



City of Arts & Innovation

News Release

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Riverside Prevails in Court Case Involving Redevelopment Loans

City will be repaid fully from loans made to former Redevelopment Agency; state Department of Finance had disputed repayment of full amount

RIVERSIDE, Calif. – The City of Riverside will receive full repayment of \$19.1 million in loans it made to its former Redevelopment Agency, not just 80 percent as had been determined by the state Department of Finance, as a result of a court decision made public today.

Judge Eugene L. Balonon affirmed his tentative decision in Sacramento County Superior Court that the loans are enforceable obligations and therefore must be repaid in full. The state Department of Finance had concluded the loans were not enforceable obligations, which would have resulted in the City receiving repayment of only 80 percent of the loans over a much longer period of time.

“This decision validates what we have believed all along: the City of Riverside has acted appropriately and the taxpayers are entitled to full repayment of those loans,” said City Councilman Mike Gardner, Chairman of the Successor Agency to the City of Riverside Redevelopment Agency, which is handling obligations left over from when the state disbanded redevelopment in 2012.

The ruling validates the decision in June, 2012 by the Successor Agency’s Oversight Board to re-enter into loan agreements totaling \$19.1 million. The Department of Finance rejected the obligations as unenforceable, and the City of Riverside sued earlier this year.

The lawsuit asked the courts to determine that the disputed items are enforceable obligations and to require the Riverside County Auditor-Controller to restore the tax increments necessary to satisfy the debt obligations.

The items disputed by the Department of Finance were approved by the City Council sitting as the Successor Agency to the Riverside Redevelopment Agency and the Oversight Board. The actions were taken in compliance with AB 26, but the State changed the rules through AB 1484 and then tried to retroactively disallow such lawful obligations.

The City of Riverside sued in February. The lawsuit was one of more than 126 that have been filed against the Department of Finance involving the dissolution of redevelopment. Other cities, including Emeryville, developers and affordable housing advocates had previously won similar lawsuits.