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DEPARTMENT 33

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SACRAMENTO

MAIN COURTHOUSE

CITY OF CERRITOS, a California municipal corporation; CERRITOS REDEVELOPMENT AGENCY, a public body, corporate and politic; CITY OF CARSON, a California municipal corporation; CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic; CITY OF COMMERCE a California municipal corporation; COMMERCE COMMUNITY DEVELOPMENT COMMISSION, a public body, corporate and politic; CITY OF CYPRESS, a California municipal corporation; CYPRESS REDEVELOPMENT AGENCY, a public body, corporate and politic; CITY OF DOWNEY, a California municipal corporation;

Case No.

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

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF DOWNEY, a public body, corporate and politic; CITY OF LAKEWOOD, a California municipal corporation; LAKEWOOD REDEVELOPMENT AGENCY, a public body, corporate and politic; CITY OF PARAMOUNT, a California municipal corporation; PARAMOUNT REDEVELOPMENT AGENCY, a public body, corporate and politic; CITY OF PLACENTIA, a California municipal corporation; REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, a public body, corporate and politic; CITY OF SANTA FE SPRINGS a California municipal corporation; COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SANTA FE SPRINGS, a public body, corporate and politic; CITY OF SIGNAL HILL, a California municipal corporation; SIGNAL HILL REDEVELOPMENT AGENCY, a public body, corporate and politic; CUESTA VILLAS HOUSING CORPORATION, a California non-profit corporation; and BRUCE W. BARROWS, an individual,

Plaintiffs and Petitioners,

v.

STATE OF CALIFORNIA; CALIFORNIA STATE CONTROLLER JOHN CHIANG, an individual sued in his official capacity; CALIFORNIA DIRECTOR OF FINANCE ANA J. MATOSANTOS, an individual sued in her official capacity; LOS ANGELES COUNTY AUDITOR-CONTROLLER WENDY L. WATANABE, an individual sued in her official capacity; ORANGE COUNTY AUDITOR-CONTROLLER DAVID SUNDSTROM, an individual sued in his official capacity; and DOES 1 through 100, inclusive,

Defendants and Respondents.

ABC UNIFIED SCHOOL DISTRICT, a California public school district,

Real Party In Interest.

Plaintiffs and Petitioners CITY OF CERRITOS, CERRITOS REDEVELOPMENT AGENCY, CITY OF CARSON, CARSON REDEVELOPMENT AGENCY, CITY OF COMMERCE, COMMERCE COMMUNITY DEVELOPMENT COMMISSION, CITY OF CYPRESS, CYPRESS REDEVELOPMENT AGENCY, CITY OF DOWNEY, COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF DOWNEY, CITY OF LAKEWOOD, LAKEWOOD REDEVELOPMENT AGENCY, CITY OF PARAMOUNT, PARAMOUNT REDEVELOPMENT AGENCY, CITY OF PLACENTIA, REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, CITY OF SANTA FE SPRINGS, COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SANTA FE SPRINGS, CITY OF SIGNAL HILL, SIGNAL HILL REDEVELOPMENT AGENCY, CUESTA VILLAS HOUSING CORPORATION, and BRUCE W. BARROWS (collectively, "Plaintiffs") hereby allege as follows:

NATURE OF ACTION

1. Plaintiffs in this action challenge the constitutionality of two statutes—ABx1 26 (the "Dissolution Bill") and ABx1 27 (the "Forced Payment Bill") (collectively, the "Redevelopment Bills")—that were adopted by the California Legislature during the 2010-2011 First Extraordinary Legislative Session, and signed into law by Governor Jerry Brown on June 28, 2011. ABx1 26, the "Dissolution Bill," purports to compel the dissolution of all of the approximately 425 existing redevelopment agencies in the State of California (despite the numerous protections afforded to redevelopment agencies and their funds under the California Constitution), and redirects the property tax increment revenues that would otherwise be allocated to redevelopment agencies for redevelopment purposes, to other public agencies for other purposes. ABx1 27, the "Forced-Payment Bill," purports to establish an alternative "voluntary" redevelopment program under which redevelopment agencies can continue to exist, but only if they or their host jurisdictions (cities for city redevelopment agencies and counties for county redevelopment agencies) pay $1.7 billion dollars in fiscal year 2011-12 and several hundred million dollars in future fiscal years to local county auditor-controllers, which funds would then be re-allocated to various other public agencies for non-redevelopment purposes (chiefly, K-12 public

education).

2. The State has made no secret of its purpose in adopting this far-reaching and controversial legislation: (1) to take a substantial portion of the property tax increment revenues that the California Constitution mandates be allocated to redevelopment agencies for redevelopment purposes (Article XVI, section 16), and which the California Constitution expressly ***prohibits*** the State from redirecting to other local uses (Article XIII, section 25.5(a)(7), and (2) to redirect those funds to school districts and other local agencies to help offset State expenses and partially alleviate the State's budget problems. To accomplish its goal, the State relies on a cynical and coercive "end-around" of these Constitutional restrictions. Put simply, rather than directly taking the money from redevelopment agencies, which it cannot do, the Redevelopment Bills instead condition each redevelopment agency's continued existence on its (and/or its host jurisdiction's) "agreement" to relinquish the funds "voluntarily." A robber with a gun in a dark alley has as much right to claim, as the State does here, that the payments required by the Redevelopment Bills are in any sense "voluntary."

3. For a host of reasons set forth in this Complaint and Petition, the Redevelopment Bills are unconstitutional and invalid:

a. ***The Dissolution Bill and the Forced-Payment Bill each violate Article XIII, section 25.5(a)(7), of the California Constitution***, for the following non-exclusive reasons:

i. The Dissolution Bill unconstitutionally restricts and redistributes redevelopment agency tax increment revenues for the benefit of the State and/or other taxing entities, and unconstitutionally redirects such revenues for use for non-redevelopment purposes.

ii. By requiring redevelopment agencies and/or their host jurisdictions to make "voluntary" payments to keep the agencies alive, the Forced Payment Bill does an "end run" around Article XIII, section 25.5, of the California Constitution, which prohibits the State from requiring redevelopment agencies to pay any of their tax increment revenues for the benefit of the State or other jurisdictions. Under the well-established "unconstitutional conditions" doctrine, the State cannot pass a law that conditions a particular benefit (here, the continued existence of redevelopment agencies) on the making of payments that the State cannot directly

compel.

b. ***The Dissolution Bill violates Article XIII, section 25.5(a)(3), of the California Constitution*** because, *inter alia*, it changes, for the 2011-2012 fiscal year, and for all succeeding fiscal years, the pro rata shares in which ad valorem property tax revenues are allocated among local agencies in a county, and yet the Dissolution Bill was not adopted by a two-thirds vote of the Legislature.

c. ***The Dissolution Bill violates Article XIII, section 25.5(a)(1), of the California Constitution*** because, *inter alia*, it unconstitutionally modifies the allocation of ad valorem property taxes in a county so as to reduce the total amount of such taxes that are allocated amongst the local agencies in that county below the percentage that was in effect as of November 3, 2004.

d. ***The Dissolution Bill violates Article XVI, section 16(b), of the California Constitution*** because, *inter alia*, it reallocates redevelopment agency property tax increment funds for the benefit of the State and other public agencies for non-redevelopment purposes.

e. ***The Forced-Payment Bill violates Article XIII, section 24(a), of the California Constitution*** because, *inter alia*, it reduces total property taxes that are distributed within each county and alters the pro rata shares of the property taxes distributed to the local taxing agencies.

f. ***The Forced-Payment Bill violates Article XIII, section 24(b), of the California Constitution*** because, *inter alia*, it effects a reallocation or transfer of, or restriction on, the use of proceeds of a tax—in this case, a local property tax—imposed or levied by a local government for the local government's purposes.

g. ***The Forced-Payment Bill violates Article XIII B, section 6(b)(3), of the California Constitution*** because, *inter alia*, (i) the remittances required thereby are effectively mandated payments, (ii) the remittances will be used by the State, for the 2011-2012 fiscal year, to offset the State's school-funding obligations under Proposition 98 (thus making the required remittances a "State-mandated local program"), and (iii) the State has failed to provide a reimbursement to the redevelopment agencies or their host jurisdictions for these remittance

payments.

h. ***The Dissolution Bill and the Forced-Payment Bill each violate Article IV, section 9, of the California Constitution, establishing the "single-subject rule,"*** because, *inter alia*, (i) the Redevelopment Bills are purportedly part of the State budget because they each contain a nominal appropriation of $500,000 (which is one subject), yet (ii) they significantly restructure existing substantive state law dealing with redevelopment and allocation of property tax revenues, not just for the current fiscal year, but for all time (which is a second subject).

i. ***The Forced-Payment Bill violates Article IV, section 9, of the California Constitution, establishing the "single-subject rule," and Article IV, §12(d), of the California Constitution***, because, *inter alia*, said bill contains multiple items of appropriation when no bills, other than the Budget Bill itself, may contain more than one appropriation.

j. ***The Dissolution Bill and the Forced-Payment Bill each violate Article IV, section 3(b), of the California Constitution*** because, *inter alia*, (i) the bills were adopted in the 2011-2012 First Extraordinary Session of the Legislature, (ii) this legislative session was only held as a result of a Fiscal Emergency Proclamation issued by Governor Brown on January 20, 2011, which limited the issues that could be addressed at the session to ***State budget issues, and nothing more***, and (iii) the Legislature went far beyond addressing mere budget issues and instead adopted a sweeping change to substantive redevelopment law.

k. ***The Dissolution Bill and the Forced-Payment Bill each violate Article IV, section 8(c)(1), of the California Constitution*** because, *inter alia*, (i) by their terms, the bills became immediately effective when signed by the Governor on June 28, 2011, (ii) Article IV, section 8(c)(1) provides that bills enacted in a special session (as the Redevelopment Bills were) are effective only on the 91st day after adjournment of the special session, (iii) the Redevelopment Bills do not qualify for any of the exceptions to this rule that would allow them to become immediately effective, and (iv) the Redevelopment Bills cannot be saved by simply delaying their effective date since a number of critically important actions, events, and tasks relating to implementation and enforcement of the Redevelopment Bills either were to occur prior to the time the bills lawfully could become effective or depend upon such actions, events, and tasks being

timely completed.

l. ***The Dissolution Bill and Forced-Payment Bill violate Article IV, section 12(e), of the California Constitution*** because, *inter alia*, (i) the bills contain appropriations from the State General Fund, thus requiring that they be approved by a two-thirds vote of the Legislature, (ii) they were not approved by a two-thirds vote, and (iii) they do not qualify as either the "budget bill" or as "other bills providing for appropriations related to the budget," which would have allowed them to be approved by a mere majority. Indeed, the appropriations in the Redevelopment Bills do not "relate to" the budget because they were only necessitated by the very activities mandated by those bills themselves.

m. ***The Dissolution Bill and the Forced-Payment Bill each violate Article 12, section (c)(4), of the California Constitution*** because they were enrolled and sent to the Governor before the budget bill itself, in direct violation of that provision.

n. ***The Dissolution Bill violates the "contracts clauses" of the United States and California Constitutions (U.S. CONST., art. I, § 10, cl. 1; CAL. CONST., art. I, § 9)*** because, *inter alia*, it unconstitutionally impairs, negates, diminishes, denigrates, and abrogates numerous agreements, covenants, and legally enforceable commitments between and among redevelopment agencies, cities, counties, and private third parties, including bondholders and private corporations, and holders of certificates of participation, as well as agreements, covenants, and legally enforceable commitments between redevelopment agencies and their host cities or counties, which, as municipal corporations, are legally separate entities from their redevelopment agencies.

4. Each of the above Constitutional infirmities are discussed in detail herein, and render the Redevelopment Bills invalid and void.

THE PARTIES

5. Plaintiff City of Cerritos ("Cerritos") is, and at all times relevant hereto was, a California municipal corporation and a charter city organized under the Constitution of the State of California. The jurisdictional boundaries of Cerritos are located entirely within the County of Los Angeles, California. On or about August 11, 2011, the Cerritos City Council adopted an urgency ordinance, and on or about August 25, 2011, a regular ordinance, agreeing (under protest and

subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required by AB1x 27, the Forced-Payment Bill, thereby "opting in" to the so-called "Voluntary Alternative Redevelopment Program" set forth therein, in order to prevent its redevelopment agency from being dissolved.

6. Plaintiff Cerritos Redevelopment Agency ("Cerritos RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Cerritos RDA are located entirely within the County of Los Angeles, California.

7. Plaintiff City of Carson ("Carson") is, and at all times relevant hereto was, a California municipal corporation and a general law city organized and existing under the laws of the State of California. The jurisdictional boundaries of Carson are located entirely within the County of Los Angeles, California. On or about August 2, 2011, the Carson City Council adopted an ordinance agreeing (under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required by the Forced-Payment Bill, thereby "opting in" to the so-called "Voluntary Alternative Redevelopment Program" set forth therein, in order to prevent its redevelopment agency from being dissolved.

8. Plaintiff Carson Redevelopment Agency ("Carson RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Carson RDA are located entirely within the County of Los Angeles, California.

9. Plaintiff City of Commerce ("Commerce") is, and at all times relevant hereto was, a California municipal corporation and a general law city organized and existing under the laws of the State of California. The jurisdictional boundaries of Commerce are located entirely within the County of Los Angeles, California. On or about August 16, 2011, the Commerce City Council adopted an ordinance agreeing (under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required by the Forced-Payment Bill, thereby

"opting in" to the so-called "Voluntary Alternative Redevelopment Program" set forth therein, in order to prevent its redevelopment agency from being dissolved.

10. Plaintiff Commerce Community Development Commission ("Commerce RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Development Commission Law (Health & Saf. Code §§34100 *et seq.*), which law authorizes the Commerce RDA to exercise the powers of a redevelopment agency pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Commerce RDA are located entirely within the County of Los Angeles, California.

11. Plaintiff City of Cypress ("Cypress") is, and at all times relevant hereto was, a California municipal corporation and a charter city organized and existing under the Constitution of the State of California. The jurisdictional boundaries of Cypress are located entirely within the County of Los Angeles, California. Cypress has not adopted, and does not intend to adopt, an ordinance agreeing to make the payments required by the Forced-Payment Bill, as the Cypress City Council has determined, in its legislative discretion, that Cypress does not have the capacity to make and it would be financially imprudent to make such payments (even if the payments were funded by its redevelopment agency under the provisions of the Forced-Payment Bill that allow the payments to be funded by the community's redevelopment agency).

12. Plaintiff Cypress Redevelopment Agency ("Cypress RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Cypress RDA are located entirely within the County of Orange, California.

13. Plaintiff City of Downey ("Downey") is, and at all times relevant hereto was, a California municipal corporation and a charter city organized and existing under the Constitution of the State of California. The jurisdictional boundaries of Downey are located entirely within the County of Los Angeles, California. On or about August 23, 2011, the Downey City Council adopted an urgency ordinance, and on or about September 13, 2011, a regular ordinance, agreeing

(under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required by the Forced-Payment Bill, thereby "opting in" to the so-called "Voluntary Alternative Redevelopment Program" set forth therein, in order to prevent its redevelopment agency from being dissolved.

14. Plaintiff Community Development Commission of the City of Downey ("Downey RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Development Commission Law (Health & Saf. Code §§34100 *et seq.*), which law authorizes the Downey RDA to exercise the powers of a redevelopment agency pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Downey RDA are located entirely within the County of Los Angeles, California.

15. Plaintiff City of Lakewood ("Lakewood") is, and at all times relevant hereto was, a California municipal corporation and a general law city organized and existing under the laws of the State of California. The jurisdictional boundaries of Lakewood are located entirely within the County of Los Angeles, California. The Lakewood City Council has introduced, for its first reading, an ordinance to "opt in" to the so-called "Voluntary Alternative Redevelopment Program" set forth in Forced-Payment Bill and thereby agree (under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required thereby. However, the Lakewood City Council has delayed conducting the second reading of the ordinance and adopting the ordinance pending the outcome of legal challenges to the Redevelopment Bills.

16. Plaintiff Lakewood Redevelopment Agency ("Lakewood RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Lakewood RDA are located entirely within the County of Los Angeles, California.

17. Plaintiff City of Paramount ("Paramount") is, and at all times relevant hereto was, a California municipal corporation and a general law city organized and existing under the laws of

the State of California. The jurisdictional boundaries of Paramount are located entirely within the County of Los Angeles, California. On or about August 2, 2011, the Paramount City Council adopted an urgency ordinance, and on or about August 16, 2011, a regular ordinance, agreeing (under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required by the Forced-Payment Bill, thereby "opting in" to the so-called "Voluntary Alternative Redevelopment Program" set forth therein, in order to prevent its redevelopment agency from being dissolved.

18. Plaintiff Paramount Redevelopment Agency ("Paramount RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Paramount RDA are located entirely within the County of Los Angeles, California.

19. Plaintiff City of Placentia ("Placentia") is, and at all times relevant hereto was, a California municipal corporation and a charter city organized and existing under the Constitution of the State of California. The jurisdictional boundaries of Placentia are located entirely within the County of Orange, California. Placentia has not adopted, and does not intend to adopt, an ordinance agreeing to make the payments required by the Forced-Payment Bill, as the Placentia City Council, in its legislative discretion, has determined that Placentia does not have the capacity to make, and that it would be financially imprudent to make, such payments (even if the payments were funded by its redevelopment agency under the provisions of the Forced-Payment Bill that allow the payments to be funded by a community's redevelopment agency).

20. Plaintiff Redevelopment Agency of the City of Placentia ("Placentia RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Placentia RDA are located entirely within the County of Orange, California.

21. Plaintiff City of Santa Fe Springs ("Santa Fe Springs") is, and at all times relevant hereto was, a California municipal corporation and general law city organized and existing under

the laws of the State of California. The jurisdictional boundaries of Santa Fe Springs are located entirely within the County of Los Angeles, California. The Santa Fe Springs City Council has introduced, for its first reading, an ordinance to "opt in" under the Forced-Payment Bill and thereby agree (under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required thereby. However, the Santa Fe Springs City Council has delayed conducting the second reading of the ordinance and adopting the ordinance pending the outcome of legal challenges to the Redevelopment Bills.

22. Plaintiff Community Development Commission of the City of Santa Fe Springs ("Santa Fe Springs RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising powers pursuant to the California Community Development Commission Law (Health & Saf. Code §§34100 *et seq.*), which law authorizes the Santa Fe Springs RDA to exercise the powers of a redevelopment agency pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Santa Fe Springs RDA are located entirely within the County of Los Angeles, California.

23. Plaintiff City of Signal Hill ("Signal Hill") is, and at all times relevant hereto was, a California municipal corporation and charter city organized and existing under the Constitution of the State of California. The jurisdictional boundaries of Signal Hill are located entirely within the County of Los Angeles, California. The Signal Hill City Council is scheduled to consider, at a special meeting to be held on September 27, 2011, the adoption of the non-binding resolution specified by the Forced-Payment Bill (codified at Health and Safety Code Section 34193) in contemplation of adopting, by November 1, 2011, the formal ordinance agreeing (under protest and subject to the outcome of litigation challenging the Redevelopment Bills) to make the payments required by the Forced-Payment Bill, thereby "opting in" to the so-called "Voluntary Alternative Redevelopment Program" set forth therein, in order to prevent its redevelopment agency from being dissolved.

24. Plaintiff Signal Hill Redevelopment Agency ("Signal Hill RDA") is, and at all times relevant hereto was, a public body, corporate and politic, organized, existing, and exercising

powers pursuant to the California Community Redevelopment Law (Health & Saf. Code §§ 33000 *et seq.*). The jurisdictional boundaries of the Signal Hill RDA are located entirely within the County of Los Angeles, California.

25. Plaintiff Cuesta Villas Housing Corporation is, and at all times relevant hereto was, a private, non-profit, public-benefit corporation formed and incorporated under the laws of the State of California, with its principal place of business in the City of Cerritos, County of Los Angeles, State of California.

26. Plaintiff Bruce W. Barrows is, and at all times relevant hereto was, an individual residing in the City of Cerritos, County of Los Angeles, State of California. Mr. Barrows has paid taxes within the County of Los Angeles and the County of Orange within the past year, and has paid property taxes in the County of Los Angeles (where he owns property) within the past year. Although Mr. Barrows is suing in his personal capacity as a taxpayer, he is also a current councilmember for the City of Cerritos, and the current President of the Los Angeles Division of the League of California Cities.

27. Defendant State of California is, and at all time relevant hereto was, a sovereign state of the United States.

28. Defendant John Chiang is, and at all times relevant hereto was, the Controller for the State of California. He is being sued in his official capacity.

29. Defendant Ana J. Matosantos is, and at all times relevant hereto was, the Director of Finance for the State of California. She is being sued in her official capacity.

30. Defendant Wendy L. Watanabe is, and at all times relevant hereto was, the Auditor-Controller for the County of Los Angeles, California. She is being sued in her official capacity.

31. Defendant David Sundstrom is, and at all times relevant hereto was, the Auditor-Controller for the County of Orange, California. He is being sued in his official capacity.

32. Real Party in Interest ABC Unified School District ("District") is, and at all times relevant hereto was, a California public school district operating and existing under the laws of the State of California. The District's jurisdictional boundaries are located in the County of Los Angeles, California

33. The true names and capacities, whether individual, corporate, or otherwise, of Defendants/Respondents DOES 1 through 100, inclusive, are unknown to Plaintiffs at this time, who therefore sue these Defendants/Respondents by such fictitious names. Plaintiffs will seek leave of court to amend this Complaint to reflect the true names and capacities of these fictitiously named Defendants/Respondents when they have been ascertained. Plaintiffs are informed and believe, and based thereon allege, that each of the Defendants/Respondents named herein as DOES 1 through 100, inclusive, is legally responsible in some manner for the administration or enforcement of the Redevelopment Bills challenged herein, and therefore should be bound by the relief sought herein.

BACKGROUND: CALIFORNIA REDEVELOPMENT AGENCIES AND THE CONSTITUTIONAL SYSTEM OF TAX-INCREMENT FINANCING

34. California redevelopment agencies have existed and functioned in this State for over six decades. Plaintiffs are informed and believe, and based thereon allege, that, immediately prior to enactment of the Redevelopment Bills, there were approximately 425 redevelopment agencies throughout the State, of which approximately 400 were actively functioning.

35. First enacted in 1945, the California Community Redevelopment Law, Health and Safety Code section 33000 *et seq.* ("CRL"), provides that counties and cities may establish redevelopment agencies with the authority to acquire and sell real and personal property, impose land use and development controls, and finance their operations by borrowing funds and issuing debt, in furtherance of authorized redevelopment activities. (*Evans v. City of San Jose* (2005) 128 Cal.App.4th 1123, 1131.) In 1952, California's voters added Article XIII, section 19—which was later renumbered as Article XVI, section 16—to the California Constitution. For the past several decades, Article XVI, section 16, along with the CRL (*see, e.g.*, Health & Saf. Code §33670 and 33670.5), has authorized cities and counties to establish redevelopment agencies within their jurisdictions and to allocate a portion of the property-tax revenues generated from within redevelopment project areas to those agencies to be used for redevelopment purposes. (Historical Derivation, Cal. Const., art. XVI, § 16; *see also City of Dinuba v. County of Tulare* (2007) 41 Cal. 4th 859, 866, n.7.)

36. Any county, city, or city and county may establish a redevelopment agency, and the governing body of the redevelopment agency may be the board of supervisors or city council, as applicable. (Health & Safety Code Sections 33101, 33200, and 34115; *Evans, supra,* 128 Cal.App.4th at p. 1131.) A redevelopment agency is a separate legal entity from the community in which it exists. (*See generally, Pacific States Enterprise, Inc. v. City of Coachella* (1993) 13 Cal.App.3d 494.) Once a redevelopment agency is established by a county, city, or city and county, there is a lengthy, public process that must be followed for the adoption of a "redevelopment plan" prior to the redevelopment agency acquiring the authority to exercise its powers to redevelop a specified "redevelopment project area" within the community. (*See* generally, Health & Safety Code Sections 33330-33376; *Evans, supra,* 128 Cal.App.4th at pp. 1131-1133.)

37. A primary purpose of redevelopment is to eliminate "blight" within a community. (Health & Saf. Code §§ 33030– 33037.) The designated redevelopment project area in an adopted redevelopment plan must be "predominantly urbanized" (Health & Saf. Code §§ 33030(b)(1) and 33320.1), characterized by one or more conditions of both "physical" and "economic" blight (Health & Saf. Code §33030(b) and 33031), and an area within which blight is "so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment" (Health & Saf. Code §33030(b)(1)). A designated redevelopment project area may contain properties that are not blighted only if their "inclusion is found necessary for the effective redevelopment of the area of which they are a part." (Health & Saf. Code §33321.)

38. As stated in Health & Saf. Code §33070, "decent housing and genuine employment opportunities for all the people of this state are vital to the state's future peace and prosperity." Accordingly, a "fundamental purpose of redevelopment" is to expand the supply of low- and moderate-income housing, to expand employment opportunities for jobless, underemployed, and low-income persons, and to provide an environment for the social, economic, and psychological

growth and well-being of all citizens. (Health & Saf. Code §33071.)

39. Pursuant to Cal. Const. Article XVI, section 16, and implementing provisions of the CRL (see, e.g., Health & Saf. Code §§33670 and 33670.5), redevelopment activities are funded by what is commonly referred to as "tax increment" revenue. Tax-increment revenue consists of a portion of the local property taxes generated from within a designated redevelopment project area. (*Ibid.*; Health & Saf. Code § 33670; *Craig v. City of Poway* (1994) 28 Cal.App.4th 319, 325.) The tax-increment financing system works as follows:

> Redevelopment agencies have no power to tax. Instead, to finance their activities, they are funded primarily through tax increment financing. [Citations.] Under the tax increment system, the assessed value of property within a redevelopment project area is frozen when the redevelopment plan is adopted. (§ 33670.) For the duration of the redevelopment plan, the agency is entitled to the difference between the taxes levied on the base year assessed value and those generated from current assessed value. (*Ibid.*) This increase in, or "increment" of, property tax revenue is known as "tax increment revenue."

(*Ibid.*)

40. Under the California Constitution and the CRL, redevelopment agencies receiving tax-increment revenue are required to pay all such revenue "into a special fund of the redevelopment agency to pay the principal of and interest on loans, monies advanced to, or indebtedness. . . incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project." (Cal. Const. Article XVI, §16(b); Health & Saf. Code §33670(b).)

THE REDEVELOPMENT BILLS—IN GENERAL

41. On June 15, 2011, the California Legislature adopted ABx1 26 and ABx1 27 (the "Redevelopment Bills"), purportedly as "trailer bills" to SB 87, the bill by which the Legislature approved the 2011-2012 State budget (hereinafter, the "Budget Bill"). (Although see paragraph 125, subparagraph (g)(iv), where Plaintiffs point out that (i) the Redevelopment Bills were actually enrolled and presented to the Governor ***before*** the Budget Bill, (ii) they therefore do not qualify as "trailer bills" within the meaning of Article IV, section 12(c)(4), and other provisions of the California Constitution, (iii) they therefore required a two-thirds affirmative vote from each house of the Legislature to become effective (which they did not receive), and (iv) their provisions which purported to take effect immediately are therefore void.) The Legislature did not muster a

two-thirds vote in favor of the Redevelopment Bills; indeed, in the California State Senate, the Redevelopment Bills received the narrowest possible simple majority vote (21 in favor). On June 28, 2011, Governor Brown signed the Redevelopment Bills into law. According to their terms, the Redevelopment Bills purported to become effective immediately upon being signed by the Governor.

42. The Legislature's asserted authority for adopting the Redevelopment Bills as budgetary "trailer bills" was that each of the Redevelopment Bills contains an "appropriation" that was supposedly "related to" the Budget Bill. In this regard, each of the Redevelopment Bills did, in fact, call for a nominal appropriation of $500,000 to the Director of Finance (Defendant Ana J. Matosantos). However, far from being "related to" the budget, according to the Redevelopment Bills themselves these appropriations served no purpose other than to fund the very activities mandated by those bills. Thus, for all intents and purposes, the Redevelopment Bills—including the appropriations contained therein—consisted of stand-alone legislation that bore no Constitutionally-permitted relationship to the Budget Bill.

43. The Redevelopment Bills purport to make sweeping changes to the CRL that force counties and cities and their redevelopment agencies to either (1) "agree" to allow the diversion of billions of dollars of their redevelopment agencies' constitutionally protected property tax increment revenues or (2) dissolve their redevelopment agencies entirely. By its terms, the Dissolution Bill amends Sections 33500, 33501, 33607.5, and 33607.7 of the Health & Safety Code, and adds new sections 34161 through 34191 to the Health & Safety Code, as well as new sections 97.401 and 98.2 to the Revenue and Taxation Code. The Forced-Payment Bill adds new sections 34192 through 34196 to the Health & Safety Code. A summary of the changes made by these new provisions is provided in the following sections of this Complaint/Petition.

THE DISSOLUTION BILL

The Suspension Provisions

44. Upon being signed into law by Governor Brown, ABx1 26 (the "Dissolution Bill") purported to immediately suspend the authority of every redevelopment agency in the State of California to enter into new agreements, amend existing agreements, make new loans or grants,

incur new indebtedness or restructure existing indebtedness, acquire property, dispose of or transfer assets, adopt or amend redevelopment plans, bring certain types of lawsuits, or otherwise implement its lawfully adopted redevelopment plan. (Health & Saf. Code §§34161-34165.) The only activities redevelopment agencies are permitted to undertake under the Dissolution Bill (other than preparing for their ultimate dissolution) involve the performance of existing contracts or obligations (referred to in the Dissolution Bill as "enforceable obligations"), such as making bond payments, repaying loans, paying judgments or settlements, and otherwise avoiding default on existing contracts. (*See, e.g.*, Health & Safety Code §34167(f).)

45. According to the Dissolution Bill, the purpose of its suspension provisions is to maximize the amount of redevelopment property tax increment revenues that will be diverted to non-redevelopment purposes—as stated in the Dissolution Bill itself, the over-arching purpose of the suspension provisions in the bill is to "preserve, to the maximum extent possible, the revenues and assets of redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services including police and fire protection services and schools." (Health & Safety Code § 34167(a).)

46. A redevelopment agency's "enforceable obligations" are defined under the suspension provisions of the Dissolution Bill as contracts and obligations that existed on the Dissolution Bill's effective date. (*See* Health & Safety Code § 34167(d).)[1] Within 60 days from that date—or on or before August 27, 2011, based on the State's assertion the Dissolution Bill became effective immediately upon being signed by the Governor--each redevelopment agency was required to adopt an "Enforceable Obligation Payment Schedule" listing all of its "enforceable obligations," including the payments the agency is required to make, by month, through December of 2011. (*Id.* at § 34169(g).) Additionally, by September 30, 2011, each agency is required to adopt a preliminary draft of its "Recognized Obligation Payment Schedule" (which, as the name implies, is a schedule of the agency's future payment obligations under its

[1] The definition of "enforceable obligations" under the suspension provisions differs somewhat from the definition that applies after redevelopment agencies are suspended on October 1, 2011. (*See* Health & Safety Code § 34171(d).) The key difference is their treatment of agreements between redevelopment agencies and other public entities.

"enforceable obligations") and to provide the draft to its "successor agency" (discussed below). (*Id.* at § 34169(h).)

Dissolution of Redevelopment Agencies and Appointment of Successor Agencies; Duties of Successor Agencies

47. As of October 1, 2011, the Dissolution Bill purports (i) to dissolve ***all*** of the approximately 425 redevelopment agencies in California (approximately 400 of which are actively functioning), (ii) to create a "successor agency" for each dissolved agency, and (iii) to transfer all assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency to its successor agency. (Health & Safety Code §§34170(a), 34172(a), (b), 34173, and 34175(b).) The successor agency must consist of the redevelopment agency's sponsoring community—*i.e.*, the city, county, or city and county that established the redevelopment agency—unless the sponsoring community, before September 1, 2011, expressly declines to fill that role. (*Id.*, §§ 34171(j), 34173(d).) If the sponsoring community so declines, any other local taxing entity may opt to fill the role of "successor agency" and, if no local taxing entity does so, then the Governor is supposed to appoint a successor agency. (*Id.*, § 34173(d)(2), (3).)

48. The Dissolution Bill imposes various obligations on these "successor agencies." For instance, each successor agency is required to pay the "enforceable obligations" of its dissolved redevelopment agency according to a schedule, periodically prepared and updated by the successor agency for each six-month period, known as a "Recognized Payment Obligation Schedule." (*Id.*, §§34171(h) and 34177(a), (c), (i), and (l).) Each successor agency is also required to dispose of all of the former redevelopment agency's assets and properties "expeditiously and in a manner aimed at maximizing value," and to wind down the affairs of the former redevelopment agency under the direction of the "oversight board" (discussed below). (*Id.*, §34177(e) and (h).) After paying the former redevelopment agency's "enforceable obligations", the successor agency is obligated to remit the unencumbered balance of the redevelopment agency's funds and all proceeds received from asset and property sales to the local county auditor-controller "for distribution to the taxing entities [as] property tax revenues [as] provided in Section

34188." (*Id.*, §34177(d) and (e).)

49. In addition, each successor agency is authorized to use the former redevelopment agency's tax increment revenues to pay or reimburse the successor agency's own administrative costs, subject to approval by the "oversight board" (discussed below). (Health & Saf. Code §§34171(b) and 34177(j), (k), (l)(1)(D).) The amount of such reimbursed costs can be up to 5% of the former redevelopment agency's property tax increment revenues for fiscal year 2011-2012 and up to 3% of such revenues in succeeding fiscal years, but not less than $250,000 in any fiscal year. (*Id.*, § 34171(b).)

Oversight Boards

50. Under the Dissolution Bill, each successor agency is subject to the direction and control of an "oversight board" consisting of seven members. (Health & Saf. Code §34179.) With a few exceptions, the seven members of an oversight board must consist of one member appointed by (and serving at the discretion of) each of the following: (1) the county board of supervisors, (2) the mayor for the city that formed the redevelopment agency (unless the agency was formed by a county, in which case the largest city by acreage in the former redevelopment agency's territorial jurisdiction makes the appointment), (3) the largest special district, by property-tax share, within the jurisdiction of the former redevelopment agency (so long as the special district is eligible to receive property-tax revenues pursuant to Health & Saf. Code §34188), (4) the county superintendent of education (unless that is an appointed position instead of an elected position, in which case the county board of education makes the appointment), (5) the Chancellor of the California Community Colleges, (6) a member of the public appointed by the county board of supervisor, and (7) a member of the largest recognized employee organization representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors, as applicable. (*Id.*, § 34179(a), (g), (j), and (l).) An oversight board for a former redevelopment agency is supposed to exist until "all of the indebtedness of the dissolved redevelopment agency has been repaid." (*Id.*, § 34179(m).)

51. Oversight boards are given broad powers to supervise and control the actions of successor agencies—to the point of compelling them to repudiate and breach existing contractual

obligations entered into by the former redevelopment agency and seizing the funds generated from the sale and disposal of the former redevelopment agency's assets and properties for the benefit of the taxing agencies represented by the oversight board. More specifically, all of the following successor agency actions must first be approved by the oversight board: (1) the establishment of new repayment terms for outstanding loans, (2) refunding of outstanding bonds or other indebtedness, (3) merging of project areas, (4) continuing the acceptance of state or federal grants or other financial assistance from either public or private sources, (5) retention of any of the former redevelopment agency's assets or properties, and (5) establishment of the required Recognized Payment Obligation Schedule. (Health & Saf. Code §34180.) In addition, oversight boards are required to "direct" their respective successor agencies to perform a number of acts such as (1) to "dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency," (2) to cease performance of and/or terminate all agreements that do not qualify as "enforceable obligations," (3) to terminate any agreements between the dissolved redevelopment agency and any other public agency in the same county, if the oversight board determines that doing so "would be in the best interests of the taxing entities," and (4) to "determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the oversight board for its approval." (Health & Saf. Code §34181.)

52. In this regard, the Dissolution Bill creates an inherent conflict of interest with respect to the duties and responsibilities of oversight boards. On the one hand, oversight boards are given unfettered discretion to terminate existing agreements when doing so "would be in the best interests of the taxing entities" (Health & Saf. Code §34181(e)), which presumably means whenever it will net the taxing entities more money. On the other hand, however, the Dissolution Bill states that oversight boards "have fiduciary responsibilities to holders of enforceable obligations" (*id.*, §34179(i)), which presumably requires the boards to aggressively maintain the enforceability of a former agency's existing agreements.

53. Each oversight board "may direct the staff of the successor agency to perform work in furtherance of the oversight board's duties and responsibilities" under the Dissolution Bill. (Health & Saf. Code §34179(c).) A successor agency is liable for the meeting costs incurred by its oversight board, and may include such costs in its budget. (*Ibid.*)

54. All actions of oversight boards are subject to review, upon request, by the Department of Finance. To allow for such requests, all actions of oversight boards are not effective for three business days. In the event of a request for review, the Department of Finance shall have 10 days to approve the action of the oversight board or remand it to the board for reconsideration. (Health & Saf. Code §34179(h).)

Duties of the County Auditor-Controllers; Redistribution of Property-Tax Revenues that Former Redevelopment Agencies Otherwise Would Have Received

55. The Dissolution Bill also imposes various obligations upon, and grants various powers to, county auditor-controllers within the State relating to the dissolved redevelopment agencies within their respective jurisdictions. (Health & Saf. Code §§34182-34188.) For instance, by March 1, 2012, each auditor-controller must conduct an audit of each former redevelopment agency within its jurisdiction, evaluating (among other things) the agency's existing indebtedness. (*Id.*, §34182(a).) The auditor-controllers must provide the State Controller's Office with copies of these audits by March 15, 2012. (*Id.*, §34182(b).)

56. In addition, each auditor-controller is required to annually determine the amount of tax increment revenue each dissolved redevelopment agency would have received pursuant to Article XVI, section 16, of the California Constitution and Section 33670 of the Health & Safety Code if it had not been dissolved and place all such revenues into a trust fund known as a "Redevelopment Property Tax Trust Fund" ("Trust Fund"). (Health & Saf. Code §§34170.5(b) and 34182(c).) The auditor-controller must then administer each Trust Fund in the manner set forth in the Dissolution Bill. (*Id.*, §34182(c).) Under new Health & Safety Code section 34182, all of the tax-increment monies that would have gone to a dissolved agency (but are instead placed in the Trust Fund) are "deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution and are available for allocation and

distribution in accordance with the provisions of the act adding this part." (*Ibid.*; *see also* Health & Saf. Code §34172(d) ("Revenues equivalent to those that would have been allocated pursuant to subdivision (b) of Section 16 of Article XVI of the California Constitution shall be allocated to the Redevelopment Property Tax Trust Fund of each successor agency. . .").)

57. The county auditor-controllers are required to distribute the monies in the Trust Fund established for each dissolved redevelopment agency in the following order: (1) to pay the auditor-controllers' costs in administering the requirements imposed on it under the Dissolution Bill (such as auditing the former redevelopment agencies, determining the amount of tax increment revenue each agency would have received, administering the Trust Funds, and fulfilling its reporting obligations to the State Controller and Department of Finance); (2) to make "pass-through" payments to taxing agencies that would have been entitled to them had the redevelopment agency not been dissolved; (3) to pay the former redevelopment agency's "enforceable obligations"; (4) to pay for the administrative expenses of successor agencies in carrying out their obligations under the Dissolution Bill; and, finally, (5) to local school districts and other taxing agencies in accordance with the formula prescribed in the bill. (Health & Saf. Code §§34182(e), 34183, and 34188.) If the monies initially provided to pay for a former agency's enforceable obligations are deemed insufficient to cover them, money is first taken from the "excess" property taxes that would otherwise go to the local agencies (Category 5 in the above list), and then from the monies that would otherwise be used to cover the administrative expenses of the successor agency (Category 4). (*Id.*, § 34183(b).)

Termination of Agreements Between Redevelopment Agencies and their Sponsoring Communities

58. Under the Dissolution Bill, once a redevelopment agency is dissolved, that agency's "enforceable obligations" do not include "any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency." (Health & Saf. Code §34171(d)(2).) There are only two exceptions to this exclusion: (1) written agreements entered into at the time of issuance of "indebtedness obligations," if those agreements were entered on or before December 31, 2010, and solely for the

purpose of securing or repaying those defined indebtedness obligations (which, as described in the paragraph below, excludes indebtedness owed by the former redevelopment agency to its host city or county); and (2) loan agreements between a redevelopment agency and its sponsoring community that were entered into with two years after the agency was established.

59. Consistent with this definition of "enforceable obligations," new Health & Safety Code section 34178 states that, subject to the same two exceptions set forth above, commencing on October 1, 2011, "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." (Health & Safety Code § 34178(a) and (b); *see also id.*, §34170(a).) Moreover, under §34181(b), oversight boards are required to direct their respective successor agencies to "[c]ease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations." Thus, under the Dissolution Bill, all of the above-referenced agreements between a redevelopment agency and its sponsoring community are effectively terminated, and cannot be further performed, as of October 1, 2011.

Effect of Dissolution Bill on Character of Tax Increment Revenues

60. The Dissolution Bill (1) declares that all tax increment revenues formerly allocated to each dissolved redevelopment agency pursuant to Article XVI, section 16, of the California Constitution "in excess of those [amounts] necessary to pay obligations of the former redevelopment agency [and after the automatic or forced termination of various redevelopment agency obligations as summarized above] shall be deemed to be property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution" (Health & Saf. Code §34172(d)) and (2) directs county auditor-controllers to distribute those "property taxes" in the manner set forth above, pursuant to Health & Saf. Code §§34183 and 34188.

THE FORCED-PAYMENT BILL

61. The Forced-Payment Bill establishes a program, cynically labeled the "Voluntary Alternative Redevelopment Program," under which the sponsoring community of a redevelopment agency may avoid the dissolution of its agency, and lift the suspension on its agency's activities, by "agreeing" to make certain payments (referred to in the Bill as "remittances") to the local

county auditor-controller for the remaining term of the redevelopment agency's redevelopment plan. In order to qualify for participation in this "voluntary" program, the sponsoring community must, prior to October 1, 2011 (the date on which all redevelopment agencies are to be dissolved under the Dissolution Bill), take one of two actions: (1) adopt a formal ordinance agreeing to pay the remittances, or (2) adopt a non-binding resolution agreeing to make the remittances and then, by November 1, 2011, adopt the formal ordinance. (Health & Saf. Code §34193(a) and (b).) Once the ordinance is adopted, the suspension of the agency's redevelopment activities is lifted and the agency is not dissolved. (*Ibid.*)

62. The amount of each sponsoring community's annual remittance is determined on a yearly basis under formulas set forth in new Health & Saf. Code §34194. For the 2011-2012 fiscal year, the applicable formula is designed to raise a total of $1.7 billion in revenue (assuming every redevelopment agency in California participates in the program). Each community's "share" of this $1.7 billion (i.e., the amount of its required remittance) consists of the average of the following two numbers: (1) its redevelopment agency's share of statewide gross tax increment, and (2) its redevelopment agency's share of statewide net tax increment (consisting of the agency's gross tax increment minus certain pass-through payments and debt-service payments). (Health & Saf. Code §34194(b).)

63. For the 2012-2013 fiscal year and subsequent years, the applicable formula is designed to raise a base amount of $400 million in revenue (assuming every community in California with an active redevelopment agency participates in the program), plus an adjusted amount that takes into consideration increases in the percentage growth or percentage reduction in the total adjusted amount of property tax increment revenue allocated to the redevelopment agency. Each community's "share" of this base payment amount is determined by multiplying its fiscal year 2011-2012 remittance obligation by a fraction in which the numerator equals $400 million and the denominator equals $1.7 billion (i.e., 23.52%). In addition, each community's remittance payment in fiscal year 2012-13 and beyond is increased by 80% of the "net school share" of the portion of tax increment revenues collected to service redevelopment agency indebtedness, other than indebtedness payable from the agency's Low and Moderate Income

Housing Fund, that is incurred after October 1, 2011--an amount that will increase for any agency that continues to fund redevelopment programs in the future. (See Health & Saf. Code §34194(c).)

64. For the 2011-2012 fiscal year, the Director of Finance was required to calculate the remittance amounts for all redevelopment agencies in the state, and to notify each city or county of its remittance obligation on or before August 1, 2011. (Health & Saf. Code §34194(b)(2)(J).) For the 2012-2013 fiscal year and every fiscal year thereafter, the sponsoring community must calculate its own remittance amount and then notify the Director of Finance, the State Controller, and its local county auditor-controller of that amount by November 1. (*Id.*, §34194(c)(3).) Any or all of these entities can then audit that proposed amount. (*Ibid.*)

65. For each fiscal year, one-half of the agency's remittance payment must be paid on or before January 15th and the other half must be paid on or before May 15th of that year. (Health & Saf. Code §34194(d).)

66. The obligation to make remittance payments nominally falls upon the city or county that formed the redevelopment agency participating in the "Voluntary Alternative Redevelopment Program." (Health & Saf. Code §34194.1(a).) However, the Redevelopment Bills provide no local funding for this purpose and each sponsoring community and its redevelopment agency are authorized to enter into an agreement pursuant to which the redevelopment transfers to the city or county a portion of the agency's tax increment "in an amount not to exceed the annual remittance required that year pursuant to this chapter [ ] for the purpose of financing activities within the redevelopment area that are related to accomplishing the redevelopment agency project goals." (*Id.*, §34194.2.) In other words, the Legislature provided a mechanism—which, given the dismal state of local public agency finances and the lack of any alternative funding source, virtually every participating jurisdiction in the State will be required to utilize—enabling a redevelopment agency to forfeit a portion of its tax increment revenues as the ransom payment needed to keep the agency alive and functioning.

67. As noted above, the remittance payments made by the sponsoring community (and indirectly by its redevelopment agency) pursuant to the Forced-Payment Bill must be distributed

by each county auditor-controller as specified in Health & Saf. Code §§34194.1 and 34194.4. Under §34194.1, a portion of the payments is distributed to local school entities through the local county Educational Revenue Augmentation Fund ("ERAF"). (Health & Saf. Code §34194.1(d).) For the 2011-2012 fiscal year, this ERAF shift counts against the State's obligations to fund public education under Proposition 98, thereby directly reducing the State's budget deficit, as though the State had simply confiscated the money directly. (*Id.*, § 34194.1(b); *see also* Cal. Const. Article XVI, § 8.) For the 2012-2013 fiscal year and beyond, however, the annual remittance payments do not count against the State's obligations under Proposition 98. (Health & Safety Code § 34194.1(c).) Also, under Section 34194.4, a portion of the payments for the 2012-2013 fiscal year and beyond is distributed to transit districts and to other special districts providing fire-protection services, through a newly created fund called a "Special District Allocation Fund." (*Id.*, §34194.4.)

68. If a sponsoring community that agreed to participate in the "voluntary" remittance program fails to make the required remittance payments, its redevelopment agency is immediately suspended and ultimately is dissolved under the Dissolution Bill. (Health & Saf. Code §34195(a).) In addition, the State of California is then entitled to an assignment of the rights of the sponsoring community to any payments the sponsoring community is entitled to receive from its dissolved redevelopment agency. (*Id.*, §34195(b).)

ALLEGATIONS RELATING TO INDIVIDUAL PLAINTIFFS

Cuesta Villas Housing Corp.'s Affordable-Housing Agreement with Cerritos

69. On or about January 8, 2008, Plaintiff Cuesta Villas Housing Corporation ("Cuesta Villas") entered into a written agreement entitled "Affordable Housing, Financing, and Disposition and Development Agreement" (hereinafter, the "Cuesta Villas Affordable Housing & Financing Agreement") with Plaintiff City of Cerritos, Plaintiff Cerritos Redevelopment Agency, and the ABC Unified School District ("District").

70. In summary, the Cuesta Villas Affordable Housing & Financing Agreement describes and implements a complex financing and development arrangement, the end result of which will be the construction of an affordable housing complex for senior citizens and an

adjoining senior center and park in the City of Cerritos (hereinafter, the "Affordable Housing Facilities"). Under said agreement, the Affordable Housing Facilities are to be constructed on property located in Cerritos that is owned by the District and that currently houses the District's administrative offices. To accommodate the Affordable Housing Facilities, the District's administrative offices are to be relocated to new property that is to be purchased and remodeled by the City of Cerritos, using funds from the Cerritos Redevelopment Agency. The City of Cerritos will then lease that property to the District with an option to purchase.

71. The District, meanwhile, will continue to own the property on which the Affordable Housing Facilities are to be constructed, and will ground lease that property to Cuesta Villas, which is obligated under the Cerritos Affordable Housing & Financing Agreement to construct, operate, and maintain the affordable housing facilities. Cuesta Villas will make ground lease payments to the District with the proceeds it receives from renting the apartments in the Affordable Housing Facilities.

72. These ground lease payments, in turn, will be guaranteed by the Cerritos Redevelopment Agency's Low- and Moderate-Income Housing Funds for the period of time the Agency may lawfully receive tax increment funds. In fact, all monies spent by the Cerritos Redevelopment Agency or the City of Cerritos in furtherance of the development of the Affordable Housing Facilities, including the purchase and remodel of the District's new office location, and the construction of the Affordable Housing Facilities themselves, will come largely from the Cerritos Redevelopment Agency's Low- and Moderate-Income Housing Funds.

73. Furthermore, lease payments received by the City of Cerritos on its lease of the new office location to the District will be placed into a trust fund for the benefit of Cuesta Villas, the proceeds of which will be used solely for the benefit of the Affordable Housing Facilities.

74. Because the Dissolution Bill terminates all agreements between redevelopment agencies and their sponsoring communities (and makes no exceptions for agreements to which private parties are also parties), as of October 1, 2011, the Cuesta Villas Affordable Housing & Financing Agreement will be terminated and the various contractual rights of Cuesta Villas under that agreement will be impaired. Moreover, even if the City of Cerritos "opts in" under the

Forced-Payment Act, the ability of the Cerritos Redevelopment Agency to perform the Cuesta Villas Affordable Housing & Financing Agreement will still be impaired, for the money necessary to perform that agreement will be needed to make the "remittances" required by the Forced-Payment Bill.

Placentia's Lease-Leaseback Financing Arrangement

75. On or about November 13, 2003, Plaintiff Placentia issued written certificates of participation (hereinafter, the "Placentia Certificates"), in the aggregate amount of $11,145,000, for the purpose of funding certain capital improvements within the City of Placentia, refinancing prior debts of that city, and for other purposes. The Placentia Certificates have varying maturity dates, depending upon the interest rate and yield, ranging from 2005 through 2020.

76. The Placentia Certificates were issued pursuant to the provisions of a written Trust Agreement dated as of November 1, 2003 (the "Trust Agreement") and entered into by and among Placentia, the Placentia RDA, and U.S. Bank National Association, as trustee. The Placentia Certificates were financed through a lease-leaseback arrangement between Placentia and the Placentia RDA. The specifics of this arrangement are as follows: On or prior to the date of issuance of the Placentia Certificates, Placentia entered into a written lease agreement with the Placentia RDA (the "Lease"), pursuant to which Placentia leased certain City-owned real property to the Placentia RDA (the "Leased Property"). The same parties then entered into a written sublease pursuant to which the Placentia RDA subleased the Leased Property back to Placentia (the "Sublease"). The terms of the Lease and Sublease extend for at least as long as any of the Placentia Certificates remain outstanding and unpaid. Moreover, Placentia's rental obligations under the Sublease were set at a level sufficient to cover, when due, the entire principal and interest with respect to the Placentia Certificates (due on January 1 and July 1 of each year as long as the Placentia Certificates are outstanding), plus the amount of any taxes, assessment charges, utility charges, maintenance and repair costs relating to the Leased Property.

77. Placentia covenanted in the Sublease to pay the principal and interest with respect to the Placentia Certificates, and to take such action as may be necessary to include all such total Sublease payments in its annual budgets. Placentia further covenanted to make annual

appropriations for all such Sublease payments. Pursuant to the Trust Agreement, the Placentia RDA in turn assigned to the Trustee, for the benefit of the owners of the Placentia Certificates, its right to receive Sublease payments from Placentia under the Sublease, and any and all of the other rights of the Placentia RDA under the Sublease as may be necessary to enforce payment of the Sublease payments when due and otherwise to protect the interests of the owners of the Placentia Certificates. By their terms, the Placentia Certificates granted to the holders thereof a fractional interest in Placentia's Sublease payments. These Sublease payments therefore form the security for repayment of the Placentia Certificates.

78. Plaintiffs are informed and believe, and based thereon allege, that lease-leaseback financing arrangements identical or substantially similar to that used by Plaintiffs Placentia and Placentia RDA with respect to the Placentia Certificates are commonly used by cities, counties, and their redevelopment agencies (either directly or through a joint powers agency formed by the city/county and its redevelopment agency) throughout the State of California. The purpose of such arrangements is to allow such public agencies to enter into long-term financing obligations—enabling them to fund otherwise-cost-prohibitive endeavors such as significant public improvements projects—without violating Article XVI, section 18, of the California Constitution, commonly known as the "constitutional debt limit" or "balanced budget" provision of the Constitution. Under that provision, cities and counties are prohibited from incurring any general-fund indebtedness payable from tax revenues that is anticipated to be owing in a future fiscal year without first obtaining the approval of two-thirds of their voters. Under a well-recognized exception to that prohibition known as the "Offner-Dean rule," however, cities and counties are permitted to commit their general fund revenues to a multi-year financing obligation if the obligation is in the form of a lease and the rental to be paid in each future year is contracted for in consideration of the benefit to be provided by the city or county lessee in that year. (*See City of Los Angeles v. Offner* (1942) 19 Cal.2d 483 and *Dean v. Kuchel* (1950) 35 Cal.2d 444.)

79. Because Placentia does not have the financial resources to "opt in" to the so-called "Voluntary Alternative Redevelopment Program" under the Forced-Payment Bill, if the Dissolution Bill becomes law and Placentia serves as the "successor agency" to the Placentia

RDA, as it intends to do, the Placentia RDA will cease to exist and, under established real estate law, the holders of the fee interest of the Leased Property (Placentia), the master leasehold interest under the Lease (the Placentia RDA), and the subleasehold interest under the Sublease (Placentia) will all be the same (Placentia), the 3 previously existing real property estates will "merge," and the Lease and Sublease will effectively terminate by operation of law and cease to exist. As a result, the Sublease payments that form the security for the Placentia Certificates will no longer be a continuing, valid, and binding obligation of Placentia, Placentia will be in a position under Article XVI, section 18, of the California Constitution to elect annually whether or not to appropriate the funds needed to pay principal and interest on the Placentia Certificates, and the contractual rights of the Placentia Certificate holders will thereby be significantly impaired.

Tax Allocation Bonds Issued By The Placentia RDA in 2002

80. Pursuant to a written Indenture of Trust, dated as of January 1, 2002, by and between the Placentia RDA and U.S. Bank, N.A., as Trustee authorizing the Redevelopment Agency of the City of Placentia, Tax Allocation Bonds, 2002 Series B (the "2002 Placentia RDA Bonds Indenture"), the Placentia RDA approved, issued, and sold its written $4,655,000 Redevelopment Agency of the City of Placentia, Tax Allocation Bonds, 2002 Series B (the "2002 Placentia RDA Bonds"), for the purpose of providing funds to finance public improvements and additional activities with respect to the "Redevelopment Project," as defined in the 2002 Placentia RDA Bonds Indenture, to fund a Reserve Fund, and to pay certain costs of issuance with respect to the 2002 Placentia RDA Bonds.

81. The 2002 Placentia RDA Bonds were secured by tax increment generated from the Redevelopment Project, as defined in the 2002 Placentia RDA Bonds Indenture. The 2002 Placentia RDA Bonds were sold without bond insurance or other form of credit enhancement, and thus their credit was evaluated exclusively upon the credit worthiness, or lack thereof, of the revenue stream generated from tax increment from the Redevelopment Project, as defined in the 2002 Placentia RDA Bonds Indenture.

82. The 2002 Placentia RDA Bonds Indenture constitutes a valid and binding contract between and among the Placentia RDA, U.S. Bank, N.A., as Trustee (the "Trustee"), and the

owners of the 2002 Placentia RDA Bonds, supported by valid consideration, and protected by the contract clauses of the United States Constitution and the California Constitution.

83. Section 4.01 of the 2002 Placentia RDA Bonds Indenture provides, in relevant part, that the 2002 Placentia RDA Bonds issued pursuant thereto shall be secured by a first pledge of and lien on all of the tax revenues generated from the Redevelopment Project, as defined in the 2002 Placentia RDA Bonds Indenture. In addition, said 2002 Placentia RDA Bonds are secured by a first and exclusive pledge of and lien upon all of the moneys in the Special Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, and the Redemption Account, all as defined in the 2002 Placentia RDA Bonds Indenture.

84. Section 1.02 of the 2002 Placentia RDA Bonds Indenture provides, in relevant part, as follows:

> In consideration of the acceptance of the Bonds by the holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Trustee for the benefit of the holders from time to time of all bonds issued hereunder and then outstanding to secure the full and final payment of the interest on and the principal of and redemption premiums, if any, on all bonds authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants, and provisions herein contained; and the agreements and covenants herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all holders of the Bonds without preference, priority, or distinction as to security or otherwise.

85. Section 4.02 of the 2002 Placentia RDA Bonds Indenture requires, in substance, that all tax increment generated from the Redevelopment Project be deposited into the "Special Fund" which must be held in trust by the Trustee. Pursuant to Section 4.03 of the 2002 Placentia RDA Bonds Indenture, moneys in the Special Fund shall be deposited by the Trustee in various accounts, all of which, individually and collectively, must be held by the Trustee in trust for the benefit of the owners of the Bonds.

86. The intent and purpose of Sections 4.02–4.03 of the 2002 Placentia RDA Bonds Indenture is to create a mechanism to capture all tax increment generated in the Redevelopment Project by the Placentia RDA for the benefit of the owners of the 2002 Placentia RDA Bonds, to transfer all tax increment generated within the Redevelopment Project to the Trustee to be held in trust for the benefit of the owners of the 2002 Placentia RDA Bonds, and to provide the owners of

the 2002 Placentia RDA Bonds with a lawful and enforceable interest in all tax increment generated in the Redevelopment Project for the benefit of the owners of the 2002 Placentia RDA Bonds.

87. Pursuant to Section 5.08 of the 2002 Placentia RDA Bonds Indenture, the Placentia RDA has agreed and covenanted as follows:

> The Agency will preserve and protect the security of the Bonds and the rights of the holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be deemed contestable by the Agency. Without limiting the generality of the foregoing, the Agency covenants and agrees to contest by court action or otherwise, (a) the assertion by any officer of any governmental unit or any other person whatsoever against the Agency that the revenues pledged hereunder cannot be paid by the Agency for the debt service on the Bonds, or (b) any other action affecting the validity of the Bonds or diluting the security therefor. In the event of an amendment or revision to the law which would allow the Agency to set aside less than the revenues required to be set aside by the Agency as of the date of execution of this Indenture, the Agency covenants with the holders of the Bonds that it shall continue to set aside a sufficient amount of its tax increment revenues to pay the annual debt service and to provide for deposits to the Reserve Fund as required by Section 4.02 hereof, and notwithstanding any such change or revision to the law, such tax increment revenues so deposited shall be deemed to be revenues hereunder and shall be subject to the lien and pledge created hereunder.

88. The Placentia RDA has contractually obligated itself to the owners of the 2002 Placentia RDA Bonds, for good and valuable consideration, to assert, both on its own behalf and as a representative on behalf of the owners of the 2002 Placentia RDA Bonds, the rights and privileges of the owners of the Bonds against, among other things, legislation, statutes, or other acts of government which, either directly or indirectly, impair, negate, diminish, denigrate, abrogate, or otherwise negatively affect the validity of the 2002 Placentia RDA Bonds and/or the security for the 2002 Placentia RDA Bonds. The Placentia RDA possesses real and actual injury in fact if the legally protected interests of the owners of the Bonds are impaired, negated, diminished, denigrated, abrogated, or otherwise, in that, among other things, it could incur direct financial liability to the owners of the 2002 Placentia RDA Bonds, and potential other third parties. The Placentia RDA brings this action in its own name, on its behalf, as well as on behalf of the owners of the 2002 Placentia RDA Bonds, and each of them, to, in part, fulfill its contractual obligation to preserve and protect the interest of the owners of the 2002 Placentia RDA

Bonds and the security therefor.

89. In addition to the other covenants set forth in the 2002 Placentia RDA Bonds Indenture, pursuant to Section 5.10 of the Placentia RDA Bonds Indenture, the Placentia RDA has covenanted and agreed that it ". . . will commence the financing of the Redevelopment Project to be aided with the proceeds of the Bonds with all practical dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the law so as to complete the Redevelopment Project as soon as possible." Thus, since bondholders possess a security interest in the tax increment revenues generated from the Redevelopment Project, and directly benefit from development and property value escalation in the Redevelopment Project, the Placentia Redevelopment Agency has covenanted and agreed, for valuable consideration, to "complete the Redevelopment Project as soon as possible."

Housing Set-Aside Bonds Issued By The Placentia RDA in 2002

90. Pursuant to a written Indenture of Trust, dated as of January 1, 2002, by and between the Placentia RDA and U.S. Bank, N.A., as Trustee, authorizing the Redevelopment Agency of the City of Placentia, Housing Set-Aside Tax Allocation Bonds, 2002 Series B (the "2002 Placentia RDA Housing Set-Aside Bonds Indenture"), the Placentia RDA approved, issued, and sold its written $3,100,000 Redevelopment Agency of the City of Placentia, Housing Set-Aside Tax Allocation Bonds, 2002 Series A (the "2002 Placentia RDA Housing Set-Aside Bonds"), for the purpose of providing funds to finance public improvements and additional activities with respect to the "Redevelopment Project," as defined in the 2002 Placentia RDA Housing Set-Aside Bonds Indenture, to fund a Reserve Fund, and to pay certain costs of issuance with respect to the 2002 Placentia RDA Housing Set-Aside Bonds.

91. The 2002 Placentia RDA Housing Set-Aside Bonds were secured by tax increment generated from the Redevelopment Project, as defined in the 2002 Placentia RDA Housing Set-Aside Bonds Indenture. The 2002 Placentia RDA Housing Set-Aside Bonds were sold without bond insurance or other form of credit enhancement, and thus their credit was evaluated exclusively upon the credit worthiness, or lack thereof, of the revenue stream generated from tax

increment from the Redevelopment Project, as defined in the 2002 Placentia RDA Housing Set-Aside Bonds Indenture.

92. The 2002 Placentia RDA Housing Set-Aside Bonds Indenture constitutes a valid and binding contract between and among the Placentia RDA, U.S. Bank, N.A., as Trustee (the "Trustee"), and the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, supported by valid consideration, and protected by the "contract clauses" of the United States Constitution and the California Constitution.

93. Section 4.01 of the 2002 Placentia RDA Housing Set-Aside Bonds Indenture provides, in relevant part, that the 2002 Placentia RDA Housing Set-Aside Bonds issued pursuant thereto shall be secured by a first pledge of and lien on all of the tax revenues generated from the Redevelopment Project, as defined in the 2002 Placentia RDA Housing Set-Aside Bonds Indenture. In addition, said 2002 Placentia RDA Housing Set-Aside Bonds are secured by a first and exclusive pledge of and lien upon all of the moneys in the Special Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, and the Redemption Account, all as defined in the 2002 Placentia RDA Housing Set-Aside Bonds Indenture.

94. Section 1.02 of the 2002 Placentia RDA Housing Set-Aside Bonds Indenture provides, in relevant part, as follows:

> In consideration of the acceptance of the Bonds by the holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Trustee for the benefit of the holders from time to time of all bonds issued hereunder and then outstanding to secure the full and final payment of the interest on and the principal of and redemption premiums, if any, on all bonds authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants, and provisions herein contained; and the agreements and covenants herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all holders of the Bonds without preference, priority, or distinction as to security or otherwise.

95. Section 4.02 of the 2002 Placentia RDA Housing Set-Aside Bonds Indenture requires, in substance, that all tax increment generated from the Redevelopment Project be deposited into the "Special Fund," which must be held in trust by the Trustee. Pursuant to Section 4.03 of the 2002 Placentia RDA Housing Set-Aside Bonds Indenture, moneys in the Special Fund shall be deposited by the Trustee in various accounts, all of which, individually and collectively,

must be held by the Trustee in trust for the benefit of the owners of the Bonds.

96. The intent and purpose of Sections 4.02–4.03 of the 2002 Placentia RDA Housing Set-Aside Bonds Indenture is to create a mechanism to capture all tax increment generated in the Redevelopment Project by the Placentia RDA for the benefit of the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, to transfer all tax increment generated within the Redevelopment Project to the Trustee to be held in trust for the benefit of the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, and to provide the owners of the 2002 Placentia RDA Housing Set-Aside Bonds with a lawful and enforceable interest in all tax increment generated in the Redevelopment Project for the benefit of the owners of the 2002 Placentia RDA Housing Set-Aside Bonds.

97. Pursuant to Section 5.08 of the 2002 Placentia RDA Housing Set-Aside Bonds Indenture, the Placentia RDA has agreed and covenanted as follows:

> The Agency will preserve and protect the security of the Bonds and the rights of the holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be deemed contestable by the Agency. Without limiting the generality of the foregoing, the Agency covenants and agrees to contest by court action or otherwise, (a) the assertion by any officer of any governmental unit or any other person whatsoever against the Agency that the revenues pledged hereunder cannot be paid by the Agency for the debt service on the Bonds, or (b) any other action affecting the validity of the Bonds or diluting the security therefor. In the event of an amendment or revision to the law which would allow the Agency to set aside less than the revenues required to be set aside by the Agency as of the date of execution of this Indenture, the Agency covenants with the holders of the Bonds that it shall continue to set aside a sufficient amount of its tax increment revenues to pay the annual debt service and to provide for deposits to the Reserve Fund as required by Section 4.02 hereof, and notwithstanding any such change or revision to the law, such tax increment revenues so deposited shall be deemed to be revenues hereunder and shall be subject to the lien and pledge created hereunder.

98. The Placentia RDA has contractually obligated itself to the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, for good and valuable consideration, to assert, both on its own behalf and as a representative on behalf of the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, the rights and privileges of the owners of the Bonds against, among other things, legislation, statutes, or other acts of government which, either directly or indirectly, impair, negate, diminish, denigrate, abrogate, or otherwise negatively affect the validity of the 2002

Placentia RDA Housing Set-Aside Bonds and/or the security for the 2002 Placentia RDA Housing Set-Aside Bonds. The Placentia RDA possesses real and actual injury in fact if the legally protected interests of the owners of the Bonds are impaired, negated, diminished, denigrated, abrogated, or otherwise, in that, among other things, it could incur direct financial liability to the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, and potential other third parties. The Placentia RDA brings this action in its own name, on its behalf as well as on behalf of the owners of the 2002 Placentia RDA Housing Set-Aside Bonds, and each of them, to, in part, fulfill its contractual obligation to preserve and protect the interest of the owners of the 2002 Placentia RDA Housing Set-Aside Bonds and the security therefor.

99. In addition to the other covenants set forth in the 2002 Placentia RDA Housing Set-Aside Bonds Indenture, pursuant to Section 5.10 of the Placentia RDA Bonds Indenture, the Placentia RDA has covenanted and agreed that it ". . . will commence the financing of the Redevelopment Project to be aided with the proceeds of the Bonds with all practical dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the law so as to complete the Redevelopment Project as soon as possible." Thus, since bondholders possess a security interest in the tax increment revenues generated from the Redevelopment Project, and directly benefit from development and property value escalation in the Redevelopment Project, the Placentia RDA has covenanted and agreed, for valuable consideration, to "complete the Redevelopment Project as soon as possible."

Tax Allocation Bonds Issued By The Placentia RDA in 2009

100. Pursuant to a written Indenture, dated as of February 1, 2009, by and between the Placentia RDA and U.S. Bank National Association, as Trustee (the "2009 Placentia RDA Notes Indenture"), the Placentia RDA approved, issued, and sold its written $6,850,000 aggregate principal amount of the Placentia Redevelopment Agency, Placentia Redevelopment Project, 2009 Subordinate Tax Allocation Notes (the "2009 Placentia RDA Notes"), for the purpose of providing funds to finance public improvements and additional activities with respect to the Redevelopment Project, as defined in the 2009 Placentia RDA Notes Indenture, to fund a Reserve

Fund, and to pay certain costs of issuance with respect to the 2009 Placentia RDA Notes.

101. The 2009 Placentia RDA Notes were sold on a basis subordinate to the 2002 Placentia RDA Bonds, and are secured, on a subordinate basis, by the tax increment generated from the Redevelopment Project, as defined in the 2009 Placentia RDA Notes Indenture. The 2009 Placentia RDA Notes were sold without bond insurance or other form of credit enhancement, and thus their credit was evaluated exclusively upon the credit worthiness, or lack thereof, of the revenue stream generated from tax increment from the Redevelopment Project, as defined in the 2009 Placentia RDA Notes Indenture.

102. The Placentia 2009 RDA Notes Indenture constitutes a valid and binding contract between and among the Placentia RDA, U.S. Bank National Association, as Trustee (the "Trustee"), and the owners of the 2009 Placentia RDA Notes, supported by valid consideration, and protected by the "contract clauses" of the United States Constitution and the California Constitution.

103. Section 5.01 of the 2009 Placentia RDA Notes Indenture provides, in relevant part, that the 2009 Placentia RDA Notes issued pursuant thereto shall be secured by a subordinate pledge of and lien on all of the tax revenues generated from the Redevelopment Project, as defined in the 2009 Placentia RDA Notes Indenture. In addition, said 2009 Placentia RDA Notes are secured by a first and exclusive pledge of and lien upon all of the moneys in the Subordinate Revenue Fund, the Subordinate Debt Service Fund, and the various accounts and subaccounts thereof.

104. Section 5.02 of the 2009 Placentia RDA Notes Indenture requires, in substance, that subordinate tax increment generated from the Redevelopment Project be deposited into the "Subordinate Revenue Fund," after all higher priority obligations have been satisfied, which must be held by the Placentia RDA. Pursuant to Sections 5.02 and 5.06 of the 2009 Placentia RDA Notes Indenture, moneys deposited in the Subordinate Revenue Fund shall be transferred to the Trustee to be held in various accounts, all of which, individually and collectively, must be held by the Trustee in trust for the benefit of the owners of the 2009 Placentia RDA Notes.

105. Pursuant to Section 6.07 of the 2009 Placentia RDA Notes Indenture, the Placentia

RDA has contractually obligated itself, and entered into an enforceable obligation with the owners of the 2009 Placentia RDA Notes, to ". . . preserve and protect the security of the Notes and the rights of the owners . . ." As a result, the Placentia RDA possesses a legally-enforceable covenant, enforceable by the note holders, to "preserve and protect the security of the Notes and the rights of the owners," and could face real and actual liability, monetary and otherwise, for a breach of this covenant.

106. The Placentia RDA has contractually obligated itself to the owners of the 2009 Placentia RDA Notes, for good and valuable consideration, to assert, both on its own behalf and as a representative on behalf of the owners of the 2009 Placentia RDA Notes, the rights and privileges of the owners of the 2009 Placentia RDA Notes against, among other things, legislation, statutes, or other acts of government which, directly or indirectly, impair, negate, diminish, denigrate, abrogate, or otherwise negatively affect the validity of the 2009 Placentia RDA Notes and/or the security for the 2009 Placentia RDA Notes. The Placentia RDA possesses real and actual injury in fact if the legally protected interests of the owners of the 2009 Placentia RDA Notes are impaired, negated, diminished, denigrated, abrogated, or otherwise, in that, among other things, it could incur a direct financial liability to the owners of the 2009 Placentia RDA Notes and potential other third parties. The Placentia RDA brings this action in its own name, on its behalf as well as on behalf of the owners of the 2009 Placentia RDA Notes, and each of them, to, in part, fulfill its contractual obligations to preserve and protect the interests of the owners of the 2009 Placentia RDA Notes, and the security therefor.

107. Pursuant to Section 6.09 of the 2009 Placentia RDA Notes Indenture, the Placentia RDA covenanted and agreed that it ". . . will commence the financing of the Project to be aided with the proceeds of the Notes with all practical dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the law so as to complete the Project as soon as possible." Thus, since noteholders possess a subordinate security interest in the tax increment generated from the Redevelopment Project, and directly benefit from development and property value escalation in the Redevelopment Project, the Placentia RDA has covenanted and agreed, for valuable

consideration, to "complete the Redevelopment Project as soon as possible."

Tax Allocation Bonds issued by the Signal Hill RDA

108. Pursuant to a written Indenture of Trust dated as of December 1, 2001, by and between the Signal Hill RDA and U.S. Bank Trust Association, as Trustee, (the "Signal Hill RDA Indenture"), as amended by the written Seventh Supplement to Indenture of Trust, dated as of November 1, 2009, by and between the Signal Hill RDA and U.S. Bank National Association (the "Signal Hill RDA Seventh Supplement"), the Signal Hill RDA approved, issued, and sold its written $2,655,000 2000 aggregate principal amount of Signal Hill Redevelopment Agency Signal Hill Redevelopment Project No. 1 2009 Tax Allocation Parity Bonds (the "2009 Signal Hill RDA Bonds"), for the purpose of providing funds to finance public improvements and additional activities with respect to the "Redevelopment Project," as defined in the 2009 Signal Hill Indenture and 2009 Signal Hill Seventh Supplement, to fund a reserve fund, and to pay certain costs of issuance with respect to the 2009 Signal Hill RDA Bonds.

109. Pursuant to the 2009 Signal Hill Indenture, as amended by the Eighth Supplement to Indenture of Trust, dated as of March 1, 2011, by and between the Signal Hill RDA and U.S. Bank National Association, (the "Signal Hill RDA Eighth Supplement"), the Signal Hill RDA authorized, issued, and sold its $8,835,000 aggregate principal amount of Signal Hill Redevelopment Agency Signal Hill Redevelopment Project No. 1 2011 Tax Allocation Parity Bonds (the "2011 Signal Hill RDA Bonds"), for the purpose of providing funds to finance public improvements and additional activities with respect to the "Redevelopment Project," as defined in the 2009 Signal Hill Indenture, to fund a reserve account, and to pay certain costs of issuance with respect to the 2011 Signal Hill RDA Bonds.

110. The 2009 Signal Hill RDA Bonds and the 2011 Signal Hill RDA Bonds (collectively, the "Signal Hill RDA Bonds") were sold on parity with, and as parity bonds of, numerous prior issues of tax allocation bonds secured by the tax increment generated from the Redevelopment Project, as defined in the Signal Hill RDA Indenture. The 2009 Signal Hill RDA Bonds were sold without bond insurance, or other form of credit enhancement, and thus their credit, and each of them, was evaluated exclusively upon the credit worthiness, or lack thereof, of

the revenue stream generated from tax increment from the Redevelopment Project, as defined in the Signal Hill RDA Indenture.

111. The Signal Hill RDA Indenture, as amended and modified by the Signal Hill RDA Seventh Supplement and Signal Hill RDA Eighth Supplement, constitutes a valid and binding contract between and among the Signal Hill RDA, U.S. Bank Trust National Association, as Trustee (the "Trustee"), and the owners of the 2009 Signal Hill RDA Bonds and the 2011 Signal Hill RDA Bonds, supported by valid consideration, and protected by the "contract clauses" of the United States Constitution and the California Constitution.

112. Section 4.01 of the Signal Hill RDA Indenture provides, in relevant part, that the Signal Hill RDA Bonds issued pursuant hereto shall be secured by a first pledge of and lien on all of the tax revenues generated from the Redevelopment Project, as defined in the Signal Hill RDA Indenture. In addition, said Signal Hill RDA Bonds are secured by a first and exclusive pledge of and lien upon all of the monies in the Special Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, and the Redemption Account, all as defined in the Signal Hill RDA Indenture.

113. Section 4.02 of the Signal Hill RDA Indenture provides, in relevant part, as follows:

> In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Agency and the owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security, and protection of all owners of the Bonds without preference, priority, or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

114. Section 4.02 of the Signal Hill RDA Indenture requires, in substance, that all tax increment generated from the Redevelopment Project be deposited into the "Special Fund," which must be held in trust by the Trustee. Pursuant to Section 4.03 of the Signal Hill RDA Indenture, monies in the Special Fund shall be deposited by the Trustee in various accounts, all of which, individually and collectively, must be held by the Trustee in trust for the benefit of the owners of

the Signal Hill RDA Bonds.

115. The intent and purpose of Sections 4.02–4.03 of the Signal Hill RDA Indenture is to create a mechanism to capture all tax increment generated in the Redevelopment Project by the Signal Hill RDA for the benefit of the owners of the Signal Hill RDA Bonds, to transfer all tax increment generated within the Redevelopment Project to the Trustee to be held in trust for the benefit of the owners of the Signal Hill RDA Bonds, and to provide the owners of the Signal Hill RDA Bonds with a lawful and enforceable interest in all tax increment generated in the Redevelopment Project for the benefit of the owners of the Signal Hill RDA Bonds.

116. Pursuant to Section 5.07 of the Signal Hill RDA Indenture, the Signal Hill RDA has contractually obligated itself, and entered into an enforceable obligation with the owners of the Signal Hill RDA Bonds, to ". . . preserve and protect the security of the Bonds and the rights of the owners." As a result, the Signal Hill RDA possesses a legally enforceable covenant, enforceable by the bondholders, to "preserve and protect the security of the Bonds and the rights of the owners," and could face real and actual liability, monetary and otherwise, for a breach of this covenant.

117. The Signal Hill RDA has contractually obligated itself to the owners of the Signal Hill RDA Bonds, for good and valuable consideration, to assert, both on its own behalf and as a representative on behalf of the owners of the Signal Hill RDA Bonds, the rights and privileges of the owners of the Signal Hill RDA Bonds against, among other things, legislation, statutes, or other acts of government that, directly or indirectly, impair, negate, diminish, denigrate, abrogate, or otherwise negatively affect the validity of the Signal Hill RDA Bonds and/or the security for the Signal Hill RDA Bonds. The Signal Hill RDA possesses real and actual injury in fact if the legally protected interests of the owners of the Signal Hill RDA Bonds are impaired, negated, abrogated, or otherwise, in that, among other things, it could incur direct financial liability to the owners of the Signal Hill RDA Bonds, and potential other third parties. The Signal Hill RDA brings this action in its own name on its behalf as well as on behalf of the owners of the Signal Hill RDA Bonds, and each of them, to, in part, fulfill its contractual obligation to preserve and protect the interests of the owners of the Signal Hill RDA Bonds and the security therefor.

Moody's Investors Service Places All California Tax Allocation Bonds on Review for Possible Downgrade Due to Adoption of the Redevelopment Bills.

118. On August 31, 2011, Moody's Investor Service ("Moody's") announced that it had placed on review, for possible downgrade, all of its rated California tax allocation bonds. Moody's stated, in relevant part, as follows:

> Recent state legislation and a resulting State Supreme Court case creates substantial uncertainty over the future of redevelopment agencies in California and the tax allocation bonds that they issue. One of the two new laws eliminates tracking of revenues that secure these bonds and changes the flow of funds used to pay debt service. If left unchanged, this law would be significantly negative for bondholder credit. . . . More specifically, the Bill that would dissolve all redevelopment agencies [i.e., the Dissolution Bill] . . . does not require segregation and tracking of revenues pledged to individual tax allocation bonds. It also changes the flow of funds that are allocated to bond debt service. These developments would severely diminish the Bonds' credit quality. If implemented as currently written, this legislation could result in multi-notch downgrades on bonds of the dissolved redevelopment agencies. . . .

119. The mere announcement of a global rating review, with the potential of "multi-notch downgrades," could negatively impact the secondary market value of tax allocation bonds, including without limitation, those tax allocation bonds issued by the Signal Hill RDA and the Placentia RDA. Secondary market declines, based upon a diminution in the credit worthiness or security of the tax allocation bonds due to the direct or indirect impact of the Redevelopment Bills, or each of them, could not only produce direct and indirect financial detriment to the owners of bonds, but could also result in the imposition of monetary liability upon redevelopment agencies, including without limitation, the Signal Hill RDA and the Placentia RDA.

120. Moody's constitutes an independent reviewing agency with "no dog in the fight" between, on the one hand, redevelopment agencies and, on the other, those groups and entities defending the Redevelopment Bills. The public announcement by Moody's that it has determined, based upon independent review, that the Redevelopment Bills, or material portions of one or more of the Redevelopment Bills, could impair, modify, and abrogate specific contractual commitments and covenants set forth in the various indentures and trust agreements supporting tax allocation bonds, requires intervention on the part of the affected redevelopment agencies to preserve and protect the underlying credit and security for the tax allocation bonds, as mandated by the relevant

indentures and trust agreements.

City of Cypress Loans

121. Starting in 1984, and periodically thereafter, Cypress entered into written loan transactions with the Cypress RDA to advance-fund Cypress RDA project costs and operating expenses. The source of repayment by the Cypress RDA for those loans from the City were, and are, property tax increment revenues allocated to the Cypress RDA (not including the required portion of such revenues allocated to the Cypress RDA's Low and Moderate Income Housing Fund). The written loans by Cypress to the Cypress RDA are representative of loans made by cities and counties throughout the State of California to their redevelopment agencies. The loans typically are for the purpose of advance funding of redevelopment projects and costs to operate the agency. The loans are then paid back by the redevelopment agency, usually over a long term, from future property tax increment allocated to the redevelopment agency. In Cypress's case, the proceeds of these series of loans were used by the Cypress RDA for lawful and valid redevelopment purposes, including property acquisitions for redevelopment projects, funding of capital public improvements benefiting the redevelopment project areas including critical street, sewer, and drainage projects, as well as to meet operating and administrative expenses.

122. The series of loans made over the course of many years by Cypress to the Cypress RDA were consolidated into a written amended and restated promissory note (the "Existing Cypress RDA Note"), dated June 30, 2009—*i.e.*, well prior to Governor Brown's initial "redevelopment elimination" proposal publicly announced in January 2011, or Governor Brown's signing of the Redevelopment Bills into law on June 28, 2011. The Existing Cypress RDA Note was in the original principal amount of $42,500,000, carries an interest rate of 5%, and has a maturity date of June 30, 2012. If there was insufficient tax increment allocation to the Cypress RDA for full repayment of the note when due, Cypress likely would extend the due date so that repayment could continue on a periodic basis as sufficient tax increment was received by the Cypress RDA. The outstanding balance on the Existing Cypress RDA Note as of the date of this Complaint/Petition, is approximately $23,000,000.

123. As a result of the Dissolution Bill and the determination by the Cypress City

Council that, in its legislative discretion, it is not financially prudent for Cypress to "opt in" and make the payments under the Forced-Payment Bill, the Cypress RDA is subject to dissolution. Under the terms of the Dissolution Bill, the Cypress RDA Note is also subject to elimination. The Dissolution Bill thus leaves Cypress "holding the bag" on a $23,000,000 note with no prospect of repayment when the Cypress RDA Note was entered into in good faith under the law at the time and in contemplation of continued allocation of tax increment as the source of repayment. As a result, the Dissolution Bill unconstitutionally and illegally impairs Cypress's existing lawful and valid note, as it does similar existing notes, agreements, and contracts of indebtedness entered into by redevelopment agencies throughout the State of California with their host communities.

FIRST CAUSE OF ACTION

(Declaratory and Injunctive Relief Against all Defendants/Respondents)

124. Plaintiffs hereby incorporate by reference paragraphs 1 through 123 of this Complaint as though fully set forth herein.

125. An actual controversy has arisen and now exists between Plaintiffs and Defendants/Respondents (and each of them), in that Plaintiffs contend and Defendants/Respondents deny each of the following propositions:

a. **The Dissolution Bill violates Article XIII, § 25.5(a)(7)(B), of the California Constitution.** Article XIII, § 25.5(a)(7)(B), of the California Constitution prohibits the Legislature from passing a law that would require a redevelopment agency to "restrict" a redevelopment agency's tax increment revenues "for the benefit of the State, any agency of the State, or any jurisdiction" other than for certain specified purposes not applicable here. The Dissolution Bill violates this provision because, *inter alia*, it suspends the authority of redevelopment agencies to utilize their tax increment revenues for valid redevelopment purposes for the avowed purpose of "preserv[ing], to the maximum extent possible, the revenues and assets of redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services including police and fire protection services and schools." (Health & Saf. Code §34167(a).)

b. **The Dissolution Bill violates Article XIII, § 25.5(a)(1) and (a)(3), of the**

California Constitution. Article XIII, § 25.5, of the California Constitution prohibits the State from (1) "modify[ing] the manner in which ad valorem property tax revenues are allocated in accordance with subdivision (a) of Section 1 of Article XIII A so as to reduce for any fiscal year the percentage of the total amount of ad valorem property tax revenues in a county that is allocated among all of the local agencies in that county below the percentage of the total amount of those revenues that would be allocated among those agencies for the same fiscal year under the statutes in effect on November 3, 2004," and (2) "chang[ing] for any fiscal year the pro rata shares in which ad valorem property tax revenues are allocated among local agencies in a county other than pursuant to a bill passed in each house of the Legislature by roll call vote entered in the journal, two-thirds of the membership concurring." (Cal. Const., art. XIII, § 25.5(a)(1), (3).) The Dissolution Bill violates each of these restrictions because, *inter alia*, under new Health & Safety Code §§ 34182 through 34188.8, it redirects general property taxes in a manner that (1) reduces the percentage of total property taxes allocated amongst all local agencies below the allowable level, and (2) changes the pro rate shares in which property taxes are allocated amongst the local agencies, even though said bill was not adopted by a two-thirds majority vote.

c. **The Dissolution Bill violates Article XIII, § 25.5(a)(7), and/or Article XVI, § 16(b), of the California Constitution.** Article XIII, § 25.5(a)(7), of the California Constitution, prohibits the State from redistributing or redirecting a redevelopment agency's tax increment revenues for the benefit of the State or the benefit of local agencies other than the redevelopment agency itself. In addition, Article XVI, § 16(b), of the California Constitution requires that tax increment revenues be paid to redevelopment agencies and that such revenues be used to "pay the principal of and interest on loans, moneys advanced to, or indebtedness . . . incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment project." The Dissolution Bill violates each of these provisions because, *inter alia*, it dissolves all redevelopment agencies, redistributes to other taxing entities the property taxes that would otherwise be allocated to redevelopment agencies as "tax increment revenue," and allows those revenues to be used for non-redevelopment purposes.

d. **The Forced-Payment Bill violates Article XIII, § 25.5(a)(7)(A), of the**

California Constitution. Article XIII, § 25.5(a)(7)(A), of the California Constitution prohibits the State from passing a law that would require a redevelopment agency to "pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI to or for the benefit of the State, any agency of the State, or any jurisdiction." Under this provision, if the State had sought to pass a law ***directly*** requiring California redevelopment agencies to pay the "remittances" required under the Forced-Payment Bill, that law would be unconstitutional. Under the well-established "unconstitutional conditions" doctrine, the State also cannot pass a law that conditions a particular benefit (here, the continued existence of redevelopment agencies) on the condition that redevelopment agencies agree to make a payment the State could not constitutionally require them to make directly. The Forced-Payment Bill therefore violates this constitutional provision for this and other reasons.

e. **The Forced-Payment Bill violates Article XIII, §§ 24(b) and 25.5(a), and/or Article XIII B, § 6(b)(3), and/or Article XVI, § 16(b), of the California Constitution.** Article XIII, §§ 24(b) and 25.5(a), Article XIII B, §§ 6(b)(3), and Article XVI, § 16(b), of the California Constitution each place restrictions on the manner in which property taxes and/or tax-increment revenues may be distributed and/or utilized. (*See* Cal. Const., art. XIII, § 24(b) ["Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government's purposes"]; *id.*, art. XIII, § 25.5(a) [prohibiting Legislature from reducing total property taxes that are distributed within county or altering pro rata shares of the local taxing agencies]; *id.*, art. XIIIB, § 6(b)(3) ["Ad valorem property tax revenues shall not be used to reimburse a local government for the costs of a new program or higher level of service"]; *id.*, art. XVI, § 16(b) [requiring that tax increment funds be used to finance redevelopment projects].) The Forced-Payment Bill violates these provisions because, *inter alia,* it effectively mandates payments by redevelopment agencies or their host jurisdictions to pay for other local services, the monies for which will either come from the agencies' tax increment revenues or the host jurisdiction's general fund, which is heavily supported with local property tax revenues. The payments are mandated

because the State is conditioning the continued existence of the redevelopment agencies on the making of the payments. Moreover, because the Forced-Payment Bill mandates that some of the monies be used to pay the State's ERAF obligations under Proposition 98 for the 2011-2012 fiscal year, without requiring the State to reimburse the agencies for those payments, the Forced-Payment Bill also violates Article XIII B, § 6 (requiring reimbursements for mandated local programs).

f. **The Redevelopment Bills violate Article IV, § 9, of the California Constitution establishing the "single-subject rule."** Article IV, § 9, of the California Constitution states that each bill adopted by the Legislature may only embrace a single subject. (*See, e.g., Harbor v. Deukmejian* (1987) 43 Cal.3d 1078, 1096.) The Redevelopment Bills violates this rule because, *inter alia*, they are purportedly part of the budget due to their nominal appropriations of $500,000 each (which is one subject), and yet they significantly restructure existing substantive state law dealing with redevelopment and allocation of property tax revenues not just for the current fiscal year but for all time (which is a second subject). Under the single-subject rule, ***a budget bill cannot be utilized to "substantially amend[] and change existing statute law."*** (*California Labor Federation, AFL-CIO v. Occupational Safety and Health Standards Board* (1992) 5 Cal.App.4th 985, 991; *see also California School Boards Assn. v. Brown* (2011) 192 Cal.App.4th 1507, 1525.) In addition, the Forced-Payment Bill also violates this rule because, *inter alia*, it contains multiple items of appropriation—namely, (1) the identified $500,000 appropriation to the Director of Finance, and (2) the additional "appropriation in the form of the $1.7 billion diversion of tax increment funds in fiscal year 2011-2012 and the $400 million (plus adjustments) diversions of tax increment funds in future fiscal years. (Cal. Const., art. IV, § 12(d) ["No bill except the budget bill may contain more than one item of appropriation, and that for one certain, expressed purpose."].)

g. **The Redevelopment Bills violate various requirements in Article IV, §§ 3, 8, and/or 12, of the California Constitution.** The Dissolution Bill and the Forced-Payment Bill each violate Article IV, §§ 3, 8, and/or 12, of the California Constitution, which set forth certain requirements for the passage of bills, including budget bills. These violations, each of

which renders the Redevelopment Bills void, take various independent forms, as follows:

i. The Redevelopment Bills were required to be adopted by a two-thirds vote of the Legislature. Article IV, § 12, of the California Constitution states that all appropriations from the State's General Fund must be passed by a two-thirds-majority vote except for (1) appropriations in the budget bill, and (2) appropriations "in other bills providing for appropriations related to the budget bill." (Cal. Const., art. IV, § 12(d); *see also id.*, § 12(e)(1).) Although both of the Redevelopment Bills contain appropriations of $500,000 to the Director of Finance, they qualify neither as the Budget Bill itself nor as "other bills providing for appropriations related to the budget bill." The Redevelopment Bills do not contain appropriations "related to" the Budget Bill because, *inter alia*, the appropriations therein were only necessitated by the programs created by the Redevelopment Bills themselves (as stated directly therein), and not by anything in the Budget Bill

ii. The Redevelopment Bills could not be made immediately effective. By their terms, Redevelopment Bills were written to become immediately effective upon their passage and the Governor's signing of the bills on June 28, 2011. Under the California Constitution, however, any bill adopted during a special session of the Legislature (as the Redevelopment Bills were) cannot become effective until 91 days after the special session ends. (Cal. Const., art. IV, § 8(c)(1).) The only statutes that can become immediately effective are (1) "urgency statutes," which must be adopted by a two-thirds vote of both houses of the Legislature, (2) "statutes providing for tax levies or appropriations for the usual current expenses of the State," and (3) "the budget bill and other bills providing for appropriations related to the budget bill." (*Id.*, §§ 8(c)(3) and § 12(e)(1).) Because the Redevelopment Bills do not qualify under any of these exceptions, they are invalid.

iii. The Redevelopment Bills were not within the purpose of the 2011-2012 First Extraordinary Session of the Legislature. Governor Brown called the Legislature into the 2011-2012 First Extraordinary Session by a "2011-12 First Extraordinary Session Fiscal Emergency Proclamation" dated January 20, 2011. That proclamation states the nature of the fiscal emergency "to be the projected budget imbalance for Fiscal Year 2010-2011, which is

causing budgetary and cash deficits in Fiscal Year 2011-12." Article IV, § 3(b), of the California Constitution, provides: "On extraordinary occasions the Governor by proclamation may cause the Legislature to assemble in special session. When so assembled it has power to legislate ***only on subjects specified in the proclamation*** but may provide for expenses and other matters incidental to the session." (Emphasis added.) Under this rule, the only subject on which the Legislature had the power to legislate in the 2011-2012 First Extraordinary Session was the projected 2010-2011 budget imbalance. Nothing in the proclamation identifies the purpose of the 2011-2012 First Extraordinary Session as the adoption of bills making substantive law changes to the CRL.

iv. The passage of the Redevelopments Bills was not allowed to precede the passage of the Budget Bill. Article IV, § 12, of the California Constitution provides that, subject to certain limited exceptions not relevant here, until the budget bill itself has been enacted, the "Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal year for which the budget bill is to be enacted." (Cal. Const., art. IV, § 12(c)(4).) The Redevelopment Bills—which constitute bills "appropriating funds for expenditure during the fiscal year for which the budget bill is to be enacted"—were both presented to the Governor at 4:15 p.m. on June 28, 2011. (Complete Bill History, ABx1 26 and ABx1 27.) The Budget Bill, however, was not presented to the Governor until 9:45 p.m. on June 28, 2011. (Complete Bill History, SB 87.) As such, the Redevelopment Bills violate Article IV, § 12, and are void.

h. **The Dissolution Bill violates the "contracts clauses" of the United States and California Constitutions (U.S. CONST., art. I, § 10, cl. 1; CAL. CONST., art. I, § 9) in various respects.** Article I, § 10, of the United States Constitution and Article I, § 9, of the California Constitution (hereinafter, the "Contracts Clauses") prohibit state governments from enacting laws that impair an obligation under an existing contract or agreement. As noted above, as of October 1, 2011, the Dissolution Bill excludes from the definition of a dissolved redevelopment agency's "enforceable obligations" "any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency." (Health & Saf. Code §34171(d)(2).) In fact, it states that such

agreements "are invalid and shall not be binding on the successor agency." (Health & Saf. Code §34178(a).) By purporting to retroactively invalidate and terminate such agreements, the Dissolution Bill violates the Contracts Clauses by impairing the contractual rights of private third parties to those agreements and/or third-party beneficiaries. This includes, but is not limited to Plaintiff Cuesta Villas, which has various and substantial contractual rights under the Cuesta Villas Affordable-Housing & Financing Agreement. Further, by purporting to retroactively invalidate and terminate such agreements, the Dissolution Bill violates the Contracts Clauses by impairing the contractual rights of independent municipal corporations, including California redevelopment agencies, and California general law cities, California charter cities, California general law counties, and California charter counties, all of which are legal entities separate from the redevelopment agencies in the communities. This includes, but is not limited to, Plaintiff City of Cypress, which has substantial contract rights in the Existing Cypress RDA Note.

i. **The Dissolution Bill violates the Contract Clauses in relation to the 2003 Placentia Certificates, the 2009 Signal Hill RDA Bonds, the 2011 Signal Hill RDA Bonds, the 2002 Placentia RDA Bonds, the 2002 Placentia RDA Housing Set Aside Bonds, and the 2009 Placentia RDA Notes (collectively, the "Bonds").** The Contract Clauses, as defined above, prohibit state governments from enacting laws that impair an obligation under an existing contract or agreement. The Dissolution Bill impairs, negates, diminishes, denigrates, and abrogates numerous agreements, covenants, and legally enforceable commitments set forth in the Trust Agreement, Lease, and Sublease for the 2003 Placentia Certificates, as well as in the Signal Hill RDA Indenture, the Signal Hill RDA Seventh Supplement, the Signal Hill Eighth Supplement, the Placentia RDA 2002 Indenture, the Placentia RDA 2002 Housing Set Aside Indenture, and the 2009 Placentia RDA Notes Indenture (collectively, the "Impaired Documents"), without limitation, as follows:

i. The Dissolution Bill eliminates the Placentia RDA and thereby causes a merger of the real property estates in the Leased Property and termination of the Lease and Sublease that constitute the sole legal security for payment of the Placentia Certificates.

ii. The Dissolution Bill eliminates tax increment which is the

fundamental security for the Bonds.

iii. The Dissolution Bill impairs, eliminates, diminishes, denigrates, and abrogates the first pledge and first lien upon tax increment and pledged revenues as provided and set forth in the impaired documents.

iii. The Dissolution Bill impairs, eliminates, diminishes, denigrates, and abrogates the constitutional, statutory, and contractual geographic-specific tax increment which constitutes the underlying security for the Bonds and substitutes some form of commitment to payment of the Bonds from a commingled fund based on a portion of multiple jurisdictions' property tax revenues.

iv. The Dissolution Bill impairs, eliminates, diminishes, denigrates, and abrogates the trust relationship mandated by the Impaired Documents over geographic-specific tax increment provided to the owners of the Bonds.

v. The Dissolution Bill impairs, eliminates, diminishes, denigrates, and abrogates a contractually-required flow of funds set forth in the Impaired Documents relating to the process by which all tax increment generated from a project area is required to be placed into specific funds and accounts, held in trust by either the redevelopment agency or the trustee, which, in totality, constitutes the underlying security and credit for the tax allocation bonds, and instead provides the owners of the Bonds some undefined form of unsecured obligation to pay principal and interest upon the Bonds as those obligations become due and owing.

vi. The Dissolution Bill impairs, eliminates, diminishes, denigrates, and abrogates the pledge and lien priority as authorized in the California Constitution, Article XVI, § 16(b) and (c), as implemented through Health and Safety Code §§ 33671 and 33671.5, and as further provided and implemented pursuant to the Impaired Documents. The Dissolution Bill, in essence, impairs, eliminates, diminishes, denigrates, and abrogates the "irrevocable pledge" authorized by Constitution and statute, and provides, in its place, some undefined statutory obligation to pay principal and interest as they become due and owing.

vii. The Dissolution Bill extinguishes and eliminates existing bonded indebtedness, abolishes the pledged source of repayment (tax increment), and provides purported

equivalency through a "non-prioritized commitment" to the commingled property tax pool. As evidenced by the actions taken by Moody's on August 31, 2011, the Dissolution Bill does not provide "equivalency" to the rights which the owners of the Bonds currently enjoy pursuant to the Impaired Documents and thus constitutes an impairment of their security interests in tax allocation bonds.

viii. The Dissolution Bill imposes additional risks upon the owners of the Bonds including, without limitation, materially increases the bankruptcy risks faced by owners of the Bonds over and above that level of risk which would have existed without the Dissolution Bill.

ix. The Dissolution Bill impairs, eliminates, diminishes, denigrates, and abrogates the covenant of the Placentia RDA to complete the Redevelopment Project and to utilize tax increment funds for this purpose. Since bondholders possess a credit interest in the Redevelopment Project, and the property tax revenues generated therein, a legislative prohibition against the completion of the redevelopment project, presumptively as set forth in the redevelopment plan, not only violates a legally enforceable covenant set forth in the various Placentia RDA Indentures but imposes actual credit detriment upon the owners of the bonds.

j. **The Redevelopment Bills are not severable from one another, such that, if one of the bills is held unlawful and invalid, in whole or in part, the other must be held unlawful and invalid as well.**

126. Plaintiffs desire a judicial determination of the respective rights and duties of Plaintiffs and Defendants/Respondents with respect to the matters set forth above. In particular, Plaintiffs desire a declaration that the propositions and statements set forth above, in subparagraphs (a) through (j) of Paragraph 125 are true and accurate representations of the parties' respective rights, duties, and obligations, and that the Redevelopment Bills, individually and collectively, are unlawful and invalid. Such a determination is necessary and appropriate at this time in order for Plaintiffs to determine their rights and duties, and the rights and duties of Defendants/Respondents, with respect to these matters.

127. In addition, Plaintiffs seek injunctive relief, consistent with the above-sought declarations, enjoining Defendants/Respondents from implementing, enforcing, and/or carrying

out the Redevelopment Bills, and any portions or provisions thereof.

SECOND CAUSE OF ACTION

(Petition for Writ of Mandate Against All Defendants/Respondents)

128. Plaintiffs hereby incorporate by reference paragraphs 1 through 127 of this Complaint as though fully set forth herein.

129. The Redevelopment Bills, individually and collectively, are unlawful and invalid for all of the reasons set forth above. Defendants/Respondents, and each of them, have a mandatory duty to refrain from implementing and/or carrying out any of the provisions of these illegal and invalid laws, which were enacted in contravention of the California and United States Constitutions.

130. For the foregoing reasons, Plaintiffs seek a writ of mandate and injunctive relief enjoining Defendants/Respondents from implementing, enforcing, and/or carrying out the Redevelopment Bills, and any portions or provisions thereof.

WHEREFORE, Plaintiffs hereby pray for Judgment against Defendants as follows:

1. **On the First Cause of Action**:

a. The following judicial declarations:

i. That the Dissolution Bill violates Article XIII, § 25.5(a)(7)(B), of the California Constitution, and is invalid on that basis;

ii. That the Dissolution Bill violates Article XIII, § 25.5, of the California Constitution, and is invalid on that basis;

iii. That the Dissolution Bill violates Article XIII, § 25.5(a)(7), and/or Article XVI, § 16(b), of the California Constitution, and is invalid on that basis;

iv. That the Forced-Payment Bill violates Article XIII, § 25.5(a)(7)(A), of the California Constitution, and is invalid on that basis;

v. That the Forced-Payment Bill violates Article XIII, §§ 24(b) and 25.5(a), and/or Article XIII B, § 6(b)(3), and/or Article XVI, § 16(b), of the California Constitution, and is invalid on that basis;

vi. That the Redevelopment Bills violate the "single-subject rule" under

Article IV, § 9, of the California Constitution, and are invalid on that basis;

vii. That the Redevelopment Bills violate Article IV, §§3, 8, and/or 12, of the California Constitution, and are invalid on that basis, because, *inter alia*:

(A) The Redevelopment Bills could not be made immediately effective;

(B) The Redevelopment Bills were required to be adopted by a two-thirds vote of the Legislature, but were not; and

(C) The Redevelopment Bills were not permitted to be adopted in the 2011-2012 First Extraordinary Session of the Legislature under the terms of Governor Brown's 201-12 First Extraordinary Session Fiscal Emergency Proclamation," dated January 20, 2011; and

(D) The passage of the Redevelopments Bills and enrollment and delivery of the Redevelopment Bills to the Governor was not allowed to precede such actions with respect to the Budget Bill;

viii. That the Dissolution Bill violates the "contracts clauses" of the United States and California Constitutions (U.S. CONST., art. I, § 10, cl. 1; CAL. CONST., art. I, § 9) with respect to (A) the contractual rights of Plaintiff Cuesta Villas, (B) the contractual rights of the owners of the Placentia Certificates, (C) the contractual rights of the Owners of the Bonds; (D) the contractual rights of Plaintiff City of Cypress; and (E) the contractual rights of all Plaintiff cities and redevelopment agencies/commissions, to the extent that (without limitation), they have existing contracts that will be rendered invalid or unenforceable by virtue of the Redevelopment Bills; and

ix. That the Redevelopment Bills are not severable from one another, such that, if one of the bills is held unlawful and invalid, in whole or in part, the other must be held unlawful and invalid as well; and

b. For a temporary restraining order, preliminary injunction, and/or permanent injunction enjoining Defendants/Respondents from implementing, enforcing, and/or carrying out the Redevelopment Bills, and any portions or provisions thereof.

2. **On the Second Cause of Action**: For a writ of mandate, temporary restraining order, preliminary injunction, and/or permanent injunction enjoining Defendants/Respondents from implementing, enforcing, and/or carrying out the Redevelopment Bills, and any portions or provisions thereof.

3. **On All Causes of Action**:

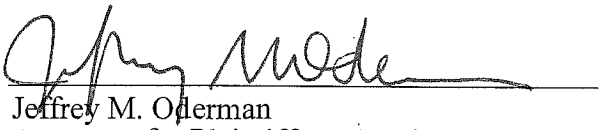
a. For reasonable attorneys' fees as allowed by law, including but not limited to Civil Code §52.1, Code of Civil Procedure §1025.5, Code of Civil Procedure §1095, Government Code §800, and 42 U.S.C. § 1988;

b. For costs of suit as allowed by law; and

c. For such other and further relief as the Court deems just and proper.

Dated: September 23, 2011

RUTAN & TUCKER, LLP
JEFFREY M. ODERMAN
DAN SLATER
MARK J. AUSTIN
WILLIAM IHRKE
MEGAN K. GARIBALDI

By: 
Jeffrey M. Oderman
Attorneys for Plaintiffs and Petitioners CITY OF CERRITOS, CERRITOS REDEVELOPMENT AGENCY, CITY OF CARSON, CARSON REDEVELOPMENT AGENCY, CITY OF COMMERCE, COMMERCE COMMUNITY DEVELOPMENT COMMISSION, CITY OF CYPRESS, CYPRESS REDEVELOPMENT AGENCY, CITY OF DOWNEY, COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF DOWNEY, CITY OF LAKEWOOD, LAKEWOOD REDEVELOPMENT AGENCY, CITY OF PARAMOUNT, PARAMOUNT REDEVELOPMENT AGENCY, CITY OF PLACENTIA, REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, CITY OF SANTA FE SPRINGS, COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SANTA FE SPRINGS, CITY OF SIGNAL HILL; SIGNAL HILL REDEVELOPMENT AGENCY, CUESTA VILLAS HOUSING CORPORATION, and BRUCE W. BARROWS

VERIFICATION

I, Bruce W. Barrows, declare:

I am a party to this action. I have read the foregoing Complaint for Declaratory and Injunctive Relief and Petition for Writ of Mandate and know its contents. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I am informed and believe that they are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on September 26, 2011, at Cerritos, California.

BRUCE W. BARROWS