



NOTICE AND CALL

OF A SPECIAL JOINT MEETING OF THE CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY

TO THE MEMBERS OF THE CITY OF CAPITOLA CITY COUNCIL AND DIRECTORS OF THE REDEVELOPMENT AGENCY:

NOTICE IS GIVEN that a Special Joint Meeting of the City of Capitola City Council/ Redevelopment Agency is hereby called to be held on **Tuesday, March 8, 2011, at 5:00 p.m.** The purpose of the meeting is for the City Council and Redevelopment Agency to meet on two Open Session items in the City Hall Council Chambers, and then to convene in **Closed Session** in the City Manager's Office located at Capitola City Hall, 420 Capitola Avenue, Capitola, California, to meet with its Legal Counsel pertaining to the following matters:

OPEN SESSION

1. City/RDA: Consider an amendment to the 2011 Cooperation Agreement to authorize the repayment of existing Redevelopment Agency debt to the City, and authorize associated appropriations and budget amendments necessary to effectuate the Cooperation Agreement.
2. City/RDA: Consider directing the City Manager/Executive Director to transfer the ownership of the Rispin Mansion site (Assessor Parcel Numbers 035-037-01 and 035-037-02) from the City of Capitola Redevelopment Agency to the City of Capitola.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park) [Superior Court of the State of California for County of Santa Cruz, Case #CV 167716]

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park) [U.S. District Court N.D., Case No. C09-05542 RS (Judge Richard Seeborg)]

Los Altos/El Granada Investors vs. City of Capitola, et al (Castle Mobile Estates) [U.S. District Court N.D., Case No. CV 04-05138 JF (Judge Jeremy Fogel)]

Dated: March 7, 2011

Dennis R. Norton, Mayor



CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

SPECIAL MEETING OF MARCH 8, 2011

FROM: OFFICE OF THE CITY MANAGER/EXECUTIVE DIRECTOR

DATE: MARCH 8, 2011

SUBJECT: AMEND THE 2011 COOPERATION AGREEMENT BETWEEN THE CITY AND REDEVELOPMENT AGENCY TO INCLUDE REAPPORTIONMENT OF FUNDS, INCLUDING AUTHORIZATION AND APPROPRIATION OF FUNDS AND ASSOCIATED BUDGET AMENDMENTS FOR REPAYMENT OF EXISTING LOANS OF \$1,350,000 AND \$618,028 WITH AVAILABLE TAX INCREMENT.

Recommended Action: By motion and roll call vote, that the City Council and Redevelopment Agency Directors take the following actions:

1. That the City Council approve the Amendment to the February 24, 2011, Cooperation Agreement between the City of Capitola and the Redevelopment Agency of the City of Capitola to include reapportionment of funds, including authorization and appropriation of funds and associated budget amendments for repayment of existing loans of \$1,350,000 and \$618,028, with available tax increment as authorized in the loan and repayment agreements dated December 13, 2001 and July 24, 2003, and authorize the City Manager to take any and all necessary actions required to implement the 2011 Cooperation Agreement as amended; and
2. That the Redevelopment Agency Board of Directors approve the Amendment to the February 24, 2011, Cooperation Agreement between the City of Capitola and the Redevelopment Agency of the City of Capitola to include reapportionment of funds, including authorization and appropriation of funds and associated budget amendments for repayment of existing loans of \$1,350,000 and \$618,028 with available tax increment as authorized in the loan and repayment agreements dated December 13, 2001 and July 24, 2003, and authorize the Executive Director to take any and all necessary actions required to implement the 2011 Cooperation Agreement as amended.

BACKGROUND

On February 24, 2011, the Capitola City Council and the Capitola Redevelopment Agency approved a Cooperation Agreement memorializing pledges of Agency funds in support of specified programs and projects. On March 2, 2011, the California Redevelopment Agency released a legal summary of the 28-page bill to eliminate redevelopment agencies. A review of the legal summary and conversations with Special Counsel Brent Hawkins prompted staff to return to the City Council and Redevelopment Agency Board of Directors with the proposed Cooperation Agreement amendment.

DISCUSSION

The draft legislation to eliminate redevelopment agencies was approved by the Budget Conference Committee on March 3, 2011. A vote by the Assembly and Senate could occur as early as this Wednesday. The legislation suspends redevelopment agency operations between the time the legislation is enacted and July 1, 2011 and eliminates redevelopment agencies on July 1, 2011.

Successor agencies are created to wrap up agency affairs with significant control by an oversight board comprised of seven members. The seven members consist of:

1. one selected by the county board of supervisors,
2. one selected by the city council of the city that formed the agency,
3. one selected by the largest non-enterprise special district,
4. one appointed by the county superintendent of education to represent schools,
5. one appointed by the county superintendent of education to represent community college districts, and
6. one each appointed by the county and county superintendent of education to represent the general public.

Successor agencies are required to continue to make payments due for enforceable obligations, but only in accordance with existing payment schedules. Enforceable obligations include bonds and other financial obligations with outside parties. The approved Budget Conference Committee legislation provides that, "Enforceable obligations do not include agreements between the agency and its legislative body".

Two loans made from the City of Capitola (legislative body) to the Capitola Redevelopment Agency (Agency) are repayable solely from tax increment. These agreements are:

1. \$1,350,000 Purchase and Sale Agreement to acquire the Rispin Mansion property.
2. \$618,028 Loan and Repayment Agreement to repay for past due Agency costs.

While Special Counsel continues to believe the two City loans are valid debt instruments and pledges of tax increment, the proposed legislation explicitly identifies these agreements as unenforceable. By approval of this action, the Board of Directors of the Capitola Redevelopment Agency will authorize and authorize the Executive Director and City Manager to repay two existing loans of \$1.35 million and \$618,028 and apply any available funds as itemized in the amended Cooperation Agreement. Any action to repay these loans will be made on the on-going review of the proposed legislation.


FISCAL IMPACT

The amended Cooperation Agreement pledges \$32 million in Redevelopment Agency funds. The repayment of the two loans reduces future fiscal year interest income to the City by \$153,000, but provides \$1,968,028 in debt repayment to the City's general fund. These funds are unrestricted and can be used to fund City projects and programs. City staff will advise the City Council about the use of these funds at the March 10, 2011, meeting.

ATTACHMENT

1. Amended Cooperation Agreement
2. March 3, 2011 California Redevelopment Agency Legislation Summary

Report Prepared By: Derek Johnson
Community Development Director
Deputy Executive Director

**Reviewed and forwarded by City
Manager/Executive Director:** 

**AMENDMENT TO THE FEBRUARY 24, 2011
COOPERATION AGREEMENT BETWEEN THE
CITY OF CAPITOLA AND THE
REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA**

The following is an Amendment, to the Cooperation Agreement dated February 24, 2011 (this “**Agreement**”) is entered into this 8th day of March, 2011 (“**Effective Date**”), by and between the CITY OF CAPITOLA, a California municipal corporation (“**City**”), and the REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA, a public body, corporate and politic (“**Agency**”).

RECITALS

- A. The Agency has prepared a Redevelopment Plan (“Redevelopment Plan”) for the Capitola Redevelopment Project Area (“Project Area”), which results in the allocation of taxes from the Project Area to the Agency for purposes of redevelopment. The intent of the Redevelopment Plan is, in part, to document blighted conditions in the Project Area and identify projects that the Agency intends to pursue.
- B. The City and the Agency entered into a Loan and Repayment Agreement on December 13, 2001 to repay for past due costs of \$618,028, and establish a mechanism for reimbursement of specified future administrative costs incurred by the City in furtherance of the redevelopment program including housing.
- C. The City and the Agency entered into a Purchase and Sale agreement on July 24, 2003 to purchase the Rispin Mansion property for \$1,350,000 and the Agency agreed to make payments pursuant to the “Promissory Note “ attached as Exhibit B to the July 24, 2003 purchase agreement. Section 6 of the Promissory Note provides that the principal may be prepaid in whole or in part at any time without penalty.
- D. Pursuant to Section 33220 of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) (“CRL”), the Agency and the City entered into a Cooperation Agreement on February 24, 2011 for the purpose of obtaining the City’s assistance and cooperation in the implementation and completion of the Projects and to provide funding necessary to effectuate the completion of the Projects and existing financial obligations.
- E. The City and the Agency have determined that it is to the public benefit for the City and the Agency to amend the February 24, 2011 Cooperation Agreement to provide for the prepayment of \$1,350,000 for the Rispin Mansion Purchase and Sale Agreement and \$618,028 for the Loan and Repayment Agreement for past due costs.
- F. Exhibit A to this Amendment Agreement provides for the prepayment of outstanding Agency debt to the City and reallocates projected Agency operating tax increment to fund debt, pass-through agreements, capital and planning projects, operating administration, and affordable housing obligations.

AMENDMENT TO THE 2011 COOPERATION AGREEMENT

NOW, THEREFORE, for and in consideration of mutual covenants set forth herein, the City and the Agency agree to amend section 3. of the Agreement to read as follows:

3. Projects

“The City agrees to design and cause the construction and installation of and carry out the projects, provide assistance to the Agency in the completion of the projects to serve and benefit the Project Area, authorize and accept the prepayment of the loan on the Rispin sale, authorize and accept the prepayment of City loan for past due costs; and authorize and accept prepayment of City costs for the elimination of blight on the Rispin Property as described in Exhibit A as amended on March 8, 2011.”

IN WITNESS WHEREOF, the parties hereto have caused the Amendment to be executed by their respective representatives thereunto duly authorized as of the date first written above.

AGENCY:

CITY:

REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA, a public body,
corporate and politic

CITY OF CAPITOLA, a California municipal
corporation

By: _____
Jamie Goldstein
Executive Director

By: _____
Jamie Goldstein
City Manager

ATTEST:

ATTEST:

By: _____
Pamela Greeninger, Secretary

By: _____
Pamela Greeninger, City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: _____
T. Brent Hawkins, General Counsel

By: _____
John Barisone, City Attorney

**EXHIBIT A
PROJECTS/PROGRAMS**

Redevelopment Agency of the City of Capitola			
Committed obligations			
Contract with	Amount	Notes	Funding Source
Debt			
1 Santa Cruz County	\$ 2,490,000	Capitola Library Construction Contract	Projected RDA operating tax increment
2 City of Capitola	\$ 1,350,000	Rispin Land Purchase Cooperative Agreement	Operating Reserves
3 Chase NYC	\$ 1,178,100	Tax Allocation Note	Projected RDA operating tax increment
4 City of Capitola	\$ 618,028	1997-2001 Pass Through Cooperative Agreement Loan	Operating Reserves
5 Santa Cruz County	\$ 91,820	Yrs 1-20 Pass Through Loan - Library	Projected RDA operating tax increment
6 Santa Cruz County	\$ 40,231	Yrs 1-20 Pass Through Loan - Special Districts	Projected RDA operating tax increment
Pass-through agreements			
7 Santa Cruz County	\$ 7,014,220	Pass Through Agreement	Projected RDA operating tax increment
8 Central Fire Protection District	\$ 3,970,100	Pass Through Agreement	Projected RDA operating tax increment
9 Library District	\$ 763,100	Pass Through Agreement	Projected RDA operating tax increment
10 Special Districts	\$ 335,100	Pass Through Agreement	Projected RDA operating tax increment
11 State of California/Santa Cruz County	\$ 289,232	Supplemental Educational Relief Augmentation Fund(SERAF) 2008-09, 2010-11	Projected RDA operating tax increment
12 City of Capitola	\$ 1,223,455	Pass Through Agreement	Projected RDA operating tax increment
Capital projects			
13 Rispin Property Preservation	\$ 655,000	Secure structure and site prep	Operating Reserves
14 Rispin Rehabilitation	\$ 345,000	Rispin Rehabilitation	Projected RDA operating tax increment
15 Clares & Wharf Traffic Calming	\$ 300,000	RDPs Received	Projected RDA operating tax increment
16 Misc Capitol Projects	\$ 107,100	CIP In Project Area	Projected RDA operating tax increment
17 Clares & 41st Overlay	\$ 550,000	2009-2014 Implementation Plan	Projected RDA operating tax increment
18 Library Site Improvements	\$ 1,500,000	Site Improvements & FF&E	Projected RDA operating tax increment
19 Clares//Wharf Road Improvements, Library Parking	\$ 297,039	Additional Library Funding for Clares/Wharf Road Improvements and Library Parking, Property Acquisition	Projected RDA operating tax increment
20 Mall Redevelopment	\$ 1,030,000	CDBG 41st Avenue study improvements	Projected RDA operating tax increment
Project planning			
21 Library	\$ 550,000	EIR, Architechtural Plans, Special Studies	Projected RDA operating tax increment
22 General Plan Update	\$ 186,270	RDA Contribution to General Plan Update	Projected RDA operating tax increment
Operating administration			
23 Audit and Attorney fees	\$ 378,141	Administration Costs	Projected RDA operating tax increment
24 Contract Services fees	\$ 334,901	Administration Costs	Projected RDA operating tax increment
25 RDA Board	\$ 48,000	Administration Costs	Projected RDA operating tax increment
Affordable housing obligations - 20% housing set aside projects			
26 Administrative	\$ 2,371,100	Implementation Plan, RDA cashflow budget	Projected 20% Housing Set Aside
27 Professional services	\$ 560,000	Implementation Plan, RDA cashflow budget	Projected 20% Housing Set Aside
28 Ongoing programs	\$ 2,100,000	Implementation Plan, RDA cashflow budget	Projected 20% Housing Set Aside
29 Other projects and loans	\$ 600,000	Implementation Plan, RDA cashflow budget	Projected 20% Housing Set Aside
30 Affordable Housing Acquistiion	\$ 808,200	Implementation Plan, RDA cashflow budget	Low-Mod Housing Reserves
Total project/program commitments	\$ 32,084,137		

Summary of Budget Trailer Bill to Dissolve Redevelopment

I. General Overview

The draft legislation released by the Department of Finance on February 23 is generally consistent with the Governor's proposal and the general descriptions contained in testimony from the Department of Finance in legislative hearings that took place over the last few weeks. The general outline of the legislation is as follows:

- A. Commencing with the effectiveness of the bill (the day the Governor signs the bill), virtually all redevelopment activity would be suspended except paying existing obligations.
- B. Redevelopment agencies would continue to operate under restrictions until July 1, 2011 when all agencies would be abolished.
- C. Effective July 1, successor agencies would be created and take over the assets and obligation of their former redevelopment agencies.
- D. Successor agency would be charged with wrapping up the operations of the former redevelopment agency under the direction of an oversight board dominated by appointees from education and county interests.
- E. County auditor-controllers would essentially become the treasurers for all the redevelopment agencies in the county.
- F. In 2011-12, \$1.7 billion would be paid from what was formerly tax increment revenues to the State for trial court and Medi-Cal costs. A small amount would allegedly be available for distribution to cities and counties.
- G. In subsequent fiscal years, what was formerly tax increment will be distributed to taxing agencies after first paying amounts due on existing obligations under current payment schedules.
- H. Some, but not all, prior obligations will have priority over payment to the State and taxing agencies. Some obligations which had a first priority on tax increment will be subordinated to payments to the State and taxing agencies.

II. Analysis

A. Findings and Intent

Section 1 contains findings and a general statement of intent. The findings emphasize the growth of redevelopment, the increasing share of property taxes going to redevelopment and the diversion of property tax revenues from so-called core services such as police, fire and schools. The general intent of the Legislature is described as follows:

- 1. Bar redevelopment agencies from incurring new obligations;
- 2. Beginning with FY 2012-13, allocate tax increment like other property taxes, except for enterprise special districts;
- 3. Require a successor agency to settle the affairs of each redevelopment agency; and
- 4. Protect the contractual rights of holders of existing redevelopment agency obligations.

Section 2 amends the provisions of the CRL that establish a statute of limitations on actions challenging the adoption or amendment of redevelopment plans. The statute of limitations is increased from 90 days to three years if the ordinance adopting or amending the plan was adopted after January 1, 2011. This provision has little effect since agencies will not be able to adopt new redevelopment plans under the legislation.

Section 3 amends the section of the CRL that authorizes challenges to the validity of the adoption or amendment of a redevelopment plan or agency bonds through the special validation procedures in the Code of Civil Procedure. The amendment would change the statute of limitations on an action contesting the validity of any bonds from 60 days to three years. This is expected to have a negative impact on the ability to sell any bonds, even those authorized by the legislation. An agency must be able to certify that it can reasonably expect to use tax exempt bond proceeds within three years to avoid federal arbitrage rules. So, in general, bond proceeds will be expended within that three-year period. The language does not address what happens if an action is brought after all the bond proceeds have been expended. If a court determines that the bonds were issued illegally, it is an open question as to whether it can require the agency to return principal to the bondholders or how that would be done if principal were already spent.

Section 4 repeals the provision of existing law that states that any surplus agency money left over after an agency ceases to function vests in the community.

B. Suspension of Redevelopment Agencies

Section 5 deals with suspension of redevelopment agency operations between the time the legislation is enacted and July 1, 2011. Agencies are forbidden from incurring any new or expanding any existing monetary or legal obligations, including the issuance or sale of bonds incurring indebtedness payable from tax increment, refunding bonds or accepting loans. Agencies are likewise forbidden from making any loans or agreeing to provide financial assistance of any kind, entering into contracts or incurring obligations for any purpose, amending or modifying existing agreements, renewing or extending leases, transferring funds out of the housing fund, disposing of assets (including cash and real property), or accepting financial assistance from the State or federal governments. Agencies are forbidden from engaging in redevelopment activities, including preparing adopting or amending redevelopment plans, enacting any new programs, providing any financial assistance, initiating a validation action under Code of Civil Procedure section 860 to validate the issuance of bonds, or commencing condemnation proceedings. The intent of these provisions is to preserve the assets of redevelopment agencies to the maximum extent possible so those assets not needed to pay prior obligations can be used for local government services such as police, fire and schools. Agencies may continue to act only to perform their obligations under "enforceable obligations," which are defined as existing bonds, loans of money borrowed by the Agency for a lawful purpose, legally binding and enforceable contracts, payments, judgments, and settlements and to preserve all assets. During this interim period agencies are required by the legislation to continue to make scheduled payments under enforceable obligations, set aside or maintain any reserves

required in connection with outstanding agency bonds, preserve assets and records and minimize liabilities of the agency, cooperate with successor agencies and take reasonable measures to avoid triggering an event of default under any enforceable obligations.

C. Dissolution of Redevelopment Agencies; Creation of Successor Agencies

Section 6 dissolves redevelopment agencies effective July 1, 2011. Successor agencies are created as successors to the former redevelopment agencies. The successor agency is the city or county that authorized creation of the redevelopment agency, unless the city or county elects to not serve as the successor agency. If the city or county elects not to serve as the successor agency, then any local agency can serve that role. The successor agency shall be designated as the first local agency that delivers a copy of a resolution of the local agency board electing to serve as the successor agency to the redevelopment agency. If no local agency makes such an election, then a new “designated local authority” will be formed, and a threemember board will be appointed by the Governor. The powers of redevelopment agencies are vested in these successor redevelopment agencies, except as repealed by this legislation.

Section 34174 would be added to the H&S Code and state that on the effective date of the legislation “all agency loans, advances, or indebtedness, and interest thereon, shall be deemed extinguished and paid” for the purposes of Article XVI, section 16 of the Constitution. This is apparently an attempt to repeal Article XVI, section 16 by statute. Having done that, the Legislature is then free to reallocate what was formerly tax increment as if it were ordinary property taxes under its authority given by Proposition 13. The legislation goes on to say, however, that “any legally binding obligations that were entered into with a pledge of tax increment shall continue to have the revenues that were *formerly tax increment . . .*” So, the Legislature eliminates a pledge of revenues based on the constitution and substitutes a pledge based on statute. These provisions clearly violate both Article XVI, section 16 and the contract clauses of the Federal and State Constitutions.

All assets of the former redevelopment agencies are transferred to their successor agencies effective July 1, 2011.

A city or county may elect to retain the housing assets and functions of its former redevelopment agency. If so, all rights powers assets, etc., associated with the housing activities of the agency along with any amounts in the housing fund are transferred to the city or county. It does not appear that the city or county would be entitled to continue to receive the 20% housing set-aside, as the sections that address the distribution of tax increment do not appear to provide a continuing set aside of a portion of tax increment for housing. If a city or county does not elect to retain the housing function, then those rights, powers and assets are transferred either to a local housing authority, or if there is none, to the Department of Housing and Community Development. It is unclear when this transfer of assets would take place, or whether the city or county could opt to not serve as the successor entity, but could still receive

the housing set aside funds. There are provisions of the bill that suggest that the successor agency would retain control of the housing set-aside and have the ability to pay agency obligations with the housing set-aside funds (see Section 34177(m)(1)).

Successor agencies are required to continue to make payments due for enforceable obligations, but only in accordance with existing payment schedules. They may also perform obligations required to carry out enforceable obligations. Enforceable obligations include bonds and other financial obligations with outside parties. Enforceable obligations do not include agreements between the agency and its legislative body. Enforceable obligations may also include performance under an approved development project if construction, site remediation, design, or environmental assessment work or property acquisition is required by the former redevelopment agency and either (1) substantial performance of the contract has taken place prior to the effective date of the act, or (2) it is approved by the oversight board because it is beneficial for the taxing entities to continue with the project. They are authorized to dispose of agency assets and otherwise wind up agency operations “as directed by the oversight board.” Such disposal is to be done expeditiously and in a manner aimed at maximizing value. Any proceeds from the disposal of assets will be remitted to the county auditor-controller to be remitted to the other taxing agencies as property tax in the manner described in Section 34188 of the act (described below).

The successor agency may pay administrative costs in connection with its responsibilities from tax increment revenues equal to the greater of (1) five percent of the property tax allocated to the successor agency for the 2011-12 fiscal year and three percent for each subsequent year, or \$250,000. Any such administrative payments are subject to the approval of the oversight board, and subject to the availability of funds after payment of other required amounts, as described below in Section F.

Successor agencies may elect to retain properties or other assets for future redevelopment activities funded from their own funds and under their own auspices but, in order to do so, must reach an agreement with the other taxing agencies to provide payments to them in proportion to their shares of the property tax and have the projects approved by the oversight board.

D. Oversight Boards

Oversight boards are composed of 7 members: one selected by the county board of supervisors, one selected by the city council of the city that formed the agency, one selected by the largest non-enterprise special district, one appointed by the county superintendent of education to represent schools, one appointed by the county superintendent of education to represent community college districts and one each appointed by the county and county superintendent of education to represent the general public. The legislation does not address how the composition would change for county redevelopment agencies. Obviously, the composition of the oversight board is heavily weighted towards schools, with a majority of the board being appointed by the education establishment. The oversight board may direct staff of the successor agency, but it has no financial responsibility. The successor agency has

financial responsibility, but the county auditor-controller controls the funds. This is a model for governmental chaos. The oversight board must approve any actions of any consequence with respect to the use or disposition of former agency assets. The oversight board is required to direct the successor agency to dispose of all assets and properties of the former redevelopment agency, except those deemed part of approved development projects, expeditiously and in order to maximize value for the taxing agencies. The oversight board is additionally directed to cease performance in connection with and terminate all existing agreements that do not qualify as “enforceable obligations.” Since all legal contracts and agreements constitute “enforceable obligations” under the act, this requirement would only apply to illegal contracts. The State and some oversight boards will presumably take the position that City-Agency cooperation agreements and other agreements are not legally enforceable and can be terminated by the successor agency at the direction of the oversight board.

E. Role of Auditor-Controller

The legislation outlines a vastly expanded role for the county auditor controller – essentially becoming the treasurer for every successor agency in the county. The following describes the new role:

1. Unencumbered funds and proceeds from any asset sales are to be remitted to county auditor-controller for distribution to the taxing agencies.
2. The county auditor-controller is required to conduct a financial audit of each redevelopment agency in the county and complete it by October 1, 2011. The audits are intended to establish each redevelopment agency’s assets and liabilities.
3. Annually, the county-auditor controller must determine the amount of property taxes that would have been allocated to each redevelopment agency using current assessed values, statutory pass-through agreements, contractual pass-through agreements, etc., and deposit that amount in a fund administered by the county. It appears that there will be a fund created for each agency, rather than each project area.
4. Prepare estimates of amounts to be distributed from the fund administered by the county and provide those estimates to the entities receiving distributions and the State Department of Finance twice yearly.
5. Disburse proceeds of asset sales or reserve balances received from the successor entities to taxing entities.
6. Make a comprehensive report to the Department of Finance annually on amounts paid from the county administered fund.
7. Charge all of these costs to the county administered fund.

F. Disbursement of Funds

For the 2011-12 fiscal year, the county auditor-controller shall disburse money from the county administered fund for each agency in the following order of priority:

1. First, to any contractual or statutory pass-through payments that would be due to taxing agencies if the redevelopment agency had remained in existence;
2. Second, to pay each agency’s proportionate share of a \$1.7 billion payment to the

State to be used for trial courts and State health care costs. Each agency's share will be determined by the State Director of the Department of Finance. The Director will use the 2008-09 Report of Financial Transactions of Redevelopment Agencies to estimate each agency's share after paying enforceable obligations and pass-through payments;

3. Third, to successor agencies for payment of scheduled obligations due under enforceable obligations between January 1, 2012 and July 1, 2012. These amounts are transferred into a separate fund that is administered by the successor agency;
4. Fourth, to each successor agency for administrative costs. Administrative costs are limited to the greater of 5% of tax increment for FY 2011-12 and 3% of tax increment for subsequent years, or \$250,000, and must be approved by the oversight committee;
5. Fifth, any amount remaining to cities, counties and non-enterprise special districts. If the city or county that established the redevelopment agency opts not to serve as the successor agency, then the local agency serving as the successor agency will receive that city or county's share of this amount. If the county opts not to administer its share of the \$1.7 billion payment to the State, then the county's share of this amount will be disbursed to the local agency that administers that fund.

Notwithstanding this order of payment, the act then states that if the successor agency determines that the amount in the county administered fund will be insufficient to pay the total amounts due as described above, the successor agency must report that fact to the county auditor-controller prior to December 1, 2011 and May 1, 2012. If the county auditor-controller concurs, the county auditor-controller must report that fact to the State Controller prior to December 10, 2011 and May 10, 2012. If the State Controller concurs that the funds are insufficient, then the shortfall shall be deducted first from the amounts disbursed under #5 above, then from the administrative costs paid under #4 above, then from the agency's share of the \$1.7 billion payment. Further, the act states that if the agency has subordinated the pass-through payments to any pledge of tax increment revenues, then the short-fall will be deducted from the pass-through payments prior to any amounts needed to pay bond debt service. So, the priority order listed in the act does not appear to be the true order of payment. There is no deadline for the State Controller to make its determination on any shortfall, and no provisions that address what will happen if the county auditor-controller or the State Controller does not make its determination in a timely manner.

For the 2012-13 and subsequent fiscal years, funds would be disbursed by the county auditor-controller in the same order of priority as above except that: (1) The first priority of payments includes statutory pass-through payments to schools and community college districts and contractual pass-through payments to all taxing entities, but excludes statutory pass-through payments to other taxing entities; (2) the \$1.7 billion payment to the State is omitted; and (3) school districts and community colleges are added to the list of taxing agencies that would receive a distribution of any left-over revenue.

The remaining funds to be distributed to the taxing entities after payment of pass-through payments, enforceable obligations, and administrative costs are distributed in the following manner:

1. Any pass-through amounts already paid are deducted from each taxing entities share of property taxes;
2. The county will receive any funds that would otherwise have been provided to enterprise special districts, except that the county does not receive amounts from those special districts that are exempted from paying into ERAF (which include hospital districts, transit districts and certain other special districts listed in Rev. and Tax Code section 97.3(c)(2));
3. Special districts with enterprise and non-enterprise functions receive a pro-rated share proportionate to their county-wide share of property tax based on non-enterprise functions;
4. Each agency's share is based on property tax allocations in effect at the time of distribution, without the revenue exchange amounts allocated in order to carry out the revenue swapping procedures known as the "triple flip." The school and community college shares are based on the share that would have been received by schools and community colleges serving the territory of the former redevelopment agency. It is not clear if this refers to the redevelopment project area or the jurisdiction of the community.

G. Effect on CRL

A new H&S Section 34189 of the bill provides that, commencing on the effective date of the bill, "provisions of the CRL that depend on the use of property tax increment allocable to any jurisdiction other than a city, city and county, or county operating a redevelopment plan under its own auspices shall be inoperative." No tax increment can be pledged except by a city or county operating under its own auspices and using only its own tax increment.

The bill has an urgency clause, enabling it to become effective immediately upon signature by the governor.



Item #: 2.

CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

SPECIAL MEETING OF MARCH 8, 2011

FROM: CITY MANAGER/EXECUTIVE DIRECTOR'S OFFICE

DATE: MARCH 8, 2010

SUBJECT: CONSIDERATION OF AUTHORIZATION TO THE CITY MANAGER/EXECUTIVE DIRECTOR TO TRANSFER THE OWNERSHIP OF THE RISPIN MANSION SITE (ASSESSOR PARCEL NUMBERS 035-371-01 AND 035-371-02) FROM THE REDEVELOPMENT AGENCY TO THE CITY

Recommended Action: By motion and roll call vote, that the City Council and Redevelopment Agency Directors take the following actions:

1. That the Redevelopment Agency Board of Directors approve a Resolution authorizing the execution of A Property Conveyance Agreement with the City Of Capitola for the conveyance of certain real property (Rispin Mansion site: (Assessor Parcel Number 035-371-01 and 035-371-02) located in the Redevelopment Project Area.
 2. That the City Council approve a Resolution authorizing the execution of A Property Conveyance Agreement with the City Of Capitola for the conveyance and acceptance of certain real property (Rispin Mansion site: (Assessor Parcel Number 035-371-01 and 035-371-02) located in the Redevelopment Project Area.
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BACKGROUND

The Governor of California put forth a budget proposal that includes elimination of redevelopment as of July 1, 2011. The California Legislative Analyst's Office recommended to the State Legislature that urgency legislation be adopted to prohibit redevelopment agencies from entering into new contractual agreements or issuing bonded debt subsequent to the Governor's announcement.

The proposed legislation, if enacted, may result in the transfer of all Redevelopment Agency assets, including real property, from the Agency to a successor agency. The successor agency, as proposed in the legislation, would be governed by an oversight board comprised of seven members, of which the City would appoint one member. The remaining members would be appointed by the County, school district, and county superintendent of education.

DISCUSSION

The Redevelopment Agency currently holds title to two pieces of property associated with the Rispin Mansion site. A third piece of property to the north, primarily comprised of undeveloped land, is held by the City. The property ownership and condition is summarized below:

APN	Current Owner	Improvements	Notes
035-371-01	RDA	Rispin Mansion / Rispin Peery Trail	Includes area encumbered by public access easement and location of historic Rispin Gardens
035-371-02	RDA	Driveway entrance to Rispin, well house, portion of fountain	Entire property is encumbered by a conservation easement
035-011-07	City	Undeveloped	

Staff recommends that the City accept the Rispin Property as a means of preserving authority over financing and future uses as it is a critical public property located in the city of Capitola.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

No specific development is contemplated under the proposed title transfer and no change to the physical environment. As a result, the project is exempt from the California Environmental Quality Act pursuant to Section 15061(b)(3) Pursuant to Section 15004(b)(2)(A) of the Guidelines for the implementation of the California Environmental Quality Act ("CEQA"), the Agreement is exempt from the requirements of CEQA because the future use of the Development Parcels for the Proposed Developments and the Parcels for the Public Improvements is conditioned upon CEQA compliance as more particularly set forth in the Agreement, and the City Council retains full discretion in approving, denying, or conditioning any land use entitlement, or any other planning approval, necessary for the development of the Public Improvements by the City or its designated successor public agency; and

Pursuant to Section 15061(b)(3) of the CEQA Guidelines, the Agreement is exempt from the requirements of CEQA because it can be seen with certainty that there is no possibility that adoption of this Agreement may have a significant effect on the environment, in that the use of the Property will not change or otherwise be modified following the conveyance by the Agency to the City pursuant to the Agreement without the prior completion of any further environmental review required by CEQA, nor does adoption of this Agreement commit the City to any particular use of the Property.

FISCAL IMPACT - Unknown.

ATTACHMENTS

- Attachment 1: RDA Conveyance Resolution
- Attachment 2: City Acceptance of Conveyance Resolution
- Attachment 3: City Rispin Resolution Certificate of Acceptance
- Attachment 4: RDA-City Rispin Property Conveyance Agreement

Report Prepared By: Jamie Goldstein
City Manager/Executive Director

**Reviewed and Forwarded by City
Manager/Executive Director:** 

AGENCY RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF THE REDEVELOPMENT AGENCY OF
THE CITY OF CAPITOLA AUTHORIZING THE EXECUTION OF A
PROPERTY CONVEYANCE AGREEMENT WITH THE CITY OF CAPITOLA
FOR THE CONVEYANCE OF CERTAIN REAL PROPERTY LOCATED IN
THE REDEVELOPMENT PROJECT AREA**

WHEREAS, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*: the "Redevelopment Law"), the City Council (the "City Council") of the City of Capitola (the "City") has adopted, and the Capitola Redevelopment Agency (the "Agency") is responsible for implementing, the Redevelopment Plan (the "Redevelopment Plan") for the Capitola Redevelopment Project Area (the "Project Area"); and

WHEREAS, the Agency is engaged in various activities in its efforts to remove the blighting conditions that still remain in the Project Area; and

WHEREAS, the Agency is responsible for administering the Redevelopment Plan to cause redevelopment of the Project Area; and

WHEREAS, the Agency owns certain undeveloped real property within the Project Area (the "Property") which are slated to remain in public ownership and developed with public improvements (the "Public Improvement Parcels"); and

WHEREAS, the Agency desires to enter into a property conveyance agreement (the "Agreement") with the City, substantially in the form on file with the City Clerk and the Agency Secretary, under which the Agency would convey to the City, and the City would accept from the Agency, the Property, and following such conveyance, the City would take such actions necessary to identify beneficial public improvements consistent with the applicable Redevelopment Plan and facilitate development of such improvements on the Public Improvement Parcels (each a "Public Improvement"); and

WHEREAS, the Property is more particularly described in the Agreement; and

WHEREAS, the conveyance of the Property by the Agency to the City is authorized by Section 33432 of the Redevelopment Law; and

WHEREAS, the City's acceptance of the Property conveyed by the Agency is authorized by Section 33420(g) of the Redevelopment Law; and

WHEREAS, pursuant to Section 33205 of the Redevelopment Law and as more particularly described in the Agreement, the Agency desires to delegate to the City all of its powers and functions with respect to the planning or undertaking of activities necessary to effectuate the development of the Property and to authorize the City to carry out and perform such powers and functions for the Agency; and

WHEREAS, pursuant to Section 15004(b)(2)(A) of the Guidelines for the implementation of the California Environmental Quality Act ("CEQA"), the Agreement is exempt from the requirements of CEQA because the future use of the Public Improvement Parcels for the Public Improvements is conditioned upon CEQA compliance as more particularly set forth in the Agreement, and the City Council retains full discretion in approving, denying, or conditioning any land use entitlement, or any other planning approval, necessary for the development of the Public Improvements by the City or its designated successor public agencies; and

WHEREAS, pursuant to Section 15061(b)(3) of the CEQA Guidelines, the Agreement is exempt from the requirements of CEQA because it can be seen with certainty that there is no possibility that adoption of this Agreement may have a significant effect on the environment, in that the use of the Property will not change or otherwise be modified following the conveyance by the Agency to the City pursuant to the Agreement without the prior completion of any further environmental review required by CEQA, nor does adoption of this Agreement commit the City to any particular use of the Property; and

WHEREAS, the staff report and the above recitals (the "Recitals") (collectively, the "Supporting Documents") form the evidentiary basis and establish the analytical route for reaching the ultimate findings and conclusions contained in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, by the Board of the Redevelopment Agency of the City of Capitola, as follows:

Section 1. Recitals Correct. The Agency finds that the above Recitals are true and correct and have served, together with the other Supporting Documents, as the basis for the findings and approvals set forth below.

Section 2. CEQA Actions. The Agency Executive Director is hereby authorized and directed to file a Notice of Exemption with respect to the Agreement in accordance with the applicable provisions of CEQA.

Section 3. Approval of Agreement. Pursuant to Sections 33432 and 33420(g) of the Redevelopment Law, the Agency Board hereby approves the Agreement and all ancillary documents, including but not limited to, grant deeds (the "Grant Deeds"); approves execution of the Agreement by the Agency Executive Director, approves the execution by the Agency Executive Director of the Grant Deeds, and all ancillary documents in substantially the form on file with the City Clerk and the Agency Secretary, with such changes as are approved by the Agency signatory (such approval to be conclusively evidenced by the execution of the Agreement); and approves the conveyance of the Property by the Agency pursuant to the provisions of the Agreement.

Section 4: Delegation of Powers and Functions. Pursuant to Section 33205 of the Redevelopment Law, the Agency Board hereby delegates to the City all of its powers and functions with respect to the planning or undertaking of activities necessary

to effectuate the development of the Property in accordance with the Agreement and the City is hereby authorized to carry out and perform such powers and functions for the Agency; and

Section 5. No Effect on Land Use Entitlements. Nothing in this Resolution shall affect the City’s policy discretion in granting or denying the land use entitlements, or any other planning approvals necessary for the development of the Public Improvements by the City or its designated successor public agency on any particular Public Improvement Parcel.

Section 6. Effective Date. This Resolution shall take immediate effect upon adoption.

PASSED AND ADOPTED by the Board of Directors of the Redevelopment Agency of the City of Capitola on this 8th day of March, 2011, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:
- DISQUALIFIED:

Dennis R. Norton, Chairperson

ATTEST:

Pamela Greeninger, Secretary

APPROVED AS TO FORM:

Barbara E. Kautz
RDA Special Counsel

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
AUTHORIZING THE EXECUTION OF A PROPERTY CONVEYANCE AGREEMENT
WITH THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA FOR THE
CONVEYANCE OF CERTAIN REAL PROPERTY LOCATED IN THE
REDEVELOPMENT PROJECT AREA**

WHEREAS, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*: the "Redevelopment Law"), the City Council (the "City Council") of the City of Capitola (the "City") has adopted, and the Capitola Redevelopment Agency (the "Agency") is responsible for implementing, the Redevelopment Plan (the "Redevelopment Plan") for the Capitola Redevelopment Project Area (the "Project Area"); and

WHEREAS, the Agency is engaged in various activities in its efforts to remove the blighting conditions that still remain in the Project Area; and

WHEREAS, the Agency is responsible for administering the Redevelopment Plan to cause redevelopment of the Project Area; and

WHEREAS, the Agency owns certain undeveloped real property within the Project Area (the "Property") which is slated to remain in public ownership and developed with public improvements; and

WHEREAS, the City desires to enter into a property conveyance agreement (the "Agreement") with the Agency, substantially in the form on file with the City Clerk and the Agency Secretary, under which the Agency would convey to the City, and the City would accept from the Agency, the Property, and following such conveyance, the City would take such actions necessary to identify beneficial public improvements consistent with the applicable Redevelopment Plan and facilitate development of such improvements on the Property (each a "Public Improvement"); and

WHEREAS, the Property is more particularly described in the Agreement; and

WHEREAS, the conveyance of the Property by the Agency to the City is authorized by Section 33432 of the Redevelopment Law; and

WHEREAS, the City's acceptance of the Property conveyed by the Agency is authorized by Section 33420(g) of the Redevelopment Law; and

WHEREAS, pursuant to Section 33205 of the Redevelopment Law and as more particularly described in the Agreement, the City desires to accept the Agency's delegation to the City of all of the Agency's powers and functions with respect to the planning or undertaking of activities necessary to effectuate the development of the Property and to acknowledge that the City is authorized to carry out and perform such powers and functions for the Agency; and

WHEREAS, pursuant to Section 15004(b)(2)(A) of the Guidelines for the implementation of the California Environmental Quality Act ("CEQA"), the Agreement is exempt from the requirements of CEQA because the future use of the Property for the Public Improvements is conditioned upon CEQA compliance as more particularly set forth in the Agreement, and the City Council retains full discretion in approving, denying, or conditioning any land use entitlement, or any other planning approval, necessary for the development of the Public Improvements by the City or its designated successor public agencies; and

WHEREAS, pursuant to Section 15061(b)(3) of the CEQA Guidelines, the Agreement is exempt from the requirements of CEQA because it can be seen with certainty that there is no possibility that adoption of this Agreement may have a significant effect on the environment, in that the use of the Property will not change or otherwise be modified following the conveyance by the Agency to the City pursuant to the Agreement without the prior completion of any further environmental review required by CEQA, nor does adoption of this Agreement commit the City to any particular use of the Property; and

WHEREAS, the staff report and the above recitals (the "Recitals") (collectively, the "Supporting Documents") form the evidentiary basis and establish the analytical route for reaching the ultimate findings and conclusions contained in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Capitola, as follows:

Section 1. Recitals Correct. The City Council finds that the above Recitals are true and correct and have served, together with the other Supporting Documents, as the basis for the findings and approvals set forth below.

Section 2. CEQA Actions. The City Manager is hereby authorized and directed to file a Notice of Exemption with respect to the Agreement in accordance with the applicable provisions of CEQA.

Section 3. Approval of Agreement. Pursuant to Sections 33432 and 33420(g) of the Redevelopment Law, the City Council hereby approves the Agreement and all ancillary documents, including but not limited to, grant deeds (the "Grant Deeds"); approves execution of the Agreement by the City Manager, approves the execution by the City Manager of the Grant Deeds, certificates of acceptance, and all ancillary documents in substantially the form on file with the City Clerk and the Agency Secretary, with such changes as are approved by the City signatory (such approval to be conclusively evidenced by the execution of the Agreement); and approves the acceptance of the Property by the City pursuant to the provisions of the Agreement. This Resolution constitutes the resolution of acceptance by the City Council of the conveyance of the Property for the purposes of Government Code Section 27281.

Section 4: Delegation of Powers and Functions. Pursuant to Section 33205 of the Redevelopment Law, the City Council accepts the Agency Board's delegation to the City all of the Agency's powers and functions with respect to the planning or undertaking of activities necessary to effectuate the development of the Property in accordance with the Agreement and acknowledges that the City is hereby authorized to carry out and perform such powers and functions for the Agency; and

Section 5. No Effect on Land Use Entitlements. Nothing in this Resolution shall affect the City's policy discretion in granting or denying the land use entitlements, or any other planning approvals necessary for the development of the Public Improvements by the City or its designated successor public agency on any particular portion of the Property; and

Section 6. Effective Date. This Resolution shall take immediate effect upon adoption.

PASSED AND ADOPTED by the City Council of the City of Capitola on this 8th day of March, 2011, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:
- DISQUALIFIED:

Dennis R. Norton, Mayor

ATTEST:

_____, MMC
Pamela Greeninger, City Clerk

APPROVED AS TO FORM:

John G. Barisone, City Attorney

**CERTIFICATE OF ACCEPTANCE
(Pursuant to Government Code 27281)**

This is to certify that the interest in real property conveyed by the Grant Deed from the Redevelopment Agency of the City of Capitola, a public body, corporate and politic, dated March 8, 2011, to the City of Capitola, a municipal corporation (the "City") is hereby accepted on March 8, 2011, by the undersigned officer or agent on behalf of the City pursuant to authority conferred by resolution of the City Council adopted on March 8, 2011, and the City consents to the recordation of said document in the Office of the Recorder of Santa Cruz County, State of California.

Dated: March 8, 2011

By: _____

Name: _____

Its: _____

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CRUZ)

On _____, 2011 before me, _____,
Notary Public, personally appeared _____

_____, who
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

PROPERTY CONVEYANCE AGREEMENT

This Property Conveyance Agreement (the "Agreement") is entered into as of March 8, 2011, by and between the Redevelopment Agency of the City of Capitola, a public body corporate and politic (the "Agency"), and the City of Capitola, a municipal (the "City"), with reference to the following facts and purposes:

RECITALS

A. The City Council (the "City Council") of the City has adopted and amended, from time to time, the Redevelopment Plan (the "Redevelopment Plan") for the Capitola Redevelopment Project Area (the "Project Area"), in accordance with the California Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.; the "Redevelopment Law").

B. The Agency is responsible for administering the Redevelopment Plan to cause the elimination of blight and the redevelopment of the Project Area, including the provision of public improvements, the development of commercial and other facilities to promote economic revitalization and the provision of jobs for residents of the Project Area, and development of affordable housing for low and moderate-income households.

C. To assist in implementing the Redevelopment Plan, the Agency has adopted a five (5)-year implementation plan (the "Implementation Plan") pursuant to Section 33490 of the Redevelopment Law.

D. In accordance with the Redevelopment Plan, the Agency has acquired certain parcels of real property within the Project Area, as more particularly described in the attached Exhibit A, (each of which is referred to as a "Parcel", and, collectively, are referred to as the "Property"). The Parcels (APN 035-371-01 and 035-371-02) are planned for the development of various public improvements, including a park and related public improvements.

E. In furtherance of the goals and objectives of the Redevelopment Plan, the Implementation Plan, and the City's General Plan (the "General Plan"), the Agency desires to convey the Property to the City, and the City desires to acquire the Property from the Agency. The Agency and the City desire to enter into this Agreement to effectuate the transfer of the Property by the Agency to the City and to establish the parties' mutual agreement regarding the redevelopment of the Property.

F. Following the conveyance of the Property to the City, the City intends, consistent with the Redevelopment Plan, the Implementation Plan and the General Plan, to facilitate the development of appropriate public improvements (the "Public Improvements") on the Parcels, using funds provided by the Agency and other funds that are determined by the City to be made available from time to time for such purpose (collectively, the "Available Public Improvement Funds"), all as more fully set forth in Section 2 below.

G. Pursuant to California Health & Safety Code Section 33205, the Agency desires to delegate to the City all of its powers and functions with respect to the planning and undertaking of activities necessary to effectuate the development of the Property and to authorize the City to carry out and perform such powers and functions for the Agency in connection with such development.

H. The conveyance of the Property by the Agency to the City is authorized by California Health & Safety Code Section 33432. The City's acceptance of the Property conveyed by the Agency is authorized by California Health & Safety Code Section 33220(g).

I. Pursuant to Section 15004(b)(2)(A) of the Guidelines for the implementation of the California Environmental Quality Act ("CEQA"), the Agreement is exempt from the requirements of CEQA because the future use of the Development Parcels for the Proposed Developments and the Parcels for the Public Improvements is conditioned upon CEQA compliance as more particularly set forth in the Agreement, and the City Council retains full discretion in approving, denying, or conditioning any land use entitlement, or any other planning approval, necessary for the development of the Public Improvements by the City or its designated successor public agency; and

J. Pursuant to Section 15061(b)(3) of the CEQA Guidelines, the Agreement is exempt from the requirements of CEQA because it can be seen with certainty that there is no possibility that adoption of this Agreement may have a significant effect on the environment, in that the use of the Property will not change or otherwise be modified following the conveyance by the Agency to the City pursuant to the Agreement without the prior completion of any further environmental review required by CEQA, nor does adoption of this Agreement commit the City to any particular use of the Property.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, the Agency and the City agree as follows:

Section 1. Conveyance. Subject to the terms and conditions set forth below, the Agency agrees to convey, and the City agrees to accept conveyance of, the Property.

Section 2. Consideration for Conveyance. The Agency shall convey the Parcels in consideration for the City's agreement to facilitate development of appropriate Public Improvements on each Parcel. The City may itself develop and own the Public Improvements on a particular Parcel or may convey a particular Parcel to another public agency for development of the applicable Public Improvements. In facilitating the development of the Public Improvements on each Parcel, the City shall use the Available Public Improvement Funds. Nothing in this Agreement shall obligate the City to spend or apply any source of funds other than the Available Public Improvement Funds toward the development of any Public Improvements on any Parcel.

The City shall facilitate development of the Public Improvements on each Parcel in accordance with all applicable laws and regulations, including without limitation, laws and regulations related to competitive bidding of public works projects, payment of prevailing wages, non-discrimination, and the use of tax-exempt bond proceeds, if and to the extent such tax-exempt bond proceeds constitute a portion of the Available Public Improvement Funds. The City shall use diligent good faith efforts to facilitate completion of the various Public Improvements on the Parcels by not later than the deadline for effectiveness of the Redevelopment Plan for the Project Area within which the particular Parcel is located.

Prior to the approval, use of Available Public Improvement Funds, and commencement of work on any Public Improvements (other than preliminary feasibility work that is exempt from the requirements of CEQA), all necessary environmental review required by CEQA shall be completed. All Public Improvements to be developed on the Parcels must be consistent with CEQA. This Agreement in no way limits the discretion of the Planning Commission, the Agency, and the City Council in completing environmental review of the Public Improvements to be developed on the Parcels.

Section 3. Method of Conveyance. As soon as practicable following execution of this Agreement, the Agency shall convey the various Parcels comprising the Property to the City by grant deeds (each a "Grant Deed"), substantially in the form of the attached Exhibit B and Exhibit C, to be recorded in the official records of the County Recorder for Santa Cruz County. The date of execution of the Grant Deeds is referred to in this Agreement as the "Conveyance Date." Ad valorem property taxes and assessments, if any, shall be prorated as of the Conveyance Date. The Agency shall pay all costs of conveyance.

Unless the parties agree otherwise, the City and the Agency shall establish an escrow with a mutually acceptable title company (the "Title Company") to effectuate the conveyance of the Property. The Agency and the City shall execute any and all documents reasonably necessary or appropriate to close the conveyance of the Property pursuant to the terms of this Agreement.

Section 4. Condition of Title. The condition of title on the Conveyance Date shall be as set forth in the preliminary title report for each Parcel issued by the Title Company (collectively, the "Preliminary Title Reports"). In connection with and as a condition of closing, and unless otherwise waived by the City, the Agency shall cause to be delivered by the Title Company to the City a commitment for (and promptly after closing shall cause delivery by the Title Company to the City of) an ALTA extended owners title policy for the Property consistent with the terms of the Preliminary Title Reports. The costs of the title policy shall be borne by the Agency.

Section 5. Condition of Property. In fulfillment of the purposes of Health and Safety Code Section 25359.7(a), the parties acknowledge and agree that the Agency has provided the City with all information in its possession regarding the existence and/or release of hazardous substances on or beneath the Property, and that the provision of such information constitutes the

written notice required to be given by the Agency to the City pursuant to Health and Safety Code Section 25359.7(a).

The Agency shall indemnify, defend and hold the City harmless from any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses) imposed upon or incurred by or asserted against the City and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) any presence of any hazardous materials in, on, above, or under any Parcel prior to the Conveyance Date; (b) any actual or proposed investigation, assessment, remediation or monitoring of any hazardous materials, under, on or above any Parcel prior to the Conveyance Date, whether or not any such activity is voluntary or pursuant to court or administrative order; (c) any past, present or threatened non-compliance or violations of any hazardous materials laws, any order of any governmental authority issued under any hazardous materials laws as a result of any hazardous materials in, on, above, or under any Parcel prior to the Conveyance Date; (d) third party claims concerning hazardous material relating to matters that initially arose prior to the Conveyance Date; or (e) any third party claims relating to matters that arose before the Conveyance Date. Each indemnified party may make all reasonable decisions with respect to their representation in any legal proceeding, including, but not limited to, the selection of attorney(s). The Agency shall pay immediately upon the City's demand any amounts owing under this indemnity.

Section 6. Representations and Warranties. The Agency represents, warrants and covenants to the City, as of the date of this Agreement and as of the Conveyance Date, as follows:

(a) No Condemnation. To the best of the Agency's knowledge, there is no pending or threatened condemnation or similar proceeding affecting the Property, or any portion thereof, nor does the Agency have any knowledge that any such action is contemplated.

(b) No Proceedings. To the best of the Agency's knowledge, there are no legal actions, suits, or other legal or administrative proceedings, including condemnation cases pending or threatened against or affecting the Property or the Agency's title to the Property. The Agency has not received notice from any public agency or entity with respect to any future proceeding or basis for any future proceeding against or affecting the Property or any part of the Property, or concerning any existing or potential, past, present or future toxic or hazardous material or conditions at the Property.

(c) Clear Title. The Agency is the owner of the Property and has marketable and insurable fee simple title to the Property free of restrictions, leases, liens and other encumbrances, except for the matters set forth in the Preliminary Title Reports. During the term of this Agreement, the Agency shall not convey or accept any offer to convey the Property or any portion of the Property nor shall the Agency encumber or permit encumbrance of the Property in any way nor grant any property, contract or occupancy right relating to the Property or any

portion thereof without the prior written consent of the City, which may be withheld in the City's sole and absolute discretion.

Section 7. Operation of the Property.

(a) Prior to the Conveyance Date. Prior to the Conveyance Date, the Agency shall maintain the Property in its current condition.

(b) After the Conveyance Date. After the Conveyance Date, and prior to the disposition of any Parcel to another public agency for development of Public Improvements, as applicable, the City shall maintain each Parcel in its current condition.

Section 8. No Brokers. Each party represents to the other that it has not had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any real estate broker or other person who can claim a right to a commission or finder's fee. If any broker or finder makes a claim for a commission or finder's fee based upon a contact, dealings, or communications, the party through whom the broker or finder makes this claim shall indemnify, defend with counsel of the indemnified party's choice, and hold the indemnified party harmless from all expense, loss, damage and claims, including the indemnified party's attorneys' fees, if necessary, arising out of the broker's or finder's claim.

Section 9. Delegation of Powers. Pursuant to California Health & Safety Code Section 33205, the Agency delegates to the City all of its powers and functions with respect to the planning and undertaking of activities necessary to effectuate the development of the Property in accordance with this Agreement, and authorizes the City to carry out and perform such powers and functions for the Agency in connection with such development. The City hereby accepts such delegation from the Agency

Section 10. General Provisions.

(a) Headings. The title and headings of the various sections hereof are intended for means of reference and are not intended to place any construction on the provisions hereof.

(b) Invalidity. If any provision of this Agreement shall be invalid or unenforceable the remaining provisions shall not be affected thereby, and every provision hereof shall be valid and enforceable to the fullest extent permitted by law.

(c) Attorneys' Fees. In the event of any litigation between the parties hereto to enforce any of the provisions of this Agreement, the unsuccessful party to such litigation agrees to pay to the successful party all costs and expenses, including reasonable attorneys' fees incurred by the successful party, all of which may be included as part of the judgment rendered in such litigation.

(d) Entire Agreement. The terms of this Agreement are intended by the parties as a final expression of their agreement and may not be contradicted by evidence of any

prior or contemporaneous agreement. The parties further intend that this Agreement constitute the exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial proceedings involving this Agreement. No provision of this Agreement may be amended except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(e) Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto, whether voluntary or by operation of law.

(f) Time of the Essence. Time is of the essence in this Agreement.

(g) Exhibits. All exhibits attached hereto are incorporated in this Agreement by this reference.

(h) Actions of the Parties. Whenever this Agreement calls for or permits an Agency approval, determination, consent, election, or waiver, the written approval, determination, consent, election, or waiver of the Agency Executive Director or the Executive Director's designee shall constitute the approval, determination, consent, election, or waiver of the Agency, without further authorization required from the Agency Board. Whenever this Agreement calls for or permits City approval, determination, consent, election, or waiver, the written approval, determination, consent, election, or waiver of the City Manager or the City Manager's designee shall constitute the approval, determination, consent, election, or waiver of the City, without further authorization required from the City Council.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Attest:

REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA

By: _____
Jamie Goldstein, Executive Director

Date: _____

CITY OF CAPITOLA
CITY COUNCIL

By: _____
Jamie Goldstein, City Manager

Date: _____

EXHIBIT A

SUMMARY DESCRIPTION OF THE PROPERTY

FUTURE USE	APN	Site Address
Public Park	035-371-01	2000-2005 Wharf Road
Public Park	035-371-02	2000-2005 Wharf Road

City of Capitola
420 Capitola Ave.
Capitola, CA 95010
Attn: City Manager

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 27383

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged,

The Redevelopment Agency of the City of Capitola, a public body, corporate and politic (the "Grantor"), acting to carry out redevelopment purposes pursuant to the Community Redevelopment Law of the State of California, hereby grants to the City of Capitola, a political subdivision of the State of California (the "Grantee"), the real property (the "Property") described in Attachment No. 1 attached hereto and incorporated in this Grant Deed by this reference.

1. The Property is located within the Capitola Redevelopment Project Area (the "Project Area") and is subject to the Capitola Redevelopment Plan (the "Redevelopment Plan").

2. In accordance with the terms of the Conveyance Agreement between the Grantor and Grantee dated as of March 8, 2011 (the "Agreement"), the Grantee hereby covenants and agrees, for itself and its successors and assigns, to pursue the redevelopment of the Property in furtherance of the Redevelopment Plan.

3. The Grantee covenants and agrees, for itself and its successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, age, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Grantee itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property and the improvements thereon.

All deeds, leases or contracts made relative to the Property thereon or any part thereof, shall contain or be subject to substantially the following non-discrimination clauses:

In Deeds:

"(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a)

and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed, nor shall the grantee or any person claiming under or through the grantee, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

In Leases:

"(1) Lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee or any person claiming under or through the lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

In Contracts:

"(1) There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit

any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

4. The covenant contained in Sections 2 regarding the use of the Property shall remain in effect until the expiration of the effectiveness of the Redevelopment Plan. The covenants contained in Section 3 regarding non-discrimination shall remain in effect in perpetuity.

5. The covenants contained in this Grant Deed shall, without regard to technical classification or designation, legal or otherwise specifically provided in this Grant Deed, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of and enforceable by the Grantor, its successors and assigns, and any successor in interest to the Property or any part thereof, and such covenants shall run in favor of the Grantor and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor is or remains an owner of any land or interest therein to which such covenants relate. In the event of any breach of any of such covenants, the Grantor and such aforementioned parties shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor, its successors and such aforementioned parties.

6. Only the Grantor, its successors and assigns, and the Grantee and the successors and assigns of the Grantee in and to all or any part of the fee title to the Property shall have the rights to consent and agree to changes or to eliminate in whole or in part any of the covenants contained in this Grant Deed or to subject the Property to additional covenants, easements, or other restrictions. For purposes of this Section, successors and assigns of the Grantee shall be defined to include only those parties who hold all or any part of the Property in fee title, and not to include a tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under deed of trust, or any other person or entity having an interest less than a fee in the Property.

7. This Grant Deed may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Grant Deed as of this

GRANTOR:

REDEVELOPMENT AGENCY OF THE CITY OF
CAPITOLA, a public body, corporate and politic

By: _____

Name: _____

Its: _____

GRANTEE:

CITY OF CAPITOLA, municipal corporation

By: _____

Name: _____

Its: _____

ATTACHMENT NO. 1

PROPERTY DESCRIPTION

The land referred to herein is described as follows:

SITUATE IN THE CITY OF CAPITOLA, COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

PARCEL ONE:

BEGINNING ON THE NORTHEASTERLY LINE OF THE COUNTY ROAD LEADING FROM SOQUEL TO SOQUEL WHARF AT THE MOST SOUTHERLY CORNER OF LOT 1 OF BLOCK "P", AS SAID LOT AND BLOCK ARE DELINEATED AND SO DESIGNATED ON THAT CERTAIN MAP ENTITLED, "MAP OF CAPITOLA HEIGHTS", ETC., FILED FOR RECORD AUGUST 15, 1907, IN BOOK 13 OF MAPS, AT PAGE 31, SANTA CRUZ COLINTY RECORDS, /I.IND RUNNING THENCE ALONG SAID NORTHEASTERLY LINE OF SAID COUNTY ROAD, THE FOLLOWING COURSES AND DISTANCES: NORTH 21 DEGREES 27' 30" WEST 490.46 FEET; THENCE NORTH 18 DEGREES 38' WEST 110.86 FEET; THENCE NORTH 15 DEGREES 21' WEST 798 .32 FEET; THENCE NORTH 26 DEGREES 37' WEST 62.32 FEET; THENCE NORTH 38 DEGREES 24' WEST 72.50 FEET; THENCE NORTH 57 DEGREES 14' WEST 98.21 FEET; THENCE LEAVING SAID NORTHEASTERLY LINE OF SAID COUNTY ROAD NORTH 51 DEGREES 56' EAST 303.23 FEET TO THE CENTER OF SOQUEL CREEK; THENCE DOWN THE CENTER OF SAID CREEK THE FOLLOWING COURSES AND DISTANCES, SOUTH 13 DEGREES 10' EAST 126.74 FEET; THENCE SOUTH 3 DEGREES 31 ' WEST 81.61 FEET; THENCE SOUTH 31 DEGREES 32' EAST 558.63 FEET; THENCE SOUTH 5 DEGREES 15' WEST 404.69 FEET; THENCE SOUTH 17 DEGREES 57' EAST 575.66 FEET TO A POINT ON THE SOUTHEASTERLY LINE OF THE AFORESAID LOT 1 OF BLOCK "P" OF CAPITOLA HEIGHTS; THENCE LEAVING SAID CREEK AND ALONG SAID SOUTHEASTERLY LINE OF SAID LOT 1, SOUTH 65 DEGREES 07' 30" WEST 124.92 FEET TO THE PLACE OF BEGINNING. EXCEPTING THEREFROM SO MUCH OF THE ABOVE DESCRIBED PARCEL OF LAND AS WAS CONVEYED TO BRADLEY M. MC DONALD, ET AL, BY DEED RECORDED ON FEBRUARY 1,1951, IN VOLUME 808, OF OFFICIAL RECORDS, AT PAGE 520, SANTA CRUZ COUNTY RECORDS.

ALSO EXCEPTING THEREFROM SO MUCH OF THE ABOVE DESCRIBED PARCEL OF LAND AS WAS CONVEYED TO CHARLEY ASHTON, ET UX., BY DEED RECORDED JULY 26 , 1957, INVOLUME 1141, OF OFFICIAL RECORDS, AT PAGE 186, SANTA CRUZ COUNTY RECORDS. ALSO EXCEPTING THEREFROM SO MUCH OF THE ABOVE DESCRIBED PARCEL OF LAND AS WAS CONVEYED TO EDWIN G. SPAITH, ET UX., BY DEED RECORDED SEPTEMBER 22, 1961 IN VOLUME 1425, OF OFFICIAL RECORDS, AT PAGE 402, SANTA CRUZ COUNTY RECORDS. ALSO EXCEPTING THEREFROM THAT PORTION DESCRIBED IN THAT CERTIFICATE OF COMPLIANCE RECORDED OCTOBER 3, 1996 IN BOOK 5917, PAGE 484, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEING A PORTION OF THE LANDS CONVEYED TO CAPITOLA PUBLIC FACILITIES CORPORATION, A MUNICIPAL CORPORATION BY GRANT DEED DATED DECEMBER 3, 1985 AND RECORDED DECEMBER 31, 1985 IN BOOK 3926 OF OFFICIAL RECORDS AT PAGE 107, SANTA CRUZ COUNTY RECORDS, AND MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS TO WIT: BEGINNING AT THE NORTHWESTERN CORNER OF THE LANDS CONVEYED TO EDWIN G.SPAITH AND JUNE M. SPAITH, HIS WIFE, IN JOINT TENANCY, BY GRANT DEED DATED SEPTEMBER 18TH, 1961 AND RECORDED SEPTEMBER 22, 1961 IN VOLUME 1425 OF OFFICIAL RECORDS AT PAGE 402, SANTA CRUZ COUNTY RECORDS IN THE NORTHEAST LINE OF THE COUNTY ROAD LEADING FROM SOQUEL TO SOQUEL WHARF AS SHOWN AND DELINEATED ON THE MAP ENTITLED, "MAP OF CAPITOLA HEIGHTS", FILED FOR RECORD ON AUGUST 15,1907 IN BOOK 13 OF MAPS AT PAGE 31, SANTA CRUZ COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING ALONG SAID NORTHEASTERN LINE AND BOUNDARY OF SAID FIRST MENTIONED LANDS CONVEYED TO THE CAPITOLA PUBLIC FACILITIES CORPORATION, BEING THE SOUTHWESTERN BOUNDARY OF BLOCK P AS SHOWN ON THE AFORESAID MAP NORTH 15 DEGREES 21' WEST 334.31 FEET TO AN INTERSECTION WITH THE EASTERLY PROLONGATION OF THE CENTERLINE OF GRACE STREET, 60 FEET WIDE, (SHOWN AS RODEO AVENUE ON THE AFORESAID MAP) THENCE LEAVING SAID LAST MENTIONED LINE OF THE COUNTY ROAD AND BOUNDARY OF THE LANDS OF CAPITOLA PUBLIC FACILITIES CORPORATION AND BLOCK P AND ALONG THE AFORESAID EASTERLY PROLONGATION NORTH

89 DEGREES 47' EAST 272.21 FEET TO THE NORTHEASTERN BOUNDARY OF SAID LANDS CONVEYED TO THE CAPITOLA PUBLIC UTILITIES CORPORATION IN THE CENTER OF SOQUEL CREEK; THENCE ALONG SAID LAST MENTIONED BOUNDARY AND THE CENTER OF SAID CREEK SOUTH 5 DEGREES 15' WEST 250.57 FEET, A LITTLE MORE OR LESS TO THE NORTHEASTERN CORNER OF THE AFOREMENTIONED LANDS CONVEYED TO SPAITH; THENCE ALONG SAID LAST MENTIONED BOUNDARY SOUTH 65 DEGREES 19' WEST 176.95 FEET, A LITTLE MORE OR LESS TO THE PLACE OF BEGINNING.

APN: 035-371-01

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CRUZ)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CRUZ)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

City of Capitola
420 Capitola Ave.
Capitola, CA 95010
Attn: City Manager

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 27383

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged,

The Redevelopment Agency of the City of Capitola, a public body, corporate and politic (the "Grantor"), acting to carry out redevelopment purposes pursuant to the Community Redevelopment Law of the State of California, hereby grants to the City of Capitola, a political subdivision of the State of California (the "Grantee"), the real property (the "Property") described in Attachment No. 1 attached hereto and incorporated in this Grant Deed by this reference.

8. The Property is located within the Capitola Redevelopment Project Area (the "Project Area") and is subject to the Capitola Redevelopment Plan (the "Redevelopment Plan").

9. In accordance with the terms of the Conveyance Agreement between the Grantor and Grantee dated as of March 8, 2011 (the "Agreement"), the Grantee hereby covenants and agrees, for itself and its successors and assigns, to pursue the redevelopment of the Property in furtherance of the Redevelopment Plan.

10. The Grantee covenants and agrees, for itself and its successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, age, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Grantee itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property and the improvements thereon.

All deeds, leases or contracts made relative to the Property thereon or any part thereof, shall contain or be subject to substantially the following non-discrimination clauses:

In Deeds:

"(1) Grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a)

and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed, nor shall the grantee or any person claiming under or through the grantee, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

In Leases:

"(1) Lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee or any person claiming under or through the lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

In Contracts:

"(1) There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit

any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1)."

11. The covenant contained in Sections 2 regarding the use of the Property shall remain in effect until the expiration of the effectiveness of the Redevelopment Plan. The covenants contained in Section 3 regarding non-discrimination shall remain in effect in perpetuity.

12. The covenants contained in this Grant Deed shall, without regard to technical classification or designation, legal or otherwise specifically provided in this Grant Deed, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of and enforceable by the Grantor, its successors and assigns, and any successor in interest to the Property or any part thereof, and such covenants shall run in favor of the Grantor and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor is or remains an owner of any land or interest therein to which such covenants relate. In the event of any breach of any of such covenants, the Grantor and such aforementioned parties shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor, its successors and such aforementioned parties.

13. Only the Grantor, its successors and assigns, and the Grantee and the successors and assigns of the Grantee in and to all or any part of the fee title to the Property shall have the rights to consent and agree to changes or to eliminate in whole or in part any of the covenants contained in this Grant Deed or to subject the Property to additional covenants, easements, or other restrictions. For purposes of this Section, successors and assigns of the Grantee shall be defined to include only those parties who hold all or any part of the Property in fee title, and not to include a tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under deed of trust, or any other person or entity having an interest less than a fee in the Property.

14. This Grant Deed may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Grant Deed as of this

GRANTOR:

REDEVELOPMENT AGENCY OF THE CITY OF
CAPITOLA, a public body, corporate and politic

By: _____

Name: _____

Its: _____

GRANTEE:

CITY OF CAPITOLA, municipal corporation

By: _____

Name: _____

Its: _____

ATTACHMENT NO. 1

PROPERTY DESCRIPTION

The land referred to herein is described as follows:

SITUATE IN THE CITY OF CAPITOLA, COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS: BEING A PORTION OF THE LANDS CONVEYED TO CAPITOLA PUBLIC FACILITIES CORPORATION, A MUNICIPAL CORPORATION BY GRANT DEED DATED DECEMBER 3, 1985 AND RECORDED DECEMBER 31, 1985 IN BOOK 3926 OF OFFICIAL RECORDS AT PAGE 107, SANTA CRUZ COUNTY RECORDS, AND MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS TO WIT: BEGINNING AT THE NORTHWESTERN CORNER OF THE LANDS CONVEYED TO EDWIN G. SPAITH AND JUNE M. SPAITH, HIS WIFE, IN JOINT TENANCY, BY GRANT DEED DATED SEPTEMBER 18TH, 1961 AND RECORDED SEPTEMBER 22, 1961 IN VOLUME 1425 OF OFFICIAL RECORDS AT PAGE 402, SANTA CRUZ COUNTY RECORDS IN THE NORTHEAST LINE OF THE COUNTY ROAD LEADING FROM SOQUEL TO SOQUEL WHARF AS SHOWN AND DELINEATED ON THE MAP ENTITLED, "MAP OF CAPITOLA HEIGHTS", FILED FOR RECORD ON AUGUST 15, 1907 IN BOOK 13 OF MAPS AT PAGE 31, SANTA CRUZ COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING ALONG SAID NORTHEASTERN LINE AND BOUNDARY OF SAID FIRST MENTIONED LANDS CONVEYED TO THE CAPITOLA PUBLIC FACILITIES CORPORATION, BEING THE SOUTHWESTERN BOUNDARY OF BLOCK P AS SHOWN ON THE AFORESAID MAP NORTH 15 DEGREES 21' WEST 334.31 FEET TO AN INTERSECTION WITH THE EASTERLY PROLONGATION OF THE CENTERLINE OF GRACE STREET, 60 FEET WIDE, (SHOWN AS RODEO AVENUE ON THE AFORESAID MAP) THENCE LEAVING SAID LAST MENTIONED LINE OF THE COUNTY ROAD AND BOUNDARY OF THE LANDS OF CAPITOLA PUBLIC FACILITIES CORPORATION AND BLOCK P AND ALONG THE AFORESAID EASTERLY PROLONGATION NORTH 89 DEGREES 47' EAST 272.21 FEET TO THE NORTHEASTERN BOUNDARY OF SAID LANDS CONVEYED TO THE CAPITOLA PUBLIC UTILITIES CORPORATION IN THE CENTER OF SOQUEL CREEK; THENCE ALONG SAID LAST MENTIONED BOUNDARY AND THE CENTER OF SAID CREEK SOUTH 5 DEGREES 15' WEST 250.57 FEET, A LITTLE MORE OR LESS TO THE NORTHEASTERN CORNER OF THE AFOREMENTIONED LANDS CONVEYED TO SPAITH; THENCE ALONG SAID LAST MENTIONED BOUNDARY SOUTH 65 DEGREES 19' WEST 176.95 FEET, A LITTLE MORE OR LESS TO THE PLACE OF BEGINNING.

APN: 035-371-02

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CRUZ)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF SANTA CRUZ)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public