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City of Santa Maria v. Cohen

Court of Appeal, Third District, California - April 25, 2017 - Cal.Rptr.3d - 11 Cal.App.5th 96 - 2017 WL 1458960 - 17 Cal. Daily Op. Serv. 3962

City, in its own capacity and as successor to city's dissolved redevelopment agency, brought action against Department of Finance and its director for declaratory, injunctive, and writ relief challenging Department's determination that redevelopment property tax trust fund could not be used to pay construction bonds for parking facilities.

The Superior Court determined that city as successor was entitled to use the fund to make the bond payments only to the extent the city's lease payments for parking facilities were insufficient to cover the bond payments. City appealed.

The Court of Appeal held that:

- City was not entitled to use its redevelopment property tax trust fund to pay construction bonds for parking facilities;
- Transferring the obligation to pay the bonds to the city did not violate the city's constitutional debt limit; and
- Department's failure to appeal did not preclude the Court of Appeal from reversing the judgment to the extent that it was in the city's favor.

City, as successor to redevelopment agency, was not entitled to use its redevelopment property tax trust fund to pay construction bonds for parking facilities, regardless of whether the bond payments were "required to be paid from former tax increment revenue," since the obligations were payments scheduled to be made on revenue bonds.

Transferring the obligation to pay construction bonds for parking facilities from a dissolved redevelopment agency to the city that sponsored the agency did not violate city's constitutional debt limit, because the bond debt was held by the city in its separate capacity as the successor to the redevelopment agency, and thus the city and its general fund were insulated from direct liability.

Department of Finance's failure to appeal from the trial court judgment partially granting city's petition for writ of mandate challenging Department's determination that city's redevelopment property tax trust fund could not be used to pay construction bonds for parking facilities did not preclude the Court of Appeal from reversing the trial court's judgment against the Department to the extent that it was in the city's favor, on the city's appeal, since the city's appeal raised the issue of the correct interpretation of the controlling statute.

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