

**The City of Garden Grove
and
The Garden Grove Housing Authority**

INTER-DEPARTMENT MEMORANDUM

To: Allan L. Roeder
Dept: Interim Director
Subject: APPROVAL OF A WAIVER OF
POTENTIAL CONFLICTS OF
INTEREST RELATING TO LEGAL
REPRESENTATION BY STRADLING
YOCCA CARLSON & RAUTH

From: Susan Emery
Dept: Assistant City Manager
Date: March 24, 2015

OBJECTIVE

The purpose of this report is to request that the City of Garden Grove ("City") and the Garden Grove Housing Authority ("Housing Authority") approve a waiver of a potential conflict of interest relating to legal representation by Stradling Yocca Carlson & Rauth (SYCR).

BACKGROUND/ANALYSIS

The Housing Authority and City are currently in preliminary discussions with Shaheen Sadeghi and Linda Sadeghi, as representatives and principals of The LAB (collectively, the "Developer"), regarding potential downtown development in Garden Grove ("Proposed Development"). SYCR is special counsel to the Housing Authority and the City in many instances for various types of development regarding commercial and low and moderate-income housing developments.

Thomas P. Clark, shareholder at SYCR, has, in the past, provided legal representation to the Developer. To enable SYCR to represent the City and Housing Authority in connection with the Proposed Development, SYCR has requested that the City and Housing Authority sign the conflict waiver submitted herewith to formally acknowledge SYCR's prior representation of the developer and expressly consent to the potential conflicts of interest inherent in SYCR's representation of the City and Housing Authority in connection with the Proposed Development transaction. This waiver would allow attorneys at SYCR, including Mr. Clark, to represent the Housing Authority and the City in connection with the Proposed Transaction. SYCR would not represent the Developer in connection with the Proposed Transaction or any other transaction in which the Developer's interests are directly adverse to the interests of the City or the Housing Authority. Further, SYCR will not provide further representation to the City or the Authority in this matter unless the Developer signs a waiver of the potential conflict as well.

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FINANCIAL IMPACT

None.

RECOMMENDATION

Staff recommends that both the City and Housing Authority:

- Approve the Conflict Waiver with Stradling Yocca Carlson & Rauth relating to legal representation The LAB.



SUSAN EMERY
Assistant City Manager



By: Jim DellaLonga
Senior Project Manager

Attachment: Conflict Waiver

Recommended for Approval



Allan L. Roeder
Interim Director



STRADLING YOCCA CARLSON & RAUTH, P.C.
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NEWPORT BEACH
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SAN DIEGO
SACRAMENTO
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SANTA BARBARA
SANTA MONICA

THOMAS P. CLARK, JR.,
949.725.4140
TCLARK@SYCR.COM

March 18, 2015

Allan L. Roeder, City Manager
*City of Garden Grove and
Garden Grove Housing Authority*
201 South Anaheim Boulevard
10th Floor
Anaheim, California 92805

Re: *Representation of Shaheen Sadeghi, Linda Sadeghi and their development entity,
LAB Holding LLC (collectively "Developer")*

Dear Mr. Roeder:

You have asked us to represent the City of Garden Grove and the Garden Grove Housing Authority (collectively "Garden Grove") in connection with Garden Grove's negotiation with the Developer regarding a proposed real property conveyance and retail development transaction (the "Civic Center Proposal"). In the past, our firm (specifically, the undersigned) was retained by the Developer as legal counsel in connection with a redevelopment project in San Clemente as well as preliminary discussions regarding a potential development in Laguna Niguel. Because of the existence of our prior representation of the Developer, our firm's representation of Garden Grove in connection with the Civic Center Proposal raises a potential conflict of interest for our firm. With respect to Garden Grove, a conflict might arise from a failure to fairly represent Garden Grove's interests in such transaction due to the firm's relationship with the Developer. A conflict might also arise if this firm has obtained confidential information from the Developer or Garden Grove which would give the other party an unfair advantage. Thus, we believe it is necessary to inform you of the potential conflict of interest and obtain a consent from you and the Developer with respect to such conflict.

We will take all necessary and appropriate steps to prevent these potential conflicts from becoming actual conflicts. In the event that an actual conflict of interest should arise which substantially affects our representation of either party, we have a duty to make further written disclosure of that actual conflict to both Garden Grove and the Developer, and to either withdraw from representation of one or both parties or obtain the written consent of both parties before further representing either party.

Rules of Professional Conduct

As attorneys, we are governed by specific rules relating to our representation of clients when present or potential conflicts of interest exist. Rule 3-310 of the Rules of Professional Conduct of the State Bar of California provides, in relevant part, as follows:

- (A) For purposes of this rule:
 - (1) "Disclosure" means informing the client or former client of the relevant circumstances and of the actual and reasonably foreseeable adverse consequences to the client or former client;
 - (2) "Informed written consent" means the client's or former client's written agreement to the representation following written disclosure;
 - (3) "Written" means any writing as defined in Evidence Code section 250.
- (B) A member shall not accept or continue representation of a client without providing written disclosure to the client where:
 - (1) The member has a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; or
 - (2) The member knows or reasonably should know that:
 - (a) the member previously had a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; and
 - (b) the previous relationship would substantially affect the member's representation; or
 - (3) The member has or had a legal, business, financial, professional, or personal relationship with another person or entity the member knows or reasonably should know would be affected substantially by resolution of the matter; or
 - (4) The member has or had a legal, business, financial, or professional interest in the subject matter of the representation.

- (C) A member shall not, without the informed written consent of each client:
 - (1) Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or
 - (2) Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or
 - (3) Represent a client in a matter and at the same time in a separate matter accept as a client a person or entity whose interest in the first matter is adverse to the client in the first matter.
- (D) A member who represents two or more clients shall not enter into an aggregate settlement of the claims of or against the clients without the informed written consent of each client.
- (E) A member shall not, without the informed written consent of the client or former client, accept employment adverse to the client or former client where, by reason of the representation of the client or former client, the member has obtained confidential information material to the employment.
- (F) A member shall not accept compensation for representing a client from one other than the client unless:
 - (1) There is no interference with the member's independence of professional judgment or with the client-lawyer relationship; and
 - (2) Information relating to representation of the client is protected as required by Business and Professions Code section 6068, subdivision (e); and
 - (3) The member obtains the client's informed written consent, provided that no disclosure or consent is required if:
 - (a) such nondisclosure is otherwise authorized by law; or
 - (b) the member is rendering legal services on behalf of any public agency which provides legal services to other public agencies or the public.

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Further, we emphasize that you remain completely free to seek independent counsel at any time, even if you decide to sign the Consent set forth below. Should you have any questions concerning this letter or the Consent, please discuss them with us before signing and returning the enclosed copy of this letter.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

A handwritten signature in black ink, appearing to read 'THOMAS P. CLARK, JR.', is written over the printed name below.

THOMAS P. CLARK, JR.

TPC:ta

cc: Susan Emery, Assistant City Manager
Tom Nixon, City Attorney

CONSENT

The undersigned hereby acknowledges disclosure by Stradling Yocca Carlson & Rauth, a Professional Corporation, of its representation of Shaheen Sadeghi, Linda Sadeghi and their development entity LAB Holding LLC and of potential conflicts as described above, and the undersigned hereby waives the same.

Dated this ____ day of _____, 2015.

CITY OF GARDEN GROVE

Allan L. Roeder, City Manager

GARDEN GROVE HOUSING AUTHORITY

Allan L. Roeder, Director