

# **Bond Case Briefs**

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## **REDEVELOPMENT AGENCIES - CALIFORNIA**

### **City of Galt v. Cohen**

**Court of Appeal, Third District, California - June 2, 2017 - Cal.Rptr.3d - 2017 WL 2391690 - 17 Cal. Daily Op. Serv. 5266**

City filed petition for writ of mandate challenging Department of Finance determination that cooperative agreement between city and former redevelopment agency, which obligated agency to issue tax allocation bonds to finance city redevelopment projects, was unenforceable under freeze component of law dissolving redevelopment agencies.

The Superior Court affirmed, and city appealed.

The Court of Appeal held that:

- Projects were not enforceable obligations under law dissolving redevelopment agencies;
- Statute providing that tax allocation bonds issued before last day of year “shall be used for the purposes for which the bonds were sold” retroactively applied ;
- Department did not unconstitutionally impair bond agreements when it determined that proceeds could not be used to fund projects listed in cooperative agreement;
- Cooperative agreement did not give rise to enforceable obligations, despite validation judgment; and
- Equitable estoppel did not apply.

Projects named in cooperative agreement between city and former redevelopment agency and meant to be financed with proceeds of bonds issued by redevelopment agency were not enforceable obligations under law dissolving redevelopment agencies, although payment of the bond debt was enforceable.

Statute providing that tax allocation bonds issued on or before last day of year “shall be used for the purposes for which the bonds were sold” retroactively applied to bonds which redevelopment authority issued after that date, even though bonds were issued prior to effective date of statute. Specific reference to the date of bond issuance in the statute evinced the Legislature’s intent concerning the application of the provision, whether retroactive or prospective.

City lacked standing to argue that not allowing it to use tax allocation bond proceeds to fund projects in cooperative agreement with since-dissolved redevelopment agency unconstitutionally impaired contracts. City lacked any standing to complain that state was impairing its own rights, and city had no standing to assert the rights of the bondholders.

Department of Finance did not unconstitutionally impair bond agreements when it determined that tax allocation bond proceeds could not be used to fund projects listed in cooperative agreement between city and since-dissolved redevelopment agency, which had issued the bonds. Redevelopment agency did not have any obligation to the bondholders to use the bond proceeds to fund the projects, but rather was obliged to make the payments required, and there was nothing to indicate that bondholders would not be paid.

Cooperative agreement between city and since-dissolved redevelopment agency, by itself, did not give rise to enforceable obligations, and thus city could not use proceeds of tax allocation bonds issued by redevelopment agency to complete the cooperative agreement projects despite judgment validating the cooperative agreement. Validation judgment was conclusive and binding as to the cooperative agreement but not to any other contracts, cooperative agreement essentially contained a wish list of projects and the amount redevelopment agency was willing to put toward those projects but did not commit funds obtained by issuing the tax allocation bonds, and projects were not “enforceable obligations” under law dissolving redevelopment agencies.

Department of Finance was not equitably estopped from challenging city’s use of proceeds from tax allocation bonds issued by redevelopment agency to fund projects listed in cooperative agreement between city and former redevelopment agency. Any reliance on Department’s failure to object sooner was not reasonable, as city did not avail itself of the statutory means of obtaining a “final and conclusive” determination of approval for subsequent payments for the proposed enforceable obligations and city entered into the agreement in an effort to avoid planned end of tax increment financing for redevelopment, and estoppel would nullify public policy that tax increment revenue should be used by local governments to fund core governmental services such as fire protection, police, and schools.