

HEALDSBURG REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

March 2015



BETTY T. YEE
California State Controller

March 5, 2015

David Mickaelian, City Manager
City of Healdsburg/Successor Agency
401 Grove Street
Healdsburg, CA 95448

Dear Mr. Mickaelian:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Healdsburg Redevelopment Agency (RDA) to the City of Healdsburg (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 Healdsburg Redevelopment Agency transferred \$77,308,408 in assets after January 1, 2011, including unallowable transfers to the City of Healdsburg (City) totaling \$13,056,359 or 16.89% of transferred assets.

However, on August 6, 2013, the Oversight Board adopted Resolution No. OB3-2013, directing the Successor Agency to transfer \$2,053,447 in governmental-purpose properties to the City. Therefore, the remaining \$11,002,912 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 E. Sundstrom, Auditor-Controller
Sonoma County
Gray Plass, Chair
Oversight Board to the Successor Agency
Jone Hayes, Administrative Services Director
City of Healdsburg/Successor Agency
Janet Kinney, Accounting Manager
City of Healdsburg/Successor Agency
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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 Healdsburg Redevelopment Agency (RDA) 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 Healdsburg Redevelopment Agency transferred \$77,308,408 in assets after January 1, 2011, including unallowable transfers to the City of Healdsburg (City) totaling \$13,056,359 or 16.89% of transferred assets.

However, on August 6, 2013, the Oversight Board adopted Resolution No. OB3-2013, directing the Successor Agency to transfer \$2,053,447 in governmental-purpose properties to the City. Therefore, the remaining \$11,002,912 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 Healdsburg Redevelopment Agency transferred \$77,308,408 in assets after January 1, 2011, including unallowable transfers to the City of Healdsburg (City) totaling \$13,056,359 or 16.89% of transferred assets.

However, on August 6, 2013, the Oversight Board adopted Resolution No. OB3-2013, directing the Successor Agency to transfer \$2,053,447 in governmental-purpose properties to the City. Therefore, the remaining \$11,002,912 in unallowable transfers must be turned over to the Successor Agency.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on November 13, 2014. David Mickaelian, City Manager, responded by letter dated December 29, 2014, disagreeing with the review results. The City's response is included in this final review as an attachment.

Restricted Use

This report is solely for the information and use of the City of Healdsburg, 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

March 5, 2015

Finding and Order of the Controller

FINDING— Unallowable asset transfers to the City of Healdsburg

Our review found that the Healdsburg Redevelopment Agency (RDA) made unallowable asset transfers totaling \$13,056,359 after January 1, 2011, to the City of Healdsburg (City). These assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On March 17, 2011, the RDA transferred various properties to the City, with a total value of \$8,561,359, via adoption of Resolution Nos. 6-2011 and 7-2011.
- On January 31, 2012, the RDA forgave a loan owed by the City, in the amount of \$4,495,000, via adoption of Resolution No. 4-2012.

Pursuant to the 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 unless contractually committed to a third party prior to June 28, 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 the H&S Code section 34167.5, the City is ordered to turn over \$13,056,359 in transferred assets to the Successor Agency.

However, on August 6, 2013, the Oversight Board for the Redevelopment Successor Agency adopted Resolution No. OB3-2013, directing the Successor Agency to transfer ownership of governmental purpose properties totaling \$2,053,447. Therefore, the remaining \$11,002,912 in unallowable transfers must be turned over to the Successor Agency.

City's Response

Real Property Transfers

The City disagrees with the Finding and Order of the Controller that the real property transfers are unallowable. The City states that the real property transfers pursuant to Resolutions RDA6-2011 and RDA7-2011 were the subject of a Judgment of Validation entered by the Superior Court of California on June 28, 2011. Through the Judgment of Validation, and under Code of Civil Procedure section 870(a), the Superior Court previously determined and ordered that the validity of the real property transfers pursuant to Resolutions RDA6-2011 and RDA7-2011 is conclusively established.

Loan Forgiveness

The City disagrees with the Finding and Order of the Controller in regard to the \$4,495,000 loan forgiveness per Resolution RDA 4-2012, in that the resolution was adopted pursuant to Health & Safety Code section 33354.7, which the Legislature enacted through AB 936 on September 6, 2011, after the June 29, 2011 effective date of AB 26.

See attachment for the City's complete response.

SCO's Comment

Real Property Transfers

The Judgment of Validation cited by the City does not override the provisions in ABX1 26, which prohibits transfers of property such as those made under Resolutions RDA6-2011 and RDA7-2011; nor does it prevent the Controller from requiring that such assets be turned over to the Successor Agency.

A recent Superior Court ruling (*Successor Agency to the Brea Redevelopment Agency, et al. v. Matosantos, et al.*) states:

The redevelopment dissolution laws established oversight boards to supervise the actions of *successor agencies*, but not to supervise or ratify (after the fact) the actions of former redevelopment agencies. Conversely, the Court has not located any provision of the redevelopment laws that requires or authorizes an oversight board retrospectively to review or ratify an action of a redevelopment agency taken before its dissolution. The Oversight Board thus appears to have no legal authority or mandate to review action so of the RDA.

As such, the Oversight Board did not have legal authority to retroactively approve the transfers.

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. Those assets should be returned to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

The Finding and Order of the Controller remain as stated.

Loan Forgiveness

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. As a result, the loan forgiveness made by the RDA to the City during the period of January 2012 is unallowable.

The Finding and Order of the Controller remain as stated.

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

Loans forgiven per Resolution RDA 4-2012		\$ 4,495,000
Property transfers per Resolution No. RDA 6-2011		
#1618 Building Alliance	\$ 3,955,224	
#1267 City Hall Parking Lot	281,157	
Property transfers per Resolution No. RDA 7-2011		
#1526 Purity property	1,721,509	
#1854 #1923 #1999 Purity property parking lot	50,781	
#1596 Dry Creek	1,860,077	
#1656 15155 Grove Street	692,611	
Unallowable Property Transfers		<u>8,561,359</u>
Total unallowable transfers		13,056,359
Less governmental purpose properties approved by the Oversight Board		
#1526 Purity property	(1,721,509)	
#1854 #1923 #1999 Purity property parking lot	(50,781)	
#1267 City Hall parking lot	(281,157)	
Total adjustments		<u>(2,053,447)</u>
Total asset transfers subject to H&S Code section 34167.5		<u><u>\$ 11,002,912</u></u>

**Attachment—
City's Response to
Draft Review Report**



**CITY OF HEALDSBURG
ADMINISTRATION**

401 Grove Street
Healdsburg, CA 95448-4723

Phone (707) 431-3317
Fax: (707) 431-3321

Visit us at www.ci.healdsburg.ca.us

December 29, 2014

Ms. Elizabeth Gonzalez, Chief
Local Government Compliance Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento CA 94250-5874

Re: State Controller's Office Draft Asset Transfer Review Report

Dear Ms. Gonzalez:

The City of Healdsburg ("City") and Successor Agency to the Redevelopment Agency of the City of Healdsburg ("Successor Agency") submit the following response to the State Controller's Office ("SCO") draft Asset Transfer Assessment Review Report ("Draft Report") for the Healdsburg Redevelopment Agency ("RDA").

In the Draft Report, the SCO preliminarily finds that the following asset transfers by the RDA to the City, totaling \$13,056,359, are unallowable.

- Real property with a total value of \$8,561,359 pursuant to Resolutions RDA6-2011 and RDA7-2011 adopted on March 17, 2011.
- Loan forgiveness in the amount of \$4,495,000 pursuant to Resolution RDA4-2012, adopted on January 27, 2012.

Of these transfers, the SCO acknowledges the Oversight Board resolution directing the Successor Agency to transfer ownership of governmental purpose properties totaling \$2,053,447, and is ordering the City to return the remaining \$11,002,912 in transferred assets to the Successor Agency.

For the following reasons, the City and Successor Agency believes that the SCO's preliminary finding and proposed order are erroneous.

Ms. Elizabeth Gonzalez, Chief
State Controller's Office
December 29, 2014
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The Real Property Transfers

The real property transfers pursuant to Resolutions RDA6-2011 and RDA7-2011 were the subject of a Judgment of Validation entered by the Superior Court of California on June 28, 2011, pursuant to Code of Civil Procedure sections 860 *et seq.* and Government Code section 53511. A statutory validation action provides a mechanism for a public agency to obtain a binding judgment on bonds, contracts or obligations. (*Poway Royal Mobilehome Owners Assoc. v. City of Poway* (2007) 149 Cal. App. 4th 1460, 1478. Once entered, a validation judgment becomes "forever binding and conclusive as to all matters therein adjudicated or which at that time could have been adjudicated, against the agency and against all other persons." (Code Civ. Proc. § 870(a); *Bernardi v. City Council* (1997) 54 Cal. App. 4th 426, 434.) Furthermore, the validation judgment "permanently enjoin[s] the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive." (Code Civ. Proc. § 870(a); see also, *N. T. Hill Inc. v. City of Fresno* (1999) 72 Cal.App.4th 977, 991 fn. 10 ["Any challenges to the validity of the governmental action must be raised in the validation proceeding; the validation judgment is binding on the agency seeking the judgment and on all other parties."])

The Judgment of Validation itself provides in pertinent part:

12. That the Court found that all persons and entities are hereby permanently enjoined and restrained from the institution of any action or proceeding challenging, inter alia, the validity of City Resolution No. 38-2011 and Agency Resolution No. RDA6-2011 or the Disposition Agreement, or any matters herein adjudicated or which at this time could have been adjudicated against the City or Agency and against all other persons, and this judgment shall be forever binding and conclusive as to all such matters;

19. That the Court find that all persons and entities are hereby permanently enjoined and restrained from the institution of any action or proceeding challenging, inter alia, the validity of City Resolution No. 39-2011 and Agency Resolution No. RDA7-2011 or the Disposition and Development Agreement, or any matters herein adjudicated or which at this time could have been adjudicated against the City or Agency and against all other persons, and this judgment shall be forever binding and conclusive as to all such matters;

Through the Judgment of Validation, and under Code of Civil Procedure section 870(a), the Superior Court previously determined and ordered that the validity of the real property transfers pursuant to Resolutions RDA6-2011 and RDA7-2011 is conclusively established. The SCO is therefore precluded from challenging the validity of such transfers and ordering the City to turn over the transferred property to the Successor Agency. (Code Civ. Proc. § 870(a); *Bernardi v. City Council, supra*, (1997) 54 Cal. App. 4th at, 434.)

Ms. Elizabeth Gonzalez, Chief
State Controller's Office
December 29, 2014
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The Loan Forgiveness

On January 27, 2012, the RDA adopted Resolution RDA4-2012, which forgave the repayment of \$4,495,000 in loans made by the RDA to the City. The resolution was adopted pursuant to Health & Safety Code section 33354.7, which the Legislature enacted through AB 936 on September 6, 2011, after the June 29, 2011 effective date of AB 26.

Health & Safety Code section 34163(c)(3), which was originally adopted as part of AB 26, prohibited redevelopment agencies from forgiving all or any part of the balance owed by any entity to the agency on existing loans. Through the subsequent adoption of AB 936 a little over two months later, the Legislature established an exception to section 34163(c)(3) by allowing redevelopment agencies to forgive the repayment of a loan owed by a public body to the agency. Section 34163(c)(3) does not exclude loans to cities and other sponsoring entities from the public body loans that a redevelopment agency may forgive.

Furthermore, Health & Safety Code section 34167.5, which authorizes asset transfer reviews, does not empower the SCO to nullify Resolution RDA4-2012. Section 34167.5 was also enacted as part of AB 26, before the Legislature adopted AB 936. Thus, as with Health & Safety Code section 34163(a), section 33354.7 is an exception to section 34167.5.

Through Resolution RDA4-2012, the RDA forgave the repayment of two loans owed by the City – a public body – to the RDA. The RDA followed the procedure specified in AB 936 by adopting a resolution specifying the name of the public body, the amount of the proposed forgiveness, the terms of the loan, the fiscal effect of the proposed forgiveness on the City and RDA, and the effective date of the loan forgiveness. As stated in the Resolution, the RDA undertook to forgive the loan because the continuance of the repayment obligation would pose undue financial hardship for the City – a taxing entity – by making it difficult for the City's Electric utility to seeking funding to finance necessary required future upgrades.

Because the RDA complied with AB 936, which allowed redevelopment agencies to forgive a loan owed by a city, the loan forgiveness cannot be regarded as an unallowable transfer, and the SCO's proposed order is contrary to law.

Additionally, the SCO's proposed order is erroneous because it would effectively reinstate a loan obligation that the Legislature has since deemed invalid. As of February 1, 2012, "agreements, contracts, or other arrangements" between a sponsoring entity and redevelopment agency were invalidated by Health & Safety Code section 34178(a), which provides in relevant part:


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 . . .

Ms. Elizabeth Gonzalez, Chief
State Controller's Office
December 29, 2014
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Under section 34178(a), the underlying loan agreements between the City and RDA which created the \$4,495,000 loan repayment obligation were invalidated by operation of law. The loan repayment obligation therefore ceased to be an asset of the RDA as of February 1, 2012. As a consequence, the Successor Agency is barred from reviving the now invalid loan agreements. Furthermore, notwithstanding the adoption of Resolution RDA4-2012, the City cannot be regarded as having effectuated an asset transfer that must be reversed, since as of February 1, 2012, the asset ceased to exist by operation of law.

In the hope of avoiding litigation, the City and Successor Agency respectfully request that the SCO reconsider its preliminary finding and proposed order in light of the foregoing points and authorities. We are available to confer further and would welcome the opportunity to work with the SCO to reach an equitable resolution of this matter.

Very truly yours,



David Mickaelian
City Manager

Attachment:

Judgment of Validation, entered June 28, 2011, *City of Healdsburg, et al., v. All Persons Interested in the Following Matters*, Sonoma County Superior Court, Case No. SCV249426

ENDORSED
FILED

JUN 28 2011

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SONOMA

EXEMPT FROM FILING FEE
PURSUANT TO GOVT. CODE § 6103

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6 Attorneys for Plaintiffs
CITY OF HEALDSBURG and REDEVELOPMENT
7 AGENCY OF THE CITY OF HEALDSBURG

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF SONOMA


10
11 CITY OF HEALDSBURG, a municipal corporation;
12 and REDEVELOPMENT AGENCY OF THE CITY
OF HEALDSBURG, a public body corporate and
13 politic,

Plaintiffs,

14 v.

15 ALL PERSONS INTERESTED IN THE
FOLLOWING MATTERS: (1) Resolution
16 No. 38-2011 of the City of Healdsburg, a municipal
corporation; (2) Resolution No. RDA6-2011 of the
17 Redevelopment Agency of the City of Healdsburg,
a public body corporate and politic; (3) the contract
18 dated March 15, 2011, entitled "Disposition
Agreement," by and between the Redevelopment
19 Agency of the City of Healdsburg, a public body
corporate and politic and the City of Healdsburg, a
20 municipal corporation; (4) the action taken by the
City Council of the City of Healdsburg approving
21 and adopting Resolution No. 38-2011 and the
Disposition Agreement between the
22 Redevelopment Agency of the City of Healdsburg
and the City of Healdsburg; (5) the action taken by
23 the Board of Directors of the Redevelopment
Agency of the City of Healdsburg approving and
24 adopting Resolution No. RDA6-2011 and the
Disposition Agreement between the
25 Redevelopment Agency of the City of Healdsburg
and the City of Healdsburg; (6) Resolution
26 No. 39-2011 of the City of Healdsburg, a municipal
corporation; (7) Resolution No. RDA7-2011 of the
27 Redevelopment Agency of the City of Healdsburg,
a public body corporate and politic; (8) the contract
28 dated March 15, 2011, entitled "Disposition and
Development Agreement," by and between the

Case No: SCV249426
[Assigned to Department 18
Judge Mark Tansil]


[PROPOSED] JUDGMENT OF
VALIDATION (CCP 585(c) and
860 et seq.)

Date: 6/28/11
Time: 4:00 pm
Dept. 18
Assigned Judge: Hon. Mark Tansil

Complaint Filed: April 1, 2011

1 Redevelopment Agency of the City of Healdsburg,
2 a public body corporate and politic and the City of
3 Healdsburg, a municipal corporation; (9) the action
4 taken by the City Council of the City of Healdsburg
5 approving and adopting Resolution No. 39-2011
6 and the Disposition and Development Agreement
7 between the Redevelopment Agency of the City of
8 Healdsburg and the City of Healdsburg; and (10)
9 the action taken by the Board of Directors of the
10 Redevelopment Agency of the City of Healdsburg
11 approving and adopting Resolution No. RDA7-
12 2011 and the Disposition and Development
13 Agreement between the Redevelopment Agency of
14 the City of Healdsburg and the City of Healdsburg,

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Defendants.

1 The City of Healdsburg, a municipal corporation (“City”) and the Redevelopment Agency of
2 the City of Healdsburg, a public body corporate and politic (“Agency”), appearing before this Court in
3 Department 18, the Honorable Mark Tansil presiding, by and through their counsel, presented evidence
4 in support of their request for entry of default judgment in their favor. This Court, having considered
5 the Complaint for Judgment of Validation (“Complaint”) pursuant to Code of Civil Procedure Sections
6 585(c) and 860 et seq., and other applicable law, and good cause appearing therefor,

7 IT IS ORDERED, ADJUDGED AND DECREED as follows:

- 8 1. Jurisdiction over all interested persons has been established (a) by publication of the
9 Summons pursuant to Code of Civil Procedure Section 861 and Government Code Section 6063 in an
10 appropriate newspaper of general circulation, (b) by posting a copy of the Summons in three public
11 places within the boundaries of the City and Agency and (c) by such other action taken in compliance
12 with the Court’s previous order in this matter;
- 13 2. This action was properly brought as an *in rem* proceeding under Code of Civil
14 Procedure Sections 860 through 870, and Government Code Sections 53510 and 53511, and Health
15 and Safety Code Section 33501;
- 16 3. Each and every recital, finding, determination or legal conclusion stated in City
17 Resolution Nos. 38-2011 and 39-2011 and Agency Resolution Nos. RDA6-2011 and RDA7-2011 is
18 deemed to be true and correct in every respect and such resolutions were duly adopted, are valid,
19 lawful and proper and not subject to further legal challenge;
- 20 4. City Resolution No. 38-2011 and Agency Resolution No. RDA6-2011, attached to the
21 Complaint as Exhibits 1 and 2 respectively, authorized Plaintiffs to enter into a Disposition Agreement
22 between the Redevelopment Agency of the City of Healdsburg and the City of Healdsburg
23 (“Disposition Agreement”) with each other. The purpose of the Disposition Agreement (Exhibit 4 to
24 the Complaint) and City Resolution No. 38-2011 and Agency Resolution No. RDA6-2011 was to enter
25 into a form of disposition agreement between the City and the Agency regarding the transfer of certain
26 Agency-owned property;
- 27 5. The City is a municipal corporation, which has been duly formed and organized and is
28 validity existing and in good standing under the laws of the State of California;

1 6. The Agency is a body corporate and politic organized and existing under the laws of the
2 State of California and is located within the boundaries of Sonoma County, California;

3 7. The City had the authority to approve and enter into the Disposition Agreement and
4 perform according to its terms, which authority includes but is not limited to acquiring land from the
5 Agency, becoming obligated to use the acquired property for the purposes specified in the
6 Redevelopment Plan, and comply with the covenants, conditions and restrictions imposed by the
7 Agency in conjunction with the transfer in order to prevent speculation and carry out the purposes of
8 the CRL and the Redevelopment Plan;

9 8. The Agency had the authority to approve and enter into the Disposition Agreement and
10 perform according to its terms, which authority includes but is not limited to granting land to the City,
11 obligating the City to use the property for the purposes specified in the Redevelopment Plan, and
12 comply with the covenants, conditions and restrictions imposed by the Agency in conjunction with the
13 transfer in order to prevent speculation and carry out the purposes of the CRL and the Redevelopment
14 Plan;

15 9. Approval of the Disposition Agreement is exempt from environmental review under the
16 California Environmental Quality Act Guidelines section 15061(b)(3), as determined by the City and
17 Agency;

18 10. The Disposition Agreement and each and every provision therein constitutes a lawful,
19 valid, and binding obligation under the law of California and the United States, subsisting in full force
20 and effect and enforceable according to its terms;

21 11. Each and every recital, finding, determination or legal conclusion stated in City
22 Resolution No. 38-2011 and Agency Resolution No. RDA6-2011 and the Disposition Agreement is
23 true and correct in all respects;

24 12. That the Court find that all persons and entities are hereby permanently enjoined and
25 restrained from the institution of any action or proceeding challenging, *inter alia*, the validity of City
26 Resolution No. 38-2011 and Agency Resolution No. RDA6-2011 or the Disposition Agreement, or any
27 matters herein adjudicated or which at this time could have been adjudicated against the City or
28 Agency and against all other persons, and this judgment shall be forever binding and conclusive as to

1 all such matters;

2 13. City Resolution No. 39-2011 and Agency Resolution No. RDA7-2011, attached to the
3 Complaint as Exhibits 5 and 6 respectively, authorized Plaintiffs to enter into a Disposition and
4 Development Agreement between the Redevelopment Agency of the City of Healdsburg and the City
5 of Healdsburg ("Disposition and Development Agreement") with each other. The purpose of the
6 Disposition and Development Agreement (Exhibit 7 to the Complaint) and City Resolution No. 39-
7 2011 and Agency Resolution No. RDA7-2011 was to enter into a form of disposition and development
8 agreement between the City and the Agency regarding the transfer of certain undeveloped and
9 underdeveloped Agency-owned property;

10 14. The City had the authority to approve and enter into the Disposition and Development
11 Agreement and perform according to its terms, which authority includes but is not limited to acquiring
12 land from the Agency, becoming obligated to use the acquired property for the purposes specified in
13 the Redevelopment Plan, and comply with the covenants, conditions and restrictions imposed by the
14 Agency in conjunction with the transfer in order to prevent speculation and carry out the purposes of
15 the CRL and the Redevelopment Plan;

16 15. The Agency had the authority to approve and enter into the Disposition and
17 Development Agreement and perform according to its terms, which authority includes but is not
18 limited to granting land to the City, obligating the City to use the property for the purposes specified in
19 the Redevelopment Plan, and comply with the covenants, conditions and restrictions imposed by the
20 Agency in conjunction with the transfer in order to prevent speculation and carry out the purposes of
21 the CRL and the Redevelopment Plan;

22 16. Approval of the Disposition and Development Agreement is exempt from
23 environmental review under the California Environmental Quality Act Guidelines section 15061(b)(3),
24 as determined by the City and Agency;

25 17. The Disposition and Development Agreement and each and every provision therein
26 constitutes a lawful, valid, and binding obligation under the law of California and the United States,
27 subsisting in full force and effect and enforceable according to its terms;

28 18. Each and every recital, finding, determination or legal conclusion stated in City

1 Resolution No. 39-2011 and Agency Resolution No. RDA7-2011 and the Disposition and
2 Development Agreement is true and correct in all respects;

3 19. That the Court find that all persons and entities are hereby permanently enjoined and
4 restrained from the institution of any action or proceeding challenging, *inter alia*, the validity of City
5 Resolution No. 39-2011 and Agency Resolution No. RDA7-2011 or the Disposition and Development
6 Agreement, or any matters herein adjudicated or which at this time could have been adjudicated
7 against the City or Agency and against all other persons, and this judgment shall be forever binding
8 and conclusive as to all such matters; and

9 20. Clerk is ordered to enter this judgment forthwith.

10 JUN 28 2011

11 DATED: _____

12 MARK TANSIL

13
14 _____
15 THE HONORABLE MARK TANSIL
16 JUDGE OF THE SUPERIOR COURT
17 OF THE STATE OF CALIFORNIA
18 COUNTY OF SONOMA

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**State Controller's Office
Division of Audits
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