

Orange Countywide Oversight Board

Date: 1/22/2019

Agenda Item No. 5G

From: Successor Agency to the Irvine Redevelopment Agency

Subject: Resolution of the Countywide Oversight Board Approving Annual Recognized Obligation Payment Schedule (ROPS) and Administrative Budget

Recommended Action:

Approve resolution approving FY 2019-2020 ROPS and Administrative Budget for the Irvine Successor Agency

The Irvine Successor Agency requests approval of the Recognized Obligation Payment Schedule (ROPS) and Administrative Budget for Fiscal Year 2019-2020.

Enforceable obligations of the Successor Agency include payments to the County of Orange for Implementation Agreement No. 1 for property tax revenues related to the City's annexation of the former military base and for Implementation Agreement No. 2 for repairs to County-owned property in the project area and the Stipulated Judgment negotiated with the State for \$292 million. The Department of Finance has previously approved all of the requested items.

The ROPS for July 1, 2019 through June 30, 2020 (Attachment 2) requests payment for the balance of the Stipulated Judgment for \$236 million, County Implementation Agreement No. 1 and administrative costs.

The Administrative Budget for the Successor Agency is \$250,000 and includes personnel costs for City employees, audit, consulting and legal fees, as well as duplicating and supplies. (Attachment 3).

Implementation Agreement No. 1 (Attachment 5)

On March 8, 2005, the City of Irvine and the County of Orange entered into County Implementation Agreement No. 1 to satisfy section 2.2.8 of the 2003 Agreement. Section 2.2.8(ii) of the 2003 Agreement provides that the City and the County enter into an agreement providing for the Irvine Redevelopment Agency to annually pay to the County an amount equal to 100 percent of the County's share of property taxes generated by property in the Redevelopment Project Area that the County would have received but for the adoption of the Redevelopment Plan which are paid to the Irvine Redevelopment Agency as property tax increment as computed by the county Auditor Controller in accordance with the applicable provisions of the revenue and Taxation Code. The Implementation Agreement No. 1 obligation due to the County of Orange in July 2019 is estimated to be \$8,528,000 and is included as item #4 of FY 2019-2020 ROPS for the Irvine Successor Agency.

Stipulated Judgment (Attachment 6)

The City and Successor Agency filed three lawsuits in Sacramento Superior Court seeking to have the following former redevelopment agency contracts upheld as enforceable obligations: the Purchase Sale and Financing Agreement, the Amended and Restated Development Agreement and the Redevelopment Affordable Housing Funds Grant Agreement. The third action was filed jointly with the Irvine Community Land Trust. On July 9, 2014, the parties to the lawsuits entered into a Settlement Agreement and Release of Claims. The Sacramento Superior Court approved the Stipulated Judgment totaling \$292 million. The terms of the settlement agreement call for the affected taxing entities to receive \$4.38 million in residual property taxes each fiscal year, before the Successor Agency receives payment towards the Stipulated Judgment. The Irvine Successor Agency is requesting payment for the balance of the Stipulated Judgment for \$236 million and is included as item #18 of FY 2019-2020 ROPS for the Irvine Successor Agency.

The City of Irvine which is the Successor Agency's governing body approved the FY 2019-2020 ROPS and Administrative Budget at its meeting on November 27, 2018. (Attachment 4)

Impact on Taxing Entities

The terms of the settlement agreement call for the affected taxing entities to receive \$4.38 million in residual property taxes each fiscal year, before the Successor Agency receives payment towards the Stipulated Judgment. In accordance with City Council action, the Irvine Community Land Trust receives 10 percent of the \$292 million or \$29.2 million. The Successor Agency to date has received \$56 million, leaving an outstanding balance of \$236 million. In June 2018, the annual residual property tax payment to the affected taxing entities was satisfied and totaled \$4.38 million. The Successor Agency will be eligible to receive a payment estimated at \$34.7 million for the Stipulated Judgment in fiscal year 2019-20.

Attachments

1. Proposed Oversight Board Resolution No. 2019-____
2. Exhibit A: Recognized Obligation Payment Schedule, July 1, 2019 through June 30, 2020
3. Exhibit B: Proposed Administrative Budget, July 1, 2019 through June 30, 2020
4. Minute Order of City of Irvine as Successor Agency to the Dissolved Irvine Redevelopment Agency Action
5. Implementation Agreement No. 1 between the Irvine Redevelopment Agency and the County of Orange dated March 18, 2005
6. Executed Settlement Agreement and Release of Claims (Stipulated Judgment) between the City of Irvine, the Successor Agency, the Irvine Community Land Trust and the California Department of Finance dated July 9, 2014

Resolution No. 19-_____

A RESOLUTION OF THE ORANGE COUNTYWIDE OVERSIGHT BOARD WITH OVERSIGHT OF THE SUCCESSOR AGENCY TO THE DISSOLVED IRVINE REDEVELOPMENT AGENCY OF THE CITY OF IRVINE, CALIFORNIA, APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND THE SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020

WHEREAS, California Health and Safety Code Section 34179(e) requires all action items of the Orange County Countywide Oversight Board be accomplished by resolution; and

WHEREAS, in accordance with California Health and Safety Code Section 34179(j), the twenty-five oversight boards in place in Orange County have consolidated into one Orange Countywide Oversight Board, effective July 1, 2018; and

WHEREAS, Health and Safety Code Sections 34177(l)(2)(B) and 34180(g) require the approval of the Recognized Obligation Payment Schedule by the Oversight Board; and

WHEREAS, a Recognized Obligation Payment Schedule for the period July 1, 2019 through June 30, 2020, has been prepared; and

WHEREAS, the City Council as Successor Agency to the dissolved Irvine Redevelopment Agency approved the Recognized Obligation Payment Schedule for the period July 1, 2019 through June 30, 2020; and

WHEREAS, the Recognized Obligation Payment Schedule, in the form as substantially approved by the City Council as Successor Agency to the dissolved Irvine Redevelopment Agency, has been presented to the Countywide Oversight Board for its consideration at a regular meeting of the Countywide Oversight Board held on January 22, 2019;

NOW, THEREFORE BE IT RESOLVED BY THE ORANGE COUNTYWIDE OVERSIGHT BOARD as follows:

SECTION 1. The Countywide Oversight Board, at its regular meeting of January 22, 2019, reviewed and considered the Recognized Obligation Payment Schedule presented by the Successor Agency.

SECTION 2. The Recognized Obligation Payment Schedule for the period July 1, 2019 through June 30, 2020, as set forth in Exhibit "A" attached hereto and by this reference incorporated herein, is hereby approved by the Countywide Oversight Board.

SECTION 3. The Successor Agency Administrative Budget for the period July 1, 2019 through June 30, 2020, as set forth in Exhibit "B" attached hereto and by this reference incorporated herein, is hereby approved by the Oversight Board.

SECTION 4. The Irvine Successor Agency staff shall transmit the approved Recognized Obligation Payment Schedule to the Department of Finance, State Controller, and County Auditor-Controller in compliance with the requirements of the Amended Dissolution Act. The staff of the Successor Agency shall take such other and further actions and sign such other and further documents as appropriate to effectuate the intent of this Resolution and to implement the Recognized Obligation Payment Schedule approved hereby on behalf of the Successor Agency. The Countywide Oversight Board further authorizes and directs the Irvine Successor Agency staff to make any technical modifications to the Recognized Obligation Payment Schedule as may be required by the Department of Finance, and/or State Controller, including any formatting or technical changes required by any of the foregoing bodies. Any such modifications or changes shall not require re-approval by the Countywide Oversight Board.

SECTION 5. If any section, subsection, sentence, clause, or phrase of this Resolution is for any reason held by a court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portions of this Resolution. The Countywide Oversight Board hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, or phrase thereof irrespective of the fact that any one or more section, subsection, sentence, clause, or phrase be declared invalid.

SECTION 6. The Clerk of the Orange Countywide Oversight Board shall certify to the adoption of this Resolution.

Recognized Obligation Payment Schedule (ROPS 19-20) - Summary
Filed for the July 1, 2019 through June 30, 2020 Period

Successor Agency: Irvine
County: Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	19-20A Total (July - December)	19-20B Total (January - June)	ROPS 19-20 Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 126,633,868	\$ 118,105,868	\$ 244,739,736
F RPTTF	126,508,868	117,980,868	244,489,736
G Administrative RPTTF	125,000	125,000	250,000
H Current Period Enforceable Obligations (A+E):	\$ 126,633,868	\$ 118,105,868	\$ 244,739,736

Certification of Oversight Board Chairman:
Pursuant to Section 34177 (o) of the Health and Safety code, I hereby
certify that the above is a true and accurate Recognized Obligation
Payment Schedule for the above named successor agency.

Name Title
/s/ _____
Signature Date

Irvine Recognized Obligation Payment Schedule (ROPS 19-20) - ROPS Detail

July 1, 2019 through June 30, 2020

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	19-20A (July - December)					19-20B (January - June)					W		
											Fund Sources					Fund Sources							
											L	M	N	O	P	Q	R	S	T	U		V	
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 19-20 Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	19-20A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	19-20B Total	
4	Implementation Agreement No. 1	Miscellaneous	3/8/2005	6/30/2052	Orange County	County facility payment	OCGP	\$ 270,046,736	N	\$ 244,739,736	\$ 0	\$ 0	\$ 0	\$ 126,508,868	\$ 125,000	\$ 126,633,868	\$ 0	\$ 0	\$ 0	\$ 117,980,868	\$ 125,000	\$ 118,105,868	
5	Implementation Agreement No. 2	Miscellaneous	8/17/2010	6/30/2052	Orange County	Reconstruct or replace flood control facilities	OCGP	33,185,000	N	\$ 8,528,000				8,528,000		\$ 8,528,000							\$ -
12	Cooperation agreement	Admin Costs	3/27/2012	6/30/2014	City of Irvine	Financial, personnel and other	OCGP	250,000	N	\$ 250,000					125,000	\$ 125,000					125,000	\$ 125,000	
15	Re-entered 2007 Purchase and Sale and Financing Agreement	City/County Loans After 6/27/11	6/12/2012	6/30/2052	City of Irvine	Re-entered loan approved by the Successor Agency and Oversight Board pursuant to Health and Safety Code Sections 34178(a) and 34180(h) added to California Redevelopment Law by ABx1 26.	OCGP		N	\$ -						\$ -							\$ -
16	Re-entered 2006 Financing Agreement	City/County Loans After 6/27/11	6/12/2012	6/30/2025	City of Irvine	Re-entered loan approved by the Successor Agency and Oversight Board pursuant to Health and Safety Code Sections 34178(a) and 34180(h) added to California Redevelopment Law by ABx1 26.	OCGP		N	\$ -						\$ -							\$ -
17	Re-entered 2005 Financing Agreement	City/County Loans After 6/27/11	6/12/2012	6/30/2025	City of Irvine	Re-entered loan approved by the Successor Agency and Oversight Board pursuant to Health and Safety Code Sections 34178(a) and 34180(h) added to California Redevelopment Law by ABx1 26.	OCGP		N	\$ -						\$ -							\$ -
18	Stipulated Judgment Enforceable Obligation	Miscellaneous	7/9/2014	6/30/2050	City of Irvine	Settlement Agreement and Release of Claims dated July 9, 2014 pending court approval of Stipulated	OCGP	235,961,736	N	\$ 235,961,736				117,980,868		\$ 117,980,868				117,980,868			\$ 117,980,868
23									N	\$ -						\$ -							\$ -
24									N	\$ -						\$ -							\$ -
25									N	\$ -						\$ -							\$ -
26									N	\$ -						\$ -							\$ -
27									N	\$ -						\$ -							\$ -
28									N	\$ -						\$ -							\$ -
29									N	\$ -						\$ -							\$ -
30									N	\$ -						\$ -							\$ -
31									N	\$ -						\$ -							\$ -
32									N	\$ -						\$ -							\$ -
33									N	\$ -						\$ -							\$ -
34									N	\$ -						\$ -							\$ -
35									N	\$ -						\$ -							\$ -
36									N	\$ -						\$ -							\$ -
37									N	\$ -						\$ -							\$ -
38									N	\$ -						\$ -							\$ -
39									N	\$ -						\$ -							\$ -
40									N	\$ -						\$ -							\$ -
41									N	\$ -						\$ -							\$ -
42									N	\$ -						\$ -							\$ -
43									N	\$ -						\$ -							\$ -
44									N	\$ -						\$ -							\$ -
45									N	\$ -						\$ -							\$ -
46									N	\$ -						\$ -							\$ -
47									N	\$ -						\$ -							\$ -
48									N	\$ -						\$ -							\$ -
49									N	\$ -						\$ -							\$ -
50									N	\$ -						\$ -							\$ -
51									N	\$ -						\$ -							\$ -
52									N	\$ -						\$ -							\$ -
53									N	\$ -						\$ -							\$ -
54									N	\$ -						\$ -							\$ -
55									N	\$ -						\$ -							\$ -
56									N	\$ -						\$ -							\$ -
57									N	\$ -						\$ -							\$ -
58									N	\$ -						\$ -							\$ -
59									N	\$ -						\$ -							\$ -
60									N	\$ -						\$ -							\$ -
61									N	\$ -						\$ -							\$ -
62									N	\$ -						\$ -							\$ -
63									N	\$ -						\$ -							\$ -
64									N	\$ -						\$ -							\$ -
65									N	\$ -						\$ -							\$ -
66									N	\$ -						\$ -							\$ -
67									N	\$ -						\$ -							\$ -
68									N	\$ -						\$ -							\$ -
69									N	\$ -						\$ -							\$ -
70									N	\$ -						\$ -							\$ -
71									N	\$ -						\$ -							\$ -
72									N	\$ -						\$ -							\$ -
73									N	\$ -						\$ -							\$ -
74									N	\$ -						\$ -							\$ -
75									N	\$ -						\$ -							\$ -
76									N	\$ -						\$ -							\$ -
77									N	\$ -						\$ -							\$ -
78									N	\$ -						\$ -							\$ -
79									N	\$ -						\$ -							\$ -
80									N	\$ -						\$ -							\$ -
81									N	\$ -						\$ -							\$ -
82									N	\$ -						\$ -							\$ -
83									N	\$ -						\$ -							\$ -

Irvine Recognized Obligation Payment Schedule (ROPS 19-20) - Report of Cash Balances
July 1, 2016 through June 30, 2017
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#).

A	B	C	D	E	F	G	H
		Fund Sources					
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF	
	ROPS 16-17 Cash Balances (07/01/16 - 06/30/17)	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, Grants, Interest, etc.	Non-Admin and Admin	Comments
1	Beginning Available Cash Balance (Actual 07/01/16) RPTTF amount should exclude "A" period distribution amount				3,027,626	873,037	Transfer from Irvine Community Land Trust per SCO audit finding
2	Revenue/Income (Actual 06/30/17) RPTTF amount should tie to the ROPS 16-17 total distribution from the County Auditor-Controller					20,514,321	
3	Expenditures for ROPS 16-17 Enforceable Obligations (Actual 06/30/17)					20,414,028	
4	Retention of Available Cash Balance (Actual 06/30/17) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)						
5	ROPS 16-17 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 16-17 PPA form submitted to the CAC	No entry required					
6	Ending Actual Available Cash Balance (06/30/17) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$ 0	\$ 0	\$ 0	\$ 3,027,626	\$ 973,330	

CITY OF IRVINE, AS SUCCESSOR AGENCY
TO THE DISSOLVED IRVINE REDEVELOPMENT AGENCY

Proposed Administrative Budget
July 1, 2019 – June 30, 2020

Estimated Administrative Costs:

Administrative Expenses – staff personnel costs for City employees carrying out the dissolution functions; audit fees and expenses.	\$240,000
Training, duplicating, supplies	\$10,000
<u>Total Proposed Administrative Budget</u>	<u>\$250,000</u>

Proposed Source(s) of Payment:

Administrative cost allowance	\$250,000
<u>Total Proposed Sources of Payment</u>	<u>\$250,000</u>

Proposed arrangement for administrative and operations services provided by the City:

City employees formerly assigned to redevelopment functions will continue to staff the administrative functions associated with the dissolution of the redevelopment agency. Dissolution costs will be recorded within the General Fund, but separately from other City functions. Pursuant to Health and Safety Code Section 34171(b), the Successor Agency is entitled to receive an administrative cost allowance of up to 3% of the money from the Redevelopment Obligation Retirement Fund that is allocated to the Successor Agency for each fiscal year, but in no event less than \$250,000 per fiscal year.



**CITY OF IRVINE
CITY CLERK'S OFFICE
MINUTE ORDER OF CITY OF IRVINE AS SUCCESSOR AGENCY
TO THE DISSOLVED IRVINE REDEVELOPMENT AGENCY ACTION**

The Successor Agency of the City of Irvine, at its regular meeting held on November 27, 2018, took the following action:

2. CONSENT CALENDAR - SUCCESSOR AGENCY

2.2 ADOPTION OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE OF THE FORMER IRVINE REDEVELOPMENT AGENCY AND THE ADMINISTRATIVE BUDGET FOR THE SUCCESSOR AGENCY TO THE DISSOLVED IRVINE REDEVELOPMENT AGENCY, FOR JULY 1, 2019 THROUGH JUNE 30, 2020

ACTION:

- 1) Adopted the Recognized Obligation Payment Schedule of the former Irvine Redevelopment Agency for July 1, 2019 through June 30, 2020, and authorized revisions to the reporting format, if needed to comply with potential form changes by the State of California Department of Finance.
- 2) Adopted the administrative budget for the Successor Agency for July 1, 2019 through June 30, 2020.

The motion carried as follows:

AYES:	5	BOARDMEMBERS:	Fox, Lalloway, Schott, Shea, and Wagner
NOES:	0	BOARDMEMBERS:	None
ABSENT:	0	BOARDMEMBERS:	None

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF IRVINE)

I, Carl Petersen, Assistant Secretary to the Successor Agency, DO HEREBY CERTIFY that the foregoing is the true and correct action taken at a regular meeting of the City of Irvine as Successor Agency to the dissolved Redevelopment Agency held on the 27th day of November 2018.



Carl Petersen, CMC
Assistant Secretary

DATE: December 7, 2018

**CONTRACTS
SCAN SHEET**

CONTRACT NUMBER:	4972
AMENDMENT:	
CONTRACT TYPE:	IMPLEMENTATION
CONTRACT NAME:	IRVINE REDEVELOPMENT AGENCY; CITY OF IRVINE
CONTRACT DATE:	03-08-05
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	IMPLEMENTATION AGREEMENT & ACKNOWLEDGEMENT AND WAIVER
ITEM NUMBER:	CC 3.2; RDA 2.1
CONTRACT AMOUNT:	
MEETING DATE:	03-08-05
COUNCIL ACTION:	APPROVED

IMPLEMENTATION AGREEMENT NO. 1

THIS IMPLEMENTATION AGREEMENT NO. 1 ("Implementation Agreement") is made and entered into as of the 8th day of March, 2005, by and between the IRVINE REDEVELOPMENT AGENCY (the "Agency") and the COUNTY OF ORANGE (the "County"). Agency and County may sometimes individually be referred to herein as a "party" and collectively as the "parties."

RECITALS:

A. Agency, County, and the City of Irvine ("City") entered into that certain Property Tax Transfer and Pre-Annexation Agreement, dated March 4, 2003 (the "2003 Agreement"), regarding the annexation and reuse of the former Marine Corp Air Station El Toro (the "Base").

B. Section 2.2.8(ii) of the 2003 Agreement provides that prior to the City and Agency placing the Base or any part thereof into a redevelopment project area the Agency and County shall enter into an agreement reasonably satisfactory to the County providing for the Agency to annually pay to the County an amount equal to one hundred percent (100%) of the County's share of tax increment paid to the Agency from the Base or portion thereof included within a redevelopment project area for use by the County for legally allowable County infrastructure, facilities, and development needs on or related to the Base, including certain uses identified in Section 2.2.3 of the 2003 Agreement, as determined by the County. The foregoing described agreement is also to include a payment structure for such tax increment that would permit the County to issue bonds that are secured by and paid from such Agency payments of tax increment to the County.

C. Agency and City have initiated proceedings which may lead to adoption of an ordinance approving and adopting a Redevelopment Plan ("Plan") for the Orange County Great Park Redevelopment Project Area ("Project Area"). If such ordinance is adopted, the Project Area would include all of the Base now located within the territorial boundaries of the City, with the exception, due to the existing pattern of assessor parcels, of a portion of the area known as the Habitat Reserve Area.

D. The Parties desire to enter into this Implementation Agreement as the agreement between the Agency and County as described in Section 2.2.8(ii) of the 2003 Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing Recitals and the covenants and promises hereinafter contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Recitals Incorporated The foregoing Recitals are incorporated herein and made a part hereof.

2. Definitions. In addition to terms defined elsewhere in this Implementation Agreement, the following definitions shall apply:

2.1 "Auditor-Controller" means the office of the Auditor-Controller of the County.

2.2 "Agency" means the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the CRL.

2.3 "Agency Payments" shall have the meaning ascribed in Section 3.

2.4 "City" means the City of Irvine, a charter city organized and existing under the Constitution of the State of California. City is not a party to this Implementation Agreement and shall have no obligation hereunder.

2.5 "County" means the County of Orange, California, which for purposes of this Implementation Agreement is defined, collectively as the following, each of which levies property taxes on property in the Project Area: (a) County General Fund; (b) County Library; and (c) County Harbors, Beaches, and Parks.

2.6 "County Account" shall mean an account established with the Orange County Treasurer into which the Agency Payments shall be deposited. The County shall establish the County Account prior to the first Agency Payment.

2.7 "County Parcels" shall mean the parcels defined in Section 2.2.3 of the 2003 Agreement.

2.8 "County Tax Increment Portion" means the percentage of the property taxes generated by property in the Project Area that the County would have received but for the adoption of the Plan which are paid to the Agency as Property Tax Increment, as computed by the County Auditor-Controller (subject to the right of Agency to challenge such computation) in accordance with the applicable provisions of the Revenue and Taxation Code. In calculating the County Tax Increment Portion, the percentage shall be the same as the percentage of the property taxes generated by property in the Project Area that the County General Fund, the County Library, and the County Harbor, Beaches and Parks would have received but for the adoption of the Plan.

2.9 "County Share" means the County Tax Increment Portion of the Property Tax Increment less the Statutory Pass-Through Payment.

2.10 "CRL" means the Community Redevelopment Law of the State of California, Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code.

2.11 "Fiscal Year" means the period from July 1 to, and including, the following June 30.

2.12 "Plan" means the Redevelopment Plan for the Orange County Great Park Redevelopment Project Area, adopted or which may be adopted by ordinance of the City.

2.13 "Project Area" means the Orange County Great Park Redevelopment Project Area which is defined in the Plan.

2.14 "Property Tax Increment" means the full amount of property tax revenues generated from within the Project Area that are allocated to and paid to the Agency pursuant to Health and Safety Code Section 33670(b), which amounts are attributable to increases in assessed valuation of property in the Project Area above the valuation shown on the last equalized assessment roll prior to the effective date of the ordinance adopting the Plan. Property Tax Increment refers to those taxes collected as a result of the 1% levy allowed under Article XIII A of the California Constitution and shall not include those taxes levied in excess of the 1% general levy.

2.15 "Statutory Pass-Through Payment" means the payment from Property Tax Increment required to be paid by the Agency to the County (i.e., the County General Fund, County Library, and County Harbors, Beaches and Parks) pursuant to Health and Safety Code Section 33607.5.

3. Agency Payment.

3.1 The Agency Payment for each Fiscal Year shall consist of two components: (a) the County Share and (b) the Statutory Pass-Through Payment.

3.2 Agency, within thirty (30) days after the end of each Fiscal Year, shall calculate and deposit into the County Account or pay to the County, in accordance with this Section 3.2, the following amounts with respect to that Fiscal Year's Property Tax Increment payments to the Agency by the Auditor-Controller: (i) the County Share with respect to that Fiscal Year's Property Tax Increment payment to the Agency by the Auditor-Controller, and (ii) the Statutory Pass-Through Payment with respect to that Fiscal Year's Property Tax Increment payment to the Agency by the Auditor-Controller (the foregoing two components are collectively defined herein as the "Agency Payment"). The County Share portion of the Agency Payment shall be deposited into the County Account. The Statutory Pass-Through Payment portion of the Agency Payment shall be paid to the County, unless the County notifies the Agency in writing that the Statutory Pass-Through Payment portion of the Agency Payment should be deposited into the County Account. At least five (5) days prior to making a deposit to the County Account, the Agency shall notify the County in writing of the amount of the deposit and the expected date of the deposit. The Agency shall, within ten (10) days after it makes the annual deposit into the County Account, notify the County in writing of the deposit to the County Account and provide the County with a detailed written explanation of the calculation of the Agency Payment and the components thereof; provided, however, that Agency's failure to provide such notice or explanation without having received a written request therefor from County shall not be a default of Agency hereunder. The parties acknowledge that, from time to time, lesser or greater Agency Payments may need to be made to reconcile any inadvertent underpayments or overpayments. The parties shall cooperate on periodic audits or reconciliations of the Agency Payments.

3.3 Notwithstanding anything in this Implementation Agreement to the contrary, if the Agency and the County agree to Agency funding, directly or indirectly, from Agency's own Property Tax Increment (which shall not include Agency Payments or funds on deposit in the County Account), pursuant to Health and Safety Code Section 33445, 33445.5, 33445.6, 33446, or any other provision of law other than Health and Safety Code Section 33607.5, for or in connection with the cost of a public facility owned or leased by the County, then the agreement between the Agency and County for that funding may provide that the Agency shall be permitted to withdraw from the County Account, and to deduct from subsequent Agency Payments if the amount withdrawn from the County Account is insufficient to cover all such amounts paid by the Agency.

3.4 The Orange County Treasurer is authorized to invest the funds in the County Account in the same manner that other similar funds established with the Orange County Treasurer are invested. Any interest earned on funds in the County Account shall accrue to the benefit of, and be deposited in, the County Account. Any loss incurred in the County Account incurred as a result of such investment shall not be the responsibility of Agency. If the Treasurer is authorized by law to charge, assess, or levy any fees or other charges for administering the County Account, including but not limited to in connection with the receipt, deposit, custody, investment, payment, or disbursement of funds to or from the County Account, performing any accounting, or issuing any statements or reports, those fees or charges shall be paid from the County Account or by the County. The Agency shall not be responsible for paying such fees and charges.

3.5 The parties acknowledge and agree that (a)(i) all funds payable to the County by application of Health and Safety Code Section 33670(a), and (ii) any funds payable to the County which may result in the future by virtue of the application of Health and Safety Code Section 33607.7, are not subject to this Implementation Agreement, and (b) this Implementation Agreement is not an "agreement" referred to in Health and Safety Code Section 33607.7(b)(1).

3.6 The parties agree that if there is any court or other legal determination that requires the Statutory Pass-Through Payment component of the Agency Payment to be reduced by the amount of the County Share component of the Agency Payment, then this Implementation Agreement shall be deemed amended as follows:

(i) The County, at the County's sole option, may notify the Agency in writing that the Agency shall not be required to make the Statutory Pass-Through Payment with respect to any or all of the County General Fund, County Library, County Harbors, Beaches and Parks. If the County so notifies the Agency, then (1) Agency shall not make, and shall be entitled to retain as its own funds, the Statutory Pass-Through Payment component of the Agency Payment with respect to the County fund specified in the notice and (2) the County Share component of the Agency Payment shall be increased by a corresponding amount.

(ii) Should the court or other legal determination that causes the County to issue the written notice specified in clause (i) of this Section 3.6 not permit the parties to calculate the County Share in the manner specified in clause (i) of this

Section 3.6, the Agency and the County shall meet and confer in good faith in an attempt to resolve the issue in a manner that implements the intent of the parties that the Agency Payment for a Fiscal Year be the sum of the County Share plus the Statutory Pass-Through Payment.

4. Use of County Account.

4.1 After County's written notification to the Agency as required by Section 4.2, the County shall withdraw funds from the County Account to pay for the cost of County infrastructure, facilities, and development needs within the Project Area, or outside the Project Area but serving the Project Area, as determined by the County. As used herein, the term "infrastructure, facilities, and development needs" includes, but is not limited to, buildings, structures, utilities, roadways, sewer lines, and other types of infrastructure needs that are necessary to service one or more of the County Parcels and the uses described in Section 2.2.4 of the 2003 Agreement. At the request of the Agency, the County shall provide to the Agency or cause the Treasurer to provide to the Agency an accounting of the amount in and the withdrawals from the County Account.

4.2 The written notification from the County to the Agency regarding withdrawal of funds from the County Account shall be given at least ten (10) days prior to the expected date of withdrawal and shall specify the amount of funds to be withdrawn and precise payment to be made with such withdrawn funds. Such withdrawn funds from the County Account shall then promptly be paid as specified in the written notification given to the Agency to the contractor or other person as County has directed.

4.3 County acknowledges that prior to making any payments from the County Account, Agency, City, and County may each be required to comply with Health and Safety Code Sections 33445 and 33679 or other provisions of the CRL to the extent applicable. County and Agency agree, and Agency agrees to cooperate in causing City, to act diligently to hold any hearings or take any actions required to comply with Health and Safety Code Sections 33445 and 33679 or other provisions of the CRL to the extent applicable, including, if necessary amendment of the Agency's implementation plan adopted pursuant to Health and Safety Code Section 33490.

4.4 County shall protect, defend, indemnify, and hold harmless Agency and the City and their respective officers, officials, members, employees, agents, and representatives, and each of them, jointly and severally, against and from any and all claims, demands, causes of action, damages, costs, expenses, losses and liabilities, at law or in equity, of every kind or nature whatsoever, and including but not limited to attorneys' fees and expert witness fees, arising out of or in any manner directly or indirectly connected with the disbursement or payment from the County Account as directed by the County.

5. County Bonds. Agency acknowledges that County may wish to pledge the Agency Payments or a portion thereof as security for repayment on bonds to be issued by the County, including for the purposes set forth in Section 2.2.5 of the 2003 Agreement. Agency shall reasonably cooperate with the County in the County's issuance of such bonds, provided: (i) the proceeds of any bonds issued by or on behalf of the County, the repayment of which or the

security for the payment of which shall come from Agency Payments or portion thereof, shall be used for the same purposes that the County Account may be used under this Implementation Agreement; and (ii) if bonds issued by or on behalf of the County are to be repaid from sources in addition to the Agency Payments or portion thereof, or the security for repayment is from sources in addition to the Agency Payments, the proceeds of such bonds to be devoted to the same purposes for which the County Account may be used under this Implementation Agreement shall not be less than the proportional amount the Agency Payments or portion thereof providing repayment or security for the bonds is to the total of all sources of repayment or security for the bonds.

6. Agency Bonds & Other Indebtedness. Nothing in this Implementation Agreement shall be construed to give the County the right to approve any Agency bonded or other indebtedness. Notwithstanding the foregoing, Agency shall not pledge as repayment, or as security for repayment, for any Agency bonded or other indebtedness any Agency Payment or any unused or unencumbered amount in the County Account unless otherwise authorized in writing by the County.

7. Subordination Under Health & Safety Code Section 33607.5(e). Nothing in this Implementation Agreement shall supersede the right of the Agency to request the County subordinate the Statutory Pass-Through Payment portion of the Agency Payment, pursuant to Health and Safety Code Section 33607.5(e).

8. Agreement Is Agency Indebtedness; Tax Increment Limit. Unless otherwise required by law: (a) Agency's obligations under this Implementation Agreement constitute an indebtedness of Agency within the meaning of Health and Safety Code Section 33670(b); and (b) amounts paid by Agency to County under this Implementation Agreement shall not count against the limit on the total number of dollars to be allocated as Property Tax Increment to the Agency under the Plan. The Agency shall claim its obligations under this Implementation Agreement as a debt of the Agency on its statements filed pursuant to Health and Safety Code Section 33675.

9. Covenant Not to Sue.

9.1 County, on behalf of itself and all County-controlled entities, hereby expressly waives any and all causes of action, claims, demands, counts, actions, losses, breaches of equitable duty, claims for equitable relief, and/or complaints, known or unknown, suspected or unsuspected, fixed or contingent, related to, and agrees not to challenge, (i) the validity of the Plan, or (ii) the ordinance(s) adopting the Plan including but not limited to the findings set forth therein, or (iii) the validity of bonds to finance or refinance, in whole or in part, the Plan on the grounds of the invalidity of the Plan, including without limiting the generality of the foregoing clauses (i), (ii) or (iii), the legality and validity of all proceedings taken or in any way connected with the designation of the survey area, the Project Area, findings under Health and Safety Code Section 33492.18, the formulation of the Preliminary Plan, the adoption of the Plan, and the future preparation and certification of the environmental impact report for the redevelopment of the Base pursuant to Health and Safety Code Section 33492.18 and the California Environmental Quality Act. County further agrees not to promote, fund, or assist any other person in any claim or challenge related to any of the foregoing.

9.2 County acknowledges that it is familiar with Civil Code Section 1542 which provides:

“A general release does not extend to claims a creditor does not know or suspect to exist in his favor at the time of executing the release which if known by him must have materially affected his settlement with the debtor.”

County expressly WAIVES any rights it may have under Civil Code Section 1542 with respect to the matters specified in Section 9.1 above. By initialing below, County acknowledges that it has read the above waiver and understands its effect and has been advised by County Counsel regarding its effect, and agrees to it with advice of counsel.

County's Initials _____

Bull Campbell SN

10. City and Agency Obligations. City shall have no financial or other liabilities or obligations by virtue of this Implementation Agreement. Agency shall have no financial or other liabilities by virtue of this Implementation Agreement other than the obligations set forth in this Implementation Agreement.

11. Defaults. Subject to the extensions of time set forth in Section 16, failure or delay by either party to perform any term or provision of this Implementation Agreement constitutes a default under this Implementation Agreement. A party claiming a default shall give written notice of default to the other party, specifying the default complained of and the actions required to correct such default. The claimant shall not institute proceedings against the other party if the other party, within thirty (30) days from receipt of such notice, immediately and with due diligence commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy as soon as reasonably practicable after receipt of such notice. If the default is not cured or commenced to be cured by the defaulting party within said thirty (30) day period, the defaulting party shall be entitled to pursue whatever remedies at law or in equity to which such party may be entitled.

12. Notices. All notices required to be delivered under this Implementation Agreement or under applicable law shall be personally delivered, or delivered by United States mail, prepaid, certified, return receipt requested, or by reputable document delivery service that provides a receipt showing date and time of delivery. Notices personally delivered or delivered by a document delivery service shall be effective upon receipt. Notices delivered by mail shall be effective as of the earlier of (i) actual receipt, or (ii) Noon on the third business day following dispatch. Notices shall be delivered to the following addresses:

If to Agency: Irvine Redevelopment Agency
Attn: Executive Director
Irvine City Hall
One Civic Center Plaza
Irvine, CA 92623

With copy to: Joel D. Kuperberg
Rutan & Tucker
611 Anton Blvd., Suite 1400
Costa Mesa, CA 92626

If to County: County of Orange
Attn: County Executive Officer
10 Civic Center Plaza
Santa Ana, CA 92701

With copy to: Office of County Counsel
Attn: Benjamin de Mayo, County Counsel
10 Civic Center Plaza
Santa Ana, CA 92701

Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section.

13. Non-liability of Public Officers and Employees.

13.1 No officer, official, member, employee, agent, or representative of Agency shall be personally liable to County, or any successor or assign of same, in the event of any default or breach by Agency, or for any amount which may become due to County, or any successor or assign of same, or for breach of any obligation of the terms of this Implementation Agreement.

13.2 No officer, official, member, employee, agent, or representative of County shall be personally liable to Agency, or any successor or assign of same, in the event of any default or breach by County, or for any amount which may become due to Agency, or any successor or assign of same, or for breach of any obligation of the terms of this Implementation Agreement.

14. Binding Effect; Assignment Prohibited Without Prior Consent of Other Party. This Implementation Agreement, and all covenants and releases set forth herein, shall be binding upon and shall inure to the benefit of the respective parties and their respective legal representatives, successors and assigns. Neither party to this Implementation Agreement may assign its rights or obligations under this Implementation Agreement without the prior written approval of the other party hereto.

15. Satisfaction of Section 2.2.8 of 2003 Agreement. This Implementation Agreement satisfies in full the requirements set forth in Section 2.2.8 of the 2003 Agreement concerning an agreement to be entered into between the Agency and County with respect to the portion of the Base (as defined in the 2003 Agreement) included in the Project Area. County, on behalf of itself and County-controlled entities, and Agency on behalf of itself and Agency-controlled entities, hereby knowingly, voluntarily, and expressly waive any right to challenge the validity of the 2003 Agreement or this Implementation Agreement. County and Agency, on behalf of themselves and their respective controlled entities, further agree (i) to include in any agreements pertaining to use or development of the Project Area a similar provision whereby the parties to the agreement waive any right to challenge the validity of the 2003 Agreement or this Implementation Agreement, and (ii) not to promote, fund, or assist any other person in any claim or challenge related to any of the foregoing.

16. Enforced Delay. In addition to specific provisions of this Implementation Agreement, performance by either party hereunder shall not be deemed to be in default, and all performance under this Implementation Agreement shall be extended, where delays or defaults are due to war; terrorism; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor; subcontractor or supplier; acts or omissions of the other party; acts or failures to act of any other public or governmental agency or entity other than the Agency or County; or any other causes beyond the control or without the fault of the party claiming an extension of time to perform.

17. Interpretation; Governing Law. This Implementation Agreement shall be construed according to its fair meaning and as if prepared by all of the parties hereto. This Implementation Agreement shall be construed in accordance with the laws of the State of California in effect at the time of the execution of this Implementation Agreement.

18. Rights and Remedies Are Cumulative; Inaction Not Waiver of Default. Except as may otherwise be expressly stated in this Implementation Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

19. Further Assurances. Each party hereto agrees, without further consideration, to execute such other and further documents, and to perform such other and further acts, as may be necessary or proper, in order to consummate the transactions set forth in and contemplated by this Implementation Agreement.

20. Representations and Warranties by Parties. Each party represents and warrants to the other that:

20.1 such party has the power and capacity to enter into this Implementation Agreement;

20.2 such party lacks actual knowledge of any agreement that would be violated by such party's entry into this Implementation Agreement;

20.3 such party lacks actual knowledge of any agreement, obligation, pending litigation, or asserted claim that would materially affect such party's obligation to enter into this Implementation Agreement or to perform its obligations hereunder;

20.4 such party has been represented by legal counsel in the preparation and execution of this Implementation Agreement; and

20.5 such party acknowledges and agrees that it enters into this Implementation Agreement based upon its own investigation, knowledge, and voluntary assumption of all of the risks associated with the transactions contemplated hereby, and that such party has read and understands this Implementation Agreement and has been advised by its legal counsel as to its effects.

21. Representations and Warranties by Signatories. Each signatory of a party to this Implementation Agreement represents and warrants to the other party hereto that:

21.1 the signatory has actual authority to execute this Agreement on behalf of the party for which the signatory has signed; and

21.2 the signatory is duly authorized to execute and deliver this Implementation Agreement on behalf of said party for whom the signatory has signed.

22. Conditions to Effectiveness, Effect of Litigation. This Implementation Agreement, even if signed by all the parties hereto, shall not be effective unless and until all of the following have occurred:

(i) The City has adopted an ordinance approving and adopting the Redevelopment Plan for the Orange County Great Park Redevelopment Project Area, and such ordinance has become effective in accordance with applicable law.

(ii) Approval of this Implementation Agreement by the parties and its execution by the parties, and the initialing of Section 9.2 by the County.

(iii) Approval and execution of the attached Acknowledgment and Waiver by the City of Irvine.

If litigation challenging the approval and adoption of the Plan or of the ordinance adopting the Plan is filed, the parties' obligations under this Implementation Agreement shall remain in full force and effect until a final judgment or settlement agreement. If, during the

pendency of such litigation, the Agency receives Property Tax Increment, the terms of this Implementation Agreement shall be implemented but the County shall not withdraw or pledge any funds from the County Account or direct Agency to make any payments from the County Account until the litigation has been resolved or the parties otherwise agree, each in their sole discretion, to the withdrawal. If such litigation results in validation of the Plan, this Implementation Agreement shall remain in full force and effect. If such litigation results in invalidation of the Plan, this Implementation Agreement shall be void *ab initio*, and in such case the parties shall cooperate in good faith to implement Section 2.2.8 of the 2003 Agreement if the City thereafter proposes to adopt a new redevelopment plan, the adoption of which would be subject to the 2003 Agreement.

23. Cooperation in Event of Challenge to Agreement. In the event any third party files any claim or litigation challenging the approval and adoption of this Implementation Agreement, or its validity, the parties hereto agree to cooperate in the defense of such challenge.

24. Inadmissibility of Agreement. In the event this Implementation Agreement fails to become effective, or ceases to be effective, for any reason, then, notwithstanding anything to the contrary in Evidence Code Sections 1152 and 1600, neither this Implementation Agreement nor any prior drafts or negotiations with respect to this Implementation Agreement shall be admissible as evidence in any proceeding or litigation for any purpose, except to prove the terms of this Implementation Agreement.

25. Fees Incurred. Each party shall be responsible for its own costs and fees incurred with the negotiation and preparation of this Implementation Agreement, including but not limited to attorneys fees.

26. Section Headings. The section headings in this Implementation Agreement are included for convenience and reference only. They do not form a part hereof, and do not in any way codify, interpret, or reflect the intent of the parties. Said headings shall not be used to construe or interpret any provision of this Agreement.

27. Entire Agreement. This Implementation Agreement and the 2003 Agreement reflect the entire agreement between the parties with respect to the subject matter hereof, and integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

28. Severability. If any section or portion of this Implementation Agreement shall be held, found, or determined by a court of competent jurisdiction to be unenforceable or invalid for any reason, the parties declare that they would have approved this Implementation Agreement without such unenforceable or invalid section or portion and the parties hereto, in such event, agree to take such further actions as may be reasonably necessary, proper, and available to them to effectuate the intent of the parties as to all provisions set forth in this Implementation Agreement.

29. Amendments. This Implementation Agreement may be amended by the parties by written instrument approved and signed by the parties.

30. Counterparts. This Implementation Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same agreement.

31. Effective Date. The Effective Date of this Implementation Agreement shall be the latest of the dates set next to the signatures of the parties hereto after both parties hereto have signed this Implementation Agreement. That latest date shall be inserted into the preamble of this Implementation Agreement.

[end—signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Implementation Agreement as of the Effective Date.

	IRVINE REDEVELOPMENT AGENCY
DATED: <u>3/18/05</u>	By: <u>[Signature]</u> Chairperson
ATTEST: By: <u>[Signature]</u> Jeri Stately, Agency Secretary	
APPROVED AS TO FORM: RUTAN & TUCKER, LLP By: <u>[Signature]</u> Joel D. Kuperberg Agency General Counsel	 <p>SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD</p> <p>ATTEST: <u>[Signature]</u> DARLENE J. BLOOM CLERK OF THE BOARD OF SUPERVISORS ORANGE COUNTY, CALIFORNIA</p>
	COUNTY OF ORANGE
DATED: _____	By: <u>[Signature]</u> Chairman of the Board of Supervisors
ATTEST: By: _____ Clerk of the Board of Supervisors	
APPROVED AS TO FORM: By: <u>[Signature]</u> Benjamin de Mayo 2/24/05 County Counsel	

ACKNOWLEDGMENT AND WAIVER BY CITY OF IRVINE

The defined terms used hereinbelow shall have the same meaning as set forth in the foregoing Implementation Agreement No. 1 to which this Acknowledgment and Waiver is attached. By action of the City Council of the City of Irvine, taken on March 8, 2005, (i) the City hereby acknowledges the foregoing Implementation Agreement by and between the Agency and the County; (ii) the City, on behalf of itself and its respective controlled entities, knowingly, voluntarily, and expressly waives any right to challenge the validity of the 2003 Agreement or the Implementation Agreement; (iii) the City, on behalf of itself and its respective controlled entities, agrees to include in any agreements pertaining to use or development of the Project Area a similar provision whereby the parties to the agreement waive any right to challenge the validity of the 2003 Agreement or the Implementation Agreement; (iv) the City, on behalf of itself and its respective controlled entities, agrees not to promote, fund, or assist any other person in any claim or challenge related to any of the foregoing; and (v) the City agrees to act diligently to hold any hearings or take any actions required to comply with Health and Safety Code Sections 33445 and 33679 or other provisions of the CRL in connection with any payments or funding from the County Account.

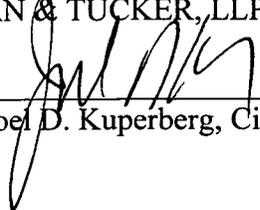
Dated: 3/18, 2005

CITY OF IRVINE
By: 
MAYOR OF THE CITY OF IRVINE

ATTEST:

By: 
Jeri Stately, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

By: 
Joel D. Kuperberg, City Attorney

Dan Slater
Direct Dial: (714) 641-3437
E-mail: dslater@rutan.com

April 7, 2005

VIA OVERNITE EXPRESS

Ann Fletcher
Senior Deputy County Counsel
County of Orange
County Counsel's Office
10 Civic Center Plaza
Santa Ana, CA 92702

2005 APR 11 AM 11:22
RECEIVED
CITY OF IRVINE
CITY CLERK'S OFFICE

Re: Executed Originals of County-Irvine Implementation Agreement No. 1

Dear Ann:

Enclosed please find the three (3) fully executed originals of Implementation Agreement No. 1, dated as of March 8, 2005, by and between the County of Orange and Irvine Redevelopment Agency, with the signed Acknowledgment and Waiver by the City of Irvine attached to each.

The three originals enclosed are marked in the upper right hand corner of page 1 with, respectively, "Original--Clerk of the Board Orange County," "Duplicate Original--Attorney," and "Duplicate Original--CEO."

Please contact me with any questions or concerns. Thanks again for your assistance and cooperation.

Very truly yours,

RUTAN & TUCKER, LLP



Dan Slater

Encl.

cc: Jeri Stately, City Clerk, City of Irvine (w/o encl)
Tina Christiansen, Executive Director, Irvine Redevelopment Agency (w/o encl)
Joel D. Kuperberg, Esq., City Attorney, City of Irvine (w/o encl)

SETTLEMENT AGREEMENT AND RELEASE OF CLAIMS

This Settlement Agreement and Release of Claims (“**Agreement**”) is made and entered into by and between Petitioners and Plaintiffs City Of Irvine (“**City**”), the Successor Agency to the Dissolved Irvine Redevelopment Agency (“**Successor Agency**”), and the Irvine Community Land Trust (“**Land Trust**”) (collectively, “**Petitioners**”), on the one hand, and, on the other hand Respondents and Defendants California Department Of Finance (“**DOF**”) and Michael Cohen in his official capacity as the Director of the California Department of Finance (collectively, “**Respondents**”). Petitioners and Respondents are sometimes collectively referred to as the “**Parties**.”

RECITALS

A. City, and Successor Agency have filed the following two Sacramento Superior Court actions, both of which remain pending, against Respondents, (1) *City of Irvine v. Cohen*, case no. 34-2013-80001682 (“**Irvine v. Cohen Case**”), (2) *City of Irvine v. Matosantos*, case no. 34-2012-80001161 (“**Irvine v. Matosantos Case**”); in addition, Land Trust, City, and Successor Agency have filed a petition, which remains pending, against Respondents in *Irvine Community Land Trust v. Matosantos*, case no. 34-2013-80001535 (“**Land Trust Case**”) (the *Irvine v. Cohen Case*, the *Irvine v. Matosantos Case*, and the *Land Trust Case* are collectively referred to as the “**Sacramento Actions**”).

B. The Sacramento Actions relate to the wind down of the Irvine Redevelopment Agency (“**RDA**”) pursuant to Assembly Bill 26 of the 2011-12 First Extraordinary Session of the California Legislature (“**AB x1 26**”) in conjunction with the decision of the California Supreme Court in *Community Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231 (“**CRA v. Matosantos**”), and as amended by Assembly Bill 1484 of the 2011-12 Regular Session of the California Legislature (“**AB 1484**”) (AB x1 26 and AB 1484, collectively the “**Dissolution Act**”).

C. Under AB x1 26, as interpreted by *CRA v. Matosantos*, the RDA was dissolved on February 1, 2012. Following the dissolution of the RDA, the Successor Agency submitted a series of Recognized Obligation Payment Schedules (“**ROPS**”) to Petitioners in accordance with the Dissolution Act. In those ROPS, Petitioners claimed that three separate agreements are enforceable obligations under the Dissolution Act. Respondents’ disapprovals of those three agreements as enforceable obligations under the Dissolution Act are the subjects of the Sacramento Actions.

D. The three separate ROPS items at issue in the Sacramento Actions are: (1) The Purchase and Sale and Financing Agreement (“**PSFA**”), originally dated August 14, 2007 and allegedly reentered on June 12, 2012, by and between the RDA and the City, with an alleged value of approximately Eight Hundred Twelve Million Dollars (\$812,000,000); (2) the Amended and Restated Development Agreement (“**ARDA**”), dated December 27, 2010, which is an alleged obligation of the former RDA to construct the Orange County Great Park with an alleged value of approximately One Billion Four Hundred Million Dollars (\$1,400,000,000); and (3) the Redevelopment Affordable Housing Funds Grant Agreement (“**Land Trust Agreement**”), dated

February 8, 2011, between the RDA and the Land Trust with an alleged value of approximately Seven Hundred Thirty One Million Dollars (\$731,000,000).

E. The City and the Successor Agency allegedly re-entered into the PSFA on June 12, 2012. That action was approved by the Oversight Board to the Successor Agency to the Dissolved Irvine Redevelopment Agency by Resolution 2012-11 on June 14, 2012. DOF claims that as a valid post-finding of completion enforceable obligation pursuant to Health & Safety Code section 34191.4, the One Hundred Thirty Four Million Dollar (\$134,000,000) principal amount on the PSFA loan is entitled to repayment at an interest rate of thirty two one hundredths of one percent (0.32%) per year. Petitioners claim that the PSFA loan should be treated as a valid reentered agreement pursuant to Health & Safety Code section 34178 and should bear interest at nine percent (9%) per year.

F. The Parties have concluded that it would be in their mutual best interests, and in the public interest, to settle all disputes raised in the Sacramento Actions between Petitioners and Respondents according to the terms described in this Agreement, which shall be incorporated fully by reference into a stipulated judgment to be approved by the Court pursuant to Code of Civil Procedure section 664.6. By this Agreement, the Parties intend to fully and completely resolve any and all remaining disputes between the Parties pertaining to, or in any way relating to, the Sacramento Actions.

TERMS OF AGREEMENT

Accordingly, in consideration of the mutual promises contained herein, the Parties agree as follows:

1. City, Successor Agency, and Respondents (the “**Cohen Case Parties**”) will jointly submit a stipulated judgment to the Court for approval in *Irvine v. Cohen Case* (“**Stipulated Judgment**”). This Agreement will be attached to the Stipulated Judgment as Exhibit A, and incorporated fully therein by reference. It is the intent of the Cohen Case Parties, and therefore the Cohen Case Parties shall jointly request to the Court in the *Irvine v. Cohen Case*, that the court retain jurisdiction over the Cohen Case Parties until performance in full of the terms of this settlement (as memorialized in this Agreement and the Stipulated Judgment).

2. The Cohen Case Parties agree to expeditiously jointly submit a motion to the Court for the approval of the Stipulated Judgment in the *Irvine v. Cohen* action, and the Cohen Case Parties shall remain bound to proactively seek (or, in the case of the Land Trust, not oppose) court approval of the Stipulated Judgment *even if* a change in law (by legislation, by promulgation of administrative rules, or by appellate or supreme court precedent) or the dissemination of persuasive authority (by administrative interpretation, release of superior court tentative or final decisions, or release of unpublished appellate decisions, or other statements or comments from superior or appellate court judges) occurs after the execution of this Agreement but prior to Court action on the request for approval of the Stipulated Judgment.

3. If the Court does not enter a Stipulated Judgment pursuant to the terms of this Agreement, this Agreement shall be null and void *ab initio*, without further action of any Party.

Petitioners may then elect not to dismiss the Sacramento Actions and, instead, proceed to prosecute them.

4. If the Court approves the Stipulated Judgment, Respondents shall recognize the Stipulated Judgment as an enforceable obligation with a value of Two Hundred Ninety Two Million Dollars (\$292,000,000), which shall be paid from Redevelopment Property Tax Trust Fund (“RPTTF”) moneys to the Successor Agency. Such funds shall be paid from the Successor Agency to the City in satisfaction of the PSFA loan (the “**Stipulated Judgment Enforceable Obligation**”). DOF shall continue to abide by the Stipulated Judgment Enforceable Obligation, by approving payment by the Orange County auditor-controller of the full amount of RPTTF over to the Successor Agency, less the withholding of Four Million Three Hundred Eighty Thousand Dollars (\$4,380,000) per year described in paragraph 8 below, until such time as the Two Hundred Ninety Two Million Dollars (\$292,000,000) in RPTTF is fully paid over to the Successor Agency for payment to the City on the PSFA loan. No interest shall be paid on this sum. The total amount paid shall be Two Hundred Ninety Two Million Dollars (\$292,000,000) regardless of the time it takes to receive the payments.

5. Petitioners shall never again claim on any future ROPS or otherwise that the PSFA loan is an enforceable obligation of the former RDA; instead, the Stipulated Judgment shall be the item claimed, and recognized by Respondents, on future ROPS. Petitioners shall also never again claim on any future ROPS that the ARDA or Land Trust Agreement is an enforceable obligation of the former RDA.

6. Respondents shall never claim, in response to any future ROPS submission or otherwise, that the Stipulated Judgment is not an enforceable obligation under the Dissolution Act.

7. Petitioners shall request the dismissal with prejudice of the *City of Irvine v. Matosantos Case* in its entirety, and *Land Trust Case* in its entirety, within five (5) business days of the Court signing and entering the Stipulated Judgment in the *City of Irvine v. Cohen Case*.

8. Unless the Successor Agency directs otherwise, all RPTTF shall be applied to the Stipulated Judgment line item on the ROPS until the Stipulated Judgment is fully paid; provided, however, that Four Million Three Hundred Eighty Thousand Dollars (\$4,380,000) of RPTTF funds will be paid over to the taxing entities each fiscal year pursuant to Health & Safety Code section 34183(a)(4) until the Stipulated Judgment Enforceable Obligation is satisfied. Once the Stipulated Judgment Enforceable Obligation is satisfied, the limitation on residual payments to taxing entities will be lifted. The Four Million Three Hundred Eighty Thousand Dollars (\$4,380,000) per year will be sent to the taxing entities from the first RPTTF distribution that occurs each fiscal year (as specified in Paragraph 4, above); if there are insufficient funds in the first RPTTF distribution to send the full Four Million Three Hundred Eighty Thousand Dollars (\$4,380,000) per year from RPTTF to the taxing entities, the necessary remaining funds shall come from the second RPTTF distribution. If in a given year there is less than Four Million Three Hundred Eighty Thousand Dollars (\$4,380,000) available for this distribution of RPTTF payments to the taxing entities, the taxing entities shall receive whatever funds are available, and

the Successor Agency shall not receive any funds toward the satisfaction of the Stipulated Judgment during that year.

9. Upon receipt of RPTTF monies for payment of approved enforceable obligations in each ROPS period, the Successor Agency shall prioritize, pursuant to direction of the City as to any city-RDA loans, repayment of the Two Hundred Ninety Two Million Dollars (\$292,000,000) so that it is paid prior to, following, or concurrent with the other enforceable obligations payable under Health and Safety Code section 34183(a)(2)(C), including those qualifying as enforceable obligations pursuant to section 34191.4.

10. The Successor Agency and City agree that they will not challenge the determination of State Controller's Office in its April 28, 2014 audit with regard to the Five Million Five Hundred Thousand Dollar (\$5,500,000) interest payment made by the RDA to the City in March 2011. The City will return the Five Million Five Hundred Thousand Dollars (\$5,500,000) to the Successor Agency which will then submit it to the county auditor-controller, both of which shall occur within five (5) business days of the Court signing and entering the Stipulated Judgment. The county auditor-controller will thereafter distribute said funds to the taxing entities. Except as stated elsewhere in this paragraph, this Agreement and Stipulated Judgment does not resolve any other possible disputes between Petitioners and the State Controller's Office with respect to the April 28, 2014 audit.

11. The Parties shall each bear their respective attorney fees and costs incurred in the litigation, provided, however, that nothing in this agreement abridges the Successor Agency's rights (if any) to recover its legal fees under the Dissolution Act.

12. The Agreement and Stipulated Judgment do not constitute, nor shall they be construed as, an admission or concession by any of the Parties for any purpose. This Agreement is a compromise settlement of the Sacramento Actions, and by executing this Agreement, none of the Parties admits wrongdoing, liability, or fault in connection with either the Sacramento Actions or the allegations asserted in the Sacramento Actions. Respondents do not admit that Petitioners are entitled to any recovery. This Agreement does not reflect in any way on the merits of the claims asserted by Petitioners or the defenses asserted by the Respondents in the Sacramento Actions.

13. The Parties hereby specifically and mutually release and forever discharge each other, including their respective officers, directors, commission members, trustees, agents, employees, representatives, attorneys, insurers, departments, divisions, sections, successors and assigns, and each of them, from all obligations, damages, costs, expenses, liens, attorney fees of any nature whatsoever, whether known or unknown, suspected or not suspected to exist, claimed or not claimed, disputed or undisputed, pertaining to the Sacramento Actions.

14. The Parties each represent and warrant that they fully understand that if the facts pertaining in any way to the Sacramento Actions are later found to be different from the facts now believed to be true by any Party, each of them expressly accepts and assumes the risk of such possible differences in facts and agrees that this Agreement and Stipulated Judgment shall remain effective notwithstanding such differences in facts.

15. This Agreement and Stipulated Judgment shall be binding upon the Parties' respective officers, directors, commission members, trustees, agents, employees, representatives, attorneys, departments, divisions, sections, successors and assigns, and each of them.

16. The Parties each represent that they know and understand the contents of the Agreement and Stipulated Judgment and that this Agreement and Stipulated Judgment have been executed voluntarily. The Parties each further represent that they have had an opportunity to consult with an attorney of their choosing and that they have been fully advised by the attorney with respect to their rights and obligations and with respect to the execution of this Agreement and the Stipulated Judgment.

17. Except as indicated in the following sentence, no promise, inducement, understanding, or agreement not herein expressed has been made by or on behalf of the Parties, and this Agreement and the Stipulated Judgment contain the entire agreement between the Parties related to the Sacramento Actions. Notwithstanding the foregoing, the Parties acknowledge that the City, Successor Agency, and the Land Trust have entered into, and will abide by, a *Dismissal Agreement In Connection with State of California Department of Finance Settlement Negotiations* ("Dismissal Agreement"), which sets forth certain obligations with regard to the disposition of the funds paid to the Successor Agency pursuant to the Stipulated Judgment; provided, however, that nothing in the Dismissal Agreement is binding upon the Respondents. Additionally, the City, Successor Agency, and Land Trust's obligations under this Agreement and the Stipulated Judgment are separate and distinct from their obligations under the Dismissal Agreement.

18. Each Party represents and warrants that it has not assigned, transferred, or purported to assign or transfer to any person or entity any matter released herein. Petitioners also agree to indemnify and hold harmless Respondents and their successors and assigns against any claims, demands, causes of action, damages, debts, liabilities, costs or expenses, including, but not necessarily limited to, attorney fees, arising out of or in connection with any such transfer, assignment, or purported transfer or assignment.

19. It is expressly understood and agreed that this Agreement and the Stipulated Judgment may not be altered, amended, modified, or otherwise changed in any respect whatsoever except by a writing duly executed by the Parties or by authorized representatives of the Parties. The Parties agree that they will make no claim at any time or place that this Agreement and the Stipulated Judgment have been orally altered or modified or otherwise changed by oral communication of any kind or character.

20. This Agreement and the Stipulated Judgment shall be governed by the laws of the State of California. If any Party to this Agreement or the Stipulated Judgment brings a lawsuit to enforce or interpret this Agreement or the Stipulated Judgment, the lawsuit shall be filed in the Superior Court for the County of Sacramento, California.

21. Each Party represents that they have the authority to enter into and perform the obligations necessary to provide the consideration described in this Agreement and the Stipulated Judgment.

22. Each person signing this Agreement represents and warrants that they have the authority to sign on behalf of the Party for which they sign.

23. The Parties recognize and acknowledge that terminology, the number of ROPS cycles per year, and/or other mechanical aspects of the wind-down of redevelopment pursuant to the Dissolution Act (as it may be amended from time to time), may change during the term of this Agreement. To address those changes, the Parties agree that their intent under this Agreement and the Stipulated Judgment is that the City receive, on an annual basis, all of the available RPTTF (or its functional equivalent), less Four Million Three Hundred Eighty Thousand Dollars (\$4,380,000) per year, until such time as the full Two Hundred Ninety Two Million Dollars (\$292,000,000) has been paid over to the Successor Agency for distribution by the Successor Agency to the City in satisfaction of the PSFA.

24. The Parties agree to take such further actions as are necessary to accomplish the delivery of the consideration provided for under this Agreement. In furtherance of the foregoing, upon the submittal to DOF of a resolution of the Oversight Board to the Successor Agency to the Dissolved Irvine Redevelopment Agency approving this Agreement, DOF shall within five (5) business days approve such resolution. Further, if such resolution has been submitted to DOF prior to the Court's entry of the Stipulated Judgment, the Court's entry of the Stipulated Judgment shall constitute DOF's approval of such resolution. If the Oversight Board does not approve this Agreement within ninety (90) days of the date this Agreement is last signed by any Party, this Agreement shall be null and void *ab initio*, without further action of any Party. Petitioners may then elect not to dismiss the Sacramento Actions and, instead, proceed to prosecute them.

25. If any Party to this Agreement or Stipulated Judgment files a lawsuit to enforce or interpret this Agreement or Stipulated Judgment, the prevailing Party in any such suit shall be entitled to reimbursement for reasonable attorney fees for which the Party was invoiced and that the Party paid.

26. This Agreement may be executed in two or more counterparts, each of which will be an original and all of which shall constitute a part of this Agreement.

This Agreement consists of Recital Paragraphs A - F and Paragraphs 1 – 26.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

CITY OF IRVINE

DATED: July 9, 2014



By: Dr. Steven Choi
Mayor

SUCCESSOR AGENCY TO THE DISSOLVED IRVINE
REDEVELOPMENT AGENCY

DATED: July 9, 2014



By: Dr. Steven Choi
Director

IRVINE COMMUNITY LAND TRUST

DATED: July 9, 2014



By: Mark Asturias
Executive Director

DEPARTMENT OF FINANCE AND MICHAEL COHEN,
AS DIRECTOR OF THE DEPARTMENT OF FINANCE

DATED: _____

By: _____
Kari Krogseng
Assistant Chief Counsel

Approved as to form:

RUTAN & TUCKER, LLP



Jeffrey T. Melching
Attorneys for Petitioners City of Irvine and Successor Agency

[SIGNATURES CONTINUE, AND CONCLUDE, ON FOLLOWING PAGE]

CITY OF IRVINE

DATED: _____

By: Dr. Steven Choi
Mayor

SUCCESSOR AGENCY TO THE DISSOLVED IRVINE
REDEVELOPMENT AGENCY

DATED: _____

By: Dr. Steven Choi
Director

IRVINE COMMUNITY LAND TRUST

DATED: _____

By: Mark Asturias
Executive Director

DEPARTMENT OF FINANCE AND MICHAEL COHEN,
AS DIRECTOR OF THE DEPARTMENT OF FINANCE

DATED: July 9, 2014

By: Kari Krogseng
Assistant Chief Counsel

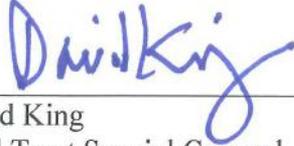
Approved as to form:

RUTAN & TUCKER, LLP

Jeffrey T. Melching
Attorneys for Petitioners City of Irvine and Successor Agency

[SIGNATURES CONTINUE, AND CONCLUDE, ON FOLLOWING PAGE]

HENSLEY LAW GROUP



David King
Land Trust Special Counsel

CALIFORNIA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

Seth E. Goldstein
Deputy Attorney General
Attorneys for Respondents

HENSLEY LAW GROUP

David King
Land Trust Special Counsel

CALIFORNIA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL



Seth E. Goldstein
Deputy Attorney General
Attorneys for Respondents