td>
<td>12/24/12</td>
<td>Riverside Co Auditor Controller, State Auditor, Elaine Howle, Matosantos, BOE, amendment filed to add John Chiang and dismissed Elaine Howle</td>
<td>MV Rancho Dorado Ltd Part; PC Moreno Valley Developers LLC, Citbank, Palm Communities, Moreno Valley USD, Perris Elementary SD, Riverside CCD, Riverside Co, Riverside Office of Educ, Riverside County FCWCD, Valley Verde USD</td>
<td>No. 2012-80001350, Dept. 42 (Sumner) - X-petition filed on behalf of developer by Goldfarb Lipman</td>
<td>Suzanne Bryant, Deborah Fox, Erika Randall, Meyers Nave Riback Silver &amp; Wilson LA office (213) 626-2906, <a href="mailto:dfox@meyersnave.com">dfox@meyersnave.com</a>, <a href="mailto:erandall@meyersnave.com">erandall@meyersnave.com</a></td>
<td>LMIH Fund Due Diligence Review Dispute; Disputed funds committed for affordable housing project in escrow account (includes due process and impairment of contract causes of action)</td>
</tr>
<tr>
<td>Morgan Hill Economic Development Corp + City</td>
<td>10/9/12</td>
<td>State Controller, John Chiang, Vinod Sharma (Santa Clara Co), Ana Matosantos (DOF), amended petition BOE</td>
<td>none</td>
<td>2012-80001284, Reassigned to Dept. 29 (Frawley) - Santa Clara County Motion to Intervene taken off calendar (6/28/2013); tentative petition hearing scheduled 6/28/2013</td>
<td>Iris Yang, et al. BBK Sacramento</td>
<td>&quot;Claw Back&quot; of Transferred Agency Assets; Determination whether Petitioner is a &quot;public agency;&quot; Declaratory Relief re H&amp;S Code 34170.6(h)(1)(A) re offset of sales and/or property taxes; Violation of Procedural Due Process</td>
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<td>Plaintiff</td>
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<td>Murrieta, City of</td>
<td>12/20/12</td>
<td>DOF, Matosantos,</td>
<td>Paul Angulo, Auditor Controller</td>
<td>34-80001346, Dept. 31 (Michael P. Kenny); Prelim Inj Hrg scheduled</td>
<td>Jeffery A. Morris, Casey C. Shaw, Stutz Artiano Shinoff &amp; Holtz - (951) 676-6996</td>
<td>12/15/2012 Due Diligence Review Dispute re 2011 accelerated repayment of City's loan to Former RDA and Transfer of funds from LMHI fund to SA Housing Authority for aff housing project (prior payments were approved on BOPS)</td>
</tr>
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<td></td>
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<td>Paul Angulo, Auditor Controller County of Riverside</td>
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<td>for 2/28/2013 9:00 a.m.</td>
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<td>National City, Vista,</td>
<td>7/12/12</td>
<td>DOF, BOE, AC</td>
<td>none</td>
<td>AB1X-26 and AB1484, No. 80001198, Reassigned to Dept. 29 (Frawley) Court denied TRO on 7/13/2012; First Am Petition filed 8/31/12; Dismissed Vista and Oceanside.</td>
<td>Murray Kane, Guillermo Frias, Kang of Kane, Ballmer &amp; Berkman in LA 213-617-0480 <a href="mailto:mkane@kbblaw.com">mkane@kbblaw.com</a> gfrias@edward@</td>
<td>True-up Payment Disputes; Constitutional challenge to Tax Offset per Cal. Const. Art XIII, §§24(b); 25.5</td>
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<td>Oceanside, Chula Vista,</td>
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<td>12/27/12</td>
<td>Matosantos, Sandoval</td>
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<td>2012-00134586 Dept. 54 (Chang) Ex Parte Application for TRO filed concurrently with complaint - TRO granted on 12/28/12 to preclude withholding of 1/2/2013 RPTTF distribution; Prelim Inj Hearing on 1/31/2013 continued to 2/21/2013 at 9:00 a.m.</td>
<td>Kane, Ballmer &amp; Berkman Murray Kane, Guillermo Frias, Edward Kang (213) 617-0480</td>
<td>True-up Payment Dispute; Constitutional challenge to Tax Offset per Cal. Const. Art XIII, §§24(b); 25.5</td>
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<tr>
<td>Orange County as SA</td>
<td>8/3/12</td>
<td>DOF</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001224, Dept. 31 (Kenny) Demurrer Hearing scheduled for 1/25/2013 - taken under submission</td>
<td>Laurie Shade, Elizabeth Pejeau, <a href="mailto:laurie.shade@coco.ocgov.com">laurie.shade@coco.ocgov.com</a> <a href="mailto:liz.pejeau@coco.ocgov.com">liz.pejeau@coco.ocgov.com</a></td>
<td>ROPS Dispute re DOF’s rejection of Reimbursement Agreements for Infrastructure Project as EOs</td>
</tr>
<tr>
<td>Palmdale, Glendale, Culver City, Huntington Beach, Pasadena, Inglewood, National City, Imperial Beach, Hayward, as SAs</td>
<td>5/22/12</td>
<td>County ACs, DOF</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001154, Dept. 29 (Frawley) Dismissed w/out Prejudice on 8/29/2012</td>
<td>Kane Ballmer &amp; Berkman LA Murray Kane, Guillermo Frias, Edward Kang <a href="mailto:mkane@kbblaw.com">mkane@kbblaw.com</a> 213 617-0480</td>
<td>6/1/12 RPTTF Distribution Dispute</td>
</tr>
<tr>
<td>Pasadena + Pasadena Community Development Commission, Marilyn Diaz, Cheryl Hubbard</td>
<td>12/27/12</td>
<td>Matosantos, Watanabe</td>
<td>none</td>
<td>2012-00134585 Dept 54 (Chang) Ex parte Application for TRO file concurrently with complaint - TRO granted re ROPS III; Prelim. Injunction hrg 1/17/2013 - WRIT GRANTED 1/28/2013</td>
<td>Kane, Ballmer &amp; Berkman Murray Kane, Guillermo Frias, Edward Kang (213) 617-0480 Bruce Tepper, ALC, (213) 551-6590</td>
<td>ROPS Dispute re DOF rejection of Validated Reimbursement Agreement / Pension Bonds as EOs</td>
</tr>
<tr>
<td>Peebler, Gerald (commercial property owner in Santa Ana and party to 1984 Judgment)</td>
<td>6/7/12</td>
<td>DOF, AC, Santa Ana as SA</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001172, Dept. 29 (Frawley) (order on related cases denied) DOF denied earlier judgment for plaintiff was an enforceable obligation; TRO denied 6/14; answers on file - petition hearing 2/1 11:00 a.m.</td>
<td>Carrie Hempel, Robert Solomon at UCI School of Law 949-824-9719</td>
<td>ROPS Dispute re DOF rejection of tax increment payment obligations under 1984 Stipulated Judgment in Reverse Validation Action, which requires LMIH set-aside and funding for particular redevelopment project as an EO</td>
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### Statewide Summary of Redevelopment Litigation

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<tr>
<td>Petaluma + SA</td>
<td>11/26/12</td>
<td>Matosantos; Sundstrom, County of Sonoma</td>
<td>Sonoma County Transportation Authority, DOT</td>
<td>2012-80001321, Dept. 29 (Frawley); DOF Answer filed 12/28/12</td>
<td>Eric Danly, Deborah Fox, Erika Randall, Meyers Nave Riback Silver &amp; Wilson in Los Angeles (213) 626-2906 <a href="mailto:dfox@meyersnave.com">dfox@meyersnave.com</a>, <a href="mailto:erandall@meyersnave.com">erandall@meyersnave.com</a></td>
<td>ROPS Dispute re EOs / DOF rejection of RPTTF and bond proceeds for highway infrastructure improvements pursuant to agreements between City and third parties</td>
</tr>
<tr>
<td>Pittsburg + SA</td>
<td>8/16/12</td>
<td>AC, DOF, BOE</td>
<td>many districts, taxing entities</td>
<td>AB1484, No. 2012-80001245, Reassigned to Dept. 42 (Sumner) Settled - Stip. Judgment entered 12/20/2012</td>
<td>Ruthann Ziegler (Pittsburg); Deborah Fox and Erika Randall, Meyers Nave LA 213-626-2906 <a href="mailto:dfox@meyersnave.com">dfox@meyersnave.com</a>, <a href="mailto:erandall@meyersnave.com">erandall@meyersnave.com</a></td>
<td>True-up Payment Dispute</td>
</tr>
<tr>
<td>Rancho Cordova + SA</td>
<td>12/28/12</td>
<td>Matosantos, Valverde, Chiang, BOE</td>
<td></td>
<td>2012-80001356, Dept. 42 (Sumner)</td>
<td>David Skinner, Adam Lindgren, Danta Foronda Meyers Nave Riback Silver &amp; Wilson (916) 556-1531</td>
<td>ROPS Dispute re Eos / DOF rejection of Loans between Agency and City (H&amp;S Code §34171(d)(2))</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>1/14/13</td>
<td>Matosantos, Chiang, Sandoval</td>
<td>None</td>
<td>2013-80001364, Dept. 14, (Balonon)</td>
<td>City Attorney Jan Goldsmith, Andrew Jones, Don Worley, George Shaefer, Kevin Reisch (619) 533-5800</td>
<td>ROPS III Dispute re Ballpark Coop Agreement b/wn City and SA</td>
</tr>
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<tr>
<td>San Diego, City of as successor agency</td>
<td>12/21/12</td>
<td>Matosantos, John Chiang, Tracy Sandoval</td>
<td>Connections Housing Downtown LP</td>
<td>2012-80001347, Dept. 42 (Sumner)</td>
<td>City Attorney Jan Goldsmith, Andrew Jones, Don Worley, George Shaefer, Kevin Reisch (619) 533-5800</td>
<td>ROPS III Dispute re DOF rejection of DDA for homeless shelter as an EO Homeless shelter under DDA (not previously disputed on ROPS I or II)</td>
</tr>
<tr>
<td>San Jose + SA</td>
<td>12/4/12</td>
<td>California Director of Finance Ana Matosantos, BOE, Santa Clara County Auditor-Controller VINOD Sharma</td>
<td>County of Santa Clara, Franklin-McKinley School District, Oak Grove School District, Orchard Elementary School District, San Jose USD, Santa Clara USD, East Side Union High SD, West Valley Mission CCD, San Jose Evergreen CCD, Santa Clara County Office of Ed, Santa Clara Valley Water Dist, BAAQMD, Guadalupe Coyote Reource Conservation District</td>
<td>2012-80001327, Dept. 29 (Frawley) Settled - Stip. Judgment entered 12/18/12</td>
<td>Richard Doyle, Nora Frimann, Ardell Johnson City Attorney Office 408-535-1900</td>
<td>True-up Payment Dispute</td>
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<td>Plaintiff</td>
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<tr>
<td>San Jose as SA</td>
<td>6/26/12</td>
<td>Santa Clara County + its director of finance</td>
<td>none</td>
<td>AB1X-26. No. 2012-80001190, Reassigned to Dept. 42 (Sumner) Answers on file; County of Santa Clara filed CCP 170.6 motion to disqualify Judge Balonon</td>
<td>Richard Doyle, Nora Frimann, Ardell Johnson</td>
<td>Pass Through Agreement Dispute; Breach of Contract; Interference with Contractual Relations; Breach of Fiduciary Duty; Negligence</td>
</tr>
<tr>
<td>San Leandro + SA</td>
<td>1/17/13</td>
<td>Alameda Co Auditor Controller, Matsantos, BOE, Alameda County SA</td>
<td>Alameda Co, Alameda Co Office of Ed, Alameda Co Fire Dept, Alameda Co FWCD, Alameda Co Library, Alameda Co Mosquito Abatement Dist, Alameda-Contra Costa Transit Dist, Bay Area Air Quality Management Dist, San Francisco Bay Area Rapid Transit District, Chabot-Las Positas CCD, East Bay MUD, East Bay Regional Park Dist, Hayward Area Rec and Park Dist, Hayward USD, San Leandro USD, San Lorenzo USD</td>
<td>No. 2013-80001367, Dept. 31 (Kenny)</td>
<td>Jayne Williams, Deborah Fox, Erika Randall, Meyers Nave</td>
<td>True-up Payment Dispute</td>
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<tr>
<td>Santa Cruz County +SA</td>
<td>12/18/12</td>
<td>DoF, BOE Santa Cruz County Auditor</td>
<td>County, Library, Co Hwy Service Areas 9, 9A, 9B, 11, Flood Control &amp; Water Conservation Zone 4, 5, General, Central Fire Protection Dist, Opal Cliffs Rec &amp; Park Dist, Resources Conservation Dist, Port District, Live Oak School Dist, Soquel Union Elem School Dist, Santa Cruz High Scool District, Cabrillo Comm Coll Dist, County School Service</td>
<td>2012-80001340, Dept. 31 (Kenny)</td>
<td>Dana McRae, County Counsel, (831) 454-2040</td>
<td>True-Up Payment Dispute; constitutional challenge to AB1484 (violation of separation of powers, Cal. Const. Art. III, §3, and §824(b); 25.5)</td>
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<td>Santa Monica + SA, Community Corporation of Santa Monica</td>
<td>1/30/13</td>
<td>DOF Matosantos, BOE, Watanabe, Los Angeles County Auditor Controller</td>
<td>Santa Monica-Malibu USD, LA Co Fire Dist, LA Co Dept. of Public Works, Co of LA, LA West County Vector Control Distinct, Metro Water Dist of So Cal, LA Co Office of Ed, 2802 Pico, LP, 430 Pico, LP, High Place East LP, Fame Santa Monica Senior Apartments LP, Step Up on Second Street Inc, Step Up on Colorado LP, Related/Santa Monica Village LLC, Santa Monica Housing Partners, LP, Ocean Park Community Center, BofA</td>
<td>2013-80001382, Dept. 14 (Balanon)</td>
<td>Marsha Jones Moutrie, Joseph Lawrens, Susan Cola (City Attorneys), Murry Kane, Guillermo Frias, Kane Ballmer &amp; Berkman LA (213) 617-0480 (atty for City and SA), Lisa Schwartz Tudzin, Law Office of Michael Tudzin Woodland Hills (818) 887-1000 (atty for Comm. Corp. of Santa Monica)</td>
<td>ROPS Dispute re Rejection of RPTTF for Late ROPS II; RPTTF Distribution Dispute with AC</td>
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<td>Selma as SA</td>
<td>7/12/12</td>
<td>DOF, AC</td>
<td>none</td>
<td>AB1X-26 and AB1484, No. 2012-80001199, Dept. 29 (Frawley) Ex Parte App for TRO denied on 7/25/12; DOF answer filed 8/2/12</td>
<td>Neal Costanzo, Michael Slater Fresno 559-261-0163</td>
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<td>Plaintiff</td>
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<tr>
<td>So Cal Assoc of Non-Profit Housing</td>
<td>12/27/12</td>
<td>DOF, Matosantos, Watanabe, City of Industry, Successor Agency to Industry Urban-Development Agency, Housing Authority of the County of LA, Dept of Housing &amp; Comm Development</td>
<td></td>
<td>2012-80001355, Dept. 31 (Kenny) Ex Parte App for TRO granted on 1/2/2013; OSC re prelim injunction hearing 1/15/2013 at 9:00 a.m.</td>
<td>Allen J. Abshez, Katten Muchin Rosenman (310) 788-4400</td>
<td>ROPS III Dispute re EO / DOF rejection of RHNA set aside payments under Gov Code § 65584.3 specific to City of Industry</td>
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<tr>
<td>Sonoma SA</td>
<td>1/29/13</td>
<td>Matosantos, DOF</td>
<td>None</td>
<td>No. 2013-80001378, Not yet assigned</td>
<td>Goldstein, Shupe (County Counsel), John Nagle, Juliet Cox, Rafael Yaquian, Goldfarb &amp; Lipman Oakland office (510) 836-6336</td>
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<tr>
<td>So. Cal. Housing Resource &amp; Development, Creekside Land Holding, etc.</td>
<td>6/7/12</td>
<td>DOF</td>
<td>None</td>
<td>AB1X-26, No. 2012-80001171, Dept. 33 (Connelly); Complete - writ denied and judgment entered on 8/2/2012</td>
<td>Ofer Elitzur, Robert Doty Andrew Fogg at Cox, Castle SF 415-262-5100 <a href="mailto:oelitzur@coxcastle.com">oelitzur@coxcastle.com</a>, rdoty@, afogg@</td>
<td>ROPS / EO Dispute re DOF rejection of Spring 6/28/2011 DDA/OPA for aff housing project; Impairment of Contract; Unconstitutional Deprivation of Property</td>
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<td>Syncora Guarantee</td>
<td>8/1/12</td>
<td>State, DOF; Chiang.</td>
<td>none</td>
<td>AB1X-26 and AB1484, No. 2012-80001215, Dept. 31 (Kenny); Writ hearing currently</td>
<td>Kathleen Sullivan, Erika Taggart at Quinn Emanuel LA 213-443-3000</td>
<td>Impairment of Contracts (State and Federal Constitutions); Constitutional challenge</td>
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<td>(Bond Insurer)</td>
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<td>AC class</td>
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<td>scheduled for 3/8/2013, but date may change Notice of Case Reassignment to Kenny</td>
<td>Johnathan Pickhardt, Brad Rosen at Quinn Emanuel NY 212 849-7000</td>
<td>to &quot;Redistribution Provisions&quot; of AB1X26; Inverse Condemnation; Taking of Private</td>
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<td>and Hearing Date rescheduled to 5/3/2013 at 9:00 a.m.</td>
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<td>Property w/out Just Compensation (Federal Constitution/5th Amendment)</td>
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<td>Union City + SA</td>
<td>1/29/13</td>
<td>Matosantos, O'Connell, Chiang</td>
<td>Chabot-Las Positas CCD, East Bay Regional Park District, Alameda County Water Dist, Union Sanitary Dist, County of Alameda, County of Alameda Zone 7, Alameda County Flood Control &amp; Water Conservation District, Alameda Co Office of Ed, Ohlone CCD, Fremont USD, Bay Area Quality Management District, Bay Area Rapid Transit District, Alameda County Resource Conservation District, New Haven USD</td>
<td>2013-80001377, Dept. 14 (Balanon)</td>
<td>Benjamin Reyes, Deborah Fox, Dane Foronda, Eric Casher, Meyers Nave Oakland Office</td>
<td>ROPS III Dispute re Use of tax allocation bond proceeds; Housing fund asset transfer dispute; True-up Payment Dispute</td>
</tr>
<tr>
<td>Victor Valley Economic Development Authority</td>
<td>4/12/2012 (Appeal filed 10/29/12)</td>
<td>State; DOF; Controller: San Bernardino Auditor</td>
<td>none</td>
<td>2012-80001113, Dept. 33 (Connelly) 9/5/2012 Order sustaining demurrers w/out leave; judgment of dismissal filed; <strong>Appeal Pending</strong> (3rd DCA C072518)</td>
<td>Andre deBortnowsky, Charles Green, Green deBortnowsky &amp; Quintanilla (818) 704-0195</td>
<td>AB1X26 Challenge re Application of RDA Dissolution to Military Base Conversion JPA - specifically concerns George AFB Closure</td>
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<tr>
<td>Plaintiff</td>
<td>File Date</td>
<td>Defendant</td>
<td>Real Parties</td>
<td>Comments/Status</td>
<td>Plaintiffs’ Attorneys</td>
<td>Summary of Case</td>
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<td>Walnut, City of+SA</td>
<td>12/19/12</td>
<td>DoF Matosantos, BOE, Los Angeles County Auditor Controller Watanabe</td>
<td>Walnut Valley Unified School District, LA Consolidated Fire Dist, Mt. San Antonio Comm College Dist, LA County Library, LA Co Department of Education, Co of LA</td>
<td>2012-80001344, Dept. 42 (Sumner) - Stipulation and order filed 12/24/2012 re temporary resolution for 1/2/2013 RPTTF distribution</td>
<td>City Attorney Michael B. Montgomery (626) 799-0500</td>
<td>True-up Payment Dispute</td>
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