

REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

January 2015



BETTY T. YEE
California State Controller

January 29, 2015

Sean McGlynn, City Manager
City of Santa Rosa
100 Santa Rosa Avenue, Room 10
Santa Rosa, CA 95404

Dear Mr. McGlynn:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Redevelopment Agency of the City of Santa Rosa (RDA) to the City of Santa Rosa (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$41,699,358 in assets after January 1, 2011, including unallowable transfers totaling \$1,160,190 or 2.78% of transferred assets. The unallowable transfers included \$1,110,190 to the City and \$50,000 to the Housing Authority. However, on July 19, 2012, the City turned over \$502,354 to the Successor Agency. Therefore, the remaining \$657,836 in unallowable transfers must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: David Sundstrom, Auditor-Controller
Sonoma County
William Arnone, Oversight Board Chair
City of Santa Rosa Redevelopment/Successor Agency
David Gouin, Director of Economic Development and Housing
City of Santa Rosa
Deborah Lauchner, Chief Financial Officer
City of Santa Rosa
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Scott Freesmeier, Audit Manager
Division of Audits, State Controller's Office
Steven Noguchi, Auditor-in-Charge
Division of Audits, State Controller's Office

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Redevelopment Agency (RDA) of the City of Santa Rosa after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$41,699,358 in assets after January 1, 2011, including unallowable transfers totaling \$1,160,190 or 2.78% of transferred assets. The unallowable transfers included \$1,110,190 to the City of Santa Rosa (City) and \$50,000 to the Housing Authority. However, on July 19, 2012, the City turned over \$502,354 to the Successor Agency. Therefore, the remaining \$657,836 in unallowable transfers must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Redevelopment Agency of the City of Santa Rosa transferred \$41,699,358 in assets after January 1, 2011, including unallowable transfers totaling \$1,160,190, or 2.78% of transferred assets. The unallowable transfers included \$1,110,190 to the City of Santa Rosa (City) and \$50,000 to the Housing Authority. However, on July 19, 2012, the City turned over \$502,354 to the Successor Agency. Therefore, the remaining \$657,836 in unallowable transfers must be turned over to the Successor Agency.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on October 7, 2014. Sean McGlynn, City Manager, responded by letter dated October 23, 2014. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City, the Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

January 29, 2015

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of Santa Rosa

The Redevelopment Agency of the City of Santa Rosa (RDA) made unallowable asset transfers of \$1,110,190 to the City of Santa Rosa (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

- On June 30, 2011, the RDA transferred cash consisting of loan principal and interest repayments in the amount of \$607,836 (see Schedule 1 for payment detail). These transfers were for the repayment of loans provided by the City in relation to the Santa Rosa Center/Grace Brothers Merged Project Area, the Gateways Redevelopment Project, and the TORPA Project Area.
- On January 31, 2012, the RDA transferred cash consisting of loan principal and interest repayments in the amount of \$502,354 (see Schedule 1 for payment detail). These transfers were for the repayment of loans provided by the City in relation to the Santa Rosa Center/Grace Brothers Merged Project Area, Gateways Redevelopment Project, and TORPA Project Area.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfers totaling \$1,110,910 and turn over the assets to the Successor Agency. However, on July 19, 2012, the City reversed \$502,354 of the unallowable transfers and turned over the assets to the Successor Agency. Therefore, the remaining \$607,836 in unallowable transfers must be turned over to the Successor Agency.

City's Response

Regarding Finding 1, the \$607,836 was transferred pursuant to agreements between the City and the former Redevelopment Agency. As authorized by Health and Safety Code Section 34178(a) as enacted by AB X126, the City and Successor Agency reentered these agreements with the approval of the Oversight Board, as evidenced by the three attached resolutions. The validity of these reentered agreements is now the subject of pending litigation in Sacramento Superior Court, case # 34-2014-80001759, "City of Santa Rosa and Successor Agency v. Cohen, Department of Finance et al.," filed February 6, 2014. The hearing is scheduled for December 19, 2014.

See Attachment for the City's complete response.

SCO Comment

The SCO's authority under H&S Code section 34167.5 extends to all assets transferred after January 1, 2011, by the RDA to the city or county, or city and county that created the RDA, or any other public agency. The responsibility is not limited by the other provisions of the redevelopment agency dissolution legislation. As a result, the cash transfers made by the RDA to the City during the period of January 1, 2011 through January 31, 2012 were unallowable. Depending on the outcome of the court case, the Successor Agency may utilize the Recognized Obligation Payment Schedule process to obtain authorization on repaying the \$607,836 in loan payments to the City of Santa Rosa, provided that the Oversight Board finds that the loans were for legitimate redevelopment purpose.

The Finding and Order of the Controller remain as stated.

**FINDING 2—
Unallowable asset
transfers to the
Housing Authority**

The RDA made an unallowable asset transfer of \$50,000 to the Housing Authority. The transfer occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On March 7, 2011, the RDA transferred land consisting of four parcels with the following APN(s): 010-041-019, 010-041-008, 010-041-009, and 010-041-010, totaling \$50,000. The land was transferred per Resolution 1658.

Pursuant to H&S Code Section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the Housing Authority is ordered to reverse the transfers of \$50,000 in land and turn over the assets to the Successor Agency.

City's Response

Regarding Finding 2, the transfer of the four remnant parcels from a past road reconfiguration from the Redevelopment Agency to the Successor Agency occurred on March 7, 2011. Under AB X126, Section 34176(a), the City designated the City's Housing Authority to retain the housing assets and functions of the Redevelopment Agency on January 24, 2012. These four parcels would have become the Housing Authority's assets as of January 24, 2012 regardless of the transfer that occurred in March 2011. While we feel it is redundant and administratively inefficient to have the Housing Authority transfer these remnant parcels back to the Successor Agency and then immediately have the Oversight Board approve the transfer back to the Housing Authority, we are evaluating the steps necessary to comply with the finding.

See Attachment for the City's complete response.

SCO Comment

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011, that were not contractually committed to a third party prior to June 28, 2011, to the extent not prohibited by state and federal law. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e).

Also, in accordance with H&S Code section 34177(g):

Successor agencies are required to do all of the following:

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

The Finding and Order of the Controller remain as stated.

**Schedule 1—
Unallowable Asset Transfers to
the City of Santa Rosa
January 1, 2011, through January 31, 2012**

| Date | Description | Amount |
|-----------|---|-------------------|
| 6/30/2011 | Santa Rosa City Center loan principal repayment JV00922 | \$ 277,739 |
| 6/30/2011 | Santa Rosa City Center loan interest repayment JV00922 | 202,261 |
| 6/30/2011 | Gateways City loan repayment JV00939 | 103,738 |
| 6/30/2011 | TORPA City loan repayment JV00939 | 24,098 |
| 1/31/2012 | Santa Rosa City Center loan principal repayment JV01374 | 294,126 |
| 1/31/2012 | Santa Rosa City Center loan interest repayment JV01374 | 108,426 |
| 1/31/2012 | Gateways City loan principal repayment JV01374 | 25,230 |
| 1/31/2012 | Gateways City loan interest repayment JV01374 | 60,514 |
| 1/31/2012 | TORPA City loan interest payment JV01374 | 14,058 |
| | Total unallowable transfers to the City of Santa Rosa | <u>1,110,190</u> |
| 7/19/2012 | Reversal of Entries - January 31, 2012, JV01722 | <u>(502,354)</u> |
| | Total asset transfers subject to Health and Safety Code section 34167.5 | <u>\$ 607,836</u> |

**Attachment—
City of Santa Rosa's Response to
Draft Review Report**



October 23, 2014

Jeffery V. Brownfield, Chief, Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Brownfield:

We are writing in response to the State Controller's draft Redevelopment Agency of the City of Santa Rosa Asset Transfer Review Report which we received on October 14, 2014.

Regarding Finding 1, the \$607,836 was transferred pursuant to agreements between the City and the former Redevelopment Agency. As authorized by Health and Safety Code Section 34178(a), as enacted by AB X1 26, the City and Successor Agency reentered these agreements with the approval of the Oversight Board, as evidenced by the three attached Resolutions. The validity of these reentered agreements is now the subject of pending litigation in Sacramento Superior Court, case # 34-2014-80001759, "City of Santa Rosa and Successor Agency v. Cohen, Department of Finance et al.," filed February 6, 2014. The hearing is scheduled for December 19, 2014.

Regarding Finding 2, the transfer of the four remnant parcels from a past road reconfiguration from the Redevelopment Agency to the Successor Agency occurred on March 7, 2011. Under AB X1 26, Section 34176(a), the City designated the City's Housing Authority to retain the housing assets and functions of the Redevelopment Agency on January 24, 2012. These four parcels would have become the Housing Authority's assets as of January 24, 2012 regardless of the transfer that occurred in March 2011. While we feel it is redundant and administratively inefficient to have the Housing Authority transfer these remnant parcels back to the Successor Agency and then immediately have the Oversight Board approve the transfer back to the Housing Authority, we are evaluating the steps necessary to comply with the finding.

Sincerely,

SEAN P. MCGLYNN
City Manager

SM/kg

Attachments

c: David E. Gouin, Director of Economic Development & Housing
Deborah Lauchner, Chief Financial Officer
Mike Casey, Assistant City Attorney

OFFICE OF THE CITY MANAGER
100 Santa Rosa Avenue, Room 10 • Santa Rosa, CA 95404
Phone: (707) 543-3010 • Fax: (707) 543-3030

RESOLUTION NO. 5

RESOLUTION OF THE OVERSIGHT BOARD TO THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY, AUTHORIZING EXECUTION OF ONE (1) PROMISSORY NOTE FOR A MODIFIED LOAN AGREEMENT FOR THE GATEWAYS REDEVELOPMENT PROJECT AREA

WHEREAS, pursuant to Resolution No. 28029, adopted by the City Council of the City of Santa Rosa on January 10, 2012, the City of Santa Rosa agreed to serve as the Successor Agency to the Redevelopment Agency of the City of Santa Rosa ("Agency") commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to AB x1 26 ("AB 26"); and

WHEREAS, Health and Safety Code Section 33220 authorized any public body to enter into an agreement with a redevelopment agency for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment projects located within the jurisdiction in which such public body is authorized to act, upon the terms and with or without consideration as such public body determines; and

WHEREAS, by Resolution No. 26164, adopted January 11, 2005, the City of Santa Rosa ("City") confirmed its agreement to advance City general funds to the Redevelopment Agency to support redevelopment activities undertaken by the Redevelopment Agency in the Gateway Redevelopment Project Area ("GW") pursuant to Ordinance No. 3782, adopted on June 20, 2006; and

WHEREAS, this agreement is evidenced by a Cooperation Agreement which provided that the Redevelopment Agency will reimburse the City for actions undertaken and costs and expenses incurred by it, for and on behalf of the Agency for GW; and

WHEREAS, the Cooperation Agreement bears interest at the rate of 6% per annum for GW; and

WHEREAS, the Cooperation Agreement provides for interest-only payments, but permit prepayment of the principal balance at any time; and

WHEREAS, the current principal balance payable pursuant to the GW Cooperation Agreement is \$1,703,731.57; and

WHEREAS, in accordance with AB 26, the City, acting in its capacity as Successor Agency, prepared a Recognized Obligation Payment Schedule ("ROPS") setting forth the schedule of existing Redevelopment Agency obligations, including among others, repayment of the Cooperation Agreement; and

WHEREAS, the oversight board for the Successor Agency was established pursuant to AB 26 (the "Oversight Board"); and

WHEREAS, the Oversight Board approved the ROPS covering the period of January through June 2012 on March 29, 2012, and approved the ROPS covering the period of July through December 2012 on May 3, 2012; and

WHEREAS, the State Department of Finance reviewed the ROPS, but by letter dated May 17, 2012, indicated that it objected to the Cooperation Agreement for GW; and

WHEREAS, Health and Safety Code Section 34178(a) provides that, with specified exceptions, commencing February 1, 2012, agreements, contracts and arrangements between a redevelopment agency and the city that formed the redevelopment agency are invalid; provided, however, a successor agency that wishes to enter or reenter into agreements with the city that formed the agency may do so upon obtaining approval of the oversight board; and

WHEREAS, the improvements undertaken by the Redevelopment Agency in the GW Redevelopment Project Area using the advance of City funds has resulted in significant revitalization of the GW, and have been of benefit to all taxing entities that share in the property tax revenue generated by property located within the GW because such improvements have removed impediments to development, eliminate adverse conditions in the project area and catalyzed private development, thus resulting in an increase in assessed valuation and property tax revenue that accrues to the taxing entities; and

WHEREAS, the City and Successor Agency desire to ratify the Successor Agency's obligation to repay the Cooperation Agreement, and desire to enter into a Promissory Note stating modified terms for repayment of the Cooperation Agreement ("Promissory Note").

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board, pursuant to Health and Safety Code Section 34178(a), approves and authorizes the Promissory Note attached hereto for the Gateway Redevelopment Project Area, and authorizes the Successor Agency to execute and deliver the Promissory Note substantially in such form.

BE IT FURTHER RESOLVED that the Oversight Board authorizes the Director of Economic Development and Housing or the City Manager to execute the Promissory Note and to take any other action as is necessary to carry out the purpose of this resolution, subject to approval by the City Attorney or the Successor Agency Attorney and the Oversight Board Attorney.

BE IT FURTHER RESOLVED that the Oversight Board authorizes the Promissory Note to be listed on updated or future ROPS for the Successor Agency.

DULY PASSED this 21st day of June, 2012.

AYES: Zane, Kasimov, Herrington, and Vice-Chairman Ours

NOES:

ABSENT: Carrillo, Roberts, and Chairman Arnone

ABSTAIN:

PROMISSORY NOTE
Gateway Redevelopment Project Area

\$1,703,731.57

Santa Rosa, California
_____, 2012

FOR VALUE RECEIVED, the City of Santa Rosa, acting in its capacity as the Successor Agency to the Former Redevelopment Agency of the City of Santa Rosa ("**Successor Agency**") promises to pay to the City of Santa Rosa, a charter city ("**City**"), in lawful money of the United States of America, the principal sum of One Million, Seven Hundred Three Thousand, Seven Hundred Thirty-One and 57/100 Dollars (\$1,703,731.57), together with interest on the outstanding principal balance in accordance with the terms and conditions described herein.

This Promissory Note ("**Note**") states modified terms for repayment of and supersedes that certain Cooperation Agreement dated as of February 24, 2005, executed by the Redevelopment Agency of the City of Santa Rosa for the benefit of the City of Santa Rosa in the original principal amount of \$1,200,000 (the "**Original Note**").

Execution of this Note has been approved by resolutions duly adopted by the City Council of the City of Santa Rosa, the governing board of the Successor Agency, and pursuant to Health and Safety Code Section 34178(a), by the Oversight Board appointed to review the actions of the Successor Agency pursuant to Assembly Bill x1 26.

1. INTEREST RATE; REPAYMENT. Interest shall accrue on the outstanding principal balance of this Note at the rate of three percent (3%) per annum, commencing upon the origination date of this Note. Interest shall be calculated on the basis of a year of 365 days, and charged for the actual number of days elapsed.

2. PAYMENT DATES; MATURITY DATE. Commencing upon January 31, 2013, (the "**First Payment Date**"), and on the last day of January during each year thereafter, Successor Agency shall make annual payments of combined principal and interest until the entire indebtedness evidenced hereby is fully paid, except that all remaining indebtedness, if not sooner paid, shall be due and payable upon the Maturity Date (defined below). The amount of the annual payments to be paid beginning on the First Payment Date will be an amount equal to the payment necessary to fully amortize the principal amount of this Note, together with interest at the interest rate specified in Section 1 above over a five-year period. The entire outstanding principal balance of this Note, together with accrued interest and all other sums accrued hereunder shall be payable in full on January 31, 2017 (the "**Maturity Date**"). Payments shall be credited first to accrued interest, and then to principal. In no event shall any amount due under this Note become subject to any rights, offset, deduction or counterclaim on the part of the Successor Agency.

3. PREPAYMENT. Successor Agency may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal.

4. MANNER OF PAYMENT. All payments on this Note shall be made to City at 90 Santa Rosa Avenue, Santa Rosa, California 95404 or such other place as City shall designate to Successor Agency in writing, or by wire transfer of immediately available funds to an account designated by City in writing.

5. EVENTS OF DEFAULT. An event of default ("**Event of Default**") shall arise hereunder if Successor Agency fails to pay when due the principal and interest payable hereunder and such failure continues for ten (10) days after City notifies Successor Agency thereof in writing.

6. REMEDIES. Upon the occurrence of an Event of Default hereunder, City may, at its option (i) by written notice to Successor Agency, declare the entire unpaid principal balance of this Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, and (ii) exercise any and all rights and remedies available to it under this Note or under applicable law. Successor Agency shall pay all reasonable costs and expenses incurred by or on behalf of City including, without limitation, reasonable attorneys' fees, incurred in connection with City's enforcement of this Note and the exercise of any or all of its rights and remedies hereunder.

7. DEFAULT RATE. Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of ten percent (10%) per annum (the "**Default Rate**"); provided, however, if any payment due hereunder is not paid when due, the Default Rate shall apply commencing upon the due date for such payment. When Successor Agency is no longer in default, the Default Rate shall no longer apply, and the interest rate shall once again be the rate specified in the first paragraph of this Note. Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this Note or prevent City from exercising any of its other rights or remedies.

8. MISCELLANEOUS

8.1 WAIVER. The rights and remedies of City under this Note shall be cumulative and not alternative. No waiver by City of any right or remedy under this Note shall be effective unless in writing signed by City. Neither the failure nor any delay in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by City will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law (a) no claim or right of City arising out of this Note can be

discharged by City, in whole or in part, by a waiver or renunciation of the claim or right unless in a writing, signed by City; (b) no waiver that may be given by City will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on Successor Agency will be deemed to be a waiver of any obligation of Successor Agency or of the right of City to take further action without notice or demand as provided in this Note. Successor Agency hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

8.2 SEVERABILITY. If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.3 GOVERNING LAW. This Note shall be governed by the laws of the State of California.

8.4 PARTIES IN INTEREST. This Note shall bind Successor Agency and its successors and assigns and shall accrue to the benefit of City and its successors and assigns.

8.5 SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this Note are provided for convenience only and will not affect its construction or interpretation.

8.6 TIME IS OF THE ESSENCE. Time is of the essence with respect to every provision of this Note.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, Successor Agency has executed and delivered this Note as of the date first written above.

SUCCESSOR AGENCY

THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

By: _____
Mayor/Executive Director

ATTEST:
By: _____
Successor Agency Secretary

APPROVED AS TO FORM:
By: _____
Successor Agency Counsel

The City of Santa Rosa, a charter city, hereby acknowledges and agrees to the terms set forth in this Note, and agrees that this Note supersedes in its entirety the Original Note defined above.

CITY OF SANTA ROSA, A CHARTER CITY

By: _____
City Manager

ATTEST:
By: _____
City Clerk

APPROVED AS TO FORM:
By: _____
City Attorney

IN WITNESS WHEREOF, Successor Agency has executed and delivered this Note as of the date first written above.

SUCCESSOR AGENCY

THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

By: Nancy J. Bernawicz for David E. Loevin
Mayor/Executive Director

ATTEST:
By: Christy A. Miller for Shirley Stevens
Successor Agency Secretary

APPROVED AS TO FORM:

By: [Signature]
Successor Agency Counsel

The City of Santa Rosa, a charter city, hereby acknowledges and agrees to the terms set forth in this Note, and agrees that this Note supersedes in its entirety the Original Note defined above.

CITY OF SANTA ROSA, A CHARTER CITY

By: Kathleen Miller
City Manager

ATTEST:
By: [Signature]
City Clerk

APPROVED AS TO FORM:

By: [Signature]
City Attorney

RESOLUTION NO. 6

RESOLUTION OF THE OVERSIGHT BOARD TO THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY, AUTHORIZING EXECUTION OF ONE (1) PROMISSORY NOTE FOR A MODIFIED LOAN AGREEMENT FOR THE TRANSIT ORIENTED REDEVELOPMENT PROJECT AREA

WHEREAS, pursuant to Resolution No. 28029, adopted by the City Council of the City of Santa Rosa on January 10, 2012, the City of Santa Rosa agreed to serve as the Successor Agency to the Redevelopment Agency of the City of Santa Rosa ("Agency") commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to AB x1 26 ("AB 26"); and

WHEREAS, Health and Safety Code Section 33220 authorized any public body to enter into an agreement with a redevelopment agency for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment projects located within the jurisdiction in which such public body is authorized to act, upon the terms and with or without consideration as such public body determines; and

WHEREAS, by Resolution No. 26080, adopted September 28, 2004, the City confirmed its agreement to advance City general funds to the Redevelopment Agency to support redevelopment activities undertaken by the Redevelopment Agency in the Transit Oriented Redevelopment Project Area ("TORPA") pursuant to Ordinance No. 3666, adopted on May 25, 2004; and

WHEREAS, this agreement is evidenced by a Cooperation Agreement which provided that the Redevelopment Agency will reimburse the City for actions undertaken and costs and expenses incurred by it, for and on behalf of the Agency for TORPA; and

WHEREAS, the Cooperation Agreement bears interest at the rate of 6% per annum for TORPA; and

WHEREAS, the Cooperation Agreement provides for interest-only payments, but permit prepayment of the principal balance at any time; and

WHEREAS, the current principal balance payable pursuant to the TORPA Cooperation Agreement is \$401,631.89; and

WHEREAS, in accordance with AB 26, the City, acting in its capacity as Successor Agency, prepared a Recognized Obligation Payment Schedule ("ROPS") setting forth the schedule of existing Redevelopment Agency obligations, including among others, repayment of the Cooperation Agreement; and

WHEREAS, the oversight board for the Successor Agency was established pursuant to AB 26 (the "Oversight Board"); and

WHEREAS, the Oversight Board approved the ROPS covering the period of January through June 2012 on March 29, 2012, and approved the ROPS covering the period of July through December 2012 on May 3, 2012; and

WHEREAS, the State Department of Finance reviewed the ROPS and, by letter dated May 17, 2012, indicated that it objected to the Cooperation Agreements for the Gateways Redevelopment Project Area and Merged Santa Rosa Center/Grace Brothers Redevelopment Project Area; and

WHEREAS, the Cooperation Agreement for TORPA is structured similarly to that of Gateways and the Merged Santa Rosa Center/Grace Brothers Redevelopment Project Areas; and

WHEREAS, Health and Safety Code Section 34178(a) provides that, with specified exceptions, commencing February 1, 2012, agreements, contracts and arrangements between a redevelopment agency and the city that formed the redevelopment agency are invalid; provided, however, a successor agency that wishes to enter or reenter into agreements with the city that formed the agency may do so upon obtaining approval of the oversight board; and

WHEREAS, the improvements undertaken by the Redevelopment Agency in the TORPA using the advance of City funds has resulted in significant revitalization of the TORPA, and have been of benefit to all taxing entities that share in the property tax revenue generated by property located within the TORPA because such improvements have removed impediments to development, eliminate adverse conditions in the project area and catalyzed private development, thus resulting in an increase in assessed valuation and property tax revenue that accrues to the taxing entities; and

WHEREAS, the City and Successor Agency desire to ratify the Successor Agency's obligation to repay the Cooperation Agreement, and desire to enter into a Promissory Note stating modified terms for repayment of the Cooperation Agreement ("Promissory Note").

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board, pursuant to Health and Safety Code Section 34178(a), approves and authorizes the Promissory Note attached hereto for the Transit Oriented Redevelopment Project Area, and authorizes the Successor Agency to execute and deliver the Promissory Note substantially in such form.

BE IT FURTHER RESOLVED that the Oversight Board authorizes the Director of Economic Development and Housing or the City Manager to execute the Promissory Note and to take any other action as is necessary to carry out the purpose of this resolution, subject to approval by the City Attorney or the Successor Agency Attorney and the Oversight Board Attorney.

PROMISSORY NOTE
Transit Oriented Redevelopment Project Area

\$401,631.89

Santa Rosa, California
_____, 2012

FOR VALUE RECEIVED, the City of Santa Rosa, acting in its capacity as the Successor Agency to the Former Redevelopment Agency of the City of Santa Rosa ("**Successor Agency**") promises to pay to the City of Santa Rosa, a charter city ("**City**"), in lawful money of the United States of America, the principal sum of Four Hundred One Thousand, Six Hundred Thirty-One and 89/100 Dollars (\$401,631.89), together with interest on the outstanding principal balance in accordance with the terms and conditions described herein.

This Promissory Note ("**Note**") states modified terms for repayment of and supersedes that certain Cooperation Agreement dated as of September 28, 2004, executed by the Redevelopment Agency of the City of Santa Rosa for the benefit of the City of Santa Rosa (the "**Original Note**").

Execution of this Note has been approved by resolutions duly adopted by the City Council of the City of Santa Rosa, the governing board of the Successor Agency, and pursuant to Health and Safety Code Section 34178(a), by the Oversight Board appointed to review the actions of the Successor Agency pursuant to Assembly Bill x1 26.

1. INTEREST RATE; REPAYMENT. Interest shall accrue on the outstanding principal balance of this Note at the rate of three percent (3%) per annum, commencing upon the origination date of this Note. Interest shall be calculated on the basis of a year of 365 days, and charged for the actual number of days elapsed.

2. PAYMENT DATES; MATURITY DATE. Commencing upon January 31, 2013, (the "**First Payment Date**"), and on the last day of January during each year thereafter, Successor Agency shall make annual payments of combined principal and interest until the entire indebtedness evidenced hereby is fully paid, except that all remaining indebtedness, if not sooner paid, shall be due and payable upon the Maturity Date (defined below). The amount of the annual payments to be paid beginning on the First Payment Date will be an amount equal to the payment necessary to fully amortize the principal amount of this Note, together with interest at the interest rate specified in Section 1 above over a five-year period. The entire outstanding principal balance of this Note, together with accrued interest and all other sums accrued hereunder shall be payable in full on January 31, 2017 (the "**Maturity Date**"). Payments shall be credited first to accrued interest, and then to principal. In no event shall any amount due under this Note become subject to any rights, offset, deduction or counterclaim on the part of the Successor Agency.

3. PREPAYMENT. Successor Agency may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal.

4. MANNER OF PAYMENT. All payments on this Note shall be made to City at 90 Santa Rosa Avenue, Santa Rosa, California 95404 or such other place as City shall designate to Successor Agency in writing, or by wire transfer of immediately available funds to an account designated by City in writing.

5. EVENTS OF DEFAULT. An event of default ("Event of Default") shall arise hereunder if Successor Agency fails to pay when due the principal and interest payable hereunder and such failure continues for ten (10) days after City notifies Successor Agency thereof in writing.

6. REMEDIES. Upon the occurrence of an Event of Default hereunder, City may, at its option (i) by written notice to Successor Agency, declare the entire unpaid principal balance of this Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, and (ii) exercise any and all rights and remedies available to it under this Note or under applicable law. Successor Agency shall pay all reasonable costs and expenses incurred by or on behalf of City including, without limitation, reasonable attorneys' fees, incurred in connection with City's enforcement of this Note and the exercise of any or all of its rights and remedies hereunder.

7. DEFAULT RATE. Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of ten percent (10%) per annum (the "Default Rate"); provided, however, if any payment due hereunder is not paid when due, the Default Rate shall apply commencing upon the due date for such payment. When Successor Agency is no longer in default, the Default Rate shall no longer apply, and the interest rate shall once again be the rate specified in the first paragraph of this Note. Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this Note or prevent City from exercising any of its other rights or remedies.

8. MISCELLANEOUS

8.1 WAIVER. The rights and remedies of City under this Note shall be cumulative and not alternative. No waiver by City of any right or remedy under this Note shall be effective unless in writing signed by City. Neither the failure nor any delay in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by City will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law (a) no claim or right of City arising out of this Note can be

discharged by City, in whole or in part, by a waiver or renunciation of the claim or right unless in a writing, signed by City; (b) no waiver that may be given by City will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on Successor Agency will be deemed to be a waiver of any obligation of Successor Agency or of the right of City to take further action without notice or demand as provided in this Note. Successor Agency hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

8.2 SEVERABILITY. If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.3 GOVERNING LAW. This Note shall be governed by the laws of the State of California.

8.4 PARTIES IN INTEREST. This Note shall bind Successor Agency and its successors and assigns and shall accrue to the benefit of City and its successors and assigns.

8.5 SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this Note are provided for convenience only and will not affect its construction or interpretation.

8.6 TIME IS OF THE ESSENCE. Time is of the essence with respect to every provision of this Note.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, Successor Agency has executed and delivered this Note as of the date first written above.

SUCCESSOR AGENCY

THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

By: _____
Mayor/Executive Director

ATTEST:
By: _____
Successor Agency Secretary

APPROVED AS TO FORM:
By: _____
Successor Agency Counsel

The City of Santa Rosa, a charter city, hereby acknowledges and agrees to the terms set forth in this Note, and agrees that this Note supersedes in its entirety the Original Note defined above.

CITY OF SANTA ROSA, A CHARTER CITY

By: _____
City Manager

ATTEST:
By: _____
City Clerk

APPROVED AS TO FORM:
By: _____
City Attorney

IN WITNESS WHEREOF, Successor Agency has executed and delivered this Note as of the date first written above.

SUCCESSOR AGENCY

THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

By: Nancy J. Sormavics for David E. Levin
Mayor/Executive Director

ATTEST:
By: Christina D. [Signature] for Shirley Stevens
Successor Agency Secretary

APPROVED AS TO FORM:

By: [Signature]
Successor Agency Counsel

The City of Santa Rosa, a charter city, hereby acknowledges and agrees to the terms set forth in this Note, and agrees that this Note supersedes in its entirety the Original Note defined above.

CITY OF SANTA ROSA, A CHARTER CITY

By: Kathleen Mullen
City Manager

ATTEST:
By: [Signature]
City Clerk

APPROVED AS TO FORM:

By: Caroline [Signature]
City Attorney

RESOLUTION NO. 7

RESOLUTION OF THE OVERSIGHT BOARD TO THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY, AUTHORIZING EXECUTION OF ONE (1) PROMISSORY NOTE FOR A MODIFIED LOAN AGREEMENT FOR THE MERGED SANTA ROSA CENTER/GRACE BROTHERS REDEVELOPMENT PROJECT AREA

WHEREAS, pursuant to Resolution No. 28029, adopted by the City Council of the City of Santa Rosa on January 10, 2012, the City of Santa Rosa agreed to serve as the Successor Agency to the Redevelopment Agency of the City of Santa Rosa ("Agency") commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to AB x1 26 ("AB 26"); and

WHEREAS, Health and Safety Code Section 33220 authorized any public body to enter into an agreement with a redevelopment agency for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment projects located within the jurisdiction in which such public body is authorized to act, upon the terms and with or without consideration as such public body determines; and

WHEREAS, by Resolution No. 25828, adopted December 3, 2003, the City confirmed its agreement to advance City general funds to the Redevelopment Agency to support redevelopment activities undertaken by the Redevelopment Agency in the Santa Rosa Center/Grace Brothers Redevelopment Project Area ("SRC/GB") pursuant to Ordinance No. 1036, adopted on December 5, 1961; and

WHEREAS, this agreement is evidenced by a Cooperation Agreement which provided that the Redevelopment Agency will reimburse the City for actions undertaken and costs and expenses incurred by it, for and on behalf of the Agency for SRC/GB Redevelopment Project Area; and

WHEREAS, the Cooperation Agreement bears interest at the rate of 5.9% per annum for SRC/GB; and

WHEREAS, the Cooperation Agreement provides for interest-only payments, but permit prepayment of the principal balance at any time; and

WHEREAS, the current principal balance payable pursuant to the SRC/GB Cooperation Agreement is \$2,856,280.39 for SRC/GB; and

WHEREAS, in accordance with AB 26, the City, acting in its capacity as Successor Agency, prepared a Recognized Obligation Payment Schedule ("ROPS") setting forth the schedule of existing Redevelopment Agency obligations, including among others, repayment of the Cooperation Agreement; and

WHEREAS, the oversight board for the Successor Agency was established pursuant to AB 26 (the "Oversight Board"); and

WHEREAS, the Oversight Board approved the ROPS covering the period of January through June 2012 on March 29, 2012, and approved the ROPS covering the period of July through December 2012 on May 3, 2012; and

WHEREAS, the State Department of Finance reviewed the ROPS, but by letter dated May 17, 2012, indicated that it objected to the Cooperation Agreement for SRC/GB Redevelopment Project Area; and

WHEREAS, Health and Safety Code Section 34178(a) provides that, with specified exceptions, commencing February 1, 2012, agreements, contracts and arrangements between a redevelopment agency and the city that formed the redevelopment agency are invalid; provided, however, a successor agency that wishes to enter or reenter into agreements with the city that formed the agency may do so upon obtaining approval of the oversight board; and

WHEREAS, the improvements undertaken by the Redevelopment Agency in the SRC/GB Redevelopment Project Area using the advance of City funds have resulted in significant revitalization of the SRC/GB Redevelopment Project Area, and have been of benefit to all taxing entities that share in the property tax revenue generated by property located within the SRC/GB Redevelopment Project Area because such improvements have removed impediments to development, eliminate adverse conditions in the project area and catalyzed private development, thus resulting in an increase in assessed valuation and property tax revenue that accrues to the taxing entities; and

WHEREAS, the City and Successor Agency desire to ratify the Successor Agency's obligation to repay the Cooperation Agreement, and desire to enter into a Promissory Note stating modified terms for repayment of the Cooperation Agreement ("Promissory Note").

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board, pursuant to Health and Safety Code Section 34178(a), approves and authorizes the Promissory Note attached hereto for the Merged Santa Rosa Center/Grace Brothers Redevelopment Project Area, and authorizes the Successor Agency to execute and deliver the Promissory Note substantially in such form.

BE IT FURTHER RESOLVED that the Oversight Board authorizes the Director of Economic Development and Housing or the City Manager to execute the Promissory Note and to take any other action as is necessary to carry out the purpose of this resolution, subject to approval by the City Attorney or the Successor Agency Attorney and the Oversight Board Attorney.

BE IT FURTHER RESOLVED that the Oversight Board authorizes the Promissory Note to be listed on updated or future ROPS for the Successor Agency.

DULY PASSED this day of , 2012.

AYES: Zane, Kasimov, Herrington, and Vice-Chairman Ours

NOES:

ABSENT: Roberts, Carrillo, and Chairman Arnone

ABSTAIN:

PROMISSORY NOTE

Merged Santa Rosa Center / Grace Brothers Redevelopment Project Area

\$2,856,280.39

Santa Rosa, California
_____, 2012

FOR VALUE RECEIVED, the City of Santa Rosa, acting in its capacity as the Successor Agency to the Former Redevelopment Agency of the City of Santa Rosa ("**Successor Agency**") promises to pay to the City of Santa Rosa, a charter city ("**City**"), in lawful money of the United States of America, the principal sum of Two Million, Eight Hundred Fifty-Six Thousand, Two Hundred Eighty and 39/100 Dollars (\$2,856,280.39), together with interest on the outstanding principal balance in accordance with the terms and conditions described herein.

This Promissory Note ("**Note**") states modified terms for repayment of and supersedes that certain Cooperation Agreement dated as of December 15, 2003, and loan executed by the Redevelopment Agency of the City of Santa Rosa by Resolution No. 1555 on November 28, 2005, pursuant to the Cooperation Agreement, for the benefit of the City of Santa Rosa in the original principal amount of \$4,500,000 (the "**Original Note**").

Execution of this Note has been approved by resolutions duly adopted by the City Council of the City of Santa Rosa, the governing board of the Successor Agency, and pursuant to Health and Safety Code Section 34178(a), by the Oversight Board appointed to review the actions of the Successor Agency pursuant to Assembly Bill x1 26.

1. **INTEREST RATE; REPAYMENT.** Interest shall accrue on the outstanding principal balance of this Note at the rate of three percent (3%) per annum, commencing upon the origination date of this Note. Interest shall be calculated on the basis of a year of 365 days, and charged for the actual number of days elapsed.
2. **PAYMENT DATES; MATURITY DATE.** Commencing upon January 31, 2013, (the "**First Payment Date**"), and on the last day of January during each year thereafter, Successor Agency shall make annual payments of combined principal and interest until the entire indebtedness evidenced hereby is fully paid, except that all remaining indebtedness, if not sooner paid, shall be due and payable upon the Maturity Date (defined below). The amount of the annual payments to be paid beginning on the First Payment Date will be an amount equal to the payment necessary to fully amortize the principal amount of this Note, together with interest at the interest rate specified in Section 1 above over an eight-year period. The entire outstanding principal balance of this Note, together with accrued interest and all other sums accrued hereunder shall be payable in full on January 31, 2020 (the "**Maturity Date**"). Payments shall be credited first to accrued interest, and then to principal. In no event shall any amount due under this Note become subject to any rights, offset, deduction or counterclaim on the part of the Successor Agency.

3. PREPAYMENT. Successor Agency may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal.

4. MANNER OF PAYMENT. All payments on this Note shall be made to City at 90 Santa Rosa Avenue, Santa Rosa, California 95404 or such other place as City shall designate to Successor Agency in writing, or by wire transfer of immediately available funds to an account designated by City in writing.

5. EVENTS OF DEFAULT. An event of default ("**Event of Default**") shall arise hereunder if Successor Agency fails to pay when due the principal and interest payable hereunder and such failure continues for ten (10) days after City notifies Successor Agency thereof in writing.

6. REMEDIES. Upon the occurrence of an Event of Default hereunder, City may, at its option (i) by written notice to Successor Agency, declare the entire unpaid principal balance of this Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, and (ii) exercise any and all rights and remedies available to it under this Note or under applicable law. Successor Agency shall pay all reasonable costs and expenses incurred by or on behalf of City including, without limitation, reasonable attorneys' fees, incurred in connection with City's enforcement of this Note and the exercise of any or all of its rights and remedies hereunder.

7. DEFAULT RATE. Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of ten percent (10%) per annum (the "**Default Rate**"); provided, however, if any payment due hereunder is not paid when due, the Default Rate shall apply commencing upon the due date for such payment. When Successor Agency is no longer in default, the Default Rate shall no longer apply, and the interest rate shall once again be the rate specified in the first paragraph of this Note. Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this Note or prevent City from exercising any of its other rights or remedies.

8. MISCELLANEOUS

8.1 WAIVER. The rights and remedies of City under this Note shall be cumulative and not alternative. No waiver by City of any right or remedy under this Note shall be effective unless in writing signed by City. Neither the failure nor any delay in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by City will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law (a) no claim or right of City arising out of this Note can be

discharged by City, in whole or in part, by a waiver or renunciation of the claim or right unless in a writing, signed by City; (b) no waiver that may be given by City will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on Successor Agency will be deemed to be a waiver of any obligation of Successor Agency or of the right of City to take further action without notice or demand as provided in this Note. Successor Agency hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

8.2 SEVERABILITY. If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.3 GOVERNING LAW. This Note shall be governed by the laws of the State of California.

8.4 PARTIES IN INTEREST. This Note shall bind Successor Agency and its successors and assigns and shall accrue to the benefit of City and its successors and assigns.

8.5 SECTION HEADINGS, CONSTRUCTION. The headings of Sections in this Note are provided for convenience only and will not affect its construction or interpretation.

8.6 TIME IS OF THE ESSENCE. Time is of the essence with respect to every provision of this Note.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, Successor Agency has executed and delivered this Note as of the date first written above.

SUCCESSOR AGENCY

THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

By: _____
Mayor/Executive Director

ATTEST:
By: _____
Successor Agency Secretary

APPROVED AS TO FORM:
By: _____
Successor Agency Counsel

The City of Santa Rosa, a charter city, hereby acknowledges and agrees to the terms set forth in this Note, and agrees that this Note supersedes in its entirety the Original Note defined above.

CITY OF SANTA ROSA, A CHARTER CITY

By: _____
City Manager

ATTEST:
By: _____
City Clerk

APPROVED AS TO FORM:
By: _____
City Attorney

IN WITNESS WHEREOF, Successor Agency has executed and delivered this Note as of the date first written above.

SUCCESSOR AGENCY

THE CITY OF SANTA ROSA, ACTING IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA ROSA

By: Nancy J. Larnowicz for David E. Sevin
Mayor/Executive Director

ATTEST:
By: Christine J. Law Shirley Stevens
Successor Agency Secretary

APPROVED AS TO FORM:

By: [Signature]
Successor Agency Counsel

The City of Santa Rosa, a charter city, hereby acknowledges and agrees to the terms set forth in this Note, and agrees that this Note supersedes in its entirety the Original Note defined above.

CITY OF SANTA ROSA, A CHARTER CITY

By: Kathleen Mullin
City Manager

ATTEST:
By: Devin Dignin
City Clerk

APPROVED AS TO FORM:

By: Caroline J. [Signature]
City Attorney

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>