



City of Arts & Innovation

News Release

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Contact:

Councilman Mike Gardner
Chair, Successor Agency
951-826-5107

**CITY FIGHTS TO PROTECT LOCAL INTERESTS –
FILES LAWSUIT AGAINST CALIFORNIA DEPARTMENT OF FINANCE**

Riverside, California – Yesterday, the Successor Agency for the City of Riverside Redevelopment Agency filed a lawsuit against the California Department of Finance (DOF) to recover funds that the DOF has incorrectly denied the City of Riverside. Following the letter of the law, in June, 2012 Riverside's Oversight Board approved approximately \$19 million in loan agreements and \$13 million in bond proceeds for City projects. The DOF has repeatedly rejected these lawful and valid obligations of the former Redevelopment Agency. The lawsuit seeks a judicial determination that the disputed items are enforceable obligations and requiring the Riverside County Auditor-Controller to restore the tax increments necessary to satisfy these debt obligations.

All of the items listed on Riverside's ROPS were lawfully approved by the City Council sitting as the Redevelopment Agency and Successor Agency Board of Directors and the Oversight Board. All actions occurred in public session in compliance with AB 26. Then, the State changed the rules through AB 1484 and is trying to financially harm the City of Riverside by retroactively disallowing lawful obligations. The lawsuit alleges five causes of action pertaining to the following items:

- City Loans from the City to the Redevelopment Agency totaling approximately \$19 million were validly made under the laws that existed at the time and provided both a lower interest rate to the Agency and a higher return to the City of Riverside than issuing bonded debt, and saved the costs of bond issuance. These loan agreements require repayment to various enterprise or rate-payer funds in compliance with Proposition 218. The DOF has simply ignored this constitutional repayment obligation.
- Bond proceeds for approximately \$13 million in projects should be spent as required in the bond documents. The DOF contends that these bond proceeds, lawfully issued for public improvements, should sit unspent in violation of bond documents. AB 26 itself

states that “Bond proceeds shall be used for the purposes for which the bonds were sold unless the purposes can no longer be achieved” at the discretion of the Oversight Board, not the DOF. Projects impacted by the DOF’s position include the BNSF Quiet Zones, Child Care Center at Arlington Park, Upgrades to Villegas Park, reuse of the Camp Anza Officer’s Club, Gould and Gramercy Street Improvements and the Collett Street extension.

The lawsuit was filed in Sacramento Superior Court and was assigned to Judge Balonon. More than 70 lawsuits have been filed to date and more are anticipated involving a variety of issues pertaining to the dissolution of redevelopment. Several cities, developers and affordable housing advocates have already prevailed in their lawsuits.

The City of Riverside is confident that the Court will determine that these obligations are in fact enforceable and therefore will require that they be honored to the benefit of Riverside’s residents and taxpayers.

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