



April 2, 2014

Mary Jo Walker, County Auditor-Controller
County of Santa Cruz
701 Ocean Street, Room 100
Santa Cruz, CA 95060

Dear Ms. Walker:

I am responding on behalf of Finance Director, Michael Cohen, to your correspondence of March 11, 2014, concerning the Department of Finance's (Finance) position on the applicability of redevelopment agency (RDA) tax increment caps within the context of the RDA dissolution statutes.

Finance is aware that the project area plans of most RDAs established prior to the enactment of Assembly Bill 1290 (Chapter 942, Statutes of 1993) contained limits on the amount of property tax increment that the RDAs were allowed to receive. Pursuant to AB 1290, project areas created or expanded subsequent to December 31, 1993, operated under the statutory tax increment caps and time limits contained in that legislation.

In the post-RDA era, the need to uphold a cap that has not yet been reached is questionable, as the RDAs have been dissolved. As the court stated in California Redevelopment Association v. Matosantos (2013) 212 Cal. App. 4th 1457, 1492, "(g)iven that the redevelopment agencies no longer exist, so too do any dollar limits on their funding." In its analysis of ABx1 26, the California Supreme Court made it plain that the "...Legislature has determined that tax increment should no longer be allocated to redevelopment agencies [citation], except insofar as necessary to satisfy existing obligations." (CRA, supra, 53 Cal. 4th at page 263).

In addition, to be consistent with the dissolution law's directive that enforceable obligations are to be paid, Finance believes that relying on a tax increment cap that was not reached prior to the enactment of the dissolution statutes to prevent payment of enforceable obligations is inconsistent with the purpose and intent of the RDA dissolution statutes. Therefore, Finance advises county auditor-controllers to not apply tax increment caps to bar payment of Finance-approved enforceable obligations. The only exception would be if the former RDA had reached that tax increment cap prior to the enactment of ABx1 26 on June 28, 2011.

Thank you for your attention to this matter, and I encourage you to share this letter with the State Association of County Auditors membership. Please contact either me or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546 if we may be of further assistance.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

icc: BOTELHO, HOWARD, HILL, SYMONS, WHITAKER, TAKAGI-GALAMBA, STACY,
ROCKWELL, LOUIE, RENNER, SUESS, FILE

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