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The disgruntled residents sued the Association, claiming that the new bylaws punished them for their speech criticizing the Association, and thus violated their First Amendment rights. When their brief turned to the state action issue, it argued that "the city was responsible for the deprivation of their First Amendment rights because the city commanded and encouraged the Association by exercising coercive power or overtly or covertly significantly encouraging" it to act unconstitutionally. In particular, the residents argued that the city encouraged the adoption of the new bylaws by both adopting a grievance procedure and requiring neighborhood organizations to have democratic processes and elections as "preconditions" for the receipt of public funds.

How likely is the court to find state action in this case? Why or why not? What facts would help you make that determination with more confidence? Why would those facts help you?