

Bond Case Briefs

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REDEVELOPMENT AGENCIES - CALIFORNIA

City of Anaheim v. Cohen

Court of Appeal, Third District, California - August 30, 2017 - Cal.Rptr.3d - 2017 WL 3725650 - 17 Cal. Daily Op. Serv. 8706

City, city housing authority, and successor to dissolved redevelopment agency brought action against Department of Finance for mandamus, declaratory, and injunctive relief arising out of Department's denial of funds from Redevelopment Property Tax Trust Fund.

The Superior Court denied writ petition and dismissed complaint. City appealed.

The Court of Appeal held that:

- Loan agreement between city and successor gave rise to enforceable obligation for which successor could use money from Fund;
- Statutory invalidation of funding agreement between city and city redevelopment agency, as part of statute dissolving former redevelopment agencies, impaired developer's contractual rights; and
- Such impairment violated constitutional contracts clause.

Loan agreement between city and successor to dissolved redevelopment agency gave rise to an enforceable obligation for which successor could use money from Redevelopment Property Tax Trust Fund, even though city provided loan funds directly to contractor instead of to successor. Direct payment to contractor was due to Department of Finance's having thwarted successor's earlier attempt to obtain money from Fund to pay for particular elements of project, and fundamental substance of transaction was a loan under which city was lending money to successor with the right to be paid back.

Failure of successor to redevelopment agency to obtain prior approval from oversight board to enter into loan agreement with city did not render loan agreement unenforceable, and thus successor could receive money from Redevelopment Property Tax Trust Fund for its payment obligations under loan agreement, where such failure did not preclude oversight board from exercising its supervisory power over successor, since oversight board approved, on multiple occasions, payment schedules that included requests for money due under same loan agreement, and oversight board approved loan agreement separately on one occasion, albeit after successor entered into that agreement.

Impairment of developer's contractual rights, through statutory invalidation of funding agreement between city and municipal redevelopment agency, which, in cooperation with housing authority had contracted with developer for revitalization project, exceeded permissible constitutional bounds under the contracts clause, and thus statute was unconstitutional as applied to developer, even though city was still bound to perform its funding obligation under the agreement, where city's funding obligation amounted to less than 20 percent of total funding that was to be provided for project, with remaining 80 percent having been responsibility of redevelopment agency, and justification for statutory impairment of developer's rights was merely to spend money elsewhere.

