

# **Bond Case Briefs**

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## **REDEVELOPMENT AGENCY FUNDS - CALIFORNIA**

### **City of Anaheim v. Cohen**

**Court of Appeal, Third District, California - December 19, 2017 - 18 Cal.App.5th 758 - 2017 WL 6477589 - 17 Cal. Daily Op. Serv. 12, 066 - 2017 Daily Journal D.A.R. 12, 047**

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.

On rehearing, 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;
- Failure of successor to obtain prior approval from oversight board to enter into loan agreement did not render agreement unenforceable;
- Statutory invalidation of funding agreement between city and city redevelopment agency, as part of statute dissolving former redevelopment agencies, impaired developer's contractual rights;
- Impairment of developer's contractual rights violated contracts clauses; and
- Action did not constitute action for damages, and thus city could not recover prejudgment interest.

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.

Statutory invalidation of funding agreement between city and city redevelopment agency, as part of statute dissolving redevelopment agencies, impaired developer's contractual rights, as would support finding of constitutional contracts clause violation, where developer had contracted with city housing authority to carry out revitalization project, and contract expressly anticipated that authority would get bulk of funds from redevelopment agency pursuant to funding agreement.

Fact that statutory invalidation of funding agreement between city and city redevelopment agency,

as part of statute dissolving redevelopment agencies, did not invalidate, release, or extinguish city housing authority's contractual obligation under revitalization agreement to provide funding to developer for project to revitalize neighborhood did not mean that there was no impairment of developer's contractual rights under constitutional contract clauses; total invalidation, release, or extinguishment of contractual obligation was not the sine qua non of an impairment for purposes of contract clauses, and developer's rights under revitalization agreement were impaired when funding agreement was invalidated because authority no longer had access to source of funds for project.

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 clauses, and thus statute was unconstitutional as applied to developer, even though city was still bound to perform its funding obligation under the agreement; city's funding obligation amounted to less than 20% of total funding that was to be provided for project, with remaining 80% having been responsibility of redevelopment agency, and justification for statutory impairment of developer's rights was merely to spend money elsewhere.

Mandamus action by city, as successor to dissolved municipal redevelopment agency, against Department of Finance was not an action for damages, and thus city could not recover prejudgment interest, in case in which city successfully challenged Department's determination that city as successor could not recover funds from Redevelopment Property Tax Trust Fund to meet agency's obligation under funding agreement for revitalization project; city was not seeking a money judgment, Department was not responsible for paying the money at issue, and under writ sought, Department would not be ordered to pay money.